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BUSINESS ADMINISTRATION

CHALLENGES FOR THE DEVELOPMENT OF INTELLECTUAL CAPITAL IN ROMANIAN EDUCATION INSTITUTIONS IN THE CONTEXT OF SUSTAINABLE DEVELOPMENT

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The present world undergoes continuous changes. Our society is facing unprecedented challenges, which can be approached in two clear-cut ways. The first perspective deals with sustainable development in order to recognize this unsustainable “journey”, to create solutions accordingly and reverse trends. The second one deals with resource depletion, consumption and quantitative growth only, which guarantees failure. While heading for sustainable development education plays a key role. The education system, particularly the academic one, trains those people who will give the guidelines for the development of our society for the next decades. This paper is aimed to analyse the current situation of the Romanian education and the challenges faced by the Romanian education system from the standpoint of the three components of intellectual capital: human capital, structural capital and relational capital.

Keywords: sustainable development, education, intellectual capital, human capital, structural capital, relational capital

JEL Code: M19

Introduction

The first concerns regarding sustainable development were expressed approximately 35 years ago, in 1972 when the Conference on environmental issues in Stockholm took place. On this meeting, the first warning concerning the impairment of the environment and ecological issues was drawn (Report of the United Nations Conference on the Human Environment, 1972). Human kind, driven by the extensive economic growth goal, keeps neglecting or underestimating the necessity of rethinking all economic activities in terms of sustainable development. In 1992 the United Nations Conference on Environment and Development was organised in Rio de Janeiro and, on this occasion, “Agenda 21” and the “Declaration of Rio de Janeiro” were adopted. These documents represent manifestos for promoting global thinking and orientation from the standpoint of sustainability and underlie the concept of sustainable development (Report of the United Nations Conference on Environment and Development, 1992).

It is easily noticeable that, in the first place, sustainable development is mainly looked at from the ecologic standpoint. In the following years, a new dimension takes shape, the socio-cultural one. Within this approach, the *educational dimension* can be integrated *as seen from the standpoint of human capital development*. Adequate education is already widely known to be the premises for successfully dealing with future challenges. This because progress largely and increasingly depends on the innovation capacity, research and the way future generations adapt to present and future requirements. This perspective also took shape within the Global Summit on Sustainable Development that took place in 2002 in Johannesburg, when most of the action lines mainly concerned the development of human capital (Johannesburg Declaration on Sustainable Development “From our origins to the future”, 2002).

Intellectual capital

The intellectual capital concept is not a new concept, but its importance gained over the past years for the evaluation of the capacity of competition among organisations as well as for the evaluation of their innovation potential in the context of the knowledge-based economy has generated a genuine explosion of researches and studies. Intellectual capital is a fuzzy concept because its boundaries are not clear-cut and it interacts with the concept of human capital. For instance, Stewart (1999) considered intellectual capital to be the sum of everything that everybody in the company knows, which bestows competitive advantage, or to be intellectual resources – knowledge, information, intellectual property, experience –, which can be used to create wealth. This is about collective intellectual power.

The complexity of concepts and ideas from the semantic cluster of intellectual capital has generated different approaches, as well as various research directions. However, as it results from the almost-exhaustive analysis of Andriessen's (2004), the large majority of authors consider intellectual capital to be an organisational potential structured as follows: *human capital, structural capital and relational capital*.

Human capital is crucial because it is the very source of innovation and renewal and it represents the employees' capacity to offer solutions to customers (in the case of the education system, professors, educators and trainers). *Structural capital* refers to the organisational relations that enable the transformation of intellectual potential into concrete actions in order to create value embodied in products and services supplied by the organisation (for instance, the technologies used or the management system). The *relational capital* represents the value of the relations that the organisation has with its stakeholders (for instance the relations between universities and the business environment, industry, high-schools, alumni, between schools and the local community) (Nicolescu& Nicolescu, 2005).

Dynamics of intellectual capital in the Romanian education system

Next, starting from the development guidelines of the education system at global and European level, we shall analyse Romania's current situation and the measures taken at national level. We shall also debate upon the challenges that the education institutions face in Romania from the perspective of the three aforementioned components of intellectual capital.

Nicholas Burnett, the assistant of the General Director for Education in UNESCO, defined *six development dynamics for education*: demand, diversification, institutional networking, life-long learning, ICTs (Information Communication Technology) and social responsibility (Burnett, 2008) at the International Conference – “Higher Education to 2030: What futures for Quality Access in the Era of Globalisation?”, organised in France.

These development guidelines are to be found at European Union level in documents such as the Lisbon Agenda, which aim to transform the European Union into “the most dynamic and competitive knowledge-based economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion, and respect for the environment by 2010” (Lisbon Strategy, 2000). Also, the Bologna Declaration sets as target the creation of a competitive higher education area in the European Union by acknowledging degrees and ensuring common quality standards in Europe (The Bologna Declaration, 1999).

At national level these guidelines are transposed into the “National Strategy for Romania's Sustainable Development, Horizons 2013-2020-2030” adopted on November 12th 2008 by Romania's Government. It is comprised of two chapters on sustainable development in the education field: Education and Training, Scientific research and Technological Development, Innovation.

Romania is trying to keep abreast of *the objectives set at Lisbon*, but the *results* are still below the *European average*: the Romanian average school life expectancy in 2005 was 15.3 years as compared to 17.6 years in the EU-27. The rate of inclusion of people aged 15-24 in education increased from 37.3% in 2000 to 46.1% in 2004, but the early dropout rate is still alarming – 19%

in 2006 – much over the EU-27 average level – 15.2% and over the main objective of 10% set for the application of Lisbon Strategy objectives for the year 2010 (National Strategy for Romania's Sustainable Development, 2008). Equally alarming are the statistics showing that only 11.7% of the adults aged 25-64 are graduates of higher education as compared to 27.7% in the USA, 16.4% in Great Britain or 15.4% in France. Thus, Romania ranks poorly if compared to the requirements of the knowledge-based society.

Even more alarming are the results regarding the Romanian education system delivered by the Assessment performed in 2006 according to the methodology of the Organisation for Economic Cooperation and Development (OECD) under the PISA system (Programme for International Student Assessment) for the general academic results of children aged under 15. This ranking placed Romania 47th out of 57 participating countries, 52.7% of the Romanian pupils being under the scientific literacy level. The PISA report as of 2006 highlights a large variation among the results obtained by pupils from different schools and identifies large performance gaps at pupils coming from the deprived segments of population. As concerns the understanding of environmental issues, less than 40% of the Romanian pupils have succeeded in identifying and explaining them.

(<http://www.oecd.org/dataoecd/15/13/39725224.pdf>)

Human Capital

The jobs in the Romanian education system are not attractive because of the poor remuneration and the lack of accuracy and transparency of the advance criteria. This situation leads to the *human capital crisis in the Romanian education system*. The application of subsistence strategies imposed by the lack of resources (finance as a ratio of GDP three times lower than the EU average) has seriously impaired the attractiveness of the research and implicitly university career. This resulted in a large migration of highly qualified researchers to other industries or abroad. This situation could be improved by adopting the following measures:

- supporting initial and life-long education; facilitating the academics' access to pedagogy and interdisciplinary master's programmes;
- increasing the number of academic exchanges, such as Erasmus, Comenius;
- attracting young researchers into the academic environment by extending their opportunities for doctoral and post-doctoral studies and offering attractive scholarships in this respect;
- improving the recruitment and advance systems for the best graduates of universities within the education field;
- offering special benefits to academics working in rural areas and in institutions for people with special needs.

Structural capital

From the perspective of the structural capital several sensitive directions are identified. Our analysis shows the crisis of the *internal organisation of the education system and its objectives*. The education system is not organised to meet the training needs of children, youngsters and adults according to their cognitive capacities and their personal interests (excessive levelling). Too much attention is paid to the information transfer as compared to the one paid to the development of interactive capacities and attitudes. Thus, graduates are overloaded with facts and information without developing their ability to apply them (Bochniarz, 2006). It is necessary that education services be differentiated and personalised according to age groups and various categories of needs. Overall, the abilities that need to be developed in order to promote sustainability are freeing personality, performance in a specific field, adaptability to new cultures or sets of values, socialisation abilities, leadership, respect for the environment, entrepreneurial culture, civic sense etc. This implies the re-education of teachers in this new direction, but this activity can prove to be extremely expensive. One alternative would be the more active and

numerous attendance of counsellors starting from primary education, in order to identify personal skills and to advise them accordingly in one direction or another.

Our analysis also shows the need for internal organisation of education institutions as entrepreneurial universities. Before 1989 universities would not question their existence and performance because the number of candidates used to be much over the number of available places. Upon graduation, all graduates were guaranteed a job, irrespective of the quality of their degree. There was no such thing as a university to analyse the fluctuations on the labour market, to adjust its education offer accordingly and to organise marketing campaigns in high-schools etc. Also, universities used to be financed equally and in an egalitarian fashion, irrespective of the performances of the academic process or the scientific research. At this moment, a large amount of university finance is done by own resources. On the one hand, competition has increased following the development of the private education system. On the other hand, there is "customers'" migration to foreign education centres. For old public universities, becoming entrepreneurial is a sensitive issue due to their traditional way of doing things and their partial dependence on government regulations and finance (partial autonomy). Just as it is the case of a company, there is a need for professional management and application of strategic management tools: vision, mission, objectives etc. "The functional resizing of universities leads to the fact that they become service suppliers for the society and, as a result, they are in competition with other education service suppliers for obtaining financial and human resources needed for an appropriate functioning. The university has to develop its entrepreneurial behaviour and strategic management that can bestow strategic competitiveness. Warwick University, Great Britain and Twente University, the Netherlands are meaningful examples of entrepreneurial universities with excellent results obtained following the implementation of strategic management." (Bratianu& Lefter, 2001, p.19)

High-tech information and communication technologies used in Romania within the process of teaching/training are much less developed as compared to other EU members. In order to overcome this situation, all the training and improvement programmes for teachers shall include compulsory study modules on the most recent technologies. Similarly, the increasing use of such technologies in all educational field is obvious: distance learning, e-learning, on-line lectures, the creation of the so-called "open universities", e-courses etc. All these new forms of learning render education more accessible, especially for those adults who are already in the labour market. In addition, these methods enhance the international visibility of universities through their access by interested people in other countries.

The curriculum is overly theoretical and not applicative, rigid, past-oriented, unattractive. Recommendations ask for a core curriculum (of around 70%) and elective subjects. In the academic environment, the weight of elective subjects is recommended to be larger. The assessment takes place mainly by direct reproduction, without motivating the interest for knowledge on behalf of pupils and students. Most of the times, the *teaching methods* are also old-fashioned and the exposure prevails. In competitive education systems much more efficient methods are used, such as debate, feedback, direct experiment etc.

Relational capital

As concerns the relational capital, there is a set of strategic directions to be considered. The education system is not *focused on meeting the demand on the labour market*. This issue is frequent in most of the ex-communist countries. During the communist era, the entire education system used to be overly centralised and rigid and it used to function as a linear, determinist and controllable system by the ministry. "Adapting this system to the political, economic and social environment used to be a matter of loyalty and servitude rather than the achievement of an optimum relation among its external forces"(Bratianu& Lefter, 2001, p.19). New fields of study should be introduced in order to meet the demand in the new market economy. More systematic

communication is recommended among the parties of the civil society: state, citizens, companies. More partnerships are desirable among education institutions and companies (pupils/students recruitment, joint research projects, well-established internships etc.). The jobs suppliers need to be encouraged to think on the long term and to pay special attention to their implication in the education process. To this purpose, interaction among universities, the business community and the research-development-innovation sector shall be harnessed by well-established partnerships, including complex *interdisciplinary* “clusters” (Svanstrom& Lozano-Garcia& Rowe, 2008).

Relational capital has been developed by concluding partnerships with foreign universities, taking part in bilateral and cross-border projects. From this standpoint, the Romanian education performs quite well, as there are numerous Erasmus partnerships especially within the Bologna process, as well as exchange programmes, master programmes, joint research programmes etc. At the same time, the participation of the Romanian scientific Diaspora in education programmes and projects assessment in Romania should be fostered.

The involvement of universities in society through the life-long learning process needs to be increased. Given the fact that knowledge advances at an exponential pace in the present society, there is growing need for flexibility and readiness to adapt to new economic contexts, education should not be looked at only from its formal side, which is limited to the school education. Education should extend its informal and non-formal sides, where the local community plays an important role. The education process gains a new dimension; it takes place over the entire life and offers to its participants the possibility to update previously acquired knowledge and abilities so that they can be valorised despite the high level of change. Promoting life-long education in Romania represents a priority given the serious lag behind concerning qualification, requalification, specialisation or professional improvement (5 times lower than the EU average). The curricula and the life-long learning forms address all the age groups and levels of qualification. Still, they have a special importance for youngsters, especially for those who dropped out before graduating, for old people who can still work and the deprived population and other vulnerable groups. As compared to the number of 187,000 of participants in professional qualification and requalification programmes as of 2004, it is expected that these figures reach a minimum of 360,000 by 2015. Continuous development may be a partial solution to demographic issues that Romania is facing, by older generations requalification in order to become competitive on the labour market and to extend their active life.

Conclusions

Considering the above-mentioned analysis, we can state that the Romanian education needs to progress in order to be in line with international standards and to achieve sustainable development for the Romanian society. Education has to meet the citizens’ needs to explore and elaborate strategies, whose accomplishment ensures sustainable development for local communities and contributes to reaching national and global objectives. The Romanian academic environment should pay more attention to the business and local communities in order to faster overcome their requirements and provide appropriate human capital and expertise. There is an urgent need in the Romanian society for changing the features of human capital to build positive attitude, practical skills, and soft competencies like communication, leadership, entrepreneurial and civic sense, which are critical for developing cluster synergy.

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INTERCULTURALITY – A FACTOR OF TOURISM DEVELOPMENT - PART 1 - GASTRONOMY IN TOURISM, ATTRACTION OR IMPEDIMENT

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In order to transmit a culture without altering it, while creating tourism, cultural and religious products, a variety of details must be taken into account regarding the basic tourism services such as accommodations and food. (gastronomy)

These services, especially gastronomy, must be suited for the type of tourism. This must be done because factors such as the environment are important in creating a great experience for the tourist.

Keeping in mind the European Parliament's suggestion to member states to improve tourism and perhaps develop new forms of tourism (such as rural tourism or gastronomic tourism), this study tries to identify what are the best environments for cultural tourism development and even the advertising of certain tourism packages at a national and international level.

Keywords: tourism, gastronomy, tradition, interculturality, advertising, tourism product

Cod JEL:L83, M10, M14, O18

1. INTRODUCTION

During the past few years, tourism and its economic effects have taken place in a large context of the globalized international economy.

The benefits of globalization still remains a controversial issue, especially due to the fact that globalization policies are examined without taking into consideration the interaction of key sectors of industry such as tourism.

Interculturality however, becomes a new way of life in a dynamic globalized society that imposes the conservation of traditions and cultures in order to coordinate and implement respect towards cultural diversity. An important function of interculturality is to determine cultures to coexist and to respect and appreciate each other. This favors the integration of people from various cultural backgrounds into other cultures and eliminates cultural barriers such as the gastronomica, religious, ethnic and linguistic barriers.

Lately, the tourists experience with cultural difference grew (Pizam 1999; Reisinger and Turner 2003; Robinson 1999; Ward, Bochner and Furnham 2001). An interesting subject, as seen by social psychologists and geographers, is the process of learning that tourists undergo while in a tourism environment (Furnham 1984; Furnham and Bochner 1986; Hottola 1999; Pearce 1982).

This study focuses on the emotional aspect of the intercultural experience of tourists with limited empirical evidence but with great potential for development.

Intercultural studies should not be confused with anthropological studies regarding the guest-host relationship (Chambers 1997; Mason 1995; MacCannell 1992; Ross 1998; Smith 1989; Smith and Brent 2001; Yamashita, Kadir and Eades 1997), which generally focus more on the hosts' experiences rather than the tourist's adaptation to the new environment.

The works of Graburn (1989, 2001) and others are interconnected through the ritual of transition and have an interesting potential for future studies regarding the adaptation of tourists. Nowadays a different aspect of intercultural tourism is studied.

As a result of the small number of studies on tourists, the theoretical discussions about the adaptation of tourists remain subordinated to studies regarding stays. A good example of this is the well known U-curve of cultural shock (Furnham 1984; Pearce 1982). Almost five decades have passed since Kalervo Oberg (1960) presented his hypothesis as an explanation of human intercultural adaptation, founded on a large palette of studies about stays in the 50s (Adler 1975; Bochner 1982; Furnham 1984; Smalley 1963).

His work underlines the emotional curve that goes from depression to recovery, going through stages of euphoria, disillusion, hostility, adaptation and assimilation (fig. 1), with a number of names for each stage given by various authors (Pedersen 1995; Sue and Sue 1990).

At first the tourist experiences the joy of arrival, followed later by dissatisfaction and hostility – at the point when he/she encounters reality – and, in the end, adaptation and assimilation. Adaptation and assimilation are the last signs which indicate that the person became part of the host culture.

Today, the expression "cultural shock" is often used in everyday language as an indicator of difficulties experienced by tourists while visiting other countries, activities that last for several weeks rather than years (Pearce 1998; Wearing 2001).

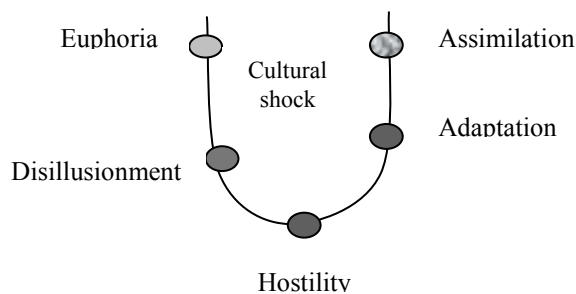


Figure 1. U Curve

The U Curve has been implemented as the dominant explanation of the tourism experience and cultural adaptation.

The cultural information for international tourists available on the Internet, brochures, and travel guides introduce consumers of tourism to the concept of the U Curve.

At the same time, academic literature regarding intercultural adaptation in tourism is based on cultural shock (Furnham 1984; Furnham and Bochner 1986; Graburn 1989, 2001; Hofstede 2001; Kaesbach 1997; Pearce 1982, 1998; Pedersen 1995; Reisinger and Turner 2003; Robinson 1999; van den Berghe 1994; Ward 2001; Westerhausen 2002).

The problem with cultural shock is that it applies to all countries; such as countries that are part of the European Union and countries that will join. The theme of interculturality intersects with that of personal mobility and it applies to countries facing immigration issues as well as countries with emigration issues.

It has been proven that the issue of interculturality applies not only to people who travel for work related purposes but also to those who travel for tourism reasons.

Consequently, The European Parliament invites the member states to improve their tourism image in order to stimulate the development of cultural tourism. Also, member states are invited to take into consideration the emergence of new forms of tourism such as rural or gastronomic

tourism which are beneficial to the hospitality industry but also transmit cultural information regarding people and traditions.

2. GASTRONOMY THROUGHOUT HISTORY

We also must be aware of the fact that, over time, any culture loses some traits and gains others. This process is beneficial to the formation of a European culture and should be accepted.

As for the gastronomy of ancient Europe, our knowledge is greater when we take into consideration the traditions of the ancient Greeks and Romans.

As it is already well known, the Greek and Roman civilizations were the most developed civilizations, covering most of the continent with their influence.

Food had great symbolism and played a role in rituals; in *The Iliad* and *The Odyssey*, there are numerous references to the gifts that the Greeks offered the gods, as per their polytheistic religion. During the Hellenistic period, however, they started to focus on gastronomy (the first cook book – *Hedypathia*, in free translation, to live voluptuously). Contact with the much more advanced Greek culture and the expansion of the Roman Empire fostered links between numerous cultures and the implementation of various influences in different forms.

The discovery of America had a great impact on the European gastronomy. In just a few decades, a vast amount of new ingredients arrived in Europe and mixed with the already existing European ingredients. European cooking as we know it today is, at its core, based on the historical event of the discovery of the new continent.

It will be an era of great chefs, true celebrities; the apparition of restaurants in the form which lasted until the present day; of the writing of cook books by the greatest professionals and the structuring of the noble cooking – complicated, elegant and refined which made France famous and influenced the gastronomy of many other countries.

For a long period of time, up until the first half of the 20th century, gastronomy was a concern of the elite. In 1972, however, there was a great change in cooking. Rejecting the idea of sophisticated, complicatedly cooked and pretentiously served meals, *Nouvelle Cuisine* starts a new era of fresh foods, cooked to be simple and to taste good. Also, *Nouvelle Cuisine* tried to maintain the initial flavor as well as the aesthetics of the meal which the way of preparation – elegant yet simple – had to stand out.

The 20th century also gave us fusion cooking. If, until then, a French meal was French meal and Japanese meal was a Japanese meal, typical of Japan and completely different from the French meal, fusion cooking allows and promises very tasty cultural transfers. Fusion cooking combines elements of several culinary traditions without identifying itself as one particular tradition. Starting in the 1970s, many restaurants started proposing fusion menus based on real facts such as the cultural diversity of their customers, their passion and possibility to travel and the ever increasing complexity of preferences and the need for new experiences.

Experts say that in over 100 years we will go beyond the system of the five basic tastes. What if instead of searching for a permanent supply of food in a supermarket, in standardization a guarantee of quality or in advertisements the truth about the quality of food, we tried to rediscover the link between food and its true sources and tried to judge its quality beyond the prefabricated mentality that is imposed on us? What if we relearned to value food as a gift of Earth, to think of it if not with the adoration with which the Aztecs worshiped corn, at least with the respect with which our grandparents honored bread and with the joy with which they marked every celebration with a feast?

3. GASTRONOMY IN TOURISM – ATTRACTION OR IMPEDIMENT

In the past few years, the study of gastronomy and culinary institutions has become a subdivision of sociological and anthropological research (Beardsworth and Keil 1996; Bell and Valentine

1997; Fine 1996; Lupton 1996; MacClancy 1992; Mennell, Murcott and van Otterloo 1992; Warde 1996; Warde and Martens 2000; Watson 1996).

However, while the relationship between tourism and the different cultural aspects of the destinations – such as art, religion, sexuality – have been studied in detail by researchers of tourism.

The interface between food and tourism has been, until now, neglected by the promoters of tourism as well as the promoters of gastronomy.

In advertising literature, the gastronomy of tourism destinations is heavily endorsed. Of course, the few publications of gastronomic tourism often consider it an important attraction

There are too few studies regarding the culinary habits of tourists or of the processes of transformation of local foods as they are influenced by tourists (Reynolds 1993).

The unusual and familiarity are general categories of world wide interpretation (Schuetz 1944).

These categories have great importance in tourism and have been reminded by Cohen (1972) in a formulation of the types of roles of tourists. His main argument is that tourists travel in search of the unknown but need a certain amount of familiarity in order to be able to enjoy the experience.

In gastronomical sociology, this sizing of familiarity and the unknown is the basis of Fischler's distinction (1988) between "neophobic" and "neophilic" gastronomic tendencies.

According to Fischler, the two tendencies reside in all individuals. People are considerably more skeptical and conservative when it comes to trying new foods. At the same time, however, they are attracted to new and unusual food.

These two terms have roots in biology as well as cultural influences. There are considerable differences between cultures, thus influencing neophilic tendencies to a certain extent.

Up until recently, the majority of Asian people have avoided new food. At the same time, people from the Western world have progressively embraced new food. In every culture, especially in the West, there are great differences between social classes and people. Thus, people can be classified by the predominance of neophilic or neophobic tendencies in gastronomy.

Such a classification can be quite important for the study of culinary habits that people have on a day to day basis.

It could also be considerably significant for the study of food in tourism where people are exposed at a larger scale than on a day to day basis and to types of food that are unusual to them. Of course, the relatively strong neophobic tendencies that a tourist might experience against the neophilic tendencies can be implemented in the construction of a new classification of the culinary sphere, parallel to Cohen's general theory.

However, the main characteristic of the culinary situation that tourists face is the fact that they exaggerate the tension between the neophilic and neophobic tendencies they experience. On one hand, the nourishment implies that the body is used in an unfamiliar environment and its ingestion amplifies the neophobic tendencies. Thus, tourists become skeptical when it comes to consuming unusual food, the ingredients of which are unknown to them. Such a meal can be a threat and implies a greater "survival risk" than other situations. This situation occurs especially when tourists visit developing countries which are prejudicially believed to be mysterious or dangerous. In these cases, neophobia tends to be dominant.

Few are those who can try unusual meals without being interested in its preparation or content prior to eating. "What is this?" is probably the first question tourists ask when they find themselves in front of an unknown dish. Researchers observed that tourists who are otherwise adventurous become picky and skeptical when it comes to trying out new traditional meals

On the other hand, there are always tourists who want to experience new things and are willing to take risks. The trip stimulates their neophilic tendencies, motivating them to try new and unusual meals and drinks.

However, even those willing to try new experiences can be skeptical of local cooking, especially in less developed countries. That is why, it is very important to analyze the local culinary culture

and to examine the obstacles imposed by the tourists. An example regarding the above statement would be a quote from a German tourist in Thailand: "I do not eat meat in Thailand; the people here touch the food with their hands."

One of the first things that tourists avoid when going to a foreign country is the consumption of local water. Many tourists are reluctant when they have to eat at local taverns even though they might seem welcoming.

Such mentalities have led the authors of the book "The Food from Taverns in Thailand" to contradict themselves regarding the prejudicial concept that food from taverns is generally unhygienic. However, after it has been accepted that in and around where food is served in such places there is lack of hygiene, "the horrid image of chickens wandering freely near the place, that of dirty dishes and uncovered condiment containers," authors ask themselves "if millions of people consume this food on a daily basis and nothing happens to them, surely it is not that disastrous, from a medical point of view, for a tourist to try the food once or twice?" (Yee and Gordon 1993).

The tourists' opinion regarding the safety of local food constitutes a great impediment in the development of new culinary experiences. Even when not under neophobic influences, tourists are skeptical when it comes to trying or eating local food and will most likely worry about their health or the disgust generated by the presumptive lack of hygiene of the food. To add to this problem, there is also another impediment hosts may face, such as the rejection of the way the food is to be consumed.

Even when they do not reject the local culinary traditions, tourists can be intimidated by the unfamiliarity of the host. Perhaps the best example of the difficulties encountered by tourists resides in the usage of local eating utensils such as chop sticks, used especially in east and South East Asia.

Differences between cultural categories and nature are even more obvious when raw ingredients are used. In some locations, the "ingredient" is still alive at the arrival of the tourist to the restaurant.

Although criticized, these practices are accepted in the Western civilization through the keeping of live crabs in the restaurant's aquarium and the boiling of them in front of the customers. Seafood restaurants often display the fresh, raw seafood on ice.

Although it is of considerable importance, the role and significance of food in tourism has been surprisingly scarcely discussed in sociological literature.

In this chapter, we started from the tension between attraction and repulsion towards a new dish, analyzing the dilemmas encountered by tourists found in unfamiliar culinary situations.

This chapter was based first and foremost on the variety of experimental constraints in such situations. However, these aspects of local gastronomy, transformed and filtered to a certain extent, have managed to attract tourists.

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EXOGENOUS CHALLENGES FOR THE TOURISM INDUSTRY IN THE BEGINNING OF THE TWENTY FIRST CENTURY

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Tourism is one of the fastest growing industries in the world. Besides its sustained growth the tourism industry has shown in the first years of the twenty first century that it can deal with political, military and natural disasters. The present paper accounts some of the most important exogenous challenges that have hit the industry in different regions of the world. We have tried to present these challenges in a chronological order, not according to their importance.

Key words: crisis, international tourism, travel

The article's JEL code: L83, L93,

Introduction

In the second part of the twentieth century international tourist arrivals increased from 25.3 millions in 1950 to approximately 700 million in 2000, and expenditure from \$ 2.1 billions to 300 billion¹. There is a wide range of factors which can influence the demand for tourism. These factors are normally to be found within the tourist-generating countries. However, there are also pull factors which are often based on tourism attractiveness and are determined within the tourism-receiving country. In this paper we consider the factors which can influence and direct demand. These factors are not necessarily discrete and for the purpose of exemplification certain arbitrary distinctions are made. The exogenous factors that we will take into consideration in this paper are:

- the terrorist attacks of September 11
- wars in Afghanistan and Iraq
- the SARS outbreak
- the tsunami in South East Asia
- the present financial crisis.

1. September 11 – the blow to the travel industry

The events on September 11th 2001 might be the most devastating and future-shaping tragedy in the 21st century. Thousands of people died and the overwhelming majority of casualties were civilians, including nationals of over 90 different countries. Although some authors argue that September 11 appeared to have provided Washington with the green light to stop asking countries if they wanted the U.S. version of "free trade and democracy" and to start imposing it with Shock and Awe military force², we still have to accept the major implications on the politics and economy at a global level.

The year 2001 was the first in almost two decades in which international tourism suffered a negative growth of 0.6 per cent which was due to the impacts of the September 11th terrorist attacks in the USA.

1 Smith, V., Eadington, W., Tourism Alternatives, potentials and alternatives in the development of tourism, University of Pennsylvania Press, Philadelphia, 1992, p.3

2 Klein, N. The Shock Doctrine, Picador Publishing, USA, 2007, p.9.

From the tourism industry's perspective, the airline segment has been most affected and high-end hotels, restaurants, car rental agencies have also seen a marked drop in patronage, for the most part due to the reduction of business travel. Planned, package travel has also been hard hit. Motorcoach tours, and other forms of large group travel, have experienced a high rate of cancellation. The cruise industry has responded by taking ships to the passengers by opening new ports so passengers do not have to fly.³ (p 303)

Because of mass-media coverage, the September 11 attacks hit the tourism industry in London in 2001, accounting for 10 percent and 11 percent drop in visitors and spending, respectively, in comparison with the previous year. The loss in tourism business of the city was estimated at around US\$1.8 billion, and full recovery is not expected in the short term.⁴

However, a few discount airlines and start-up carriers ultimately discovered a new formula for success. The new kids on the block have managed not only to survive but to grow and achieve greater profitability than the high cost major airlines. In the United States, Southwest, Jet Blue, Air Tran, ATA, and a couple of other lowcost, low-fare airlines will soon account for about 40 percent of market share. Their growth has been a greater contributor to the huge losses and bankruptcy filings of major airlines early in the twenty-first century than the terrorist attacks on the New York, or the economic downturn that began in the late 1990s and continued into late 2003. Almost every segment of the travel industry throughout the world now feels strong pressure to reduce costs in order to remain competitive in a fast changing world.⁵

We can consider this one event with global consequences and thus, the travel and tourism industry was also affected.

2. The military conflicts in Afghanistan and Iraq

The war on terror has been characterized as the greatest security challenge in the new millennium.⁶ It started in Afghanistan in 2001 and the stated purpose of the invasion was to capture Osama bin Laden, destroy al-Qaeda, and remove the Taliban regime which had provided support and safe harbor to al-Qaeda. Two years later, in 2003, the war in Iraq began. The reasons for the invasion stated by U.S. officials included Iraq's financial support for the families of Palestinian suicide bombers, Iraqi government human rights abuses, and an effort on the part of the coalition forces to spread democracy in the country and region.

Of course these conflicts had influenced the world economy in general and tourism in particular. In 2002 and 2003 international tourism has been shadowed by the combination of an overall weak economy and a high level of uncertainty because of the struggle against terrorism and the looming Iraq and Afghanistan conflicts. The global economic downturn following the boom and bubble of the late nineties put pressure on expenditure resulting in an increased price sensitivity in general and cost cutting on business travel in particular (less and cheaper). The terrorist attacks of 11 September 2001 added a huge amount of uncertainty to this already difficult climate. The subsequent war on terrorism and the tension resulting from the threat of an intervention in Iraq prolonged this uncertainty even more. For tourism these abrupt changes of conditions resulted not so much in a decrease in overall volume but, above all, shifts in demand towards trips to familiar destinations closer to home by car, coach or train instead of plane. Consumers adopted a wait-and-see attitude, with late bookings as a result. Many sectors went and are still going through a difficult time, in particular airlines and all sectors dependent on long-haul traffic.⁷

3 Taylor, G., Chesworth, N., *Travel styles, Global Tourism* (edited by Theobald W.), Elsevier, USA, 2005, p.303.

4 Aktas, G., Gunlu, E., *Crisis management in tourism destinations, Global Tourism* (edited by Theobald W.), Elsevier, USA, 2005, p.451.

5 Plog, S., *Targeting segments: more important than ever in the travel industry, Global Tourism* (edited by Theobald W.), Elsevier, USA, 2005, p.273.

6 Miller, R., *Funding extended conflicts, Praeger Publishing, USA, 2007, p.69.*

7 *World Tourism Barometer* vol.1, no.1 June 2003

Other products or segments of the market, however, have resisted well or even benefited, such as accommodation other than hotel (apartments, country houses, etc), special interest trips with a high motivation factor related to culture, sports, entertainment, or travel for the purpose of visiting family, friends and relatives.

These conflicts had a major influence for the Middle East tourism. In the Middle East tourism continues to be one of the most dynamic economic sectors. The permanent development of tourism infrastructures, the support and investment of most governments in tourism, the low-cost airline phenomenon and the increasing cooperation regarding border facilities among the countries in the region, along with some difficulties in important generating markets, such as Saudi Arabia, in obtaining visas to the USA and Europe, are all reinforcing intraregional as well as domestic traffic.

3. SARS – Asia in trouble

In 2002, Asia was hit by another challenge – the outbreak of SARS (Severe Acute Respiratory Syndrome).

SARS clearly dominated the results of tourism in Asia and the Pacific in 2003. After a positive beginning for most countries in January and February, the following months brought decreases of over 50%. Although recovery generally came quick, most of the major destinations of the region in North-East and South-East Asia have not been or will not be able to return to end the year with positive figures.

The countries that show the highest decreases over the first eight months of the year are Malaysia (-31%), Guam (-29%), Taiwan (-28%, 7 months), Singapore (-28%) and Indonesia (-21%, 7 months).⁸

International institutions estimated that in 2003: in Vietnam 15% of industry GDP and 62,000 industry jobs will be lost; in Singapore, 43% of industry GDP and 17,500 industry jobs will be lost; in Hong Kong, 41% of industry GDP will be lost, as well as 27,000 industry jobs, representing 38% of total industry jobs in Hong Kong. In China, 25 per cent of the industry GDP will be lost and a total of 2.8 million industry jobs, or one fifth of total industry employment.⁹

4. Tsunami over South East Asia

The 2004 Indian Ocean earthquake was an undersea megathrust earthquake that occurred on December 26, 2004, with an epicentre off the west coast of Sumatra, Indonesia. The world was shocked by the sad news and images of the seaquake and following tsunami in the Indian Ocean affecting the northern provinces of the Indonesian island of Sumatra, the Maldives, the eastern coast of Sri Lanka and India, the Andaman and Nicobar islands, the west coast of Thailand, and to a lesser extent Malaysia, Myanmar, Bangladesh, Somalia, Tanzania, Kenya and Seychelles. More recent analysis compiled by the United Nations lists a total of 229,866 people lost, including 186,983 dead and 42,883 missing.

The incident happened when finally the South-Asian destination were having a prosperous period. Sri Lanka, India, Bangladesh and Maldives all posted double digits.¹⁰ Its greatest impact in tourism terms was on Thailand. In 2004, there were 11.68 million visitors to Thailand, just missing the 12 million target because of the tsunami in the last week of the year. Tourism accounted for 6.4 per cent of the country's US \$164 billion economy in 2004. The tsunami killed more than 5400 people in Thailand, half of them tourists. Although the direct impacts in terms of

8 World Tourism Barometer, volume 1. no.2, October 2003, p.7.

9 http://www.wttc.org/eng/Tourism_News/Press_Releases/Press_Releases_2003/Impact_of_SARS/ last access 3rd May 2009

10 World Tourism Barometer, volume 2. no.1, January 2004, p.7.

destruction of coastal infrastructure were substantial, the greatest effects were with respect to the image of the destination in terms of safety in area affected by the tsunami.¹¹

5. The present financial crisis

Around the world stock markets have fallen, large financial institutions have collapsed or been bought out, and governments in even the wealthiest nations have had to come up with rescue packages to bail out their financial systems. Globally, many people are concerned that those responsible for the financial problems, for example banks, are the ones being bailed out, while on the other hand, a global financial meltdown will affect the livelihoods of almost everyone in an increasingly inter-connected world.

International tourism registered solid growth in the first half of 2008 at around 5% between January and April, compared to the same period of 2007.

The slowdown began with the summer holidays in the northern hemisphere. The panel of experts of the UNWTO World Tourism Barometer¹², which up until then maintained favorable views of the sector's situation, now shows a perceptible loss of confidence regarding the short-term outlook.

Early in 2008, signs of an economic downturn emerged. In considering these matters, the members the UNWTO Executive Council confirmed the deterioration in their own markets, while maintaining the long-term confidence in the resilience of the tourism sector. The challenge lies ahead for late 2008 and the first half of 2009, when the economic slowdown is expected to be more widely felt and consumers might decide to cut back further on their travel expenditures.

Conclusions

One of the most significant observations of flows of international tourists is that there is a great deal of year-to-year stability in aggregate travel patterns. This situation has long been recognized. Nevertheless, identifying causal factors remains useful.¹³

Also we can conclude that all the above mentioned events have taken their toll on the tourism industry. But as we have seen, tourism is expected to continue to grow. The total of international arrivals has grown from 682 millions in 2000 to 924 million in 2008, and we can notice that because of the globalization of tourism different regions were able to sustain the industry while countries were hit by different challenges. However, the nature of this growth and development will in many ways be quite different from that of the previous five decades. As has become abundantly clear over the past several years, the period of the 2000s proved itself to be dramatically different from that of the previous three decades. As a global community we are living through widespread changes whose scope and significance are barely perceptible at this point in time.

Still, the industry has to take care of the endogenous challenges also. The issue of ethics has become increasingly important in both commercial and social life. Ethics refers to the codes by which human behaviour is guided – how people respond to each other, how they travel, how business is done. “In travel and tourism, ethics is concerned with how tourism is managed at the level of both the industry and the individual tourist”.¹⁴

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DEVELOPMENT PERSPECTIVES FOR THE SMES IN BIHOR COUNTY

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By its nature, the SMEs sector is flexible having a great capacity to adapt to the changes occurring on the market. Due to this reason, for most European countries, the SMEs sector has been and still is very carefully treated. The Structure of the SMEs in the Bihor county is similar to that at the national level, and also European, having a weight of the micro-enterprises of 88.7% of the total of SMEs. Bihor county has an important development potential on certain sectors and sub-sectors of the economy, such as: the agriculture, the manufacturing industry and the tourism.

Keywords: SMEs, Bihor regional development, potential, perspectives

Cod JEL lucrare: M21

1. The evolution and structure of the SMEs in Bihor county

In Romania, there have been obvious efforts to stimulate this sector since the 90s. In 2004, the **Governmental SMEs Development Support Strategy, 2004-2008** was adopted. Through the partnership regarding the adhering to the European Union, the Romanian Government took the obligation to strengthen the efficiency of this sector, to encourage the establishment of new enterprises, to develop the entrepreneurial bases and to improve the business environment.

In 2007, the directions of the SMEs development at the national level were: the improvement of the technological and productive capacities, the increase of the quality of products and services, the facilitation of the access to funding and on the export markets, the development of the entrepreneurial culture and the increase of their managerial performances. The year of 2007 is the first year when the economy in Romania functioned as a member of the EU, a year with an economic growth of 6%.

At the end of 2007, at the level of the entire Romanian economy, the SMEs sector recorded, from a demographical point of view, growths both regarding the number of active SMEs as well as the structure on size categories on economic sectors. The SMEs' contribution to the support of the entrepreneurial spirit and to the development of the emerging private sector is a feature of the EU member states.

Table 1 The evolution of the number (absolute, relative, comparative) of active SMEs in Bihor on size classes

Year	Total	out of which: on size classes, according to the average number of employees					
		0 - 9		10 - 49		50 - 249	
2003	13033	11479	88.07%	1229	9.42%	325	2.5%
2004	14364	12742	88.7%	1258	8.7%	364	2.5%
2005	15417	13658	88.59%	1384	8.9%	375	2.4%
2006	16414	14532	88.53%	1527	9.3%	355	2.1%
2007	18010	15976	88.7%	1697	9.42%	337	1.87%

(Source: processing data according to the Bihor County Statistics Office)

The micro-enterprises of Bihor represented in 2007, 3.7% of the total of micro-enterprises at the national level. The small sized enterprises of Bihor had in 2007 a similar percentage of 3.6% and the middle sized enterprises represented 3.5% of the total of middle sized enterprises in Romania.

The classification on categories reflects a structure at the county level almost identical with the one existing at the national level. The overwhelming weight of the micro-enterprises is obvious both at the county level as well as at the national level, meaning over 88% of the total of SMEs. In 2007 the biggest number of active SMEs in Romania was recorded (until 2007), with 18.2% more than in 2000. During 2003-2007 no spectacular changes took place in the structure of Bihor county SMEs. We can notice a slight lowering of the weight in total of the middle sized enterprises in favour of the small sized enterprises.

The analysis of the structure of Bihor county SMEs at the level of 2007 shows the impressive weight of the micro-enterprises, that is 88.7% of the total of SMEs. On the second place, taking into consideration the weight, at a considerable distance, there are the small enterprises with 9.42% of the total, after which there are the middle sized enterprises with 1.87% of the total. At the national and EU level, too, the micro-enterprises are predominant¹⁵.

At the territorial level, the **SMEs density is measured by comparing their number to 1000 inhabitants**. In 2007, the situation at the national level was the following¹⁶:

- Bucharest-Ilfov with 49.9 SMEs at 1000 inhabitants;
- **North – West (Bihor, Satu-Mare, Maramureş, Bistriţa-Năsăud, Sălaj, Cluj-Napoca) with 25.3 SMEs to 1000 inhabitants;**
- The Western area with 24.3 SMEs to 1000 inhabitants;
- Centre with 24.2 SMEs to 1000 inhabitants;
- South – East with 20.4 SMEs to 1000 inhabitants;
- South of Muntenia with 15.8 SMEs to 1000 inhabitants;
- South – West with 15.5 SMEs to 1000 inhabitants;
- North – East with 14.5 SMEs to 1000 inhabitants.

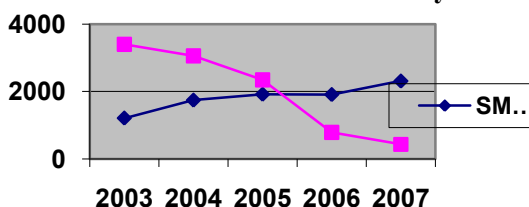
We can notice that the North-East region is on the second position after Bucharest Ilfov as density of the SMEs. **Bihor** county has even a higher **density of SMEs** than the region average, this being of **30.31** for 2007¹⁷. The European average is of 5 SMEs to 1000 inhabitants.

The situation reflects the lacks of balance between the development regions, obviously the highest lack of balance being between Bucharest-Ilfov and the rest of the regions. With 49.9 SMEs to 1000 inhabitants, Biharest—Ilfov is the only region aligning to the average density values recorded in the EU countries.

It is worth retaining that, in 2007, for the first time, the North-Western region was on the first position for the growing rhythm of the number of SMEs compared to 2000, the reference year, meaning 6.7%.

The dynamic of the SMEs in Bihor county is reflected by the ration between the number of newly registered SMEs in 2007 and the number of the SMEs which were not crossed off in 2007. A more useful analysis would be given by the comparison of the SMEs which in the interval between the registration and crossing off had activity, meaning the active SMEs.

Figure 1 The evolitional situation of the number of registered SMEs and the number of crossed off SMEs in Bihor county



(Source: processing data Bihor Commerce Registry Office)

15 Observatory European SME s Report no.7/2003, pp.77-78.

16 Idem, p.46.

17 data provided by the Bihor Statistics Office.

The situation of the SMEs' registrations and crossing offs in Bihor county during 2003-2007 shows the tendency towards the lowering of the number of the crossed off SMEs and the increase of the number of registered SMEs. In 2003, 2004 and 2005, the number of the crossed off SMEs was higher than the number of the registered SMEs (in 2003 for a registered SME, 3 crossed off SMEs are due). In 2006 and 2007 the number of crossing offs decreased and the number of registrations increased (in 2007 for a crossed off SME almost 5 registered are due).

At the country level, in 2007, the average number of SMEs employees was of 2764768¹⁸, with a relatively balanced repartition on micro, small and middle sized enterprises (32.5%; 33.5%; 34%). The average number of employees for an enterprise considering the size category for 2007 is the following: 2.1 for micro enterprises, 19.7 for small enterprises and 98 for middle sized enterprises.

The service SMEs provide more than half of the number of jobs occupied by paid employees (53.9%), followed by the industry SMEs (30%), construction SMEs (14%) and so on.

The weight of those working in services is negatively correlated with the size class, it increases as the enterprises are smaller, reaching 73.9% in the case of the micro-enterprises. In Bihor county, in 2007, approximately 96268 people were employed at the SMEs. The highest weight of the workers was in the manufacturing industry, of 35.25%.

The country average is of 12.8%. The North-Western region is higher than the country average, having 16% of the total per country.

There is a correlation between the territorial distribution of the SMEs and that of the SMEs employees on the development regions. The evaluation index used is the average number of employees in the SMEs sector which is due to 100 inhabitants.

Table 2 The average life span of Bihor county SMEs

Year	The average life span of the SMEs (in months)
2003	66.92
2004	55.17
2005	43.85
2006	31.69
2007	20.04

(Source: Bihor Commerce Registry Office)

The data show a decrease of the average life span of Bihor county SMEs during 2003-2007, from 66.92 months to 20.04 months. This index was computed only for the firms which completed their life span in the interval 2003-2007.

2. Activity sectors and sub-sectors of the national economy with development potential in Bihor

Analysing the presence of a connection between the degree of regional specialisation in different fields of activity and the evolution of the number of SMEs at the region level, we can notice¹⁹:

- In the North-Western region, the SMEs in the **service sector** have the highest weight in total the SMEs of over 60%, followed by the SMEs in the industrial sector with 13.8%, the SMEs in constructions with more than 10% and the SMEs in agriculture with a weight under 5%. At the country level, the North-Western region is predominant together with the Bucharest-Ilfov region for the category of SMEs of **other** services. By *other services*, we understand: financial services, insurance services, foreign trade negotiations, real estate services and other services with high

18 ANIMMC, The Annual SME 2008, p.52, http://www.animmc.ro/files/Raport_Anual_IMM_2008.pdf.

19 ANIMMC, op.cit., http://www.animmc.ro/files/Raport_Anual_IMM_2008.pdf.

added value. The North-Western region is on the first position for the transport services, with 13%, followed by the South-Eastern region with 10.6% and the Centre with 10.4%;

- Among the SMEs in the industry in the North-West, the SMEs in the **textile industry** are predominant (with 18.8%), which situates this region on the second position in Romania after the North-Western region which has a weight of 20.9%;

- For the category of active SMEs in *other industries*, the North-Western region is situated on the second position with 21.4% after Bucharest-Ilfov with 32.9%, which demonstrates an industrial system more dispersed on other industrial sub-branches.

We can notice that for the North-Western region there is a relatively small weight, compared to other regions, of the active SMEs in commerce. The preponderance of the commerce sector indicates a high number of small family businesses and a lower degree of concentration of the distribution activities. The tendency at the national level is that of lowering the number of the SMEs in commerce.

On the total of the Romanian economy, there is the tendency of lowering the number of SMEs in commerce, though the highest turnover is obtained from these.

The very small weight of the turnover coming from the SMEs in tourism reflects a potential which has not been fully capitalised, taking into consideration the ration resources/the use of resources.

For the category of *other services*, where the North-Western region is on top, the contribution to the turnover on types of activities is the following:

I Activities of juridical consultancy, accounting, accounting revision, market research – the average of the SMEs is of 28.5% (out of which the micro-enterprises have the highest weight of 34.1%);

II The architecture, engineering and technical consultancy services – the average of the SMEs is of 26.6% (out of which the middle sized enterprises have the highest weight of 30%);

III Advertising – the average of the SMEs is of 23.3% (out of which the small enterprises have the highest weight of 34.1%);

We have performed an analysis of all the economic entities in Bihor county because the big enterprises have a weight of only 0.35% of the total. We can notice that on the first position, as number, are the commerce entities, followed by the real estate entities and those of the manufacturing industry (in accordance to the performances of the North-Western region). In the service sector, the tourism entities have an insignificant weight, being grouped to *other activities of the national economy*.

The distribution of the turnover of Bihor county SMEs on economic sectors in 2007 was: commerce 51.27%, manufacturing industry 18.97%, constructions 9.8%, and the rest with lower values²⁰. The sector of *hotels and restaurants* represents only 1.28%.

Due to the resources it has, Bihor county favours the development of some industrial sectors, especially those of the manufacturing industry. In 2007, the biggest investments at the level of Bihor county SMEs were made in industry (27.48% of the total). The county's fields of excellency, which distinguish themselves through their innovative potential, the capacity to export and the positioning on the European markets of the local products are: the light industry (especially, the alimentary industry, the leather and shoe making industry and that of clothing industry) and the wood industry. At the end on 2008, at the European level, there were significant changes on sectors and sub-sectors of the economy²¹. Most of the European countries recorded decreases in the fields like: industry (the extractive industry, textile, leather, tobacco), constructions and commerce. The increases

20 Bihor Statistics Office.

21 Isabelle Remond-Tiedrez, Recession in the EU-27: output measures, Eurostat, 17/2009, http://ec.europa.eu/enterprise/newsroom/cf/document.cfm?action=display&doc_id=2325&userservice_id=1.

continued only in the fields of biotronics equipment, radio, television, chemical products and others to smaller extent. Yet, in Romania, although the industrial production lowered, the constructions and the commerce recorded increases in 2008.

The agriculture made in Bihor county has a low weight in the turnover and the investments made by the SMEs, although it has a high potential in the development of the ecological cultures (corn, potatoes, sunflower, technical plants, fruit, vegetables) and their weight within the county agricultural production should increase.

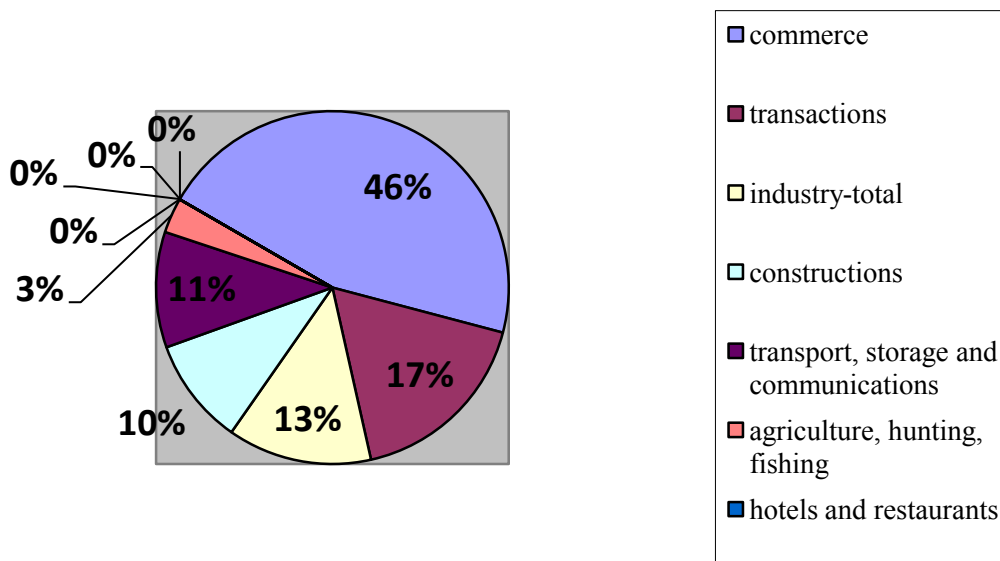


Figure 2 Repartition of Bihor SMEs on sub-branches of the economy for 2007
(Source: processing data provided by Bihor Statistics Office)

A sector with development potential is the zoo-cultural sector, with the derived products (meat, milk). In 2008, at the European level the revenues from agriculture recorded an increasing tendency, Romania being on the second position of the eight states which recorded increases, with an increase of 28.4%.²²

The revenues increased especially from: the production of oil seeds, cereals, wine and olive oil, the pork farming, the production of eggs, milk and derived activities.

Correlating the resources of the county with tendencies on the world tourist market (the return to nature, to the less modified environment, the recapitalisation of the balneary-climactic resources, the search for the unusual, original and origin) it is required the stimulation of the balneary-climactic tourism, of the mountain, adventure tourism, of the speleological tourism, and of the sportive tourism.

²² Eurostat newsrelease, 46/2009, 2 April 2009, Second estimates for 2008 EU 27 real agricultural income per worker down by 3,5%, http://epp.eurostat.ec.europa.eu/pls/portal/docs/page/pgp_prd_cat_prerel/pge_cat_prerel_year_2009/pge_cat_prerel_year_2009_month_04/5-02042009-en-ap.pdf.

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THE IDENTIFICATION OF A PROFILE OF THE WELLNESS TOURISM CONSUMER

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The aim of the current research is to establish whether there is a connection between the socio-demographic features of the potential consumers and the predilection towards the wellness consumerism, in order to evaluate the potential wellness market in Romania. Therefore, we will use the results of a study performed in 2007 on the tourists in the Băile Felix spa, by using the fuzzy mathematics.

Keywords: wellness tourism, research, consumer, characteristics

Cod JEL lucrare: M39

1. Introduction

The concept of *wellness tourism* is still being debated on. In different studies and research, the wellness is more or less connected to tourism, having a strong relation with the prevention and treatment of some diseases. A rather enough definition says that the wellness tourism is "the sum of the all of the relationships and phenomena resulting from a journey and residence by people whose main motive is to preserve or promote their health"²³. In the paper quoted, there is some delineation between the wellness tourism and the medical/treatment tourism. The major difference would be, in the terms of demand, that the wellness tourism is addressed to healthy persons, having programmes for prevention or maintenance. Anyway, the opinions are divided, others not making a too clear differentiation between those demanding such programmes. The wellness tourism could be the way to invigorate the balneary-climatic tourism in the Romanian traditional resorts.

The problem is whether the traditional consumers of the balneary-climatic tourism are going to embrace this relatively new form of tourism and/or the new consumer segments can be targeted.

Other researches too meant to create a possible profile of the wellness consumer²⁴. In Australia a study on 1308 persons from different urban and rural areas was made regarding their attitude towards the complementary and alternative medicine. The paper suggests four categories of activities making up the complementary and alternative medicine. These are²⁵:

- natural remedy modalities: naturopathies, homeopathies, Chinese medicine and herbals;
- wellness modalities: Kinesiology, spiritual healings, shiatsu, Reiki, reflexology, aromatherapy, yoga, meditation;
- accepted modalities: osteopathy, acupuncture, tai chi, hypnotherapy;
- established modalities: chiropractic, massage therapy, prayer, magnet therapy, Brown therapy.

The study mentioned²⁶ has generated the following profile of the wellness consumer: mainly women, especially in age groups of 18-39 or 40-59 years old, with superior education, with above the average incomes.

23 Mueller, H; Lanz Kaufmann, E., Wellness tourism: Market analysis of a special health tourism segment and implications for the hotel industry, *Journal of Vacation Marketing*, vol.7, no.1, p.7.

24 Robinson, A.; Chesters, J; Cooper, S., *Complementary and Alternative Medium Modalities, Complementary Health Practice Review*, 2008, 12; 99.

25 Robinson, A.; Chesters, J; Cooper, S., *op.cit.*, p.104.

26 Idem

2. Methodological approach

The aim of our research is to establish whether there is a connection between the socio-demographic features of the potential consumers and the predilection towards the wellness consumerism, in order to evaluate the potential wellness market in Romania.

In this view, we will use the results obtained as a result of a study made in 2007²⁷. The study had as objective the identification of the attitude of the current consumers of balneary-climatic products from Băile Felix towards the wellness programmes.

The investigation method based on questionnaire was used as a preliminary stage in order to identify the attitude and the perceptions of the consumers, together with the general degree of information regarding the study subject, also the questionnaire targets to identify specific aspects regarding the current services, prospective needs etc.

The questionnaire has 10 questions, it has a common structure: that is, the headlines of the company undergoing the research, the period of time is mentioned (February 2007), it has an introductory-explanatory phrase meant to justify its implementation.

The implementation interval is chosen at the beginning of February 2007, in off-season, in Băile Felix, Romania.

There are 230 persons who agreed to answer to it. The questioned sample is characterised from the point of view of personal data as follows: the best-represented category is that of 25-34 years (39.13%), the distribution on ages being a normal one, the Romanians over 55 years old do not travel much. The surveyed population is preponderantly feminine (69,57% F vs. 30,34% M); The respondents are in an overwhelming percentage with their address in the urban environment (82.26%),

The geographical areas represented Ardeal -73.91%, Banat 13.04 %, Muntenia, Maramureş and Bucharest being each represented in a percentage of 4.35%, Oltenia and Moldova having 0%.

The duration of the trip that the most choose (47.82%) is of 2-3 days (probably, the week-end), then a cure of up to 7 days (26.09%) almost at equality with those who wish the 7-14 days trip (21.74%), in 14 days time we have a choosing percentage of only 4.35%.

Regarding the monthly revenue of the respondents, they are framed into the 5-15 million lei group (43.48%), the 15-25 million lei group, respectively (21.74%).

The best-represented marital status is 47.83% married, followed by singles 30.43%.

Regarding the studies, we notice a high percentage of people with superior education 60.87%, next to the post-university education 21.74%, those in the primary and secondary education are not represented.

We start from the presupposition that on the balneary-climatic market of Băile Felix there is also the segment of potential consumers of the wellness supply. Without using the term of *wellness* (too little known) the entire survey was directed towards the identification of the options for procedures regarding both the body as well as for the mind and the spirit. A direct question in this view is the question number 10 which studies the degree of adhesion to the essence of wellness, meaning the procedures meant for both the body as well as for the mind and the spirit. The adhesion was expressed by marking a square on the Likert scale.

Trying to create a possible profile of the wellness consumer, we have checked whether there is a connection between the answer to question number 10 and the income interval where the respondents frame within and the question number 10 and the level of education. **In this view, we used the fuzzy mathematics due to the high degree of precision that it provides.**

27 Tomescu, A.; Ban, O., Drawing up the positioning strategy of a spa-hotel –the preliminary data, International Conference “European Integration – New Challenges for the Romanian Economy”, Annals of University of Oradea-Faculty of Economics, pp.1253-1258, <http://steconomice.uoradea.ro/anale/volume/2007/v1-management-and-marketing/124.pdf>.

”10. It is being conveyed the idea according to which, in a treatment centre, there should be techniques addressing not only the body but also techniques addressing the mind and techniques for the spirit poise. What is your position to it?”

We took into consideration the answers of the tourists accommodated in 3 star entities (approximately 20% of the total), 2 star entities (approximately 40% of the total) and one star entities (approximately 40% of the total). We gave up the answers provided by those accommodated in four star entities due to the reduced number, which does not ensure the representation.

Let X be a universal set of discourse. A fuzzy set A in X is defined by a membership function which maps each element $x \in X$ to a real number in the interval $[0,1]$, that is $A: X \rightarrow [0,1]$. The value $A(x)$ represents the grade of membership of x in A means a large value of $A(x)$.

A triangular fuzzy number is a fuzzy set A in \mathbb{R} with the membership function $A: \mathbb{R} \rightarrow [0,1]$ characterized by

$$A(x) = \begin{cases} \frac{x-a}{b-a}, & \text{if } a \leq x \leq b \\ \frac{x-c}{b-c}, & \text{if } b \leq x \leq c \\ 0, & \text{otherwise,} \end{cases}$$

where $a, b, c \in \mathbb{R}$, $-\infty < a < b < c < \infty$. We denote (a, b, c) a triangular fuzzy number as above.

The addition \oplus and the scalar multiplication \cdot of triangular fuzzy numbers are based on the extension principle in Fuzzy Set Theory and they are defined by (see e. g. [Tsaur-Tzeng-Wang])

$$\begin{aligned} (a_1, b_1, c_1) \oplus (a_2, b_2, c_2) &= (a_1 + a_2, b_1 + b_2, c_1 + c_2), \\ k \cdot (a, b, c) &= \begin{cases} (ka, kb, kc), & \text{if } k \geq 0 \\ (kc, kb, ka), & \text{if } k < 0. \end{cases} \end{aligned}$$

The arithmetic mean M_{A_1, \dots, A_n} of triangular fuzzy numbers A_1, \dots, A_n is equal to

$$M_{A_1, \dots, A_n} = \frac{1}{n} \cdot (A_1 \oplus \dots \oplus A_n) \quad (1)$$

The expected interval of a fuzzy number A , denoted by $EI(A) = [EI_*(A), EI^*(A)]$ and the expected value of a fuzzy number A , denoted by $EV(A)$, were introduced in the paper [Heipern] to evaluate a fuzzy number by a real interval or a real number. In the particular case of a triangular fuzzy number we have

$$EI((a, b, c)) = \left[\frac{a+b}{2}, \frac{b+c}{2} \right] \quad (2)$$

and

$$EV((a, b, c)) = \frac{a+2b+c}{4}. \quad (3)$$

The correlation coefficient between two fuzzy numbers A and B was define in the paper [Hung-Wu] by

$$\rho(A, B) = \frac{EI_*(A)EI_*(B) + EI^*(A)EI^*(B)}{\sqrt{(EI_*(A))^2 + (EI^*(A))^2} \sqrt{(EI_*(B))^2 + (EI^*(B))^2}}. \quad (4)$$

The concept of linguistic values [Zadeh 1] is in a strong connection with the fuzzy set theory [Zadeh 2] and it is very useful in handling situations that are too complex or ill-defined to be reasonably described by quantitative expressions. As example, we model the possible answers to question 10, by triangular fuzzy numbers as follows:

Strongly agree: $A = (7.5, 10, 10)$;

Agree: $B = (5, 7.5, 10)$;

Less Agree: $C = (2.5, 5, 7.5)$;

Disagree: $D = (0, 2.5, 5)$;

Strongly disagree: $E = (0, 0, 2.5)$.

Then (according to formula (1) and the data given in ...) the arithmetic mean of the opinions with respect to question (10) in the case of the three stars hotels (we denote it by M_3^{10}) is

$$\frac{1}{17} \cdot (1 \cdot A \oplus 8 \cdot B \oplus 7 \cdot C \oplus 1 \cdot D \oplus 0 \cdot E) = (3.82, 6.32, 8.68)$$

Let us assume that we want some conventional quantitative expressions of this result. We apply formula (2) to obtain a real interval as a synthesis of opinions and formula (3) to obtain a real number as a synthesis of opinions. We have

$$EI(M_3^{10}) = [5.07, 7.50]$$

and

$$EV(M_3^{10}) = 6.285,$$

to conclude the analysis on the answers to question 10.

In a similar way we calculate M_1^{10} and M_2^{10} , the arithmetic mean of opinions with respect to question (10) in the case of one and two stars hotels, respectively. We obtain

$$M_1^{10} = \frac{1}{7} \cdot (0 \cdot A \oplus 6 \cdot B \oplus 1 \cdot C \oplus 0 \cdot D \oplus 0 \cdot E) = (4.64, 7.14, 9.64)$$

and

$$M_2^{10} = \frac{1}{26} \cdot (1 \cdot A \oplus 14 \cdot B \oplus 7 \cdot C \oplus 3 \cdot D \oplus 1 \cdot E) = (3.65, 6.06, 8.46).$$

Then

$$EI(M_1^{10}) = [5.89, 8.39],$$

$$EI(M_2^{10}) = [4.86, 7.26],$$

$$EV(M_2^{10}) = 7.140$$

and

$$EV(M_2^{10}) = 6.06.$$

We can do analogous analysis in the case of questions 20 and 22. First, we consider the following representations as triangular fuzzy numbers of the linguistic values given as possible answers to questions 20 and 22:

Under 500 RON: $F = (0, 0, 3)$;

Between 500 RON and 1500 RON: $G = (0, 3, 7)$;

Between 1500 RON and 2500 RON: $H = (3, 7, 10)$;

Upper 2500 RON: $I = (7, 10, 10)$;

Post-university: $P = (7.5, 10, 10)$;

University: $Q = (5, 7.5, 10)$;

High-school: $R = (2.5, 5, 7.5)$;

Secondary school: $S = (0, 2.5, 5)$;

Primary school: $T = (0, 0, 2.5)$.

With the already introduced notations we obtain:

$$M_1^{20} = \frac{1}{7} \cdot (0 \cdot F \oplus 7 \cdot G \oplus 0 \cdot H \oplus 0 \cdot I) = (0, 3, 7)$$

$$EI(M_1^{20}) = [1.5, 5],$$

$$EV(M_1^{20}) = 3.25,$$

$$M_2^{20} = \frac{1}{26} \cdot (7 \cdot F \oplus 12 \cdot G \oplus 4 \cdot H \oplus 3 \cdot I) = (1.27, 3.62, 6.73)$$

$$EI(M_2^{20}) = [2.45, 5.18],$$

$$EV(M_2^{20}) = 3.815$$

$$M_3^{20} = \frac{1}{17} \cdot (0 \cdot F \oplus 1 \cdot G \oplus 11 \cdot H \oplus 5 \cdot I) = (4, 7.65, 9.82)$$

$$EI(M_3^{20}) = [5.83, 8.73],$$

$$EV(M_3^{20}) = 7.28$$

$$M_1^{22} = \frac{1}{7} \cdot (0 \cdot P \oplus 0 \cdot Q \oplus 4 \cdot R \oplus 3 \cdot S \oplus 0 \cdot T) = (1.43, 3.93, 6.43)$$

$$EI(M_1^{22}) = [2.68, 5.18],$$

$$EV(M_1^{22}) = 3.93$$

$$M_2^{22} = \frac{1}{26} \cdot (0 \cdot P \oplus 7 \cdot Q \oplus 13 \cdot R \oplus 5 \cdot S \oplus 1 \cdot T) = (2.60, 5, 7.50)$$

$$EI(M_2^{22}) = [3.80, 6.25],$$

$$EV(M_2^{22}) = 5.025$$

$$M_3^{22} = \frac{1}{17} \cdot (0 \cdot T \oplus 0 \cdot S \oplus 5 \cdot R \oplus 11 \cdot Q \oplus 1 \cdot P) = (4.41, 6.91, 9.26)$$

$$EI(M_3^{22}) = [5.66, 8.09],$$

$$EV(M_3^{22}) = 6.875.$$

In the sequel we use the above results and formula (4) to study the links between the answers to questions 10, 20 and 22 and their dependence from the category of the accommodation.

Between the answers to question 10 and the salaries of the tourists we obtain the following correlations:

$$\rho(M_1^{10}, M_1^{20}) = 0.9483$$

$$\rho(M_2^{10}, M_2^{20}) = 0.9886$$

$$\rho(M_3^{10}, M_3^{20}) = 0.9999.$$

Between the answers to question 10 and the studies of the tourists we obtain the following correlations:

$$\rho(M_1^{10}, M_1^{22}) = 0.9909$$

$$\rho(M_2^{10}, M_2^{22}) = 0.9985$$

$$\rho(M_3^{10}, M_3^{22}) = 0.9998.$$

3. Results

Our suppositions were confirmed, meaning the values obtained indicate a strong and direct connection between the adhesion to the concept of wellness (which means the treatment of the body, mind and spirit) and the level of education and the income group. The more educated is a person (he/she has university or post-university education), the more open that person is to non-conformist treatment procedures, not modern.

The connection with the level of income is determined by the *freedom* that a high income gives, referring to the access to knowledge, to some varied cultural experiences etc. The actions to

promote the wellness supply should be oriented to the superior education segment and above the average incomes.

An aspect of the socio-demographic profile of the potential wellness consumer, which requires to be investigated, is that of the religious affiliation.

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RURAL TRADE – SOME ASPECTS IN THE CASE OF BRAȘOV COUNTY

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Choosing a rural environment, in the county of Brașov, for the development of this analysis was, therefore, based on the profound characteristic mutations of the Romanian village, during the past years, by moving on to a decentralized market economy and by the property reorganization and, as well by the Romania's accession to the European Union, taking into consideration the European Community's preoccupations in supporting the development in the rural environment. The integration into the European Union permits the creation of a competitive, high quality and productivity economy and the development of an intensive agriculture. Starting from these grounds, this paper tries to present the situation of the rural environment at the level of the country, as well as in a specific space, at the level of the district of Brașov.

Key words: rural trade, rural environment, county of Brașov

The article's JEL code M3 Marketing and Advertising

1.Introduction

Even if, in the last few years, Romania has registered significant mutations concerning the types of operators that act in the commerce and the range of goods offered to the consumers through the penetration, in our country, of international operators, therefore leading to the apparitions of cash&carry units, hypermarkets, discount markets, malls and so on, all these have made their presence felt in big urban centers or on their outskirts, which is of no help to the current situation of the rural environment. In some cases, they can even worsen the situation because in areas where the rural population is well off, has transportation vehicles at its disposal or lives in the immediate proximity of these big cities, the existence of small rural shops may be endangered because they cannot compete with the range of goods and the excellent conditions modern commerce has to offer.

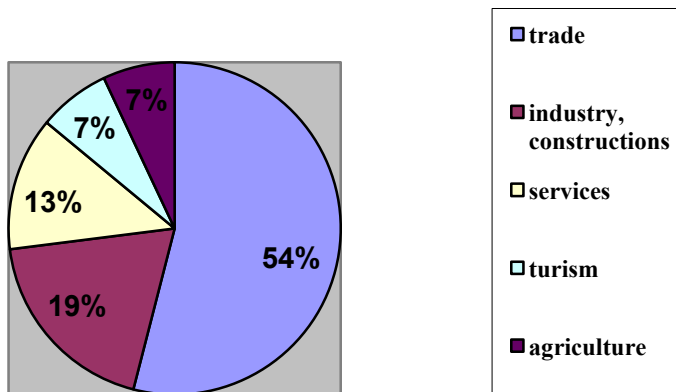
2. The case of The County of Brașov

The County of Brașov has a rural environment characterized by a rather low population percentage (26.14%), respectively 155.9415 (1.07.2008) inhabitants who live in 44 communes and 149 villages. The preponderant Brasovian rural localities are large localities having a population of 1500-5000 inhabitants. Compact villages predominate, but there are also scattered villages in the north-western region of the county. This particular region, rural area, has values, both from the point of view of the human development index and from education index, which is close to the national average.

The County of Brașov has a profound industrial character; agriculture, which commonly occupies the main place as an activity of rural inhabitants, is less illustrative in this county, due to the less favorable geographic and climatic conditions. People only cultivate sugar beet, textile plants, potatoes, forage plants and few types of cereals. Instead, animal breeding is strongly represented, respectively bovines (between 50 and 100 animals per 100ha of agricultural land), ovine (between 150 and 200 animals per 100ha of agricultural land) and swine (over 150 animals per 100 of agricultural land). A well illustrated economic sector within the rural environment in Brasov is tourism, the County of Brasov occupying the first place concerning accommodation capacities homologated by ANTREC.

The structure of economic agents within the rural environment of Brasov shows that over half of them (54%) deal with trade, 19% work within industry and constructions, 13 % within service deliveries and the same percentage – 7% - is owned by agriculture and tourism.

Fig. 1. The structure of economic agents in rural area of Brasov



This being the setting of the commercial activity within the rural environment in Brasov, the results obtained can be valued so as to outline some development possibilities related to the commercial activity within this region, but they can also be extended, generalized at the level of other similar regions, from the point of view of the conditions submitted to analysis.

As mentioned before, even if a quarter of the population is localized in the rural environment, their participation in the county's turnover is of only 3.5%, which proves the low development degree of the firms within it.

The number of registered firms is of 921, of which 54% work in the commercial domain, participating by 32.9% in the turnover of the rural activities in Brasov.

According to the author's opinion, the localities with a great number of firms having commercial activity, and which have a population of over 4000 inhabitants, can be structured in two main categories:

Localities that are situated close to Braşov (Cristian, Hălchiu, Hărman, Prejmer, Tărlungeni etc.) enjoy a better socio-economical situation. On the one hand, this situation may be explained by the fact that a part of the population works in Brasov, thus having greater financial possibilities than the rural population that is occupied in agriculture and, on the other hand, many inhabitants of Braşov, wishing to get away to more quiet places, have settled "in the countryside" (nevertheless searching for regions as close as possible to the town they work in). A distinct category is formed by those who have retired and who, either out of economic reasons (as it is known, village life is generally cheaper than the city one), or because of the same wish to escape from the urban environment, have another attitude towards commercial activity, being more exigent concerning the commodity offer, as far as its diversity and quality are concerned.

The second class of localities, where we can mention a great number of commercial units, is represented by the communes where inhabitants practice rural tourism (for example, Moeciu and Bran), while the population in this region has a higher spending power.

In the County of Braşov, Bran has witnessed a powerful economic development due to tourist activities. There are 31 boarding houses homologated by ANTREC in Bran, 38 boarding houses in Moeciu de Jos, while in Moeciu de Sus there are 11 boarding houses (on the whole, nationally, the County of Braşov has the biggest number of tourist boarding houses, 122, where inhabitants practice agrotourism or rural tourism). Besides the special natural setting, this region also has numerous tourism objectives and pathways in the surroundings: the Bran Castle, the Citadel of

Râșnov, folkloric activities, the vicinity of Piatra Craiului and Bucegi Mountains. The region is also famous for animal breeding, especially sheep; this is why tourists are served food from the sources of their hosts. Rural tourism and eco-tourism slowly began to develop in other regions of the county: Zărnești, Vama Buzăului, Făgăraș, Viscri. The Bran – Moieciu region also enjoyed programs proposed by the European Union for the rural development, respectively by SAPARD. The rural population situated around Brașov city also resorts to the great commercial units built in the peripheric areas of Brașov; they attract both through their diverse assortments and through the services offered such as Metro and Real on the exit way to Sibiu, Selgros, Praktiker, Metro2, Bricostore and Carrefour on the exit way to Bucharest – that are special attraction spots for the entire population, even for the rural one, especially that situated immediately near Brașov.

3. Proposals for development the commercial activity

Following the analysis effectuated we can outline a series of proposals for the development of the commercial activity within the rural environment of Brașov County. A special category of local entrepreneurs is formed by those situated in more isolated localities, having damaged roads and rather small populations; thus, these too have weak economic power and deal with great supplying difficulties. In this case, one solution would be their cooperation with a wholesaler, on the basis of a contract of exclusivity for some products; the wholesaler should design a well established itinerary and some rhythmical orders so as to supply them with the merchandise they need. Such an itinerary may be applied in the town of Rupea or Făgăraș. These regions would definitely use the mobile trade, practiced either by small entrepreneurs, or by the big firms on the basis of a well defined schedule showing the days and hours of stopping in each locality. Moreover, trade by correspondence can also be considered; it is practiced by big firms, that can establish a collaboration relation with local traders by opening some representation offices in their locations;

The cooperation or association of local entrepreneurs is an equally important aspect in the development of commercial activity, but local entrepreneurs must be informed about the possible cooperation and association forms and about their advantages; these can not be achieved without the involvement of both local and national authorities (the Chamber of Commerce and Industry and the Ministry responsible in this matter).

The necessity to use trade organization patterns, both the integrated one and the associated one, is necessary in the Brasovian rural environment as well; the research made proved that the main reasons of complaint of the rural population regarding local shops are the current prices in the local shops and their supplying with commodity, respectively the range of commodities offered to the population; these aspects can be dealt with by getting the local traders involved.

A possible association form (according to the Portuguese pattern) may develop between the large cash&carry supermarkets existing in the county (Metro1, Metro2 and Selgros) and a series of local retailers of the rural environment, situated at a reasonable distance from the supermarkets (for Metro1: the localities situated around Ghimbav, Codlea and Zărnești, for Metro2 and Selgros: those situated in the south of the county, in the direction of Bucharest); these retailers should get financial support on the basis of a contract, with a view to modernizing their activity; thus, the wholesaler gets assured of the retailers' loyalty. All members keep their firm's identity and name, but they have to fulfill a series of obligations imposed by the retailer, regarding image, offer diversity, loyalty etc.

As one of the essential problems that must be solved in view of the development of commercial activity is *the competitiveness of small local entrepreneurs* who carry out their activity in the trade domain, solutions should be found in this direction, that is their access to information, by integrating them in training and improvement systems so as for them to be informed about the ways to carry out their business in profitable conditions.

The small independent traders, situated in the big communes near towns, whether these are rural localities in the western part of the county situated around the towns of Făgăraș and Victoria, or those situated in the perimeter delimited by the towns of Brașov, Râșnov, Predeal, which are economically more developed localities. The small independent traders are confronted with the threat of the commercial units situated in these bordering towns; these units have much more attractive locations, a much wide range of merchandise and, more importantly, (according to rural inhabitants) lower prices. Consequently, people need to find new modalities to make local shops more attractive and also to find more efficient modalities to offer small-priced merchandise.

In view of *the increase in the attractiveness degree of local shops*, the later can organize in such a way that they could offer an increased number of supplementary services (lottery, newspapers, drycleaners, public alimentation etc.). They can also collaborate or set a partnership with the local authorities in order to modernize the location with new furniture and commercial equipment. In this way, traders could use high performance selling methods which are also more attractive to the population. Another aspect that can make the local shops more attractive is the home delivery system which can help the old-aged population with reduced movement possibilities, and not only.

A very important role in the development of rural trade and, in general, of rural communities belongs to the local, regional and national authorities (town halls, local councils, Chambers of Commerce and Industry, the ministry responsible in this matter etc.) that must encourage the creation of entrepreneurs and tradesmen groups, thus helping them to integrate within coherent development programs.

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RELATIONSHIP MARKETING - THE KEY TO GAINING A COMPETITIVE ADVANTAGE IN THE TOURISM INDUSTRY

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Within relational marketing, marketing managers must set up and implement efficient strategies and programmes in order to attract and keep their customers. In case of losing their customers, it is necessary they explore the causes and try to emotionally or rationally regain them, especially if customers' strategic value is high to suppliers. The balance between attracting new customers and keeping the current ones has a dynamic feature proved by the change in priorities of the two main concerns during enterprisers' and products' progress on the market.

The business environment where enterprisers in the Romanian tourism develop their activities is complex and continuously changing. This imposes an increase in the concerns of tourism managers that should take account of the motivations and demands of current and potential tourists, which would be the best way to attract customers and make them loyal.

Key words: *relational marketing, attracting, keeping, customer value, strategy.*

JEL Code: L83, M31

1. Introduction

According to the famous American Marketing Association (AMA), relational marketing is "marketing made real by the planning and execution of activities to set up, assess, promote and distribute ideas, goods and services with the purpose to achieve exchanges meant to meet various individual and organizational goals".

Over the years, the above definition that approaches the concept of marketing mix has been subject to massive criticism of which the harshest belongs to C.Grönroos, a Swedish man, who stated that "relational marketing is the set up, maintenance and consolidation of relationships with consumers and other partners, with the purpose to accomplish profits and meet the parties' objectives" (Grönroos, p.86). His definition emphasizes consumers' and company partners' important roles when accomplishing company objectives in order to make profit.

2. Relational marketing strategies

Basically, relational marketing does not have an open character, but relies on profitability principles. Nowadays, it is no longer enough to attract customers and make deals with them.

It is necessary that one resort to relational marketing strategies in order to keep customers and develop profitable long-term relationships with them. Moreover, suppliers are keen on ensuring both customers' complete satisfaction and delight, and their value growth to a selling enterpriser.

The decision to invest in keeping a certain customer within a supplier's range often relies on the following criteria:

- the strategic importance of a customer. Specialists recommend that enterprisers should primarily maintain within their scope of interest the customers that have the highest strategic importance. This category comprises those who are worth much during the time span of their relationships with enterprisers, the customers that buy extensively and the market leaders.

- **maintenance costs.** Attracting customers is negatively influenced by the growing costs of their maintenance. For instance, the requests of major customers related to products' adjustment by suppliers, the reduction of delivery time or granting price discounts may significantly decrease the strategic importance of the respective customers.

- **customers' loyalty level.** In the case of customers that show a high loyalty level, a supplier should not invest too much in maintaining the respective customers. In exchange, if certain strategically important customers do not show a high level of involvement in the relationship with their suppliers, being tempted to take account of competitors' offers as well, suppliers will have to allocate significant resources to keep customers and increase their loyalty.

- **customers' recent attraction.** Numerous organizations give careful attention to maintaining recently attracted customers. It is estimated that a customer's value during their relationship with a supplier is higher for a recently attracted customer as compared to the one of a customer that has been attracted for some time. The greater interest in recent customers as compared to older ones is proved by the fact that the former, in case of dissatisfaction, are more likely to leave their suppliers and decrease their purchases than customers who have been satisfied for a longer period of time (Bolton, 1998).

- **customer share.** Keeping customers is more difficult if they are supplied by several suppliers simultaneously. Adopting the decision to keep a customer must take account of several aspects: customer share, the value of customer's purchases, the potential to grow customer's value and the cost of maintaining the relationship with a customer.

Keeping customers within an enterpriser's range does not confine to maintaining their value at its original level. Any professional in the field of relational marketing and customer relations management aims at growing customers' value to an organization. In this respect, they resort to strategies such as:

„cross-selling” – means the gradual supply and sale of several categories of products and services to the same customer as compared to the range they bought when they started to collaborate with a supplier;

„upselling” – refers to the sale of products and services from the category a customer usually requires but having a greater allowance than the products a customer ordered when they first started their collaboration with a supplier.

Some authors (Bruhn, 2003) stated that the strategies to regain customers could identify themselves in:

- **compensation strategy** – reimbursing the value of faulty goods that have generated customers' dissatisfaction; replacing faulty goods etc.

- **improvement strategy** – repairing faulty goods;

- **stimulation strategy** – granting discounts and resuming the relationship with a customer;

- **persuasion strategy** – suppliers' promise to meet customers' requests and expectations.

3. The need to implement relational marketing in the Romanian tourism enterprises

The Romanian companies in the field of tourism should give special attention to tourists with a view to ensuring the best relations with them and making them loyal. When creating and implementing marketing strategies, tourism enterprises must take account of current and prospective tourists' motivation and demands which is the best way to attract them and make them loyal.

Romanian tourism enterprisers must also consider the initiation of best relations with all their business partners. Ensuring an environment where consumers' satisfaction should be an enterprise's main motivation is one of the primordial goals that Romanian tourism enterprisers should have in view when implementing their marketing strategies. At present, it is much cheaper to keep a demanding customer than attract a new one (Baker, p.48-49).

"Relational marketing involves the creation, maintenance and strengthening of the relations with buyers and the other business partners of an enterpriser, aiming at long-term actions. Ensuring the best relations with buyers and – based on that – making them as loyal as possible are the essential end of all attempts typical of relational marketing" (Adascalitei, p. 15).

Consequently, in order to accomplish this important objective, the companies in the Romanian tourism (tour-operators, retailers, tourist service providers etc.) must pursue the creation, maintenance and strengthening of the relations with current tourists and also the tourist service providers they have business relations with. For example, it is well known that a tourist who is satisfied with the services rendered by a tourist unit will surely come to it again. They will also tell their friends or colleagues about that particular tourist structure, convincing them to visit it.

Making tourists loyal is possible by the Romanian tourism companies' purchasing of quality products and services that should be created in such a way so that they could best meet tourists' increasing motivation and demands.

That is why it is advisable that enterprisers should directly contact their customers in order to identify their expectations as properly as possible.

It is also well known that a dissatisfied tourist will certainly speak about their dissatisfaction with others and a company's risk of losing prospective opportunities may grow. Specialist LeBoef thinks that such a customer informs other 8-10 people about the negative issues they encountered in the unit they visited (LeBoef, p.13-14).

In conclusion, the revenues obtained from selling tourist products and services to loyal tourists are higher than the revenues obtained from selling services to customers that visit a unit for the first time or occasionally.

As any other enterprise, Romanian tourism companies are always in a twofold position: on one hand, a buyer in relation with various suppliers (hotels, travel agencies, tourist service providers etc.) and on the other, a supplier when tourists are the main target of their relationships.

Besides those relationships, Romanian tourism companies also collaborate with their competing firms and various institutions of local and central management that are responsible in the market field. Therefore, the "range of their direct relations is practically akin to all micro-environment constituents within the complex marketing environment".

Ensuring loyal and long-term collaboration with business partners leads to reducing the marketing expenses, the stability of a tourism firm's business and contributes in rendering business partners' activities more efficient.

Relations with various business partners in the Romanian tourism are complex.

Tourists' reasons for choosing certain tourist products are diverse and unique. That is why, in order to meet the requirements of such clients, Romanian enterprisers must keep such relations with partners in various fields so as to provide tourists with a complex range of tourist services.

Keeping long-lasting, adequate relationships with the various partners involved in the success of a tourism enterprise's activities is essential in order to make tourists loyal and supply valuable tourist services. The above objectives can only be accomplished by the careful use of all the elements that belong to the tourist marketing mix.

Since 1 January 2007, Romanian tourism enterprisers have been facing a wave of new competitors more and more often that try to expand their action scope on Romania's territory. Whereas the Romanian tourist market is more and more attractive to Western European tourism companies, the Single Market is to our investors quite a dangerous environment since marketing and tourist orientation are not yet developed up to a high level.

Romanian tourism enterprises are currently struggling to win customers and make them loyal by providing a range of tourist products and services complying with the latter's expectations. Practically, "the key to ensuring customers' satisfaction, loyalty and becoming loyal is the supply of services that should anticipate and even emulate their expectations as far as value is concerned" (Lammers, p.27).

4. Marketing strategies in tourist customer relations

The best management of the relationship between a tourist service company and a customer in order to reach high commercial efficiency is one of the most important strategies in the field of tourism.

The importance of the supplier-customer relationship is primordial to a company's effort to maximize its business. In fact, Romanian tourism enterprises' competitive advantage is not only defined by the supply contents, but also by the contact personnel's behaviour which involves a permanent interactivity between a customer and the latter (Dumitrescu, p.3).

In order to manage a good and correct relationship with a customer, tourism companies pursue the administration and conception of the expertise they have gained with the latter. Actually, tourists' satisfaction and loyalty directly depend on the quality of the relationship they have with a tourism company.

"Creating a pleasant business environment shall quickly become the key to buyers' loyalty. Their satisfaction level shall go up if enterprises duly adapt to the respective buyers' desires and needs" (Adascalitei, p.42). Romanian tourism enterprises must know tourists' expectations very well, how they can draw the latter's attention and must find periodical communication ways with them. In this respect, it is necessary they adopt a marketing programme for customer relations aimed at maximizing tourists' long-term loyalty, increasing the profits from current customers, ceasing tourist losses on short term and using current tourists to attract other potential ones.

The validity of such a programme largely depends on the way details are perceived, mere and cheap actions are taken, the purpose of which being to produce a maximum effect, unique actions that should surprise even competitors. The efficiency of such a marketing programme depends on a tourism company's ability to satisfy its clients, on its creativity when achieving tourist products etc. All these actions aim at continuously improving the relationships between a tourism company and a tourist, and the expenses involved herein are minimum.

Tourists' long-term loyalty can be achieved by a tourism company only by creating tourist products that should provide their clients with the most pleasant experiences. In a competitive market environment, it is necessary they should set up sustainable and advantageous relations of Romanian tourism enterprises with current and potential tourists.

The actual implementation of marketing strategies underlies the efficiency of a tourism company's activities. Thomas Peters and Robert Waterman state that "the first distinctive attribute of a company for excellence is related to its implementation concept. A poorly executed strategy brings about poor results as easily as a badly set up strategy does" (Peters, Waterman, p.27).

Implementing the best strategy in Romanian tourism companies occurs as the result of ample analyses and studies after which an enterpriser chooses the way that leads to success and to reaching the goals.

"Implementing a strategy is the process where ideas become actions by developing certain programmes, budgets and procedures. The process may involve changes in the culture, structure and management style of a company". Ensuring profitability means that Romanian tourism companies should apply a valid strategy.

In broad terms, relational marketing regarded as a solution for keeping an enterprise's customers on a very long term is a strategic constituent of management decisional system.

In order to generate the highest satisfaction of tourists, a tourism company can use three strategies to render value to a client:

- **the strategy of adding financial advantages** (adopting price reductions for certain tourist products, granting service facilities to loyal clients, guaranteeing the repayment of tourist service value in case tourists are dissatisfied etc.);

- **the strategy of adding social advantages to the financial ones** (involving tourism personnel in setting up social relations with tourists by means of getting acquainted with their desires and reasons, by customizing and individualizing certain products and services);

- **the strategy of adding structural advantages to the financial and social ones** (using electronic mail in order to ensure direct connections between a company and its tourists).

Romanian tourism companies that do not see their business as mere transactions but ongoing relations with tourists approach and financially support several marketing programmes meant to convince tourists to come back and become loyal.

The long life of a company's tourist service activity largely depends on keeping its clientele and on its ability to attract new tourist segments. That is why, recognizing the importance granted to every client is relevant to a company's success. For example, to the Romanian enterprisers that own hotels, restaurants and other companies in the field of hospitality operations, business success depends more on satisfied tourists' loyalty than on attracting new consumer categories, which involves new efforts of a tourism firm.

Customer value can be interpreted in two ways:

- by the **"customer's current value"**, respectively according to the sales of services destined to the tourists that resorted to the particular tourism firm for the first time;

- by the **"future value of the same customer"**, that is according to the opportunities to raise profit during a future period of time.

In this context, Ph. Kotler' statement is relevant, saying that: "the higher your customers' loyalty is, the less you have to pay for advertising..., most clients will come back and buy again... although you have no advertisements..., due to their high level of satisfaction..., (and) they are going to advertise for you" (Kotler, p.160).

Conclusions

Ensuring tourists' satisfaction is a sure way to make current customers loyal and attract potential ones. Romanian tourism enterprisers should give special attention to tourist relations and allocate financial resources in order to support marketing programmes that aim at the ongoing improvement of the cooperation between a company and a tourist. Satisfied tourists' advertising is much more efficient than many other promotional actions a company can resort to.

In the Romanian tourism, due to the fact that there are many short-term partners that participate in accomplishing tourist products, as well as many buyers, relational marketing aims at the long-term loyalty of consumers, distribution channels and other complementary enterprises.

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THE IMPORTANCE OF THE INVESTMENTS IN HUMAN CAPITAL FOR THE SUSTAINABLE DEVELOPMENT OF THE ROMANIAN ECONOMY

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Abstract:

People are a very important factor in the production process and for the success of a business.

Therefore, we consider it is essential that modern organizations rethink their strategies, make long term investments and invest in people.

Their success and survival on the market depends in a big extent on the understanding of these aspects. Romania must be aware, as well, of its importance.

Key words: investments in human capital, educational capital, biological capital, sustainable development,

JEL Classification: E00

Introduction

The work quality is an essential component, which influences the labour force that is used. It can be expressed as qualified, semi-qualified and unqualified work, with according consequences on labour productivity. The more qualified work is, the more it can decrease quantitatively and production can increase through its superior efficiency

A society based on cultural diversity must mainly invest in education, in health care and in other social programs. The key principle that must govern in the modern societies the , private or public investment policies, should be to allow and favourize an investment in the human and social capital. This principle could be applied and linked to the systems of assuring welfare and life quality, as well as in the case of other aspects of social-economic development. Traditionally-approached welfare, based on the transferable payments system, on bureaucratic services and the so-called social engineering, must give up its place to the new approaches, linked to the active welfare, continuous education and the development of systems for assuring life quality, by using a set of priority investment programs, similar to those linked to investments in education.

The Definition and Operationalization of the Educational Capital, Component of the Human Capital

*Human capital consists in those people's skills, which are characteristic to them and remain the same in any social environment and can be used on the labour market, in exchange for economic resources of any type. Practically, *the human capital* is composed of:*

- the educational capital, represented by the skills acquired by individuals during and outside the education process, and*
- the biological capital, represented by the individuals' physical skills, the most often synthesized by their health state.*

Human capital has developed itself as a concept in economy, where it is mainly regarded as “estimation of a person’s ability to produce income by labour”²⁸.

The human capital treatment as investment has generally imposed itself, the abilities human capital is composed of could practically be used anytime, in function of the social and economic environment, in which individuals could place themselves at a certain moment. More, this investment is continuous, aiming either the development (the perfecting courses or continuous education, for instance), either the maintenance of the capital stock (periodical medical consultancies, for instance).

Each of the human capital’s components raise problems of defining and operationalizing them.

Educational capital presents itself in two different forms: on one hand, there are the abilities acquired as a result of participating at the formal educational systems, knowledge confirmed by diplomas; on the other hand, there are any other knowledge and abilities that have been acquired during the life time, by personal efforts or by contacts with experts in different fields finalized with knowledge gains as a result of assimilating the knowledge received by interaction with them. For the diplomas-confirmed educational capital, the problem of measuring at an individual level is not very difficult, even if the different used methods could be discussed: the measurement in education years, in instruction grades etc. In exchange, informal education produces educational capital stocks, which are hard to estimate.

Investments in education, in the human capital formation, both at individual level, and at the society level, depreciate themselves if knowledge, competences and qualifications are not regularly and accordingly used.

If, with regard to the relationship between the level of academic and professional education, on one hand, and employment, on one hand, in Romania there is a direct relationship, the situation is very different with regard to the relationship between income and education. Activities which require not only a low or limited level of academic and professional education, but, also, a limited degree of responsibility, are, very often, better remunerated than those which require a high level of academic education and responsibility. In a long run, maintaining such a situation will have negative effects: the demotivation of the population to invest in education and the increase of emigration, especially in the case of well qualified young people. The deterioration or loss of human capital have always proved themselves to be hard to recuperate or replace.

The main characteristics of the European economic environment, and, up to a certain extent, of the Romanian environment, as well, are:

- *Technological innovation* – the accumulation of an impressive volume of knowledge in all fields and the increase of the competition on the market imposes the adoption of the newest technologies;

- *The jobs instability* – employees are forced to change not only their work place, but profession as well. This instability is much more accelerated in the context of the transition from the planned economy to the market economy;

- *The decrease of taxation* – in a long run, with the increase of the competition, the pressures of economic agents on governments will increase, in the purpose of reducing taxation. This means the state will have either to support less and less public services, education including, either to identify other sources for their financing.

The modification of the economic context imposes a fundamental revise of the educational supply in all the countries. Even from the beginning of the years ’90, the educational supply in Romania has diversified itself, both at the level of the secondary education, and the superior education, especially. More, in the transition years, this type of supply has responded to the labour markets needs: the increase of the number of specialists in economic, medical, law,

1. Voicu. B., „Capitalul uman: componente, niveluri, structuri. România în context European”, Calitatea Vieții, 1-2/2004: 137-158.

informatics sciences etc. The Inexistence of a system for monitoring the relationship between the educational supply and the current and future demand of the labour market has led to major disfunctionalities: narrow specializations, neglecting the formation of specialists in certain fields and their over-agglomeration, sub employment etc. In these conditions, on the Romanian labour market, sub employment, professional declassification, diplomas devaluation phenomena already manifest themselves, not because they are too many, but because they are not used.

Romania has entered, as other developing countries, in a vicious circle: a low level of development has the effect of limiting investments in education, so in human capital and diminishes the labour quality and productivity, important factors of economic growth.

Another aspect linked to education financing is the one linked to the way of distributing the expenses on education levels.

Adults' Education

Adults' education is the most problematic area of the Romanian educational system. The situation becomes dramatic, as all transition programs are, in fact, programs of inherently changing some human resources, which are already engaged in the society's different sectors. From this reason, adults education and permanent learning should become first rank priorities. This requires urgent steps in the following directions:

- The development of new institutional capacities;
- The change of the mentality that learning ends with getting a diploma or certificate;
- Making the public interest sensitive to the educational system problems;
- Diversifying the education supply during the whole life;
- Including education and formation as a compulsory component of all development programs.

Romania has another problem linked to the formation and education of the human capital: *"the brains-run"*. For instance, a lot of doctors and, especially, IT specialists, decide to emigrate. Only by the leave of the IT specialists, Romania loses annually 60 million dollars, as a result of the emigration of 2000 faculty graduates from the IT field.²⁹

Challenges of the Romanian Education

Romania has not yet finalized the elaboration of an integrated national strategy for the permanent education. The main obstacles Romania is confronted with, in its effort to adopt an integrated and coherent strategy in the permanent education field are:

- The existence of historical gaps in comparison to the Lisbon strategy, doubled by the insufficient development of a culture of permanent learning at the population's level;
- The lack of a systematic and coherent debate, meant to imply ministries, public institutions, civil society and the private sector in elaborating, implementing and monitoring the policies in the permanent education field;
- The inexistence of global approaches in the policies regarding permanent education, which should regard the whole education and formation process of an individual, and should comprise, in a unitary vision, both the compulsory preschool education, and, also, the initial professional formation, and adults' continuous education and formation;
- The sometimes significant distance between the law stipulations regarding permanent education and their put into practice at regional and local level;
- the lack of correlation between the priorities established in the educational policy documents and the financial resources allocated for their fulfilment;
- The low implication of social partners in the development and implementation of human resources development policies.

2 *** - Unprofitable export: un IT specialist costs \$ 60 million dollars annually, in « Jurnalul Național », 19th of June 2002;

The main challenges for the permanent education in Romania are:

- The low participation of young people and adults to the permanent education;
- The insufficient valorification of the education from outside the institutional framework (the non-formal and informal education);
- The gaps between the education stock, in the conditions of the limited access to education of the population categories that are in the situation of social exclusion (persons in the situation of extreme poverty, persons in prison, persons with special needs, the roma population);
- The limited access and low competences of the population to the digital informational resources;
- The spectre of the Romanian population decrease (by 11% until 2030, according to the European Union projections) and the implications of this reality on the development and use of the labour force competences.

Conclusions

People are a very important factor in the production process and for the success of a business. Therefore, we consider it is essential that modern organizations rethink their strategies, make long term investments and invest in people. Their success and survival on the market depends in a big extent on the understanding of these aspects, and Romania must be aware, as well, of its importance.

The rational integration in the international labour division represents a major, actual and perspective problem of the economic and social development of Romania. The more labour productivity increases, production and consumption must increase at least in the same rhythm, in order to maintain a high level of employment, even more rapid if the number of work places must increase.

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CORPORATE GOVERNANCE- A TRANSPARENCY INDEX FOR THE ROMANIAN LISTED COMPANIES

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The purpose of this research is to analyze the corporate governance information disclosed by Romanian listed companies on the internet, with the objective of assessing the extent and the influence of several corporate characteristics on the level of information voluntarily disclosed. The results suggest that there was low willingness of Romanian listed companies to provide voluntary information in addition to the disclosure requirements. Information relating to financial statements and employees issues are found more frequently disclosed by listed companies than those which were regarded as sensitive such Board and Executive information.

Key word: corporate governance, transparency, online disclosure, Bucharest Stock Exchange, RASDAQ

JEL code: G15, G34, L22, M41

1. Introduction

Recent events have put a global focus on corporate governance issues. Bankruptcy and failures in Western banks and financial institutions are in large part attributable to corporate mal-governance and distorted incentive structures. The current financial crisis and its contagion and spillover effects are currently felt across the globe, including in Romanian market.

The recent media focus on corporate governance has prompted calls for greater transparency and disclosure on companies around the globe. Transparency regulation intends to improve the quality of information about company and management. It should be noted that the intention of this legal strategy is not to improve the quality of the accounting procedures as these are usually not incorporated in corporate law but are set by accounting standards boards. More disclosure increases the trust of the market on e.g. corporate policies and contracts directly related to the management. More specifically, corporate legislation regulates the extent to which information is released on the managerial compensation package and the requirement to disclose any transactions between management and company (e.g. consulting contracts, interest-free loans). The quality of the transparency is more reliable when the law or the stock exchange regulations include a comply-or-explain principle.

Global trends lead toward greater disclosure of corporate governance practices, responding to market disruptions such as the subprime market collapse and resulting credit crisis on the one hand, and attracting investors by enhancing access to information on the other hand. In a globalizing economy, country markets competing for increasingly mobile pools of capital can benefit from strong assurances of good practices in corporate governance disclosure.

As a result, several leading financial-information providers have launched disclosure rankings, evaluations, and research related to how companies disclose information to rely on market force and mechanisms to encourage voluntary disclosures of companies.

2. Methodology

The purpose of this research is to analyze the corporate governance information disclosed by Romanian listed companies on the internet, with the objective of assessing the extent and the influence of several corporate characteristics on the level of information voluntarily disclosed.

The main objective of this research has been the computation of a **transparency index** for the Romanian companies which are quoted at the Bucharest Stock Exchange (BSE).

The general population is represented by all the companies which are quoted at the Bucharest Stock Exchange in both sections: BSE and Rasdaq. The results following this research can be extrapolated at the level of the specified general population. The observation unity is given by the quoted company.

A total number of 2,100 companies registered at the Bucharest Stock Exchange have been studied, in two sections, BSE and RASDAQ, the following variables having been taken into account: the number of accomplished transactions during the year 2007, the volume of the transactions and the value which was transacted. The selection was made on two levels, according to a number of criteria, among which the capitalization and the liquidity of the companies, thus leaving in the end a number of 110 companies available for the computation of the transparency index and the accessibility to information.

The study was based on the ranking of the companies according to six criteria of great interest for the corporate governance, an original set of sub criteria having been developed for each of the criterion. In the end, a total number of 38 variables have been analyzed for each company.

C1: THE ATTITUDE TOWARDS THE CORPORATE GOVERNANCE

- C1.1 The existence of a reference towards CG
- C1.2 The existence of a commitment towards CG
- C1.3 The existence of a special column dedicated to the corporate governance

C2: INFORMATION REGARDING THE STRUCTURE OF THE OWNERSHIP

- C2.1 Ownership structure
- C2.2 Shareholder type (individual investors, institutional investors, shareholding by nationality etc)
- C2.3 The list comprising the significant shareholders
- C2.4 Information about Corporate group structure

C3: THE RELATION WITH THE INVESTORS

- C3.1 Number of issued stocks and their nominal value
- C3.2 The transaction value
- C3.3 Information regarding the transaction
- C3.4 GMS convening notice
- C3.5 Attorney form
- C3.6 GMS decisions
- C3.7 Information regarding the dividends

C4: FINANCIAL TRANSPARENCY

- C4.1 Annual report
- C4.2 Half-yearly report
- C4.3 Quarterly report
- C4.4 The report of the audit firm

C5: INFORMATION REGARDING THE COMPANY BOARD

- C5.1 List of Board members
- C5.2. Details of the current occupation of the members of Board
- C5.3. Details on age, studies, experience
- C5.4. Details of role and functions of the board of directors
- C5.5. Details of the duties of each member
- C5.6. Duration of directors' contracts
- C5.7 List of specialized committees
- C5.8 Annual number of held meetings
- C5.9 Official statements of the Board

- C5.10 Details of the shares owned by the Board
- C5.11 Details of the compensation system of the Board members
- C5.12 The list of the Board of directors
- C5.13 Details of the top manager's professional experience
- C5.14 Details of the top manager's compensation

C6: ROLE OF STAKEHOLDERS IN CORPORATE GOVERNANCE

- C6.1 Clients – details of the offered services / products
- C6.2 Details of the main clients
- C6.3 Made or planned investments
- C6.4 Information which is of interest for the employees (employments, wage system policy, information regarding the syndicate etc)
- C6.5 Information regarding environmental problems
- C6.6 Declarations concerning the social responsibility of the corporation

The rating for the C1 criterion has been done as following:

- 0 – there is no reference to corporate governance
- 1 – The C1.1 sub criterion is fulfilled
- 2 – The C1.2 sub criterion is fulfilled
- 3 – The C1.3 sub criterion is fulfilled

The rating for the C2 – C6 has been made from 0 to 3 under the following conditions:

- 0 – the information does not exist or is not up to date
- 1 – the information exists but it is not visible
- 2 – the information can easily be found but it is difficult to be understood or it is incomplete
- 3 – the information can easily be found, it presents no understanding difficulty and it is complete

The general transparency index has been computed as a simple arithmetic mean of the arithmetic means of the six criteria.

$$\begin{aligned}
 M1 &= \max (C1.1, C1.2, C1.3) \\
 M2 &= \sum C2i / i \quad , \quad i = 4 \\
 M3 &= \sum C3j / j \quad , \quad j = 7 \\
 M4 &= \sum C4k / k \quad , \quad k = 4 \\
 M5 &= \sum C5m / m, \quad m = 14 \\
 M6 &= \sum C2n / n \quad , \quad n = 6
 \end{aligned}
 \qquad
 M_t = (M1+M2+M3+M4+M5+M6) / 6$$

A classification has been made according to the general transparency index. According to this ranking, the company which is situated on the first place, SNC Petrom SA, has obtained the maximum value 1. The values of the indices obtained for the other companies have been obtained by referring the total indices afferent to the companies to the maximum index.

The transparency index takes values between [0, 1]

$$I_t = M_{ti} / M_{t \max}, \quad i = 2 - 58$$

The transparency index on a scale from 0 to 3 was also tracked, according to the note above, which is afferent to each of the sub criterion for the whole sample.

3. Survey Results

Good corporate governance is required in all sectors, but is of particular importance in financial institutions. The financial sector plays the central role of intermediating savings and allocating capital in the economy. Firms in the financial sector are key players in creating market disciplines favouring better standards in the corporate sector more generally. Most of these firms have important fiduciary functions and act as internal or external monitors. In part due to the multiplicity of intermediaries and the increasing consolidation in the financial sector across

different activities, conflicts of interest are numerous. This situation has been recognised from Romanian companies also, 9 from the first 10 most transparent companies come from this sector. A top ten ranking of the companies rated according to each criterion is presented in table 1.

Table1. Top 10 companies according to the transparency criteria

	M2		M3		M4		M5		M6		MT	IT %
SIF1	3,000 0	SIF1	3,000 0	SNP	3,000 0	SNP	2,000 0	SNP	3,000 0	SNP	2,69642857 1	100,0 0
SIF4	3,000 0	SIF4	3,000 0	SIF1	3,000 0	SIF3	1,857 1	RRC	3,000 0	SIF1	2,21825396 8	82,26
SIF2	3,000 0	SIF2	3,000 0	BRD	3,000 0	SIF2	1,571 4	PTR	3,000 0	BRD	2,11309523 8	78,36
SIF3	3,000 0	OIL	3,000 0	SIF4	3,000 0	BRD	1,357 1	ATB	2,666 6	SIF4	1,99603174 6	74,02
TLV	3,000 0	TEL	3,000 0	SIF2	3,000 0	ALR	1,357 1	BRD	2,500 0	SIF2	1,98412698 4	73,58
BRK	3,000 0	IMP	2,714 2	SIF3	3,000 0	TLV	1,285 7	SCD	2,500 0	SIF3	1,96031746 0	72,70
SNP	2,750 0	BRD	2,571 4	TLV	3,000 0	OIL	1,285 7	FLA	2,500 0	TLV	1,93253968 3	71,67
BRD	2,250 0	SIF3	2,571 4	OIL	3,000 0	SIF5	1,214 2	AMO	2,500 0	OIL	1,79761904 8	66,66
BC C	2,250 0	PCL	2,571 4	ATB	3,000 0	SIF1	1,142 8	UCM	2,333 3	ATB	1,78968254 0	66,37
ATB	2,000 0	SIF5	2,571 4	BRK	3,000 0	SIF4	1,142 8	SIF1	2,166 6	BRK	1,77380952 4	65,78

As it can be seen in table 1 and also in figure 1, which present in a graphical manner the transparency index online for the 58 companies comprised in the present study, there is a relatively great difference between the top ten companies that are listed here. For example, between SNP Petrom, which is the first company, and SIF Banat Crisana, which is the second company, the gap is of 17.74%. Another example can be found between the first company and the one that is situated on the 10th position that is SSIF Broker Cluj, where the gap is 34.22%. The gap is even more accentuated between the first two companies quoted by Rasdaq. The difference between the two is of 31.13%.

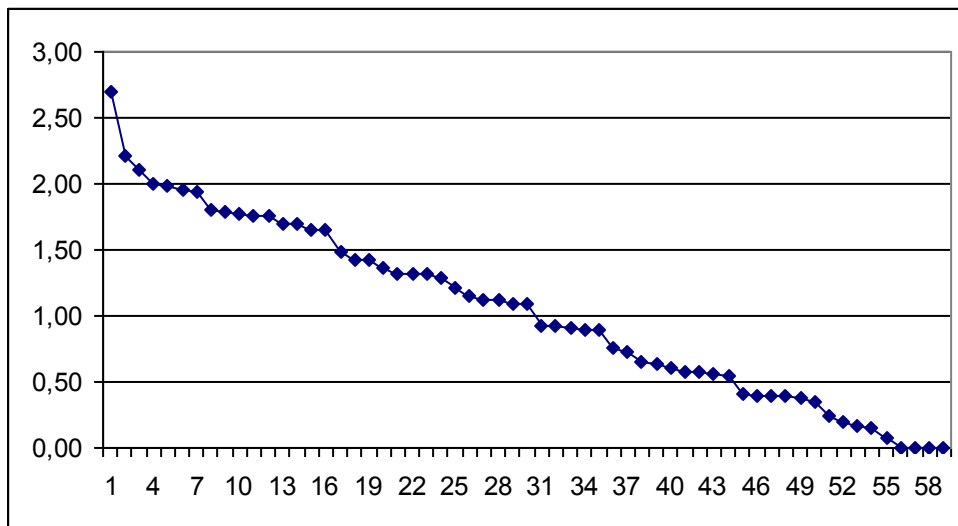


Fig.1. The general transparency and accessibility index – BSE

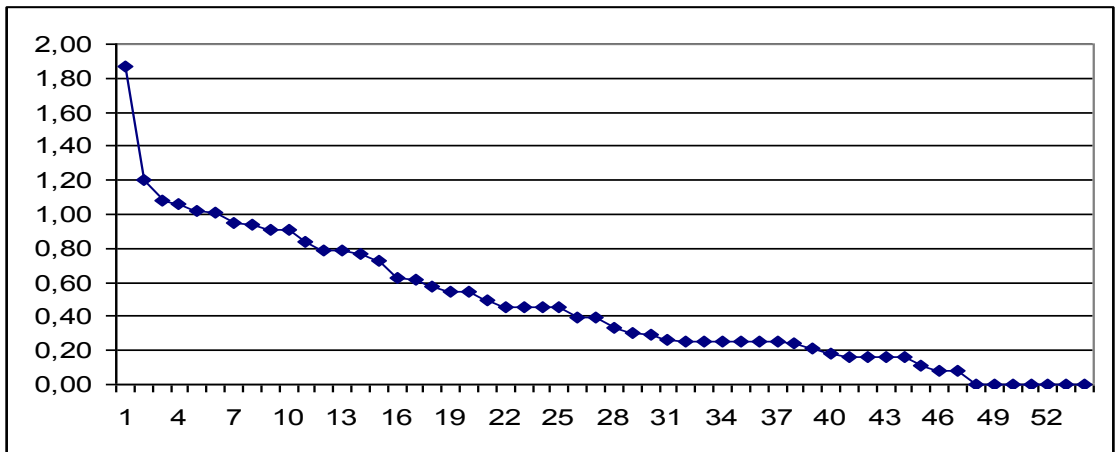


Fig.2.The general transparency and accessibility index - RASDAQ

As it can be seen in figures 3 and figures 4, it is impossible to establish any correlation between the liquidity of a certain issuing agent, expressed by the number of transactions in 2007 and also by the transparency index and the access to information which is offered to its stakeholders. SIF5, which is the most transacted company in 2007, is not present in the top ten companies list, according to the general transparency index and the accessibility, the company occupying only the 16th place, having an index of 61.51%, in comparison with the 1st listed company. This aspect is much more visible for the companies quoted in Rasdaq.

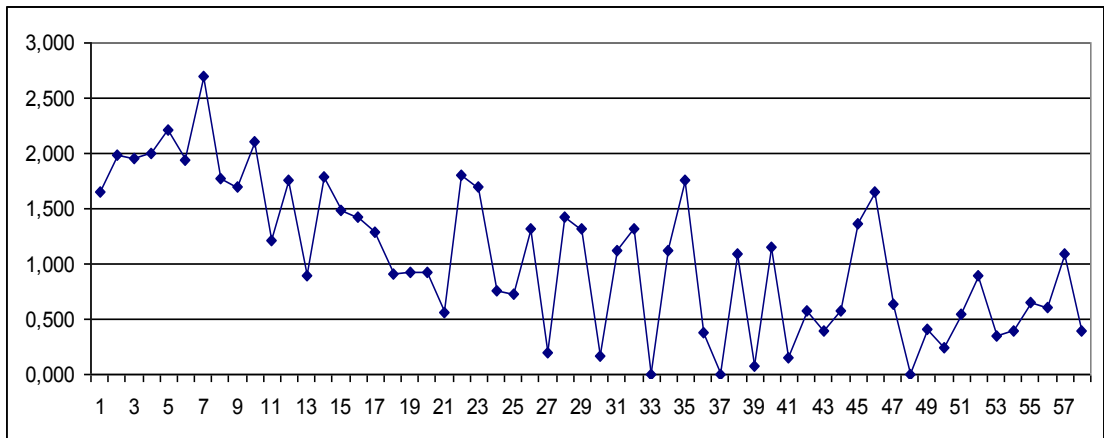


Fig.3.The transaction of the companies and the general transparency and accesibility index BSE

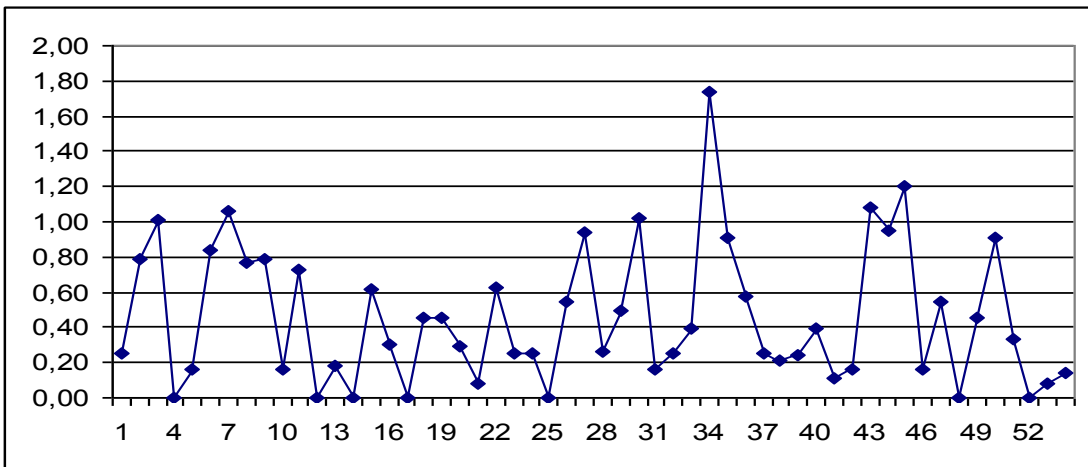


Fig.4. The transaction of the companies and the general transparency and accessibility index RASDAQ

Moreover, none of the computed indices can be correlated with the number of the transactions accomplished in these firms, as it can be seen in figure 6.5.

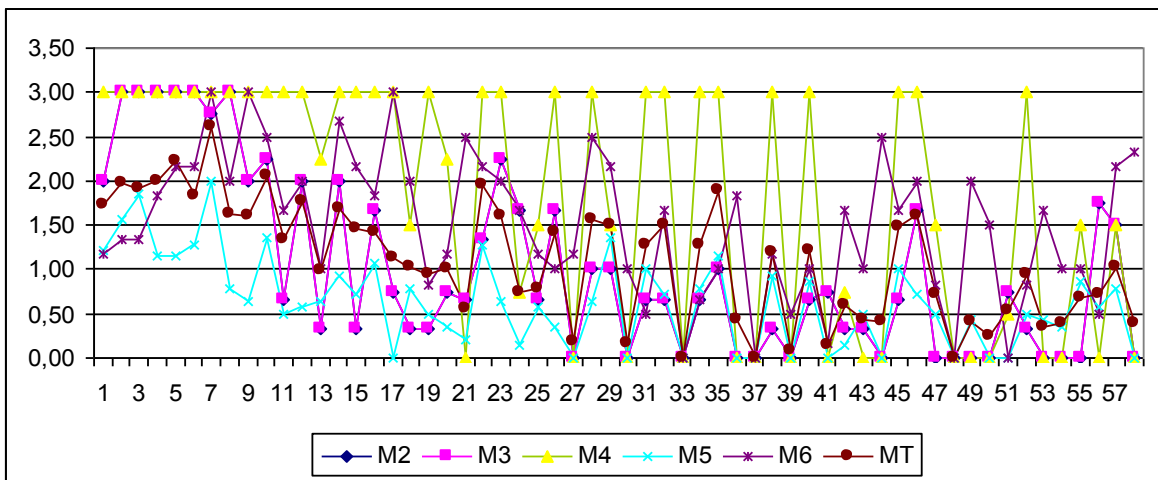


Fig.5. The transaction of the companies and the transparency and accessibility index for the set out criteria

4. Conclusions

This paper suggests a new approach that examines the relevance of internet, and orients supervisory authorities in the direction to follow for improving corporate governance transparency in listed companies. The composite voluntary disclosure checklist will serve a good basis of measurement in corporate disclosure.

The results suggest that there was low willingness of Romanian listed companies to provide voluntary information in addition to the disclosure requirements. Information relating to financial statements and employees issues are found more frequently disclosed by listed companies than those which were regarded as sensitive such Board and Executive information. This study fulfils a gap in prior research by examining the interest in corporate governance issues, in an emerging economy.

This is an exploratory study which shows that further research may provide more concrete evidence of the changing corporate disclosure environment in Romania.

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THE IMPACT OF SHOPPING TOURISM ON THE FUTURE OF LEISURE SERVICES

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Tourism has grown to be an activity of worldwide importance and significance. For a number of countries, tourism represents the largest commodity in the international trade, and in many others it ranks among the top three industries, becoming a major social and economic force in the world lately.

The leisure in tourism represents the principale method to limit, individualise and diversify the tourism offer, the firms and tourism destinations. More than that, the leisure determines the increase of the competitive degree, the revenue obtained and the economic efficiency.

As a major component shopping has became one of the most significant leisure activity and the development of this segment stands to stimulate the future of amusement services and their major influence in the tourism industry.

Keywords: shopping, leisure, tourism

Code JEL: L 83

1. Shopping as leisure activity

Economies tend to follow a developmental progression that takes them from a heavy reliance on agriculture and mining, toward the development of industry and finally toward a more service based structure. In this context, the third sector has gained in importance and its role can be definitely being seen in the special interest the countries are developing it.

As a major component, the tourism services have increased over the years representing the fastest growing industry in the world. Regarding the tourism services, the main component of this are accommodation services, transport services, food and beverage services and leisure services.

The leisure services were always analyzed as supplementary services, but over the years the role and importance of these has changed dramatically. At first, the main components were lodging and food and beverage, later on the leisure segment has risen in the eyes of the consumers.

So, the development of tourism is determined not only by escaping from routine activities, but also by the customers' need to spend the free time in a pleasure way. More than that, the leisure services represent a major factor for increasing the competitiveness degree, a major method to limit, individualise and diversify the tourism offer and to increase the revenues obtained.

Leisure is usually described as the free time, or better said the non-work time. In its large sense, leisure encompasses all those activities that are not work activities. This description is not a fair one, taking into consideration the important role of leisure in the tourism industry.

Even though the term leisure is considered to be a synonym to the words free time or recreation, its meaning is more profound including a large variety of activities.

Leisure services are presented as the services provided by several organizations in order to occupy the free time as³⁰:

- eating and drinking out,
- staying away from home,
- travel including visit to leisure location,
- visiting places including travel from home,

³⁰ Lashley C., Lee-Ross D., Organization behaviour for leisure services, Batterworth.Heinemann,2003;

- watching and participating in sporting activities,
- attending cultural occasions,
- shopping for leisure;

Shopping has become one of the most common activities of leisure and has changed its initial part as a need to survive to a want to enjoy.

The shopping activity can be regarded from two points of view³¹: as a **functional activity** and as a **leisure activity**. As a functional activity, shopping presents the following characteristics: high expectation, predictable, meets identified needs, time efficient, and target activities. The leisure shopping encompasses several particularities such as values different, wants novelty, creates wants, consume time, browsing and opportunistic.

In other words, the functional shopping is valued because it meets identified needs, but leisure shopping creates want rather than satisfying those needs. The functional shopper has high expectation and prediction based on the shopping centre offer, while the leisure shopper is impressed by novelty and different merchandise. As for the other characteristics, leisure shopping doesn't depend on a travel and shopping route, and it purchases randomly by instinct and stimulation, being a time consumer.

The relationship between functional and leisure activity and its continuity is frequently presented by specialists, (originally from Carr, 1990) as a passage from “**quarter mastering**” as functional to **technical**, to **expressive** and in the end to **recreational** as leisure.

The *Quarter mastering* finds itself as the functional end and it represents the purchase of goods for essential needs and suggesting a routinely action. Next on the chart towards the leisure activities there is the *technical* which demands planning, analyzing decisions, price studying for item that have a special mechanical functionality – such as refrigerates. More closely to recreational shopping is the *expressive* one that can be translated by acquiring goods that influence a better image of oneself as make up, jewelry, etc. At the other end, *the recreational* activity of shopping is pursues the nature of amusement, fun and enjoying the actually activity of purchasing items.

Another differentiation must be taken into account, the *expression of buying* and the *expression of shopping*. The first one suggest the process of acquiring merchandise from a seller, and the second one implies also activities like sorting, comparing prices, socializing, waking through shops, etc. More than that, the leisure shopper could rarely buy merchandise, as this action doesn't represent the essence of his shopping, but when he does, he might purchase more than a regular shopper would do.

More and more the consumer has changed his idea of shopping including a recreational need by examining the products, the new environments, the new friends, etc. determining that the act of shopping to stand up for fulfilling more than the need to buy some things.

The notion of leisure shopping can sometimes be subjective involving a large variety of concepts such as³²: *shopping for leisure*, *shopping and leisure* and *shopping as leisure*.

The concept of shopping for leisure presents the activity of buying goods that can be used in the leisure time, perceived here as a free time, as it was mentioned before – books, sporting equipments, and so on.

Shopping and leisure describe the activity of purchasing goods in an environment that offers different types of leisure facilities – theatres, cinema, bowling alley, etc., usually found in malls, and other venue that incorporates such entertainment opportunities.

Shopping as leisure and therefore the leisure shopping that has been underline previously accentuate the idea of shopping as a recreational, amusement, entertainment pastime and therefore as leisure.

³¹ Jenkins J., Pigram J., Encyclopedia of leisure and outdoor recreation, Routledge Publishing, London, 2003;

³² Timothy D., Shopping tourism, retailing and leisure, Chanell View Publication, 2005

As the consumers' ideas and conceptions of buying have evolved it mustn't eliminated the necessity of buying for functional purposes only, but to understand and concentrate on the segment of shopping for leisure. It can be neglect the main interest in shopping, but it should be proper analyzed the leisure shopping and its trends by all the actors implicated in the commercialization of goods and services.

2. Shoppers typology

The shopping activity has changed dramatically over decades with significant importance to the consumers and more than that to the producers and distributors.

One of the central particularities in this change is represented by the consumer's behavior in leisure shopping as a response to the increasing role of leisure in general, the stressful day to day life, the international trends in shopping, leisure and tourism, etc.

At the early 1950', the specialists have identified a serious typology of early leisure shoppers³³: *economic, personalizing, ethical and apathetic*.

The *economic* shopper presents itself as certain buyer of goods and services, with the determinate intension of purchasing, as a result of comparing, analyzing, browsing the variety of products. The *personalizing* shopper appears to be an individual for whom the shopping experience is unique and exciting and tents to form social relationships with the store's personal. This type of shopper tends to be more interested in cultivating special relationships with the human resources in the magazines than to analyze and compare prices and products as a step to the concept of future leisure shopping

The *ethical* shopper presents a tendency to feel obligated to shop in specific stores, like family ones, in opposed to grand magazines, supermarkets, mall, due to its character of authenticity, uniqueness, etc.

The last one, the *apathetic* shopper is not interested in shopping, regardless of venue, price, variety of products and services, and considers the activity as a boring and only for functional necessity.

Other specialists divide the consumers' characteristics in shopper like³⁴: store loyal shoppers, convenience shopper, compulsive shopper and price conscious shopper.

Another study can present shopping as³⁵: *inactive* (restricted shopping interest and low or inexistent shopping entertainment), *active* (engaged in outdoor activities and enjoying shopping around for bargain prices and looks for products that suggest a higher social class), *service shopper* (interested in the quality of the service trying to obtain and maintain a beneficial relationship with the store staff, regardless of the costs, preparing to pay higher prices for better services), *classic or traditional shopper* (engaged in outdoor activities like the active one, but more conscious about spending money and less enthusiastic about the activity itself), *dedicated fringe shopper* (enthusiastic with the new products, and the idea of new and unknown and present little interest in socializing with the sellers), *price shopper* (obsessed with the price at a lower level in the detriment of quality, variety, services, etc.), transitional shopper (usually young people that tend to tries new and adventurous products, with the possibility of changing their consuming habits and behavior), *convenience shopper* (the main characteristic is looking for a ease way of buying goods with little importance of price, or store venue, etc.), *coupon saver shopper* (heavy reliance on the coupons and advertising products in the act of purchasing), *innovator shopper* (tends to by new products and buying as an impulse), and *unclassified shopper* (with non specific behavior as a pattern for shopping).

A new trend in leisure shopping is represented by mall shopping, because of its large variety of department stores and products, but most important the large extra leisure facilities as cinemas,

³³ Swarbrooke J., Horner S., Consumer behavior in tourism, Butterworth-Heinemann Publishing, 2007;

³⁴ Broadhurst R. Managing environments for leisure and recreation, Routledge Publishing, 2001;

³⁵ Timothy D., Shopping tourism, retailing and leisure, Chanell View Publication, 2005;

spectacle places, different types of sports and games facilities, landscape arrangements, etc. In this context shopping in malls can provide a diversity of behavior such as: *light consumer*- is looking for a specific item in a specific place of the mall, *multiple consumers* – is determined to buy more than one item from a store or from different stores, *leisure shopper* – search for more recreation and entertainment purposes than a direct purchase, and combined shopper – a vast interested shopper.

An important aspect of shopping typology is learning about the different types of shoppers in order to produce and promote special goods and services that will meet the increasing and difficult need and wants of the consumers. At the base of this classification stand the general **motivations for leisure shopping** like:

- something to do;
- the desire to buy gifts for friends;
- special occasions that determines the purchase of products;
- buying souvenirs from trips;
- waking with friends and family to shopping;
- price reduction, promotions;
- desire to buy unique products specific to a destination;
- shopping for special types of products that can't be found at home, etc.

As it can be seen, most the motivations for leisure shopping are involving in some degree the necessity of travel. Indeed shopping as a leisure activity takes place often in the tourism sector. The quality of tourist makes an individual more likely to shop by impulse and in a large degree than would regularly do. On the other hand not all leisure services are a part of the tourism industry, as tourism can also be seen as a leisure service or activity, the interdependence of this sector as from part to the whole activity and vice versa.

3. Future trends in leisure shopping

Regarding to the leisure shopping experience it is notable that more and more the shopping activity is connected to yo the general leisure activities and is perceived together or definitely liked to each other.

For example: many lodging establishments have installed retail outlets and commercializing mostly leisure shopping products; different stores and complex designed for leisure shopping enhance their attractiveness by adding new facilities offered such as catering; the conference programs usually include nowadays, shopping experience trips; the airport, airlines, ferry and cruise company are developing their own leisure shopping stores and facilities in order to increase their income especially as a result of the loss of duty free sales; new shops that appeals to the hobbies offering facilities and equipment, for instance painting; etc.

Another important trend in developing the leisure shopping facilities is represented by the marketing and promotion from other sectors of leisure:

- tour operators organize excursions that include shopping experience;
- hotels usually promote leisure shopping facilities for selling their weekend breaks;
- transport operators promote shopping facilities for the out of peak season; etc.

A special place in leisure shopping is expressed by the environments. The general environment of shopping determines an increase or a decrease of this activity. For instance, the ambience of shopping would include visit to a food court, seen a performance and creates a pleasant shopping environments, for extending the shopping stay and therefore the shopping enhancement.

The various facilities offered by an establishment, as the synergy between shopping and other recreational activities has a major potential for impulse purchasing, influencing the environment of general shopping in a store, hypermarket, mall, etc.

In this context it is important to mention the leisure shopping that takes place near the historical arias or event arias, etc. This way, there are significant benefits from satisfying human and social leisure in retailing context aside from merchandising itself. By extending the retail environment

into a broader leisure setting commercial establishments are able to draw in more people and keep them for longer periods of time, influencing higher expenditures.

Leisure shoppers are more inclined to make impulse purchases than the functional ones. Impulse purchases occur when the decision to buy something appears when entering the store, decision on the spot.

Sellers, producers and distributors underline the importance of *impulse shopping* so they promote an environment that stimulates this as such:

- practicing lower prices has a very significant impact on buyers;
- a lot of exposure to a product in different retail units;
- the promotion of self-service operations rather than assisted will increase the variety of goods purchased;
- wide spread advertising that influences shoppers psychology;
- appealing products, ease to store products, small size, ease to carry products, etc.

Approaching shopping as a leisure activity has been seen at first with restraints, even though there is a great potential to increase the competitive advantage and consumer expenditure.

Nowadays and future trends show that the shopping centers have begun to include in their offer recreational facilities, and leisure shopping and entertainment interbreeds forming "shoppertainment" phenomena where people visit shopping centers to rather to participate in a recreational activity than purchase goods and services.

As a result, the shopping spaces are designed to enlarge their recreational environment by:

- the empathizing of the architectural and environmental aspects of the shopping centre (lavish designs, interior landscaping and natural lightning replicate the open space and outdoor settings);
- the enlargement of malls and shopping centers' offer like: special events and concerts, entertainment extension, catering etc;
- the appearances of support centers as result of the leisure shopping, like pharmacies, day care center, banks, etc.

In conclusion, the leisure shopping has a great benefic influence on the consumer and on the store seller, owner, etc. If the shopping is presented as a leisure activity, the consumer, often the tourist perceives a well being state, a modality to pleasantly occupy the free time in a recreational environment and enjoy himself. More and more people chose to interact in leisure activity to reduce stress, to enjoy them and to develop their physical and emotional particularities.

Let's not forget the importance of leisure to the organizations and owners of different facilities of entertainment. Shopping for leisure will also improve their image, their competitiveness degree, will enhance the costumers' expenditure and determine the efficiency of their activities.

This trend of shopping as leisure has increased the number of participants and over the years has developed into an important travel form - tourism for shopping with venues and season in peak or out of peak known world wide.

Shopping remains one of the most interesting satisfying and stimulating form of leisure that will change the form of future travel and tourism industry.

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THE DEMOGRAPHIC CHALLENGE FOR HOSPITAL PERSONNEL MANAGEMENT

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The demographic “double- ageing“ of the population is expected to aggravate the situation on the German health care labor market by decreasing the workforce potential and changing the age structure of the workforce potential. A high number of German hospitals have already been facing problems in occupying their vacant physician positions. The competition for highly-skilled hospital personnel and the shortage of young qualified employees should determine hospitals to focus on adopting and implementing demographic-oriented personnel management strategies. Raising employee awareness and retention, securing and developing personnel skills and competence, promoting positive employee motivation and preserving their performance are central objectives for managing the demographic challenge. A project started in a German acute hospital also underlines the importance of such strategies.

Keywords: demographic impact, hospital labor market, demographic-oriented personnel management.

JEL Classification Code: M12 J21 P36

1 Introduction

The German health care market has been undergoing major changes. The medical and technical progress, the demographic change, the health behaviors of the population, the complexity, social mega trends, the individualization and globalization, the definition of health and disease, political factors of influence (regulation degree, health care funding, role of prevention) and the financial situation have been fundamental factors of change. The medical and technical progress has increased the number of diseases that can be cured or controlled; the population has a higher life expectancy and better health for a longer time, so that the population disease spectrum shifts towards chronic diseases. In this context, it seems necessary for the health care service providers to take into consideration these substantial changes and adjust their behaviors and activities in accordance to them.³⁶

More than before, health becomes of central interest next to disease. The boom of the health care sector is predicted to be an important growth promoter in Europe. In Germany, the rising health care costs have determined a large number of health care reforms that have increased both the public and the personal interest for health care. The health care sector does not only consume a significant share of the GDP, but it is one of the most important employers at national and regional level. At the end of the year 2007, each 10th German employee was working in the German health care sector, amounting at national level to a total of about 4.4 million employees; in the time interval 2006-2007, the total number of persons employed in the German health care sector increased with 1.5% and of full time positions with 1.1% (almost 97% of the increase in the number of employees being generated by the increase in part time positions).³⁷ With regard to the age structure of the health care personnel in 2007, about 24% of it was aged 50 and over, the

36 Schmidt, C.; Möller, J.: Katalysatoren des Wandels, in: Klauber, J.; Robra, B.-P.; Schellschmidt, H. (Ed.), Krankenhausreport 2006. Schwerpunkt: Krankenhausmarkt im Umbruch, Schattauer, Stuttgart, 2007, pp. 3.

37 Statistisches Bundesamt Deutschland, Pressemitteilung Nr.490 vom 17.12.2008, Wiesbaden, 2008b.

largest peer group (43.9%) being represented by the employees aged 35 to 50.³⁸ The demographic evolution together with other factors will have a considerable impact on the labor market situation and thus on the recruiting strategy and policy of health care service providers. Analyzing in this context the situation of the German hospitals, the demographic impact will lead to new approaches and focus in the hospital personnel management. Aspects referring to the situation of the hospital labor market and to the concept of demographic-oriented hospital personnel management will be presented and analyzed in the following chapters.

2 Hospital personnel: facts and trends

At the end of the year 2007, the German hospital personnel (about 1.07 million employees occupying 0.79 million full time positions) accounted for about 24% of the health care sector personnel; from 1991 to 2007, the total number of hospital employees and full time positions diminished solely at the expense of non-physician staff. In the last years, the number of part-time positions increased considerably.³⁹ Klinikum Ingolstadt has been repeatedly facing problems in finding and retaining long-term qualified personnel at this stage in spite of the cyclical tense economic situation. The case of Klinikum Ingolstadt is not singular, on the contrary: data shows a considerable increase in the percentage of German hospitals facing problems in occupying vacant physician positions, from 28.4% (55.8% in East Germany, 23.5% in West Germany) in 2006 to 67.3% in 2008 (80.9% in East Germany, 65.2% in West Germany); the aggravated physician shortage was extrapolated for 2008 to 4000 vacant positions (considering the German general hospitals with 50 beds and more).⁴⁰

The reasons why many hospitals in Germany are facing such problems are multiple. The number of young people applying nowadays for hospital jobs or learning apprenticed occupations in this segment has been decreasing due to reduced attractiveness. Statistical data shows the unfavorable evolution of the number of human medicine students and graduates in Germany: from 1993 to 2006 the number of students studying human medicine decreased with almost 14% (showing a small increase from 2005 to 2006) and the number of human medicine graduates with about 24%. At the same time, only 58.4% of the students, who started studying human medicine in 1997, occupied physician positions in 2003 in German hospitals.⁴¹

The personnel situation is exacerbated by the fact that skilled personnel and graduates change into other professions for reasons like lack of any future perspectives or fear of not coping in the long run with the physical and mental burden or with the increasing pressure caused by staffing or working hours. Labor market data reveals that in 2005 about 23% of the total number of physicians did not occupy any positions as physicians. Analyzing the vacant positions for physicians reported at the end of the years 2006 at the German Employment Office, one can notice that the specialists in internal medicine occupied the first place with 15.2%, being followed by the anesthesiologists (with 10.8%), general practitioners and gynecologists (both 10.1%) etc.⁴² In the meantime, skilled employees are being poached by market partners from hospital chains and industry. Nowadays, the number of the personnel trained and educated by

38 Statistisches Bundesamt, Zweigstelle Bonn, Gesundheitspersonalberechnung, in: www.gbe-bund.de, Beschäftigte im Gesundheitswesen in 1.000 Gliederungsmerkmale: Jahre, Deutschland, Alter, Geschlecht, Art der Beschäftigung, Berufe, 2009, table document.

39 Statistisches Bundesamt Deutschland, Krankenhauslandschaft im Umbruch - Begleitmaterial zur Presse-konferenz am 10. Dezember 2008 in Berlin, Wiesbaden, 2008a, pp. 11-12.

40 Blum, K.; Offermanns, M.; Perner, P., Krankenhaus Barometer kompakt - Umfrage 2008, Deutsches Krankenhausinstitut e.V., Düsseldorf, 2008, p. 6.

41 Based on data from Bundesärztekammer, Statistisches Bundesamt in: Kopetsch, Th., Studie zur Altersstruktur- und Arztzahlenentwicklung: Daten, Fakten, Trends, 4.aktualisierte und überarbeitete Auflage, Kassenärztliche Bundesvereinigung, 2007, pp. 7-10.

42 Rang, M.; Bausch, M.; Rühl, O., Arbeitsmarktinformation für Fach- und Führungskräfte - Mediziner dringend gesucht, Zentralstelle für Arbeitsvermittlung der Bundesagentur für Arbeit, Bonn, 2007, pp. 10, 28.

hospitals themselves is often not enough to meet their own demand. The facts mentioned above underline the fact that a considerable increase in the number of human medicine students and graduates is not to be expected in the future, causing thereby a shortage of qualified personnel. At the same time, regaining redundant employees might be very hard. This situation will be further exacerbated by the demographic change. The present, difficult economic situation also increases the pressure upon the hospital personnel situation because of the change in the hospital length-of-stay and the shift of an increasing number of hospital services into the (pre-, post-inpatient) outpatient care.

The changes noticed in the hospital sector comply with the national and European demographic trends. The results of the population projections of different research institutions and statistical Bureaus indicate a significant population decrease in Germany till 2050. The “double-ageing” of the German population is caused by the increase in life expectancy and the fall in fertility rate. Its impact upon the ratio between the younger and older population is considerable. Due to different assumptions with regard to the future evolution of the fertility rate, life expectancy and population migration in Germany, the exact results of the various population projections till 2050 vary a lot, but the predicted trends are the same: not even a significant increase in the fertility rate will be able to stop the demographic population ageing till 2050. The demographic impact upon the labor market is substantial: population ageing causes a decrease in the percentage of the workforce potential in the total population and the fall in fertility rate changes the age structure of the workforce potential. The results of the different workforce potential projections for Germany till 2050 reveal all a similar trend: the total number of the workforce potential is expected to decrease substantially, the highest loss being suffered by the peer group 30 to 44 years, the smallest one by the employee group aged 45 to 59. With regard to the evolution of the age structure, the percentage of the workforce potential aged 30 to 44 years (in the total workforce potential) is expected to decrease (from 43.1% in 2000 to for e.g. 35.6% in 2050) and the percentage of the population aged 45 to 59 years (in the total workforce potential) is expected to have a positive evolution with a considerable growth till 2050 (from 30.1% in 2000 to for e.g. 37.3% in 2050). The results also reveal an increase in the percentage of the workforce potential aged 60 to 74 years (from 5.3% in 2000 to for e.g. 7.6% in 2050) without taking into consideration the effects of the planned increase of the retirement age.⁴³

Regarding the personnel situation of the clinics in Klinikum Ingolstadt in 2008, more than 40% of the physicians were at least 50 years old. In most of the clinics, the highest percentage of the physicians was aged 30 to 39 years (when regarding 10-year age groups). Referring to the nursing staff, the highest percentage of them belonged to the age group 40 to 49 years, followed by the employee group aged 30 to 39. In the undertakings of Klinikum Ingolstadt, more than 60% of the employees were aged 40 years and over (a high percentage of them being aged at least 50). Data shows that the average number of hours the nurses and physicians of Klinikum Ingolstadt spent on further education is smaller in the higher age groups. Another important operating figure is the percentage loss of the gross work time due to illness; this is larger in the higher age groups. In the last years, the physician annual turnover rate was higher than 13% and the nursing staff annual turnover rate was less than 5.5%. The analyzed data reflects the main priorities of the personnel management in Klinikum Ingolstadt: the preservation of the personnel employability and performance, the necessity to make the hospital attractive for applicants and employees by creating career and development opportunities and also the improvement in employees' health condition. Health management programs, disease prevention, health check-up, fitness, ergonomically designed, age-based workplaces and activities supporting a reasonable work-life

43 Schäfer, H.; Seyda, S., Arbeitsmärkte, in: Institut der deutschen Wirtschaft Köln (Ed.), Perspektive 2050 – Ökonomik des demographischen Wandels, Köln, 2005, pp. 98 et seq.

balance have been planned and/or implemented to ensure employee health promotion and preservation in Klinikum Ingolstadt.

Analyzing the information referring to the age structure of all employed physicians at national level, one can notice that the age groups 35 to 59 years represented the largest peer groups in the last years. The situation is the same for hospital physicians. At the end of the year 2008, they were aged about 41.06 years on average; 64.1% of the hospital physicians were aged 35 to 59 years.⁴⁴ These evolutions have already affected the merely commercial hospital divisions (for e.g. aseptic cleaning, undertaking and public utilities). This trend will be exacerbated by the planned rise of the retirement age and thus the prolongation of the working duration, so that hospitals will face great difficulties in finding appropriate junior and skilled personnel. This fact will increase the importance of older employees for maintaining the long-term business success. As consequence, the personnel work will require greater efforts to maintain the future performance and innovative ability of hospital employees.⁴⁵

3 The impact of demographic change on hospital personnel management: main focus of operational approaches

Most of the objectives of a demographic-oriented personnel management, that have been mentioned in the technical literature, refer to raising employee awareness and retention, securing and developing personnel skills and competence, promoting positive employee motivation and preserving their performance. Because of the responsibility companies generally have with regard to the culture, education and formation, relation and integration of their employees, hospital personal management should also focus on knowledge (know-how) transfer to the new employees and between the generations of employees (as part of the knowledge management concept), on personnel marketing, employee development, training and further education.⁴⁶

The demographic-oriented personnel management project in Klinikum Ingolstadt started with a personnel development program initiated to facilitate the acquisition of qualified junior and specialized personnel. The competition for highly-skilled employees on the health care labor market had a significant impact on the recruiting policy and strategy of hospitals: major changes have been noticed in Klinikum Ingolstadt for e.g. in the personnel marketing, - recruiting, - development, - qualification, workplace and work time arrangements. Due to the labor market situation in this segment, hospitals must qualify their own employees to ensure the necessary knowledge transfer and commit their personnel as long as possible by means of workplace arrangements, the establishment of incentive schemes and personnel development programs designed even for the second career half in compliance with employees' individual needs. The DRG-system has forced hospitals to optimize their internal structures and operational processes in order to increase service quality, to comply with the middle DRG-length-of-stay values (considered as break-even-point) and thus be competitive (be able to attract new patient groups or enter new business segments, such as integrated or alternative care) and efficient. The process orientation and optimization approaches in hospitals generate new hospital organizational structures with focus on the patient process, disease spectrum, case complexity and needs; more and more hospitals are trying to shift the organizational focus from the divisional organization (characterized for e.g. by individual medical departments) towards multi- and interdisciplinary organizational structures; experience has shown that engaging the older employees in process

44 Bundesärztekammer, Ärztestatistik der Bundesärztekammer zum 31.12.2008 - Auswertung der statistischen Zahlen, 2009.

45 Packebusch, L.; Weber, B., Demographie – Initiative – Betriebliche Strategien einer altersgerechten Arbeits- und Personalpolitik – Schwerpunkte, Lösungsansätze, Ergebnisse, Zentralverband Sanitär Heizung Klima, Stuttgart, 2003, pp. 13 et seq.

46 Deller, J.; Kern, S.; Hausmann, E.; Diederichs, Y., Personalmanagement im demografischen Wandel: Ein Handbuch für den Veränderungsprozess, Springer, Berlin, 2008.

optimization and restructuring projects can be very beneficial for hospitals. As already mentioned, personnel recruitment plays an important role in the context of a demographic-oriented personnel management. Some of the activities mentioned in the economics literature and implemented in the practice with regard to activities in favor of external personnel recruitment are for e.g. the establishment of partnerships with universities and schools (having as target group the young professionals and trainees) and collaborations with expert pools/networks and employment agencies (having as target group the older, experienced employees); at the same time, activities appropriate to internal personnel recruitment include the establishment of internal job centers or the initiation of alumni networks.⁴⁷ In Klinikum Ingolstadt, activities have also been performed with regard to the employee remuneration, consisting in the establishment of a company pension plan and performance-related remuneration (with incentive schemes based on the achievement of certain objectives) and the implementation of time management (with work-time-, overtime or life long work-time accounts). The high need for efficiency amplified by the implementation of the DRG-system makes necessary for hospitals to synchronize the employee remuneration and performance with realistic parameters. In such a context, hospitals might consider factors referring to patient management, writing of discharge letters, DRG- documentation, process management, medical care services for private patients, employee satisfaction, arrangements regarding vacation replacement, contribution to the success of the company, compliance with prescribed medical material usage/expenses and with the performance planning .

In the context of a structured personnel development program designed to increase and preserve personnel retention, motivation and identification with the company, the employees must be able to recognize and perceive the value of the personnel development activities (for e.g. of alternative, flexible, diversified career models). Referring to employee development (and satisfaction) and to their involvement in the decision processes, tools like performance review discussions, staff assessments, peer reviews, team meetings and career advancement discussions have become standards in the practice; many of the task examples for older employees in the context of different career models refer to coaching tasks, project work, quality circles or even tasks specially designed for them.⁴⁸ Usually, older employees attend less further education courses than younger ones. In practice, there are enough examples that show the benefit for both companies (positive effect on the operational success) and employees from the further education of older employees and personnel lifelong learning.⁴⁹ Referring to young personnel development, the medical training of the hospital physicians is a very important topic for hospitals. Besides the costs caused by the medical training (for e.g. time spent for learning, teaching and peer tutoring or material and follow-up costs due to excessive therapies) other problematic aspects might refer to the missing or low identification with the institution, no interest for standards or process structure or the “nomad effect” of the physicians-in-training. In order to be effective, medical training should be structured and well organized. As part of the (medical) process, it should take place in special sections, centers and at defined training locations. The approach of Klinikum Ingolstadt with regard to junior (young) employee acquisition, retention and further formation consists in the initiation of the “Business-Angel” program, which offers the physicians-in-training (parallel to or before incipient employment) the chance to gain further qualification in the managerial area of responsibility. In this program, the medical students also get to know better the qualified job environment during their medical training year or internship and can also qualify further in the managerial area of responsibility. The “Business-Angel” program guides the medical staff into and during their medical training period and leads them to qualified, long-

47 Deller, J.; Kern, S.; Hausmann, E.; Diederichs, Y., Personalmanagement im demografischen Wandel: Ein Handbuch für den Veränderungsprozess, Springer, Berlin, 2008.

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49 Adenauer, S., Die Älteren und ihre Stärken – Unternehmen handeln, in: Angewandte Arbeitswissenschaft – Zeitschrift für die Unternehmenspraxis, Nr. 174, Dec. 2002.

term jobs in the hospital with many opportunities to specialize. The acquired basic qualification in the medical field ends with the qualification as specialist and parallel to this, with the MBA-degree in health economy. Another focus of the demographic-oriented personnel management project in Klinikum Ingolstadt has been the improvement of the work organization and organizational structure by means of job delegation, introduction of work-time/life long working-time accounts and reduced, structured shift plans, age-based workplaces, flexible work time, part-time work models and building nursery schools and kindergartens on the premises of the hospital (for work-family enrichment).

4 Conclusions

The demographic-oriented personnel management project started in Klinikum Ingolstadt has provided our company with important incentives for future work and personnel management. Long-term strategies referring to personnel recruitment, retention and development, optimization of work-time and organizational structure and leadership have been so far developed or even implemented. The success of this project and of the future work implies that all the findings should be communicated to the entire company and its corporate divisions so that everybody can realize the impact of the demographic change and prepare appropriately for it. Nevertheless, the corporate culture will have to promote communication and willingness to help and understand the employees. Companies that are authentic, trustworthy, and transparent and act promptly will be able to manage effectively the demographic challenge. The example of Klinikum Ingolstadt shows that the existence of efficient internal structures and rules, the optimization of work conditions and organization, the promotion of employee expertise and the establishment of opportunities for employee participation and development are important prerequisites for competitiveness and stable corporate development.

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LE TOURISME ROUMAIN – DES DIFFERENCES QUI FONT LA DIFFERENCE

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The journey - one of the greatest joy of our existence – has inspired “the vast tourism industry machinery” in such an important way that the tourism sector became the first industry of our planet, with more than 10 % of international GDP, and 924 millions of international tourists in 2008. A simple analyse of the existing data shows an upward trend with more than 1,6 billions of tourists for 2020, for a total population estimated at 7,8 billions of persons, and receipts superior at 2.000 billions of dollars per year.

To succeed in the tourism industry it is necessary to build powerful structures, because the development of the tourist sector determines a multiplier effect in the local economy.

Keywords : tourisme, tourisme international – arrivées, recettes

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1. Introduction

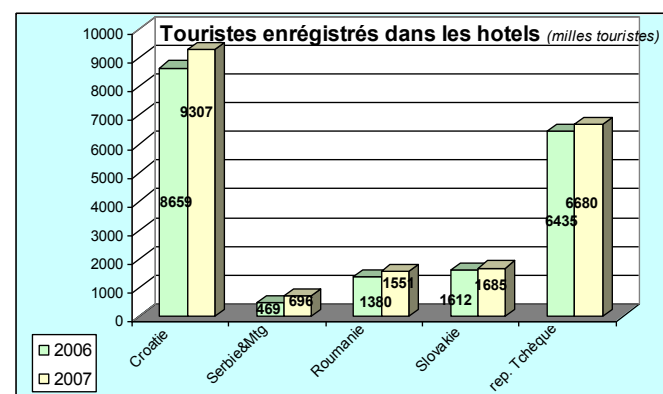
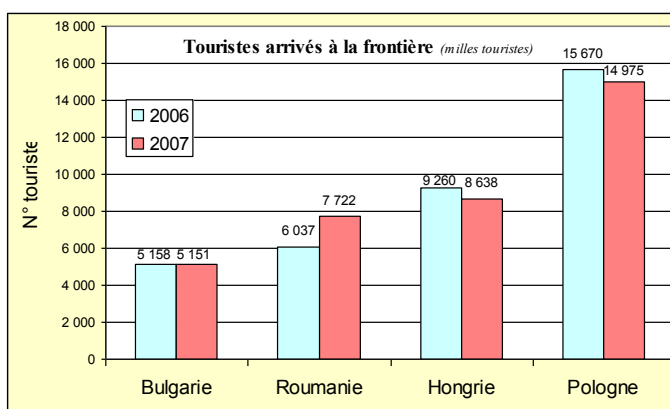
Même si, pour l’**Europe** on a enregistré une stagnation, pour les autres régions la croissance a été positive : 11 % pour le Moyen Orient, 5 % pour l’Afrique, et 4 % pour le continent américain. Mais l’Europe reste la destination principale avec 488,5 millions des touristes pour 2008 (52,9 % du total), et une prévision de 717 millions pour l’année 2020. La croissance par rapport à l’année 2007 a été insignifiante (moins de 1 %, du 484,4 millions de touristes en 2007), étant réalisé surtout par l’Europe Centrale et Orientale (+ 2,6 % par rapport à l’année 2007).

Pour 2007 le tourisme international en Roumanie représentait seulement 7722 milles visiteurs, avec 1464 millions d’euros recettes, donc environ 190 €/touriste, chiffres qui sont influencés par un grand nombre des visiteurs qui appartiennent aux pays voisins. Le tourisme en Roumanie a été affecté par l’absence d’une politique générale qui dirige et organise le secteur, parce que même si un master plan pour développer le tourisme a été rédigé dans les années ’90 il n’a jamais été implémenté. En plus, pour le département de Bihor les constats sont plus tristes encore: une richesse exceptionnelle, possibilité d’investissement, ressources humaines... **versus** : manque d’implication et d’intérêt de la parte des autorités locales ; la mentalité de certains investisseurs qui cherchent seulement le gain immédiat, sans aucune réflexion ou implication en termes du développement durable ; une législation déficitaire, des salaires très bas ce qui détermine une migration de la force du travail qualifié ; une diversité restreinte des types de produits touristiques ; une faible qualité des services ; l’absence de coopération entre les différents acteurs, et surtout l’implication presque inexistante de l’administration publique locale dans le développement du tourisme, doublée d’une mauvaise gestion des ressources touristiques et d’une manque de coopération entre différents acteurs et niveaux.

L’analyse pertinente de la situation présente conduit au constat que, au niveau central les démarches sont faites pour créer les conditions nécessaires à l’élaboration d’une politique durable dans le domaine du tourisme. Les éléments qui ont déterminé cette appréciation sont: le tourisme est considéré comme priorité pour le développement économique étant inclus dans les programmes sectoriels et régional pour la période de programmation 2007-2013, un nouveau master plan pour le tourisme est en train d’être élaboré, des recherches sont faites pour créer la marque de la destination pour une vraie promotion, il y a une volonté pour créer des centres d’information touristique.

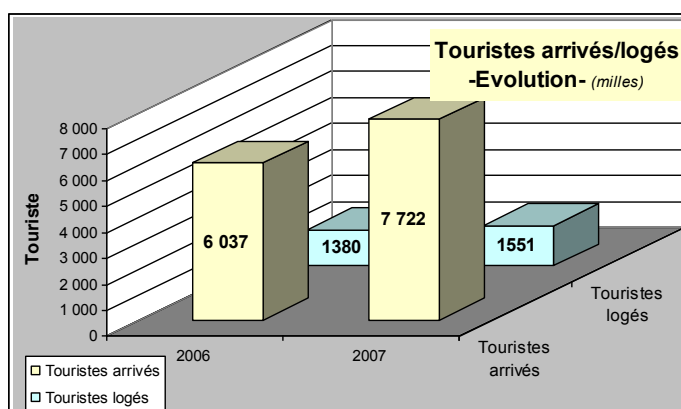
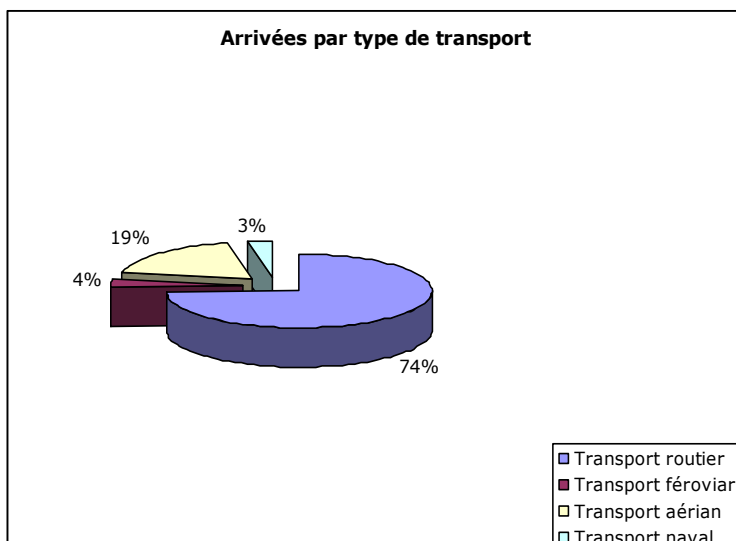
Le tourisme, comme toute autre forme d'activité économique, a lieu dans un environnement qui est formé par plusieurs forces. Une des plus importantes est exercée par un réseau complexe des politiques, lois, règlements, et d'autres actions gouvernementales. Aussi, comme le tourisme nécessite et influence sur plusieurs segments de la société, il est soumis à la participation de l'Etat à travers une large variété des activités. Au niveau international, national, régional ou local il y a des liens importants entre l'Etat et l'industrie touristique. La présence et l'absence de la politique nationale du tourisme sont importantes pour fixer la cible et orienter le développement de l'industrie. En plus, le tourisme comprend des mouvements des personnes à travers des pays, des séjours, des activités dans un lieu extérieur de leur résidence. Le succès d'une destination en matière de la satisfaction des touristes dépend de plusieurs facteurs: les barrières d'accès, l'accueil, l'accès à l'information, l'hébergement, le transport, les animations... Il est nécessaire, donc, non seulement une coopération de tous les secteurs de l'économie pour le développement d'une destination touristique, mais aussi une forte implication de l'administration locale pour coordonner la politique touristique.

2. Chiffres, problèmes, solutions, actions – le choix d'une stratégie pour développer le tourisme



Pour la Roumanie l'économie diversifiée du tourisme et des voyages contribue avec seulement moins de 5% dans son produit intérieur brut et représente environ 485.000 emplois (5,8% de la totalité des personnes employés dans l'économie). Même si par rapport à 2006, en 2007 le nombre des touristes étrangers enregistrés à la frontière a connu une croissance d'environ 27%, la situation est critique par rapport aux autres pays. La Hongrie, disposant de moins de ressources touristiques attire presque le double de touristes et c'est grâce à une meilleure politique et organisation de l'activité touristique. Mais il faut remarquer quand même que c'est seulement dans le cas de notre pays que le nombre des touristes a augmenté.

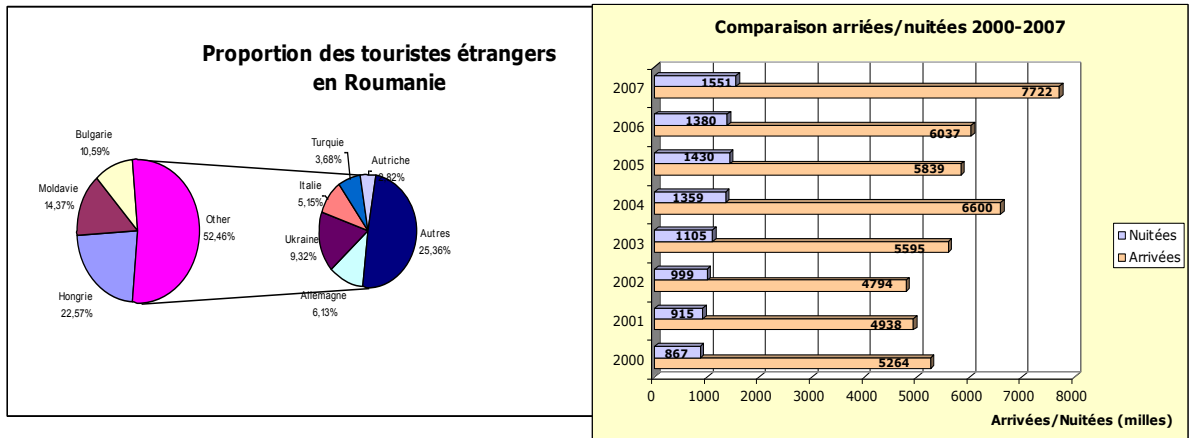
Source: UNWTO, World Tourism Barometer



Pour que l'analyse comparative soit plus suggestive encore, on a représenté aussi dans les graphiques la situation des touristes enregistrés dans les hôtels, en Roumanie, par rapport aux pays comme la Croatie, la Slovaquie ou la République Tchèque. On constate non seulement que même la Slovaquie était, en 2007, mieux classée par rapport au nombre des touristes enregistrés dans les hôtels, mais aussi que pour la Roumanie seulement 20% des touristes enregistrés ont été logés dans les hôtels. Les causes qui ont déterminé une telle situation sont liées aux: petit trafic à la frontière, visites des amies ou familles, logement dans des structures non recensées, etc.

L'analyse de la situation existante nous détermine à considérer que même si on dispose d'importantes ressources touristiques, même si les prévisions faites par les organismes internationales du tourisme sont optimistes le secteur touristique roumain est confronté par une crise. Les raisons qui sont à la base de cette situation sont multiples – organisation précaire, manque d'implication de l'administration publique dans ce domaine, manque des ressources et du professionnalisme, etc.

Dans ces conditions si on fait une *analyse des arrivées touristiques en Roumanie* on constate que la plus grande partie des touristes arrivent avec les moyens du transport routier (74 % du total), les pays mieux représentés étant : l’Hongrie (22 %), la Moldavie (14 %) et la Bulgarie (10



%) – donc presque la moitié des touristes qui peut être incluse dans des catégories comme : touristes en transit, visites des familles, petit trafic de frontière, tourisme de courte durée.

Source: Institut National de Statistique, Bréviaire Statistique 2008, chiffres pour l’année 2007

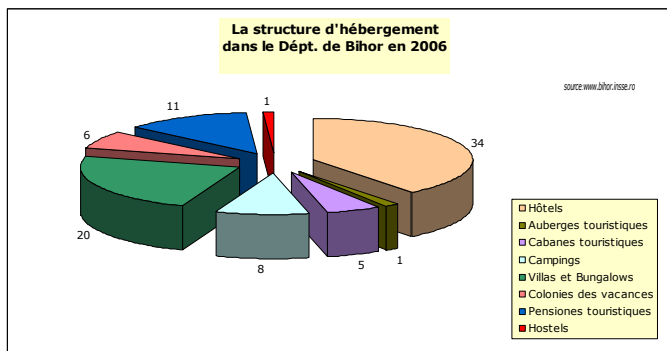
Si on regarde les représentations réalisées par rapport aux données fournies par l’Institut National de Statistique on peut argumenter que:

- environ 90% des touristes arrivées en Roumanie étaient du continent européen (surtout Hongrie, Moldavie, Bulgarie et Allemagne)

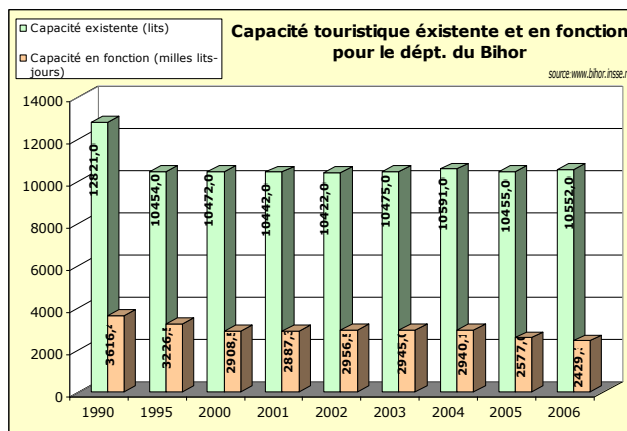
- même si en 2007 le nombre des arrivées à la frontière était supérieur à 2006 (7,72 millions d’arrivées en 2007 pour 6,04 millions en 2006) le nombre des nuitées n’a pas connu la même augmentation (1,55 millions nuitées en 2007, pour 1,38 millions en 2006)

- dans le cas d’une croissance des nombres de visiteurs, les retombées économiques ne sont au même niveau que pour les pays voisins. En 2006 la Roumanie a enregistré 1298 mil € comme recettes, la moitié si on compare avec les chiffres pour la Bulgarie, et un tiers du total de recettes enregistrés pour l’Hongrie. Pour 2007 les recettes touristiques ont augmenté à environ 1464 mil €, mais elles représentaient seulement 30 % des recettes encaissées par le tourisme hongrois.

Pour les dix années qui suivent les organismes internationaux considèrent que le secteur tourisme et voyages, dans le cas de Roumanie, va atteindre un taux réel annuel de croissance de 6,7 %, exprimé en PIB, et de 1,6 % pour les emplois en domaine. Jusqu’en 2016 le secteur touristique détiendra 5,8 % du PIB et 6,9 % du total emploi dans l’économie. Toujours prenant en considération la situation présente, en concordance avec les prévisions élaborées, WTTC considère que pour la Roumanie - en 2006 - les jobs dans le tourisme ont apporté 1,78 mil US\$ dans le PNB (environ 1,9 % du total), l’exportation des produits et services a représenté 5,2 % des exports totales et les investissements dans le tourisme ont totalisé 7,2 % des investissements totales dans l’économie. Mais il est nécessaire de toujours prendre en considération tous les éléments qui peuvent se produire.



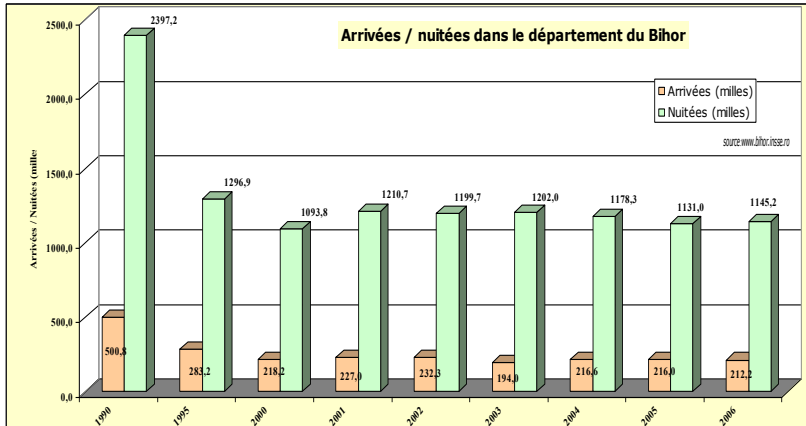
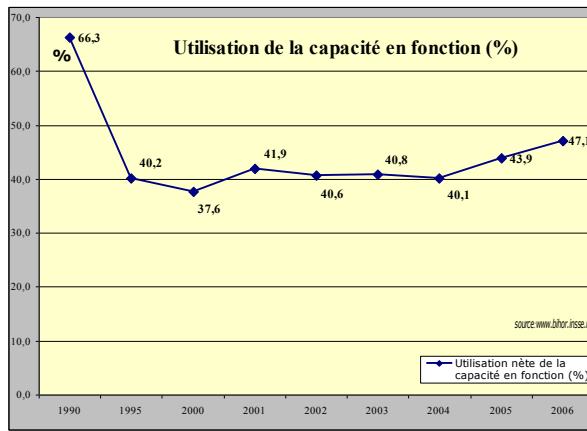
En s'étendant sur une surface de 7.544 km², au nord-ouest de la Roumanie le **département de Bihor** a un patrimoine impressionnant – la ville d'Oradea avec l'architecture de *belle époque*, les Montagnes Apuseni, des stations balnéaires, stations de ski, une richesse des traditions et foires - mais peu valorisé pour le tourisme.



Dans cet espace magnifique on retrouve une capacité d'accueil non seulement mal répartie – suffisante et diversifié dans la ville d'Oradea ou la station Felix, et très restreinte dans autres destinations – mais aussi assez ancienne. En analysant le graphique on constate que certains types des structures (les auberges, les hostels ou les cabanes) sont mal représentés par rapport à leur importance dans le tourisme pour les jeunes, par exemple.

Toujours, dans la même logique, l'analyse du deuxième graphique nous conduit à affirmer qu'après 1990 la capacité touristique existante et la capacité en fonction ont connue une forte diminution. Si la capacité existante représentait en 2006 environ 80 % de celle enregistrée en 1990, la capacité en fonction n'atteignait ni 70 %. La tendance est visible dans le graphique représentant le pourcentage lié à l'utilisation de la capacité en fonction: une baisse de plus de 20 % dans 15 ans, même si, dans les dernières années on constate des actions de redressement.

En ce qui concerne la proportion de la population qui pratique le tourisme on constate des différences marquantes pour certaines destinations ou régions. Dans le département de Bihor les données présentées par la Direction de Statistique montrent un total d'environ 212.000 touristes (internes et étrangers) pour l'année 2006, ne totalisant que la moitié des nuitées par rapport à l'année 1990, quand le nombre des touristes arrivait à 500.000. Le plus grand pourcentage des touristes vise comme destination la station balnéo - climatique Băile Felix (environ 80 % de total nuitées dans le département du Bihor) et la ville d'Oradea, et dans une proportion plus petite les autres stations ou destinations des montagnes. Par rapport à leurs pays d'origine l'analyse des touristes étrangers dans le département montre la répartition suivante: plus de 90 % viennent de l'Europe, environ 3 % de l'Asie et 4 % de l'Amérique.



Par rapport à la région du nord-ouest (avec un total de 6 départements) on constate que le département du Bihor détient environ 40 % de la capacité d'hébergement existante en région, ayant le meilleur indicateur pour l'utilisation nette de la capacité en fonction. Du nombre total des touristes arrivées dans la région 39 % sont enregistrés pour le département du Bihor, avec 55 % du total nuitées, une croissance importante du tourisme d'affaires, surtout dans la ville d'Oradea. Cette situation nous montre l'importance du secteur touristique pour le département, l'ampleur qu'il peut avoir, et l'influence à exercer sur l'économie. Mais il faut mentionner aussi *les inconvénients*, comme l'inexistence d'une offre différenciée pour des paquets touristiques qui comprennent, dans un programme touristique pour plusieurs jours, des objectifs touristiques du département, seulement.

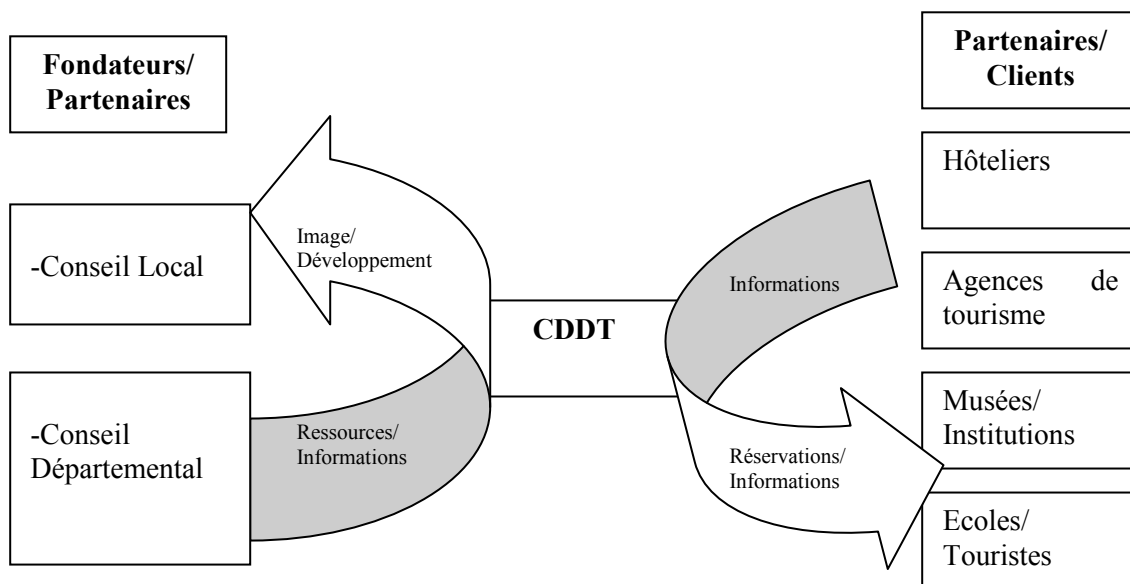
Si on prend en considération les prévisions réalisées par WTTC pour la Roumanie et on fait une extrapolation au niveau du département de Bihor à partir de la situation présente on arrive pour 2014 à un niveau de 397.000 touristes, presque double que les chiffres enregistrés pour 2006, avec des recettes aux budgets locaux seulement (la taxe hôtelière) de 1.2 million euros. Pour calculer la taxe hôtelière on a considéré un prix moyen de 30 euros / nuit et que chaque administration locale perçoit une taxe de 2 % sur le total, mais chaque institution locale peut adopter sa propre législation par rapport aux taxes locales).

Evolution Touristes	2005	2008	2011	2014
Croissance de 7%	216 000	264 609	324 158	397 107
Recettes 225 €/touriste pour HR	48 600 000	59 537 090	72 935 495	89 349 118
TVA 19 %	7 759 664	9 505 922	11 645 163	14 265 826
Nuitées, croissance de 7%	1 131 000	1 385 524	1 697 326	2 079 297
Taxe hôtelière 2 %, Prix/nuit=30 €	678 600	831 314	1 018 396	1 247 578
TVA 9% pour logement, prix/nuit=30 €	3 053 700	3 740 914	4 582 780	5 614 103

Même dans ce cas, à une analyse plus documentée on constate que, finalement, on arrive au niveau des touristes enregistrés dans les structures d'accueil au début des années 1990, ce qui démontre une perte des touristes déterminée par des raisons divers: manque d'investissement et donc d'offre appropriée aux nouveaux besoins, possibilités de visiter des destinations dans d'autres pays, implication dérisoire de l'administration locale dans le développement du secteur touristique.

Mais, pour avoir des résultats, il faut investir et s'investir dans le domaine du tourisme, parce que non seulement ce secteur crée des effets économiques importants (ressources pour l'économie locale, pour le budget de l'Etat et pour les budgets locaux, nouveaux emplois, etc.), mais aussi les effets sociaux sont significatifs. L'effet multiplicateur du tourisme s'étend ainsi jusqu'au niveau humain, par l'enrichissement de chaque acteur impliqué – agent économique, institution publique et surtout touriste ou population locale.

Pour développer le secteur une meilleure organisation du tourisme en Roumanie est extrêmement demandée, non seulement pour arriver à un développement économique du pays, pour accroître les recettes budgétaires et celles des agents économiques mais aussi pour une valorisation optimale des ressources locales et une promotion du pays et de ses richesses. Pour aboutir à cette nécessité il faut envisager la création et l'implantation d'une structure touristique comparable à celle d'un office de tourisme, mais au niveau du département considéré comme modèle d'étude. La création d'un *centre départemental pour le développement touristique (CDDT)* est une nécessité et va au-delà de textes des lois. L'OG n° 58 / 1998 prévoit *la possibilité de conseils départementaux de créer des services de spécialité, conformément à la loi, pour réaliser leurs attributions spécifiques dans le domaine du tourisme.*



Le rôle du CDDT dans le cadre du département

Connaissant la situation du département de Bihor, on considère qu'une structure de type CDT serait un atout pour le développement de la région et s'impose par rapport : à la beauté du paysage et à sa richesse culturelle; à la nécessité d'une exploitation durable de la région; à l'incapacité ou le non désir de certaines structures de travailler ensemble pour le bénéfice de la communauté. Le CDDT va se **positionner** sur le marché roumain comme un leader et innovateur dans les services offerts aux touristes, en essayant de créer une identité unique et différenciatrice de ses compétiteurs, proposant des produits / paquets touristiques diversifiés et complexes, et renforçant la coopération entre tous les secteurs impliqués.

Le projet de CDDT et ses...

<p style="text-align: center;">Points forts</p> <ul style="list-style-type: none"> -concentration des « grands acteurs » -la volonté de travailler ensemble -le professionnalisme de l'équipe -le type de management utilisé -actions convergentes pour le développement durable de la destination 	<p style="text-align: center;">Points faibles</p> <ul style="list-style-type: none"> -limitation des ressources -résistance aux changements et au nouveau -manque d'expérience pour certains membres de l'équipe - possibles divergences entre les décideurs pour l'allocation des ressources
<p style="text-align: center;">Opportunités</p> <ul style="list-style-type: none"> -le développement touristique -adaptation à la législation communautaire -reconnaissance de l'importance du tourisme pour le développement économique -possibilité d'accéder aux fonds structurels 	<p style="text-align: center;">Menaces</p> <ul style="list-style-type: none"> -concurrence des différents marchés nationaux et internationaux -une meilleure organisation dans le cas d'autres départements -le refus de certaines structures de collaborer

On peut aussi schématiser la **Mission** du CDDT, comme celle de: créer un tourisme diversifié, basé sur les ressources locales, qui peut satisfaire les besoins de chacun et aussi déterminer les visiteurs de rester une période plus longue.

3. Conclusion

Développer une structure touristique au niveau départemental pourrait contribuer à réaliser les objectifs prévus dans les programmes nationaux de développement, mais aussi à un meilleur positionnement du tourisme *bihorean* sur le marché national et une promotion plus visible à l'extérieur. Ainsi, les besoins au niveau départemental consistent surtout en:

- une vraie structure et organisation touristique qui essaiera à impliquer tous les acteurs
- une politique plus ciblée pour promouvoir la destination
- un développement durable du secteur touristique
- un développement de l'offre touristique par rapport à la demande
- une coopération entre les différentes institutions concernées.

Il est nécessaire d'actionner dans le domaine du tourisme, de constituer des structures fortes, parce que le développement du secteur touristique détermine un effet multiplicateur dans l'économie locale. On parle d'un *impact économique*, mais aussi d'un *impact social*, le développement des anciennes traditions locales, et d'un *impact humain* – échanges entre les touristes et la population locale. L'impact social se traduit dans: un impact social direct (vis-à-vis des emplois directs créés dans l'économie locale); un impact social indirect (en ce qui concerne les emplois liés à l'activité touristique, par exemple restauration, loisir, services de transport) et un impact social induit (par rapport à l'impact des sommes injectées dans le tissu local par la structure créée, transformées en salaires et donc en emplois sur la base du salaire annuel moyen national).

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PERSPECTIVES OF TRAVEL TIME COSTS

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This paper examines the value of travel time, and travel time savings. Travel time is one of the largest costs of transportation, and travel time savings are often the primary justification for transportation infrastructure improvements. Various studies have developed estimates of traveltime values for different user types and travel conditions.

Keywords: travel time, time valuation, transports, costs

Cod JEL: L83

Travel time is one of the largest categories of transport costs, and time savings are often claimed to be the greatest benefit of transport projects such as new and expanded roadways, and public transit improvements. Factors such as traveler comfort and travel reliability can be quantified by adjusting travel time cost values. On average people devote 60-90 minutes a day to travel. Most people seem to enjoy a certain amount of personal travel, about 30 minutes a day, and dislike devoting more than about 90 minutes a day.

Time Valuation Perspectives

There are several types of travel time, as summarized in Table 1.1. *Clock time* is measured objectively, while *perceived* (also called *cognitive*) *time* is how users experience travel. Paid travel time costs should be calculated based on clock time, but personal travel time costs should be calculated based on perceived time. The *generalized cost of travel* refers to the sum of time and financial costs. *Effective speed* (also called *social speed*) refers to overall travel speed, including both time spent traveling and devoted to maintaining vehicles and working to pay transport expenses.

Table 1.1. Transport Time Valuation Perspectives

Table 1.1. Transport Time Valuation Perspectives

Name	Description	Implications
Travel Time	Any time devoted to travel.	This is the least specific definition.
Clock Time	Travel time measured objectively.	This is how time is usually quantified.
Perceived Time	Travel time as experienced by users, which can vary greatly from clock time.	This reflects traveler comfort.
Paid (also called On-the-Clock or commercial)	When workers are paid for their travel time (for deliveries, traveling to worksites etc.).	This type of travel tends to have a relatively high value per hour.
Personal Travel Time	Time devoted to personal travel (commuting, errands,	This is the largest category of time value in most economic

Total travel time costs are the product of time spent traveling (measured as minutes or hours) multiplied by unit costs (measured as cents per minute or dollars per hour). Travel time unit costs vary depending on type of trip, travel conditions, and traveler preferences. For example, ten minutes spent relaxing on a comfortable seat imposes less cost than the same amount of time spent driving in congestion or standing on a crowded bus. Travel time costs often vary for different parts of a trip. For example, walking to a bus stop, waiting for a bus, riding an uncrowded bus, and riding a crowded bus may each have different unit costs. Travel time costs also vary depending on traveler needs and preferences. For example, a person might one day enjoying a relaxed recreational walk or drive, but another day pay generously for faster travel when rushing to an important event. Travel time unreliability (uncertainty how long a trip will take, and unexpected delays) imposes additional costs. Various studies have quantified travel time unit costs and the value of travel time savings, based on analysis of business costs, traveler surveys, and by measuring behavioural responses by travelers faced with a tradeoff between time and money, for example, when offered the option of paying extra for a faster trip.

Valuation Factors

Below are factors that tend to affect travel time values.

1. Commercial (paid) travel costs include driver wages and benefits, and the time value of vehicles and cargo, reflecting efficient use of assets and ability to meet delivery schedules.
2. Personal travel time is usually estimated at 25% to 50% of prevailing wages, but varies by factors such as type of trip, traveler and conditions. Most studies focus on commute travel and so may unrepresent other types of travel, such as personal errands and recreational travel.
3. There are often substantial differences between objectively measured (clock) travel time and *perceived* travel time, which tends to increase with congestion, discomfort and insecurity.
4. Travel time costs tend to increase with income, and are lower for children and unemployed people (put differently, employed people are often willing to pay more for travel time savings).
5. The first few minutes of a trip often has minimal time cost since people generally seem to enjoy a certain amount of daily travel, but unit costs usually increase if trips exceed about 20 minutes in duration or total personal travel exceeds about 90 minutes per day.
6. Travel time unit costs tend to increase with variability and arrival uncertainty, and are particularly high for unexpected delays during activities with strict schedules.
7. Some travel time has a low cost or positive value because people enjoy the experience, including recreational travel and errands that involve social activities.
8. Under pleasant conditions walking, cycling and waiting can have low or positive value, but under unpleasant conditions (walking along a busy highway or waiting for a bus in an area that seems dirty and dangerous), costs are two or three times higher than in-vehicle time.
9. Travel needs and preferences vary. For example, some people place a higher cost on time spent driving while others place a higher cost on transit travel.

Evaluating Travel Time Costs

Travel time costs are a large component of transport economic impacts, so how they are evaluated significantly affects planning decisions. Travel time is often worth more than monetary costs. For example, a 30 mph car trip has about 15¢ per mile operating costs compared with 25¢ per mile time costs (valued at \$6.00 per hour with 1.2 passengers).

Travel time costs are highly variable: a small portion of trips have high time values, a large number of trips have moderate to low time values, and some travel has zero or negative time cost (travel is a desired activity). For example, congested roadway and crowded transit travel tend to have high time value since people making lower-value trips will avoid such conditions. On the other hand, travelers who voluntarily choose a slower mode (such as walking or public transit) in

response to positive incentives must be better off overall or they would not make that change; their increased minutes of travel are offset by lower per minute costs or other savings. Conventional transport evaluation often undervalues qualitative travel time cost factors, which skews planning decisions to favor increased travel speed at the expense of other improvements. For example, conventional evaluation accounts for roadway widening travel time savings but not the additional delay it causes for walking and cycling (called the Barrier Effect). Similarly, reduced unit cost from improved walking conditions and more comfortable transit vehicles are seldom quantified and so are undervalued compared with projects that increase vehicle travel speeds. The true value of changes in travel speed can be difficult to determine because people tend to have *fixed travel time budgets*, typically devoting about 70 daily minutes or 8 weekly hours to personal travel. As a result, increased travel speeds tend to increase travel rather than save time.¹⁸ For example, if a highway or transit improvement increases travel speeds, commuters often accept longer distance commutes. As a result, the true benefits are increased mobility and improved location options, not travel time savings. Much of the benefit is often capitalized in land values, the more dispersed land use reduces accessibility, and the induced vehicle travel impose additional costs. Based on an extensive review of international studies, World Bank economist Kenneth Gwilliam recommends that, when evaluating transportation improvements for international development, work travel time should be valued at wages and benefits, and that a default value for adult personal travel (including commuting) travel time should be 30% of household income per hour unless better local data are available, as summarized in the table below.

Table 1.2. Recommended Travel Time Cost Values

Purpose	Rule	Recommended Value
Work (paid) travel	Cost to employer	133% wages
Commute and other personal (unpaid) travel	Empirically observed values	Adult: 30% household hourly income Child: 15% household hourly income
Walking/waiting	Empirically observed values	150% value for trip purpose
Freight and public transport	Resource cost approach	Vehicle time cost + driver wages + occupants' time costs
Freight and public transport	Resource cost approach	Vehicle time cost + driver wages + occupants' time costs

Monetary Estimates

North America

Apogee Research estimated travel time costs per passenger mile for urban peak and urban off-peak travel at high, medium and low densities in two cities. Time values were based on 50% of average local wages for commuting and 25% for other travel.

Table 1.3. Travel Time Costs in Two Cities (c¹ per passenger mile)

	Express way		Non expwy		Comm. Răii		Răii Transit		Bus		Bicycle		Walk	
	Pea k	Of f	Pea k	Off	Pea k	Off	Pea k	0jrr	Pea k	Off	Pea k	Off	Pea k	Off
Boston, MĂ														
High	24.3	9.6	40.4	23.9	28.9	22.7	40.1	28.6	50.5	39.8	60.6	47.8	243	159
Medium	15.2	8.0	24.3	15.9	19.8	14.0	28.1	25.3	50.5	39.8	60.6	47.8	202	159
Low	11.0	8.0	20.2	13.6	19.0	13.3	n/a	n/a	50.5	39.8	60.6	47.8	202	159
Portland, MĂ														
High	11.1	7.8	19.9	13.1	n/a	n/a	n/a	n/a	42.6	33.5	49.8	39.2	166	131
Medium	10.0	7.1	16.6	11.2	n/a	n/a	n/a	n/a	42.6	33.5	49.8	39.2	166	131
Low	7.7	6.0	12.4	9.8	n/a	n/a	n/a	n/a	30.2	23.8	49.8	39.2	166	131

Brownstone and Small analyze motorists' willingness to pay road tolls for reduced travel time and travel time variability. They find that morning commute travel time savings average \$10-40 per hour, and reliability is also valued. Other researchers find similar travel time savings values on the New Jersey Turnpike. These relatively high values are considered typical in large urban areas where income levels are relatively high, user flexibility is low, and possibilities to shift other modes/routes are limited.

The U.S. DOT uses the following travel time values for evaluating transportation projects (1997 U.S. dollars): in-vehicle time, \$8.90/person-hour; out-of-vehicle time (e.g. waiting for a bus), \$17.00/person-hour; commercial truck, \$16.50/person-hour. Table 1.4. indicates US DOT recommended travel time factors.

Table 1.4. Recommended Value of Travel Time

Time Component	Reference	Value
In-Vehicle Personal (local)	Of wages	50%
In-Vehicle Personal (intercity)	Of wages	70%
In-Vehicle Business	Of total compensation	100%
Excess (waiting, walking, or transfer time) Personal	Of wages	100%
Excess (waiting, walking, or transfer time) Business	Of total compensation	100%

Time Component Reference Value

This table summarizes USDOT recommended travel time values. For business travel costs are estimated to average 120% of wages to reflect total compensation, including non-wage benefits.

Australia and New Zealand

Booz Allen Hamilton used stated preference survey data to estimate own and crosselasticities for various costs (fares, travel time, waiting time, transit service frequency, parking fees) modes (automobile, transit, taxi) and trip types (peak, offpeak, work, education, other) in the Canberra,

Australia region. They developed generalized costs and travel time cost values, including estimates of the relative cost of walking and waiting time for transit users. The travel time cost values from a similar study in Brisbane, Australia are summarized in Table 1.5.

Table 1.5. Travel Time Costs in Brisbane, Australia (Aus. Dollars)

Mode	Short (Under 30 Minutes)				Medium (30-45 Minutes)			
	Peak		OffPeak		Peak		OffPeak	
	CBD	Non CBD	CBD	Non CBD	CBD	Non CBD	CBD	Non CBD
Bus	9.20	7.70	7.50	5.90	9.20	8.70	7.60	7.50
Räi	9.30	6.90	6.90	6.00	8.80	7.70	7.90	6.70
Ferry	10.70	-	8.30	-	-	-	-	-
Car	10.60	9.00	8.30	7.10	7.10	8.00	9.00	6.40

Europe / UK

Cirillo and Axhausen use travel surveys to determine the value of travel time for residents of German cities. They found that travel time has an overall average value of about \$10/hour, but that for a portion of trips (estimated at 10-15% overall and up to 24% during non-working days), travel time has positive rather than negative value. The table below summarizes typical values of time used for transport project evaluation in Europe.

Table 1.6. Illustrative Values of Time

	<u>Passenger Transport</u>	<u>Freight Transport</u>
Interurban Räi	Business: € 21.00 per person hour	Full trainload (950 tonnes): € 725.00 per tonne-hour
Road	Commuting / Private: € 6.40 per person hour	Light Goods Vehicle: € 40.00 per vehicle-hour
	Leisure / Holiday: € 3.20 per person hour	Heavy Goods Vehicle: € 43.00 vehicle-hour
	i	
	ness: € 21.00 per person hour	
	Commuting / Private: € 6.00 per person hour	
	Leisure / Holiday: € 4.00 per person hour	

A study for the U.S. Federal Highway Administration publication identifies various travel reliability indicators:

1. The *90th or 95th percentile travel times*, which reflects the longest travel time during a ten or twenty day period. This is reported in minutes and seconds.

The *buffer index* reflects the extra time travelers must add to their average travel time to ensure on-time arrival, computed as the difference between the 95th percentile and average travel times, divided by the average travel time. It is expressed as a percentage. For example, a 40% buffer index means that, for a trip that averages 20 minutes travelers should budget an additional 8 minutes (20 minutes × 40% = 8 minutes) to ensure on-time arrival. The extra minutes are called the *buffer time*.

2. The *planning time index* reflects the total travel time required to provide an adequate buffer time, including both typical and unexpected delay. The planning time index compares near-worst case travel time to a travel time in light or freeflow traffic. For example, a planning time index of 1.60 means that a 20-minute trip in light traffic requires 32 minutes of total time planned (20 minutes × 1.60 = 32 minutes).

3. The *frequency that congestion exceeds some threshold* reflects the degree to which congestion exceeds a performance standard. It is typically expressed as the percent of days or time that travel times exceed X minutes or travel speeds fall below Y mph. This is relatively easy to compute if continuous traffic data is available, and it is typically reported for weekdays during peak traffic periods.

Highway construction traffic delays can impose significant travel time costs and spillover effects on other roadways. For some projects, such delays can offset a significant portion of projected travel time savings.

Conclusions

Travel time costs are highly variable, including a small portion of travel with very high time values, to a significant portion of travel with little or no *cost*, since travelers enjoy the experience and would pay nothing to reduce it. High-time-value travel includes: paid travel, urgent personal trips, travel under congested or uncomfortable conditions, unexpected delays, relatively long trips (more than about 20 minutes) or high daily mileage (more than about 90 minutes a day).

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WHAT IS CORPORATIVE GOVERNANCE AND WHAT DOES THIS CONCEPT BRING?

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In the last decades, on an international plane, it has been seen an increase of the number of companies that have entered in inadequate and fraudulent financial combinations, that have promoted some sounding failures. Although, in the last period of the 19th century and the beginning of the 20th century, by its unprofessional behavior or even fraudulent of the head managers of some international companies, the corporative governance has took part at a negative commercial it is incorrect to minimize its importance for the organization.

Practice confirms the need to intensify the efforts for accepting the corporative governance, because it has been seen that the organizations that devote themselves to the implementations of principles have even reached to maximize their profits.

Keywords: governance, corporative governance, administrating the risks.

JEL Classification:

M14 - Business Administration and Business Economics; Marketing; Accounting - - Business Administration - - - Corporate Culture; Social Responsibility

Conceptual clarifications and the evolution of the corporative governance concept

The "governance" term in Romanian is synonym with the term of "administration/administrative processes". Also, in the vocabulary of the Romanian language there's also the term of "governance" which means "leading" and which implicates all the activities in the frame of an entity which enters the management sphere.

In the Anglo-Saxon system it is used the concept of Corporative Governance, a term that has entered in the practice of audits and which is foreseen also in the international standards of the intern audit. If the term "governance" means "leading", this means that "corporative" comes from "body", which inducts the idea of ensemble, full, unity, organization.

We mention that, in practice, although incomplete, for many the synonym for governance is control.

In figure nr. 1 there are presented by diagram the principles of corporative governance functionality.

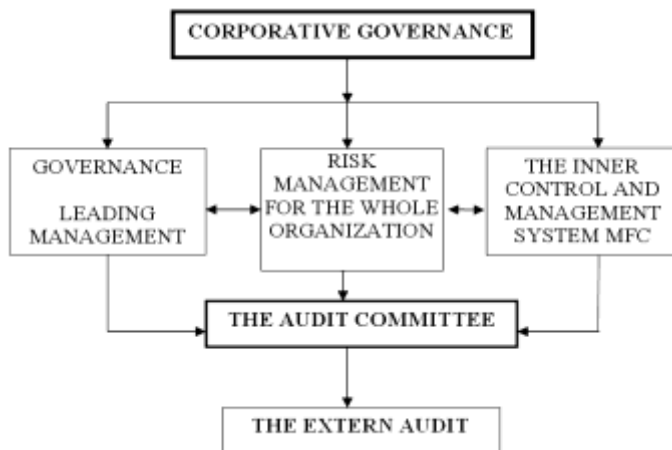


Figure 1. The principles of corporative governance functionality

A good corporate governance assures the improving of the economic efficiency and choosing an interactive climate of investments. Through the most important benefits of the implementation of some high standards of administration for the companies we mention: the efficient use of resources, the decrease of capital cost, the increase of the investor's belief because of the sensible decrease of the discreet attitude of the managers and reducing the level of corruption. At the opposite pole, a weak corporate governance distorts the efficient allocation of the capital in economy, brakes the foreign investments, reduces the faith of the owners of capital and favors corruption.

The corporate governance⁵⁰ is a concept with a large connotation which includes the following elements:

- the managers' responsibility for the information accuracy from the financial reports;
- the existence of very short time limits for financial reporting;
- total communication and transparency over the financial results;
- the transparency of the intern audit, the processes and the extern audit.

In this sense, Sir Adrian Cadbury defined corporate governance as being "the system by which the companies are led and controlled"⁵¹.

The corporate governance is a concept that has entered the specialty literature and the good practice in the domain in the last two decades. The simple description by Cadbury, like in the way the organizations are led, it contains elements of high depth and send to performance, which is a major preoccupation of any organization.

The organizations must adhere to all the concepts, principals, standards and regulations of the corporate governance, in order to be evaluated and to reach the policies and performances relevant and awaited, and the corporate governing codes and policies have reached to be a balance between conformity and performance.

Looking more closely at the details, the corporate governance refers to the way the rights and responsibilities are divided between the categories of participants and the company's activities, like the council of administration, the managers, the shareholders and other groups of interest, specifying at the same time the way the decisions are took in the company's activity, how strategic objectives are defined, which are the methods of reaching them and how financial performances are monitored.

The corporate governance concept is seen as having two faces⁵²: the behaviorist one, which refers to the way in which the managers of a company interact, the shareholders, the employees, the creditors, clients and suppliers, the state and other groups of interest in the frame of the general strategy of the company and the normative one, which refers to the set of regulations that frame in these relations and behaviors, described before, respectively the law of the commercial societies, the law of the mobile values and capital markets, the law of bankruptcy, the law of competition the requests of stock-market quotations, etc.

Administering the risks in the concern of intern control system implementation, respecting the codes and policies of the corporate governance, represent the assuring of integration, sincerity, transparency and responsibility, in performance conditions.

In practice, any organization wishes the implementation of these three ideals, respectively the corporate governance, the risk administration and the system of intern control and the intern audit represents the key-component of monitoring these.

Even more, the intern audit has a role in educating the leading management, in finding some efficient solutions and in assisting at the process of implementation and development of the

50 In practice the concept of "corporate governance" must be seen as a process in which the organization is implicated in ensemble and makes reference to all the intern component parts that work together and which finally will integrate a single structure recognized for leading.

51 Cadbury Report - Report of the Committee on the Financial Aspects of Corporate Governance, 1992.

52 Stilpon Nestor – International Efforts to Improve corporate governance: Why and How? OECD, 2001

techniques and instruments needed in this domain. That is why, the intern audit must have a profound understanding of the corporative governance, it is most proper in assuming this major role in the organization in what concerns the realization of sustaining the management and assuring the organization's success.

The Intern Audit Institute, in the year 2004, has completed the definition of the intern audit, elaborated in 2000, in concordance with the new context in which has evolved the frame of the corporative governance, respectively:

The intern audit is an independent activity, objective for assuring and consultancy conceived for creating value and for improving the operations of an organization. Assists in an organization at the achieving of its objectives by implementing a systematic and disciplined approach in evaluating and improving the efficiency, the risk management, the control and the governance processes.

If we refer to the head management of an organization, we must take into consideration the fact that it holds major responsibility in assuring the correct functionality and efficiency of the systems in the frame of the organization.

In the USA and Great Britain⁵³, practically the leaders realize an unitary council where the executive director holds responsibility for the organization's management, and the president assured the correct and efficient functioning of the administrative council.

The professionals in the domain consider that these roles should be separated, although there are many examples of successful companies in which the decisions are took by a single person.

In Germany, there is a dual governance system, in which the executive council is responsible for the management of the organization and the administrative council is responsible for the supervising of the execution council.

The governmental structures and the non-profit organizations not all the time have an executive director and a president, but however they will have persons responsible to act in this direction.

Referring to the council of administration, the leading management is responsible for the strategy and the planning on long term of and organization.

In the companies oriented towards profit, where the managers act in the interest of the shareholders, the leading management is organized in a council of administration that reports the company's shareholders.

In the other activity sectors, the leading management may not be organized in a council, but will be responsible for its actions in front of an administrative council at an hierarchic superior level. However, for assuring the efficiency in executing the tasks there will be key committees like: the audit committee, the naming committee, the remuneration committee, subordinated to the administrative council.

In the theory of the agent/agency, the managers in the leading activity act like agents of the council of administration and have a single important preoccupation – maximizing the investment's profitability.

The theory of the agent is the traditional point of view over the way in which the organization auto-leads itself.

Conclusions

- In consequence, we can affirm that this concept – corporative governance – means the ensemble leading of a whole organization by accepting all the intern components, that acts together, which finally will be integrated in the leaders, and the implementation of the risk management from the frame of the organization (ERM) and the financial management system and intern control (MFC), including the intern audit.

53 Corporative governance and the risk management, the second edition, The Institute of Intern Audits from Great Britain and Ireland, 2002, adaptation and editing from p. 4-5.

- The corporate governance has made to do with the effective management and with the managerial structures, but it is known that there are important problems also the ones about the social responsibility and the ethics of the business practices.
- The corporate governance describes the methods and systems used for leading the organizations of any type, measure, public or non-profit and also, companies from the private sector and those constructed under the form of partnerships.
- In consequence, only after studying the corporate governance domain, the risk management and the internal control system we can approach the real value of the internal audit and its role in the frame of the organization.
- In practice, it is unanimously recognized that there is no universal method of organizing the leading management and that we must have in concern that the leading term (the action of leading) is not synonym with the one of management (the science, the art of leading)⁵⁴.

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THE INCREASE OF THE OCCUPYING IN THE RURAL ENVIRONMENT BY DEVELOPING THE TOURISTIC SERVICES

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The tourism importance in the sphere of tourism services is resulting from the way in which are being realized some of its defining features, such as: dynamism, mobility, capacity to adapt to the requirements of each touristic consumer, etc. Therefore, the touristic services are found to be in a certain sense, the dominant component or determinant of the touristic offer, the variable part of the complex of activities, the most dynamic element, and their characteristics are found in specific forms in the touristic activity. By their nature, the touristic services must create conditions for restoring the physic capacity of the organism, concomitant with enjoyable and instructive spending of free time; also, they must be designed so that.

Key words: *tourism, services, activities, agro tourism, consumer*

JEL classification: *Q01, Q26, Q56*

1. Introduction

The touristic practice noted that the tourist doesn't go in an area or another for basic services, but for developing some enjoyable activities, regenerator – in psychological plan, fro satisfying some hobbies or of some cultural needs. Taking into account these aspects, there is obviously important that the services for the tourist are those related to the image “dream vacation” for which he made the movement.

The basic touristic services represent the destined services in first place for satisfying the daily psychological necessities of human (alimentation, rest, sleep) which by their nature aren't exclusively specific to the touristic phenomenon. Within the rural tourism and agro tourism the basic services differ substantially from those from the classic one, especially because some basic components, like the transport service or of entertainment, doesn't represent essential characteristics for this touristic motivation.

2. Accommodation services

In the case of services offer for tourists, a central position is having the accommodation services, considered along with food, transport and resting, basic services. The accommodation services relate, primarily to creating conditions for tourists resting, for their remaining longer at the destination.

The category of classification of the boarding house is determined by fulfilling all the obligatory criteria, listed below and by achieving a minimum score realized from assessing the supplementary criteria (according to the “ Official Gazette, Part I, no 582 bis/6.VIII.2002)

The spaces for preparing and serving the meal, in case in which are destined for the outside consumers, the number of places being bigger then the accommodated ones, but not less than 20 seats, is classified that the alimentation units for tourism, according to the specific rules developed by the Ministry of Tourism.

Camping spaces in the population households are structures of reception consisting of one or more (not exceeding 10) camping plots located on a well defined field inside the court or afferent the garden attached to a property in rural or urban environment.

Also for classifying the rural touristic pensions it is necessary fulfilling of certain minimum score resulted from assessing the supplementary criteria, as follows: 150 points for 5 stars, 120 points for four stars, 80 points for 3 stars, 40 points for 2 stars.

The parcel is the surface of land, well demarcated and marked, where can be parked the vehicle and install the tent or trailer, while ensuring the necessary free surface for movement and resting of 4 tourists. Parcel sizes and sanitary equipment are identical with those of camping in the same category with specifying that, for the capacities up to 5 plots the sanitary group can be common with those of the household, while being admitted lavatory or showers in outdoor and dried toilets.

Supplying with drinking water must be ensured by connecting to the public network, and in its absence, by realizing of own drilling or other works of capture of some springs in the area. It isn't allowed supplying with water from uncovered fountain from which the water is pulled out with the bucket or with another similar mean.

The distance between the water mouths on the camping area mustn't be greater than 100 meters.

Water supply must ensure for each camping place (including for the personal) at least:

- 60 l/day, from which 20 l of hot water in the camping's of 3 and 4 stars

- 50 l/day, in the camping's of 2 stars and one star.

The common sanitary groups must be located as centrally as possible, but not closer than 20 m from the nearest housing area (parcel, house or bungalow) and not more than 100 m from the farthest space of camping accommodation.

The floors at the sanitary groups from arranged spaces for washing the laundry, and respective, for preparing the meal must be at least mosaic, with corresponding slope drain to be easily maintained.

3. Complementary services

Complementary touristic services represents services provided to ensure a pleasurable time spending holiday: recreation, sports, excursions, cultural and artistic event, renting of sportive objects or of personal use, other auxiliary services provided directly or intermediate by the tourism organizers.

In the current moment, the hospitality, reception qualities are the strengths of the Romanian rural tourism. But the key of success of competitive rural tourism consists in assessing the cultural patrimony and diversifying the recreation structures addressed to tourists.

Young people, but and the tourists will appreciate more the rural areas, as much as the cultural life will be more diverse, more lively without leading to losing a authentic way of life. The today tourist seeks before all a pleasant place, where can meet a agreeable lifestyle and where aren't missing the recreation means and of entertainment.

In this context all the recreation structures that may appear and develop in the rural environment, must adapt to the specific of rural settlements and of existent occupations.

4. Entertainment activities

All these activities can meet multiple forms of manifestation: pastoral festivals, folklore, wine, hunting banquet, fishing, organizing of mini clubs especially for cultural activities (literary contests, scientific, carnivals, evening dance, and theater performances) especially for the cold season.

Elaborating all these activities of touristic recreation doesn't must to alter the quality of the natural environment and to lead at losing the cultural identity.

Realizing of new touristic recreation structures must be taken into account of: the agricultural systems used, value of landscape of the natural frame, socio-professional structure of the inhabitants, the requirements of the tourists, economic development of the rural area.

5. Services and balneo touristic products

The movement of tourists in the Romanian rural space has an extensive motivational base, and in addition to those mentioned above, they may benefit and by the beneficial effects of balneary resources that are found in many rural areas of our country. These resources require the existence of some facilities or arrangements for utilization, and others require harvesting or capturing, but absolutely all require the preservation, conservation and protection for a longer use.

Some of these villages, as: Albestii de Muscel (Arges), Balvaynos (Covasna), Bazna (Sibiu), Baltatesti (Neamt), Baile Homorod (Harghita), Baile Turda (Cluj), Baile Baita (Cluj), Calacea (Timiș), Crivaia (Caras-Severin), Harghita-Bai (Harghita), Lacu Sarat (Brăila), Ocna-Sugatag (Maramures), Praid (Harghita), Sarata Monteoru (Buzau), Tinca (Bihor), 1 Mai (Bihor) were declared touristic resorts of local interest, and their list can be found in the Official Gazette of Romani, Part I, no. 770/23.X.2002.

In addition to these recognized localities, recognized as touristic stations, there are and other villages which are having balneary resources, such as: Balta Alba (Buzau), Bala (Mehedinti), Badesti (Arges), Baita (Cluj), Baltatesti (Neamt), Bizușă (Salaj), Bradetul (Arges), Boghis (Salaj), Bughea de Sus (Arges), Caineni Bai (Braila), Cojocna (Cluj), Danesti (Maramures), Dranceni-Ghermanești (Vaslui), Jigodin Bai (Harghita), Malnas Bai (Covasna), Miercurea Sibiului (Sibiu), Ocele Mari (Valcea), Ocnita (Valcea), Oglinzi (Neamt), Piatra Soimului (Neamt), Remetea (Harghita), Sangeorgiu de Mures (Mures), Someseni (Cluj), Șugaș Bai (Covasna), Tinca (Bihor), Valcele (Covasna), etc

In all these localities are present installations of balneary treatment, but there are many villages that, although are having balneary resources, don't have a proper base of treatment.

The rural space presents several types of balneary resources, unevenly spread in the territory, most of them founded in the hill and mountain area, as follows:

- sodium chloride waters (Mirrors, Sarata Monteoru, Ocele Mari, Cojocna, Baita, Bazna, etc.)
- sulphurous bicarbonate waters (Bughea de Sud, Schela Cladovei, Danesti, Carbanari, Strunga, etc.)
- sulphurous waters of sukphate type (Bizusa- Bai)
- carbonated, sulphurous chloride waters (Szeike, Costesti, etc.)
- carbonated, bicarbonate waters (Baile Jigodin, Carta, Malnas, Valcele, Boghis, Tinca, etc.)
- sulphate waters (Caineni, Sarata Monteoru, Vulcana Bai, etc.)
- therapeutic sludge – sapropelnic and minerals (Caineni, Baita, Bazna, etc)
- therapeutic gases – pits (Balvanyos, Malnas-Bai, Sugas, etc.), sulphate (Baile Santimbru, Baile Hraghita, Turia, etc.)
- saline (Ocna Sugatag, Ocna Dejului, Ocele Mari, etc.)

Services related to the ethno-cultural activities and tourism awareness.

These are based on putting in value of the specific cultural events, local crafts, of products of crafting and realizing some art workshops – school for tourists willing to have new experiences, of presentation of some myths and legends, of the popular theater, of the local gastronomy. A particular role are having and the presence of some museums, memorial houses, of some old traditions connected with preserving the traditional architecture, of the organizing way of the interiors, technical installations, of the popular wearing in the days of celebration

In our country, the popular creation in various areas of the popular art, of literary folklore, musical and choreography known a great development, she acquired on the strong background of traditions multiple new forms and artistic expressions with feature of originality.

6. Services of information and promotion

The success on a market means more than realizing a good product and establishing an attractive price to make it accessible to the aimed consumers. The companies, regardless of the profile of their activity must communicate with both the current customers and with the potential ones. Inevitably, each firm must carry out both activities of communication and information, and promotional activities.

Some of the objectives that a campaign of promotion and implicitly of information may propose itself are:

- Continuous and ascendant development of the touristic flows;
 - Continuous diversification of the touristic request (modifications intervened at the level of age categories and of transforming the tourism in a mass phenomenon);
 - Promoting the local initiatives and of cultural values located in the rural environment (special elements of architecture, elements of art, sculpture, music, dances with local specific, festivals, old cultures , archeological centers, etc.);
 - Formulating some promotional active policies, even aggressive;
 - Increasing the expenditures for the touristic services in the total family budget, on measure that the population incomes are increasing;
 - Increasing the duration of staying and distance for which is effectuated a journey;
- Moving the touristic demand from quantity towards quality as the incomes are increasing and the degree of training.

7. Other services

This category has a increasingly important contribution within the tourism benefits, and on the measure that the offered services by the peasant households become more various, the services aren't negligible.

We can include here the rental services of sportive equipments (such as bikes, sled, ski or motorized equipment like snow-mobile, motorcycles, cars) services of information (announcing different manifestations cultural artistic, which is taking place in the village life, or providing of any type of information required by tourists), services with cultural-educative character (participating at different folklore manifestations or of another nature from the village life, such as Sundays here, weddings, baptism, fairs, etc.), services with sportive character (practicing some sports in the measure of the necessary facilities), services with special character (occasioned by practicing some forms of tourism like the hunting programs or fishing, childcare, taking care of people with disabilities, medial and veterinary assistance for the animals, etc), services of touristic guides (national guides, specialized guides, etc.) various services (in the measure of the possibilities of the exchange rate , facilities of payment such as according discount rates, subscriptions, etc.). It can be said that these services come, usually in addition to the entertainment services.

Conclusions

The agro tourism as specific modality and relatively successful and assessing the natural and man made resources from the rural space traverse in Romania the first stages of formation and manifestation as economic phenomenon. This includes all the activities and touristic services that can be organized at the level of rural households.

Currently there aren't systematic ways of preparing the families and members of those that are involving in tourism, starting from the reception, hosting up to departure. Therefore from this reason the present study offers a complete image of possibilities of development, diversification of touristic services on relief units and ethno folklore areas.

The development strategy on medium term and long of the agro tourism must be in concordance with the evolution of agriculture, because the touristic services must be regarded as an alternative and not a total replacement of agricultural occupations from the rural environment.

In less than a decade as a result of restructuring from other economic sectors, the rural households have taken the initiative to orient themselves towards tourism. From the wide range of touristic services, those of accommodation, alimentary can highlight the best, without major investments, all that offers the rural housing

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HOW TO AUTHORIZE MY BUSINESS?

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This paper intends to present the authorization alternatives for a business. We analyze the characteristics of each model of organization and the implications of choice on the activities of the potential business.

Keywords: economic activity, business, enterprise, legal entity

Paperwork JEL code: M13.

There are two major categories of economic activity forms of organization: entities without legal personality: (authorized person (PFA), family business (ÎF) or individual business (ÎI)) and entities with legal personality, called companies⁵⁵ (we focus on limited liability companies as being the most used form of organization). Each alternative has strengths and weaknesses starting from the constitution moment: costs, required documentation, time needed, tax level, statements required, accounting and monitoring requirements, legal responsibilities, material and financial needs, etc.

Why SRL? The limited liability company is a company who's social liabilities are guaranteed with the company's patrimony and the associates are responsible in accordance with their share capital (at least 200 RON in Romania). Personal wealth is well protected, the associates being responsible for any prejudices with their shares of capital. Thus, if after the bankruptcy and liquidation of the company there are creditors still unpaid, they will not be entitled to be compensated from the associates' wealth.

A company is founded by association of individuals and/or legal persons, Romanian or foreign. In the case of limited liability companies having a sole partner, two rules must be met: (1) an individual or a legal person can be sole partner in only one limited liability company; (2) a limited liability company cannot have as sole partner another limited liability company, having only one partner.

What is an Authorized Person? An authorized person is an individual conducting any form of economic activity permitted by the law, by using its abilities. The economic activity may be agricultural, industrial, commercial, and it is focused on producing goods or services expressed in monetary terms, intended for sale or exchange on established markets or to certain beneficiaries in order to obtain profit.

In addition, there exists the **individual business**, which is a PFA able to hire personnel.

Or Family Business? A family business is formed by an agreement of incorporation, signed by family members (who have reached the age of 18 years, for the individuals initiating the family business, and the age of 16 years for the members of the family business) in writing, as a validity condition. The agreement of incorporation includes the first and last name of the members, the representative, the date of signature, the contribution of each member to the business, conditions of participation, net income distribution quotes, the relationship between the members and the retiring conditions, under penalty of absolute nullity.

55 Legea 31/1990, republicată, cu modificările și completările ulterioare

To carry out economic activities independently, the following conditions must be met: (1) to be over 18 years old; (2) health state proven by medical certificate, allowing them to conduct the authorized operations.; (3) to have the requested quality for this activity; (4) to have special authorization issued by authorities, according to the law, for economic activities implying special authorizations; (5) that he was not convicted by court for committing crimes on the legal system for certain activities or for forgery; (5) that operating conditions are met in accordance with the sanitary, veterinary, environmental, labour and fire regulations and consumer protection regulations, and also the quality requirements for the goods and services issued on the market.

Tax issues

Authorized persons, according to CAEN code (the code of the activity conducted), can be grouped in payers of bracket income taxes or payers of net income tax.

What is **income tax bracket**? This is an income expected to be gained by authorized persons and is calculated by 1st of January next year, according to Fiscal Administration County Agencies regulations. This income bracket tax is determined for each CAEN code on the basis of government decision, taking into account the location of the authorized person.

How is calculated the income tax for these authorized persons? A rate of 16% is applied on the bracket income established by the Tax Administration Agency of the territory, resulting in a yearly income tax to be paid, amount recorded in "Taxation decision for tax prepayments as of year N" and transmitted each year at the headquarters of the authorized person. This amount is paid quarterly, in cash, at local tax administration cash desks.

There are no accounting recordings needed for this type of authorized person. For the internal control of income and expenses, the entity keeps only the invoices and receipts issued to customers or received from providers.

Are there any other liabilities to be paid by authorized persons, included in the bracket income?

There are also other liabilities to be paid by authorized persons, as follows: 5.5% applied to bracket income, as contribution to health social insurance, 31.3% applied monthly to a quarter of annual average gross wage (for 2009 – 1,693 RON) and optionally the contribution to unemployment fund: 3.5% of the gross minimum wage (600 RON for 2009).

Is there any other information to be taken into account in determining the liabilities to the state?

There are also some facilities: if the individual registered as authorized person is working and is employed with record of employment, he benefits of a 50% deduction of these liabilities. This is justified by the fact that only half of the labour time is allocated for the PFA, the other half being used on the main working place. In other words, taxes are determined for half of the worktime.

There are also *special situations* such as:

- when a taxpayer is self-employed on periods shorter than a year, the bracket income for this activity is adjusted in order to reflect the period the activity was carried out.;
- when a taxpayer carries out two or more activities, the net income of these activities is determined as the highest bracket income for them.

For the authorized persons (PFA), family businesses and individual businesses being taxed on the net income, the Tax Administration calculates an annual tax to be prepaid quarterly, in equal rates, on the basis of the estimated income statement. The term and the amount to be paid are communicated by a decision of prepayment sent home by mail. At the beginning of the year, an estimated value of the net income is declared and a single tax of 16% is calculated, representing a prepayment tax. Until May 15 of the following year, a Special Statement of income for the previous year is submitted, followed by the issuance of a decision regarding the final amount of tax to be paid.

The net income or fiscal loss is determined as follows:

Of the total amounts received, recorded in the Journal of receipts and payments, less.:

assets depreciation expenses, recorded in Various operations sheet;

total amounts paid, recorded in the Journal of receipts and payments;

plus:

- the amounts paid for redeemable goods purchases;
- total non-deductible expenses, taken from non-deductible expenses table.

Deductible expenses are those expenses strictly necessary for the basic activity, ie those undertaken for a proper functioning (supplies, services, furniture, computers, salaries, etc.).

Non-deductible expenses are those expenses incurred by PFA, ÎI or ÎF, but considered unnecessary for the main activity of the company, such as: for an IT business th expenses with cosmetics are not deductible. This example highlights the connection between the main activity and the nature of deductible expenses.

Warning! Even in this situation, the contributions to health insurance and social insurance (pension) must be paid. Things get complicated when the company employs personnel, beacuse the business must comply with the law for employers, meaning employees time sheets, monthly payrolls, contributions owed and payed to the state as employer and for employees, statements to ANAF, CASS, CAS, AJOFM, tax statements... we suggest that the company uses professional services provided by experts.

For those intending to found a **company**, when they register it at the County Tax Administration they must choose between microbusiness and small business, choice that affects the methodology of tax determination, accounting and liabilities regarding the employees.

In the case of *microbusinesses* we must consider the turnover and the number of employees. Regarding the number of employees, a microbusiness must have at least 1 employee (and a maximum of 9 employees) within 60 days of its establishment; if the company has no employees, it will be taxed on profits. Another condition is that the turnover must be less than 100,000 EUR/year (estimated to an exchange rate established at the beginning of each year for the previous one by the Tax Administration National Agency). There are two more condition for a company to be considered a microbusiness: to have revenues, other than those from consulting and management activities representing more than 50% of total revenues, and the share capital to be owned by other entities than the state, local authorities and public institutions. All four conditions must be met simultaneously. The major disadvantage is that beginning with 2010 this tax regime is not available anymore.

If we do not intend to register the company as microbusiness or it does not meet the conditions specified above, then it must be considered income tax payer. The income tax is of 16% and is calculated on the difference between total income and total expenses incurred in the activity of obtaining revenues, in a fiscal year, deducting non-taxable income and adding non-deductible expenses. The advantage of companies is that the range of deductible expenses is larger than that of entities without legal personality. The non-deductible are clearly specified in the Fiscal Code: expenses with penalties from the state authorities, entertaining and promotion expenses over 2% of the profit, or total entertaining and promotion expenses when the company operates at loss, transportation expenses if exceed 2.5 x the level for public institutions, etc. The concept of non-taxable income is highlighted, representing amounts received by the company, previously taxed, such as dividends. We do not focus on this issue here as the accounting of each company is entrusted to a person having economic studies, and the balance sheet is signed by an expert accountant, so that the company must cooperate directly with professionals. Companies must pay income tax quarterly.

Starting from May 1st 2009, the Romanian government issued an ordinance for a lump sum tax to be payed by companies. This lump sum tax is determined on the income obtained and declared. The companies with a turnover between 0 and 52,000 RON (about 12,000 EUR) will pay a lump sum tax of 1,467 RON (500 EUR) for 2009. The companies having a turnover between 52,001 and 215,000 RON (50,000 EUR) will pay a lump sum tax between 2,867 RON and 4,300 RON (1,000 EUR) for 2010. The companies with a turnover between 215,001 and 430,000 RON will pay 4,333 RON for 2009 and 6,500 RON for 2010. The companies operating on profit will pay

16% on the net income, but not less than the lump sum tax for the corresponding turnover. For microenterprises the annual lump sum tax is of 2,200 RON, payable quarterly.

If the company employs personnel, the amount of contribution to be paid to various public budgets diversifies, including health insurance contribution of 5.5% for the employer and 5.5% for employees, social insurance (pension) 20.8 % for the employer and 10.5% for employees, unemployment fund 0.5% for the employer and 0.5% for employees, contingency fund depending of CAEN code between 0.15 and 0.85% only for the employer, wages claims guarantee fund of 0.25% only for the employer, allowance and vacation fund 0.85% only for the employer, record of employment fee 0.25% or 0.75% only for the employer. All these contributions are determined on the gross wages.

In addition to these liabilities regarding the employees, the company must pay the sanitation tax, TV and radio tax included on the electricity bill, advertising tax, building and auto tax (if the company owns buildings or autos), varying from county to county, with the exception of the TV tax.

To be or not to be a VAT payer? This question arises in every potential business women's mind, and the answer must be given after taking into account the following issues: (1) who are the major customers? If they are companies, they will request the invoices issued by you to include the VAT deductible, otherwise it is not necessary to complicate the accounting process and the statements to be prepared (declaration of mentions 010 that records the VAT and: sales registry, purchases registry, quarterly VAT deduction); (2) it can provide 19% cheaper products if we consider the final consumer. There can be VAT payers both companies and PFA, ÎI and ÎF. This registration can be done by request or by default if the turnover exceeds 35,000 EUR annually. Attention! A company can become VAT payer from VAT nonpayer, but never reverse.

Benefits of PFA real system compared to lump sum taxation: (1) acknowledge the right to become employer; (2) acknowledge the expenses; (3) taxation on net income if this is lower than the bracket income tax. Disadvantages: (1) the payment of higher taxes if net income exceeds the bracket income; (2) compulsoriness of recording these amounts in the registries.

Benefits of ÎI and ÎF compared to PFA: they can be considered employers – they can hire personnel, and ÎF can employ family members.

Benefit of SRL compared to entities without legal personality: extended range of deductible expenses. Disadvantages: (1) dividend tax, (2) withdrawals of money from the company can be done only by the end of the fiscal year, (3) lump sum tax; (4) income and expenses recognition moment.

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ISSUES FOR STRATEGY DEVELOPMENT AND IMPLEMENTATION TO SMES

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Developing and implementing of a strategy involves taking a risk. For an investor, risk is the uncertainty that exists on the economic gains or losses associated with certain investments. A strategy developed for a business offering a range of possible answers to questions like: how to be competitive? Who should strive? Where? When? How? and Why? The issue is not whether to build or not o build strategy, but how we choose between the possible strategies those that can achieve strategic competitiveness. The difference between strategies is high, it can vary between success and bankruptcy.

Keywords: Strategy, mission, vision, purposes

Code JEL paper: M11.

Strategy is developed through the effort of a combination of threats and opportunities in the external environment with the strengths and weaknesses of the business itself. Opportunities must to be exploited using the strengths and constraints must to be prevented by elusion of weaknesses.

The strategic process should take into account the vision and mission business, so we must answer to the following questions: What do we want our business to become? How can we use resources in order to achieve maximum effect? What can we by people obtain? What is the main target of the business?

Strategy Development grounds on mission and vision oft he company. What should we follow?

Mission company must answer to questions like: What do we do as business? What kind of products or services we provide? How we define customers? Who has the business? Vision is long-term dream of business and it indicates the path to be followed to reach the destination.

Critical factors of the organization, so those having an importance for business success, must be identified. Examples of these critical factors are: high quality products, financial health, good image, focusing on the customer, etc.. These factors should not be quantified, but to refer to financial aspects, customers, internal processes and capacity for learning and adapting of the business.

From these critical success factors we can move to the formulation of business strategic objectives. At this point it is very important to take account of SWOT analysis, as well as the interest groups involved in any business:

- Owners: what they expect from the business? Increased profits, investment recovery? Positive cash flow?
- Employees: Which purposes must tob e found in order to improve the quality of work? Creating a relaxing environment at work measured as increased productivity, decreased number of absences, etc.
- Customers: What are the customer's needs? How customers appreciate products and services oft he business? Quantified as strengthening market position, enhancing the value provided to the client.

- Suppliers: what objectives we have to follow in order to increase the added value? Quantified by increasing the quality of inputs, decreasing supply costs and ultimately increasing of added value.
- Community to which it belongs: what is the attitude referring to the environment? Giving an increasingly attention to the social responsibility of any activity of the business. It is indicated not to elaborate a large number of targets, These must be selected based on the following criteria: be measurable be acceptable to all interested parts in business, to have knowledge in order to be fulfilled, to be realistic.

All these chosen objectives must keep the final goal, those which do not fall on this way, they will be eliminated. For example to achieve the final objective to increase the profits we have to consider: increasing the labor productivity, decreasing the number of waste products, high degree confidence level of the customers, positive cash flow, increasing of the added value, etc.

Once established the strategic objectives, the potentially gained performance indicators should be identified in order to identify whether the chosen strategy is viable. At this time, among the most important are:

- Time to browse the process represents the amount of time that is running in process stages and periods of waiting from process.
- Productivity is the ratio between obtained results and costs.
- Effectiveness indicates the level to which objectives are achieved.
- Efficiency is related to the control process, the use of resources during the process implementation and the cost of operations. So, to be cheaper, faster and better controlled.
- added Value is determined as the difference between the selling price of a product and the cost to bring it to the assumed form, the place and time of sale.

Analysis. Through this activity, the manager must to identify the possibilities and the actual costs of products, potential contribution of the employees' various activities and cost centers economically important.

Returns usually bring the money for spending, managers must focus those resources to income generating activities and not in virtue of the inertia to activities producing nothing. Where is the error? Managers confused often the accounting analysis with the economic one.

The accountant must share those costs to all products not directly related to production. The only way how costs can be allocated is proportional to the volume of business, not to the number of transactions.

Thus for 1,000 lei obtained for one product or 100 products, the cost is the same, whether the product does not incorporates many raw materials and materials, such as services or high-tech products.

Service companies can only claim the assumption that there is one cost which is fixed for a certain period. The central activity, such as serving the customer which may be a fixed cost, can be identified. So, efficiency per customer can be calculated - both services volume used by a customer and the composition of those services - that determine the costs and profitability.

Another example represents the retailers who have low prices, they consider the presumption that, once installed on a shelf, the cost of goods fixed. Management considers the increase to a maximum return on that space within a certain time. Focusing on control efficiency allowed them to increase the profitability despite reduced prices and profit margins.

For each product, the usual problems should be considered: the volume of sales, market position, market outlook, etc. However, it would be important to make a comparison between the income made by each product and the costs involved? It is very important to know for each product category the income it brings to the company and the costs to be distributed for each product.

I insist to say that this calculation should be realized for all products because they are situations where a product gives to 70% of revenue and requires 30% of expenses, the expenses rest being attracted to other "poor" products as a profit margin.

Allocation. Manager should allocate resources according to the anticipated results. So, he must know, how at present, the resources are allocated, how in the future, they should be distributed to support activities that provide the greatest opportunities and what it needs to accomplish in order to reach the target position, from the position where they are.

Resource allocation is a transformation of information into action, this allocation can determine if the company will or not well work. Managers should choose the best ratio between opportunities and risks. In order to achieve that purpose, a budget of capital allocation must be developed, revealing the available manners. To achieve this budget, overlapping requirements should be fulfilled:

- existence of clear deadlines;
- time when the results are obtained;
- how any negative results will be counteracted;
- how to answer to a greater success than forecast.

Once this budget is achieved, to follow closely the successes, failures is very important, through a continuous process of allocating and reallocating resources according to the received reactions from external or internal environment

A second, and most important resource is the operative staff. In an effort to create wealth, managers must allocate human resources with the same precision and attention with which they distribute the capital, then managers must study the combined effect of the two allocations. As a result of this analysis further division must be accompanied by certain expectations on the appointed employees and systematic evaluation of the recorded results as a consequence of employed staff action.

Decision. The manager must decide which products, employee activities or cost centers promote confusion rather than bring new possibilities and outcomes.

Normally, productive resources, regardless of size and potential, should never receive such destinations. With a minimum effort, what of them should be maintained? What could be converted and at what cost?

Main changes belong to external environment of the organization. A retailer may say more about his customers, but they represent only a fraction of the market, the majority being not his customer. The main changes appear and have meaning by those who are not customers. Even most companies will continue to operate only at local or regional level, they must to consider the continental or global competition that they never knew, too.

Of course, that the external environment does not always reveal their characteristics and does not provide complete information to management, but the most serious causes of failure in business is the presumption that its elements - taxes, legislation, consumer preferences, distribution channels, intellectual property rights, etc.. - must be as managers think or at least how they think that these elements should be. An effective information system must determine the manager to formulate questions also in areas where they consider to have all necessary information. In order to accomplish that first it is necessary for managers to know what information they need and regularly to ask for, then including them in the decision-making process.

Companies may generate themselves some information, such as those about customers and potential customers, about their business, about technology, but most things an organization need to know about the environment, only from external sources can be obtained. What could be those sources? Data banks, information provided by various professional associations, newspapers, government publications, reports prepared by internal or international bodies, specialized study. I would say that any organization should consider all available known information and not using them, they offer to competitors a competitive advantage. The assessment should consider the

implementation process and the time needed to obtain results. Valuation is an absolutely necessary process and it should be applied during the entire period of the strategy implementation, so when needed to intervene in order to correct and adapt it to new conditions and requirements of the competition external environment.

By evaluation, it can be determined whether a strategy is or not successful. It is important that even a flop exists, its influence to be as smaller as possible and the associated losses not threaten the business's existence.

Thus, an unsuccessfully high-impact strategy may lead to bankruptcy of the organization. For example, if managers play everything on the business expansion option and for changing legislative environment reasons, it becomes impossible, the resources used for this purpose should be redirected, if possible to mitigate the failure impact or the failure effects must be recognized and to action accordingly.

Control strategy monitors all activities of an organization and evaluates them to see if they are efficiently and effectively carried out, in order to take necessary corrective measures to ensure the required performance. Strategic control does not only mean the mechanism to respond after unfolding events to the correction requirements of the organizational structure, but also to participate and prevent any abnormal or damage functional condition.

Designing effective control systems involves the following two steps:

Setting standards and targets against which the assessment will be accomplished. This means that managers have clearly defined which are the main objectives and which are associated **MATRIX** in order to make the evaluation of activities sequences through the chosen strategy is implemented for achieving the objectives.

Designing monitoring and measuring systems. The role of these systems is to provide a continuous tracking of accomplished activities in the organization, so the results could be quantified.

For some types of activities, these results measurement is relatively simple and straightforward.

For example, quantity increasing of the production and marketing of some products. For other types of activities, the measurement results are very difficult.

For example, how resulted progress could be measured each year into a research and development department, if the undertaken research project requires five or six years? How to measure results of a company training and entry on a new market segment or to promote new products. How to measure the effectiveness of organizational dynamics process, respectively of new departments or decisions integration?

Comparing current performance with the proposed target. Continuously, managers assess whether the current performance deviate from the proposed strategic plan and how high is this deviation. If deviation occurs in the right direction and current performance is higher than the proposed target, then the target will be changed and it will continue the organization progress on the established strategic direction. If current performance is too small compared with the proposed standards, then it a series of corrective measures have to be considered. In order to perform the necessary corrections directly on factors, the difficulty consists to identify those factors that led to poor results,.

Initiate corrections when current performance is not at the targeted level. This is the most important step in the control system, because it allows the implementation of corrective measures and chosen strategy recovery. To increase the impact of these corrective measures, it is important to be **incrementally** implemented on time, based on correct information provided to management that the system does not destabilize.

In conclusion, a **successful strategy** involves a creative performing thinking for its developing, a business opened to change and to help at an ensure effective implementation of strategy and, respectively, a proper evaluation which considers costs and profits.

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STRATEGIC DIRECTIONS FOR TOURISM ENTERPRISES DEVELOPMENT AT MICROECONOMIC LEVEL

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A tourism company succes, and not only, dependes on efectiv implementation of marketing strategies. Strategy implementing represent the process through ideas becomes actions through programs developing, bugets and procedures.

This proces might concerne culture changes and and management company' style. In a continuous environment changes can not be seen precisely, so that the tourism agency must put all its actions in a micro economic perspectiv, with a developing strategies formula whi have to assure the human forces, material and financial mobilization with a view to achieve with succes that goals and targets.

Key words: *tourism strategy, tourism policy, sectorial policy, competitiveness.*

Clasificare JEL: *L 83, M 21, M 31*

1. Introduction

Romanian tourism enterprises take place raporting in a permanent way to evolution of external environment components and also to those changes who appears in tourism market and are continuously exposed to a adopting proces to those new conditions.

In these terms, a company performance on one hand depends to that way she uses her resources who has and on the other hand to that measure in which is coneceting her activity to environment conditions in who works. Synthesis of such an approach will be reflected in how the tourism agency will define strategies and politics to a micro economic level.

2. Tourism marketing strategies to a microeconomic level

To a microeconomic level the marketing strategy is used like an instrument for a coherent assembly of tactics and concrete measures in order to achieve the company's strategic objectives. Essentially the marketing strategy defines the company's attitude towards the environment and, at the same time, its practical approach involving all its aspects. This marketing strategy, also expresses the company's option for one alternative to follow among a range of possibilities (1).

In this respect we set apart two main strategy categories:

1. **General strategies** – representing the company's overall position towards the environment and the actions taken with regards to all its aspects.
2. **Specific strategies** – representing the company position towards each environmental issue, who is also separately estimated, along with specific actions taken for each issue approached.

Table no.1: Market – product matrix in services field

	Services	Current services	New services
Markets			
Current markets		Market penetration	Services development
New markets		Market development	Diversification of activities

The combination of chosen strategies represents the „core marketing strategy”. This combination clearly defines the path this company has chosen for expanding its activities.

Following the „market – services” matrix we can easily identify the possible alternatives (table no. 1).

Adapting this matrix to the main characteristics of tourism activity we may define the following tourism marketing strategy options:

- **Market penetration or adapting strategy** represents the main strategy expressed in bringing current services on the market at a given moment. It is characterized by the company tendency to follow the evolution of tourism demand and act on it. This type of strategy is applied in small and medium commercial companies; in this way they may grow on a stable market without having to break into another. The only issue that may rise is to choose those products that best meet the tourism market needs.

- **Growth or development strategies** – implies a research program development through an upright and intensive tourism marketing implementation. The goal of this type of strategy is to adjust the environment to its needs, for the tourism unit to ensure a competitive advantage for its products or to increase its influence power on the market. Practically, this strategy can be achieved by following the line of the actions below:

I. Display and introduce current products in new markets, in witch case we have to do with **development tourism market**;

II. Launch new products in current markets, which ensure the **tourism product development**;

III. Braking in a tourist market through multiplication of tourism products and services, which essentially means diversification of activities.

Depending on the large market share (taking into account the positions it might take at a given moment on a market) a company might have the following strategic options:

- **market leader**, its strategy is either to keep the market share or to expand its market share or to increase demand on the market;

- **challengers**, who follow the increasing of share market and focuses its strategies towards smaller competitors and not on leaders;

- **niche players**, focus on selecting an advantageous market share, however on too a small one to be in the interest of bigger companies.

- **Survival strategy** is characterized by the tourist concern of enterprise to realize tourist corresponding benefits, without taking into account the market elements. Concluding, this is a defensive strategy, which cannot contribute to the success of a tourist company.

The company’s fundamental market strategy consists both in general and specific strategies.

General strategies are based on the demand – supply report and also on the company’s relations towards the environment, elements who represent criteria for grouping them (2).

Demand – supply report characteristics in tourism activity are strongly affected by its seasonal nature and suggest temporary differentiation of marketing strategies in tourism. Temporal differentiation of business marketing is implemented by a concomitantly action on demand and supply through strategies specific to a market component.

As the main target is to extend high season, some authors divide these strategies in two categories:

- *primary response strategies* are decided on a macroeconomic level and they are designed to influence the demand by administrative measures, such as organizing school holidays or employees paid leave on specific areas;

- *secondary response strategies*, are initiated by tourism entrepreneurs in order to continuing the tourist services in those periods when demand is lower than the offer; this is done by means of several instruments like setting different rates and prices for the services offered. The essential aspect of this difference is to set a minimum and a maximum point for the whole season. Discounts must be offered for all services included in a tourist product, even transport and entertainment.

Increasing the demand off season can be achieved by implementing a different approach related to customer categories – with a special reference to children and elders. Starting from the characteristics of these customer categories, one can set up service packages, which include special facilities added to bed and breakfast lodging, entertainment and transport. In this way, the differentiation seasons strategy of tourism rates is completed with differentiation strategy on the consumers segments.

Specific strategies represent the adopted position by the company versus every external component considered to be separate, especially both customers and competitors.

Regarding customers, the essential criteria for grouping the marketing tourist strategies represents the structure of tourism market.

Tourism market consists of a network division from different categories of clients, necessities, preferences and specific motivation, allowing the differentiation on homogeneous customers categories based on similar behavior towards elements of tourist product. Existence of this elements is doing possible the application of some adequate marketing strategies.

Tourist market division is based on a number of criteria, such as:

- ***geographic origin area*** who allows market division on regions, mountain and costal areas, urban and rural space etc., the company's taking development strategies into account from local variations of needs and preferences to concerned customers;

- ***demographic characteristics*** (age, sex, income, occupation, religion, etc.);

- ***social, psychological and behavior factors*** (personality, social class, life style etc.).

Depending on these criteria, then can be adopted tourist package services for youngsters, adults, for those interested in the mountains, in the sea and who practice different sports and cultural activities, for those who are interested in exploring and more, also can be adopted attracting strategies to different kind of tourists .

According to company position towards the market structure are known the undifferentiated strategy (poorly differentiated), differentiated strategy and focused strategy (3).

- *Undifferentiated strategy* is that strategy adopted by the company when it is addressing to the market in a total way, without keeping on its division, using the same marketing mix for all target markets. In tourism this strategy is rarely met because of the complexity of tourist products and of the necessity to division the markets because of various ways in which customers express their wishes.

- *Differentiated strategy* is used by the companies that aim to many segments in that market who offer specific products and services. In the tourist industry there are companies who operate under various brands or commercial names, depending on the market share to whom is addressed. This strategy is used more than undifferentiated strategy even though the marketing costs are higher, but because of its sales increasing those extra costs are recovered.

- *Focused strategy* is used when companies focus on a market division who knows its necessities. Option for one of three strategies is required by many factors. Thus, if company has limited resources then focused strategy is recommended. In tourism is used by the majority of the hotels and resorts in which case in direct competition with major national and international hotel chains delivers unique packages or personal assistance in order to attract both business and regular tourists. They offer one type of products who is serving only to some market divisions in contact with their necessities and wishes, in homogeneous products case, and for the leaders is recommended undifferentiated strategy.

For those products that are presented in a wide range it is more used differentiated strategy. The most important view of this strategy represents specialization and a particular attention for the necessities of a target market.

There are other fields in tourism activity, such as travel agencies who focus their full attention to all exclusive and luxurious holidays' packages, often with less common destinations.

In its relation with competitors, tourism companies are using specific strategic alternatives. Because the buying decision of that tourist products has an complex effect in which case image plays an important role, a permanent and full preoccupation of tourism agency is to distinguish its position compared with competitors through a series of actions unfolding for identification, development and passing on of a competitive advantage to their tourists, the goal being the perception of services to be seen superior and different towards rivals. These actions are making the basic object for a marketing instrument that is named tourist services positioning.

Initially designed and used like an promotional technique for creating a favorable and differentiated image about firm products, positioning includes during the time in its contents actions for services differentiation who concerns all mix components, product in particular and distribution implicitly. In our days, positioning it's a component of marketing strategy and supposing tourist services differentiation, in the first place, and then the image differentiation that has positive repercussions in a competitive advantage. Competitive advantage is the result of differentiation assured by the elements that compose the tourist service: personnel, facilities, atmosphere and tourists, and at the same time represents the instruments for its differentiation (4). The extent in which these decisive can contribute to creating the competitive position depends on destination type, respective the social-economic development level, topographic particularities, climate, culture and traditions, political system, special factors etc.

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THEORETICAL GROUNDS FOR SOME MAIN ISSUES OF THE INTEGRATED EUROPE AND OF THE KNOWLEDGE BASED ECONOMY IN THE ROMANIAN ECONOMIC THOUGHT

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Paper underlines some essential elements of the economic thought of some most important Romanian economists, reconsidering them in the actual European knowledge society.

Methodologically, the paper resorts to the roots of the genuine liberalism, in an interdisciplinary approach. The principles of the knowledge society offer a favourable context for reanalysing, from a post-modern point of view, the market economy and the usual orthodox approach on performance, using Mihail Manoilescu's, Nicholas Georgescu-Roegen's and other Romanians' positions on the matter.

The conclusive line of the paper shows that a modern approach, reconsidering the spirit of the analyzed economists can put us profoundly actually in our times, by an approach, showing their actuality and re-finding them in the policies applied in European Union.

Key words: market liberalism, productivity, ecological economy, Romanian economic thought

JEL: A0, B0

1. Introduction

Knowledge society (the concept/ definition and strategies) is an opportunity for finding new valences of some thinkers' ground and conceptions that we should better remind, for better understanding our times and the economic policies of the E.U.

Nicholas Georgescu-Roegen's interdisciplinary and economic complex thinking manner induces a debate on the issues of polluting and reducing of resources, as well as on another matter: *i.e.* how did the "standard" economic thought manage to ignore the issue of exhausting of resources and to allow the phenomena and perspectives which confront our planet today, given the conditions of doctrinarian domination of usual liberalism. The critics made by Mihail Manoilescu show a mostly similar manner of approaching economy, underlying important faces that are still profoundly defining even for the European Union of our days. By reconsidering some of their point of view, most of the recent study matter in knowledge society and globalization can be much better grounded and understood, in their profound reasons and importance.

2. Physiocracy and the economic and ecological modern view

In the genuine (physiocrat) liberalism, being *productive* means to comply with the laws of nature, to apply them and to create the conditions which make the grain germinate, the plants grow, the ear ripen, everything under the care and with the contribution of the skilful people (knowing when is necessary to weed, cultivate, sprinkle, pick up etc.); it means working in the respect and pursue of Gods' laws, helping or making a grain to become an ear; and just such an evolution means an absolute plus of grains in autumn versus the initial grains (in the spring of the same year); just such an activity generating a net plus-product is *productive*: this is the genuine production.

Following the revolutionary spirit of the 18th century, of the French Revolution („*liberté, égalité, fraternité*"), the liberal concept about the economy was based on the principles of the divine order, rule and contribution. In this atmosphere, the economic conception was built on a relevant base: *the goods exist through creation*, *i.e.* through the *original creation*, and created further by "God's blessing" of the germination and of the biological growth, with the help of the – again, divinely – sun, rain and earth's juices, etc.; as well as with the contribution of work, care and

know-how (knowledge, competent and adequate activity) of the appointed (unique) “productive class”.

Physiocrats did not analyse the income luring, the absorption from the environment, but focused on the getting of an absolute surplus (maybe in a Pareto approach *avant-la-lettre*). Production meant for them realising (creating) absolute surplus. The fact that everyone lives because of what is produced on this planet, even if (i) some produce these *plus-product* themselves (with God’s help), while (ii) others attract (win and enjoy) parts of *the same plus-product*, through various changes, activities and means (including the transforming of the same goods) was clear. Physiocracy generated a logical delimitation between the meaning of being productive (creating or bringing contribution) and of living upon anything else other than contribution (maybe even only by consumption and destruction). Originally, in the physiocrats’ thought, the above mentioned delimitation did not necessarily suppose a “conviction” of those who weren’t producing a surplus. But the unproductiveness, from this economic point of view, at least *excluded the rights* (pretension) *to economic decision* of those who are not really productive (who are not “creators”, but just “sterile” actors, because the decisions of those who *do not create new genuine value* could have other goals than the natural, good progress of things (other reasons and criteria than following God’s laws). That is because such individuals, following strictly their selfish interests, are rather ignoring (or contradicting and cheating) the natural claim (God’s requests). Such reality facts show that (and how) the genuine meaning of the words *nature* and *natural* were embezzled.

“*Le monde va de soi même*” and should work like that physiocrat (genuinely liberal) principle says. In other conditions than following the mentioned principles of *creation* and *divine order* of things (natural progress), this natural, good progress is obstructed, blocked. Essentially, the reasons could be natural (according to natural demands), only if the people carrying them were an integrative part of the creative process (the process of production, in our matter), working under the grace of the (divine) laws of nature, so exclusively subordinated to the justified merit, to individual’s *contribution*. It is the only foundation accepted by the basic, physiocrat liberalism, which serves as base to the economic decision-making: mission granted only to those who are constructively involved, by the nature of their contribution itself. This is the spirit of physiocracy and of the idea of freedom - impossible without justice (equity), having reference to worth, to clear merit, to bringing real contribution.

3. The great mistakes of economic Classicism

From the classical perspective, industry is part of the eminently productive branch. This way of interpreting things offered to the classical economists a way of serving their purpose at the expense of the physiocrats: by leaving the very *clear, obvious and transparent* theory about the “surplus” of these ones. The idea of quashing the physiocrats’ original concept of “productivity” was “borrowed” by the neoclassical economics under the following form: *all activities* were declared useful, if they are accepted *by market*. The classical-neoclassical economics becoming dominant, value-related debates almost disappeared from economics. But thus, the *essence of productivism* itself, its original meaning and its authentic, genuine sense, were lost as well.

The liberal principles request to apply the principles of the natural rights and of the state of law. And, more, *the laws should be not “invented” ones, but just the “transcription” of the natural (divine) ones* - like physiocrats were telling us. The essence of the French physiocrat sophisticated senses are forgotten. Persons get payment thanks to the “black-box” that market can be: the “rights” come by the negotiation principles; and by this method of judging processes, any value absorbed by someone from his environment may get the name of “production” or “value-added”; the private advantage is concerned, maybe despite of the loss of the entire environment (maybe of the real creators or value-producers, of the nature, of the future of mankind). The market principles favour the place where the money is *absorbed*, rather than the place where the

value is *generated* (value added to the general values existing in the nature, in the society or in a certain place etc.). The individual merit behind the whole process may, therefore, be also overlooked, as well as the practical utility of the “output”. The supreme validating criterion chosen by the neoclassic economists was simply *the market*. The word *natural* itself was confiscated by this new “instance”, which was invested and set up to be greater: Divinity was replaced by the market itself. The calculated productivity considers rather the values *engrossed* by the concerned entity (by the economic actor) – the values absorbed from its environment – than its production (creation, generation). This represented a shift from the genuine natural order of things, from the order that was seen in the physiocrats’ vision.

God’s (Nature’s) contribution started to be ignored by the economists and it was soon to be completely forgotten by standard economics. Just a century later, Nicholas Georgescu-Roegen will mention and prove it again, trying to correct this primordial mistake of standard economic thought – that of *ignoring the laws of nature*. Meanwhile, *the contribution* of the plus-product (surplus) creators *was replaced with the prices* that were paid by market. Mihail Manoilescu will struggle to correct this second fundamental mistake of the English economic science). Of course, such qualitative discussions can not be formalized and cannot be discovered by usual (quantitative) calculations; just the usually calculated productivities (and gains) show frequently that they have no match with the quality or the merits (and contributions) of some persons... The elimination of nature lasted until the '60s, but, practically, only with regard to the effects on nature. But, besides this last aspect, the other aspects regarding nature are still not recalled or claimed, still waiting for reconsideration and coming to light, their re-put in their “natural” rights, with the purpose of a correct understanding of the realities (including the economic ones). But Nicholas Georgescu-Roegen’s work has the force of an all-inclusive vision, containing the reserves which are necessary for rehabilitating the nature we are talking about.

4. Improvements from the Romanian liberalism and the entropy of Georgescu-Roegen

The Romanian earlier neo-liberalism (in the ‘20th and ‘30th years of the XXth century) pointed out that work should be a competent and adequate one, as well as the care (like essential of Christianity) and as knowledge – like the essence of human action: taking into account not some short run interests (like today, in the standard economic approach), but the long run state of mankind. This last one included (even if not explicitly pointed out) the *environment* (social, human, moral, natural etc.). Mihail Manoilescu, for instance, have a different approach on *productivity* versus the Anglo-Saxon one: he thinks, searches and speaks directly on productivity and demands to take into account the economic structures of the national economies and the relative positions of the countries. In other words, he required extending approach to the environment of the concerned economic entity (underlining the importance of the relation of the economic agent or entity with the other ones, with the “components” of the environment, at the national level, as well as in the international level).

In fact, within the *genuine* liberal thought (that Manoilescu applied), the effects that the market prices disproportionately induce for the actors’ *contribution*, precisely mean unfairness, injustice, because the reward is not consistent with the actual contribution; while the dominant thinking that industrialism imposed, based on other (market) criteria, take into account a simple mathematical (and market) result, *declared as productivity*: the resulting effects on the market (the solution given by the market) is considered (and called) “productivity” (this is the “calculated productivity”). In fact, this last one shows how much every individual or every national economy seizes from the environment. By replacing God (*physis cratos*) with the market, distortions were involved and they should be corrected, bringing the facts to a state that is more consistent with the real merit and creative quality; the correction Manoilescu demands tries to bring reality to the equivalence between *payment* (individual reception within the social and planetary frame) and *contribution* (actual merit). The essence of economic liberalism is the

principle of creation. Mihail Manoilescu tried to correct the conditions of exchange (unfavourable exactly for those dealing with plainly productive activities – i.e. agricultural) explaining the function of prices set on the global market in the distortion of exchange rates. More recently, the demonstrations of Georgescu-Roegen also show requests in the consuming manner, in the purpose of sustaining economic activities on the most long run: *destroying effects should be rejected*. So, he also conceived a kind of correcting the usual economic activity of mankind, activity targeting the same *absorption from the environment*, which can become most destructive in some private and short run benefits. Nicholas Georgescu-Roegen explained and claimed implicitly such corrections, in an ecological approach. Nicholas Georgescu-Roegen requires economic science to take into account the whole planet (including the natural environment), with its growing entropy. He speaks about the economy in general, meaning mostly the production process and, implicitly, the productivity: it concerns also the “productivity in garbage”, the “productivity in entropy” etc. But the market does not notice such damage, and in Smith’s, Ricardo’s, and Jevons’s time, there still were, even in England, woods to oust.

When the genuine self productivity is really growing, it is rewarded by savings in resources or in material productions in the field where productivity has just grown. But the fight for bigger and bigger profits does not always use the way of real improvements: in this case (when “other ways” to win and to enrich are used), growth will be just in official numbers (numbers resulted on the market, but not in the genuine substance of the phenomena of productivity growth). In this last case just the calculated productivity grows up and not the genuine liberalist one (the profound productivity that we described as *servicity*). It is the case of the actual crises we have today! The interest of the entrepreneurs for gaining more and more profit (by any mean), can bring just official (“calculated”) productivity growth, and not real productivity (*servicity*) growth. This last one (genuine self productivity) is not consistent with some natural resources savings, but rather with consumption growths. Growing consumption is the most usual way to gain bigger incomes, rather than savings (of course it is valid just in the short run; but market is always short-sited; in the purpose of seeing in the long run, we should reason in other wider terms than the market reasoning: we should understand and apply Georgescu-Roegen and Manoilescu’s spirit). Manoilescu and Georgescu put the question of the natural and energy resources of the planet (especially of those on the territories of the less industrialized countries); this issue leads us – in a way or another – to the idea of the necessity of saving: because of their exhaustion and entropysation (at Nicholas Georgescu-Roegen), because those resources earn just the payment of the market (under their fundamental value, from the view of the developing countries, which are exporters of such rough goods) - at Mihail Manoilescu.

Nowadays, people are becoming more and more aware of the complexity, breaking the limits of the narrow standard conceptions and perception in economics. Stress is laid on the ever growing necessity of regarding the person – whether physical or organizational – as a member of a social group or community, instead of merely as an individual. Depending on the perspective, different (wider) behaviour patterns can be observed and interpreted. Humanism started to have a place in the economic practice itself (an increasing place!). The pattern of the *shareholders* (according to the unique *ethic of profit*) became to be gradually replaced by persons (individuals and companies) closer to the reality and having different interests and claims, persons who turn to (bank on) organisations for more than just profit: “*stakeholders*” (owning interests, stakes, claims, support, assistance etc.). The struggle between society and economic interests, between regulations and free economic acts (unrestricted economic action, referred to as *freedom* – in the standard propagandistic language) is a never-ending one. It is an expression (a part) of the effort society makes in order to promote its perennial set of values in spite of existing private short-term interests and in spite of ‘economic moral’, but supported by the wish for better that the most elevated spirits are burningly carrying further on. It relies on their desire and sacrifice: they do it in spite of not having enough reward for their efforts and even if their contributions are growing

the calculated productivity of some rapacious predatory ones. Today a lot of governments subvention farmers, because else the free market system does not pay peasants enough: they are not motivated – by the free market mechanisms - to remain in that field of production and provide food to all the other entities in the society. It could be better for them winning from other speculating economic activities. The special state and situation of the food providers allows for agriculture-based countries to be cheated on.

5. Coming to our days knowledge-based economy

Concerning knowledge society, we can also add that *poorness* and the bigger and bigger *differences between the poor and the rich* makes us think again of Manoilescu and to think now by his perceiving reality and reasoning way. The knowledge based economy reminded us that altruism and generosity should be rediscovered, mercantile interest being not the only – and definitely not the most important – human interest. It also put *information*, innovation and research *in the core* of all the activities. Those new main resources should not be used just for pecuniary short term profit, but mostly for widening knowledge horizon, involving ecological equilibrium of the nature and of the entire environment, generating sustainability: understanding that makes us thinking again to Georgescu-Roegen and to his special thinking system and economic approach.

Interests are not the only elements to be considered and judged according to market logic; in fact, other commandments and necessities should be taken into account as well (many of them have yet to be formulated, such as those regarding nature's needs that the human being is not aware of; awareness is not achieved through sensitivity nor is it achieved through profit or any other business purposes whether short-term based or not). The horizons of *human* interest should extend itself, taking into account that all the actors in economy and society are, ultimately, inhabitants of the same planet; and they are active inhabitants and they are interested owners and should be responsible owners of that planet. This kind of interest and responsibility should be in the spirit of Nicholas Georgescu-Roegen, meaning the extension of the economy across the artificial borders established through the embezzlement the standard economic thought operated, as discussed before. Just as the specialized economic agents accept support for possible others' risks (according to insurance contract terms), agriculture-based countries take the risks of economic activity oriented towards feeding mankind (and, possibly, other countries as well). This situation allows for agriculture-based countries to be cheated on. The market system itself is that which allows for this to happen: because of the criteria used. The market mechanisms are not interested in compensating (this would amount to more than in the case of other European countries having more forested land than Romania). Therefore it can be implied that only the economic criteria are of interest; and if it is happening, Romania can but exploit its assets in a world with other demands as well, because Romania is more agriculture-based than industry-based. As a country, it has however to maintain its rights and benefits on a niche market. The "cheating" takes the form of behavioural attitudes (even changes in the behaviour) of economic actors – based on the same pattern of the moral hazard (the all-pervasive moral danger) - having no care for the environment. And the most of nature that still can be exploited (for profit-making) is in the countries having weak economies, primarily agriculture-based. These reckless attitudes towards the environment and towards those parts of nature still to be exploited (with profit-making in mind) affect primarily the countries whose economies cannot rely on a very developed manufacturing industry. Unfortunately, many processes are long-term natural ones, depending on natural-climatic conditions etc.; and they are *irreversible*, generating major problems in the market functioning (the product is much more perishable than in any manufacturing industry). So, on this plane (in those matters) Manoilescu's thought is consistent with the thought of Nicholas Georgescu-Roegen and linked with some of Amartya Kumar Sen's contributions.

6. Epilogue

The paper aimed not describing technical details, but underlining the penetration of the spirit of thought of some Romanian economic thinkers, by keeping itself in the fundamental level of principles. We remained at the fundamental level of principles, mostly some essential elements of Manoilescu and Georgescu-Roegen scientific conceptions, with emphasis on comprehending the spirit of their thinking, in the opportunity of knowledge society.

Reviewing Romanian economic thought of the last century we can discover that some issues, ideas and concerns of the knowledge-based economy can be found in the researches of Mihail Manoilescu and, of course, in the works of Nicholas Georgescu-Roegen. This can bring light in better grounding and understanding the economic policies of the EU of our days. The Romanian contributions to the socio-economic and ecologic policies of the actual EU should be reconsidered. The traditional economic liberalism could thus be better understood and also its opposition to regulation and new forms of European governance: just regulated market allows the respect for sustainability and for our unique planet.

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SEA SHIPPING LOGISTICS

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The logistics integrated in the activity of sea shipping in general, especially in Romania, is an indubitable reality and a challenge at the same time for introducing in the management of sea sailing companies. World trade development and the appearance of new sailing companies has caused a tough competition in the field of sea shipping.

Therefore, sea shipping has established the use of many modern managerial tools. Even if it has been a long-term process, with a certain resistance to change from ship owners, still, on the background of the legislative restrictions established by the International Sea Organization and by some “sea powers”, navigation companies have begun to organize their activities at a certain level different from what used to happen in the past. A significant change has been caused by the implementation of the safety management at board and at the sea company headquarters through extension.

Key words: maritim transport, logistics, trade, distribution channel, navigation company.

JEL Classification: L91 Transportation: General

In the field of sea shipping, logistics is the strategic management of information flows, materials and spare parts acquisition for ships, marketing channels for maritime contracts with the lowest costs and maximum profit. By connecting all logistic activities in the field of sea shipping, added value is achieved, which is the amount of money that the client-freighter is willing to pay for the services provided by the navigation company. Added value is the difference between what the client pays and the cost borne by the company for providing the shipping.

Sea shipping companies that try to establish sea shipping services related costs have to consider in my view the main concepts of distribution management, as follows:

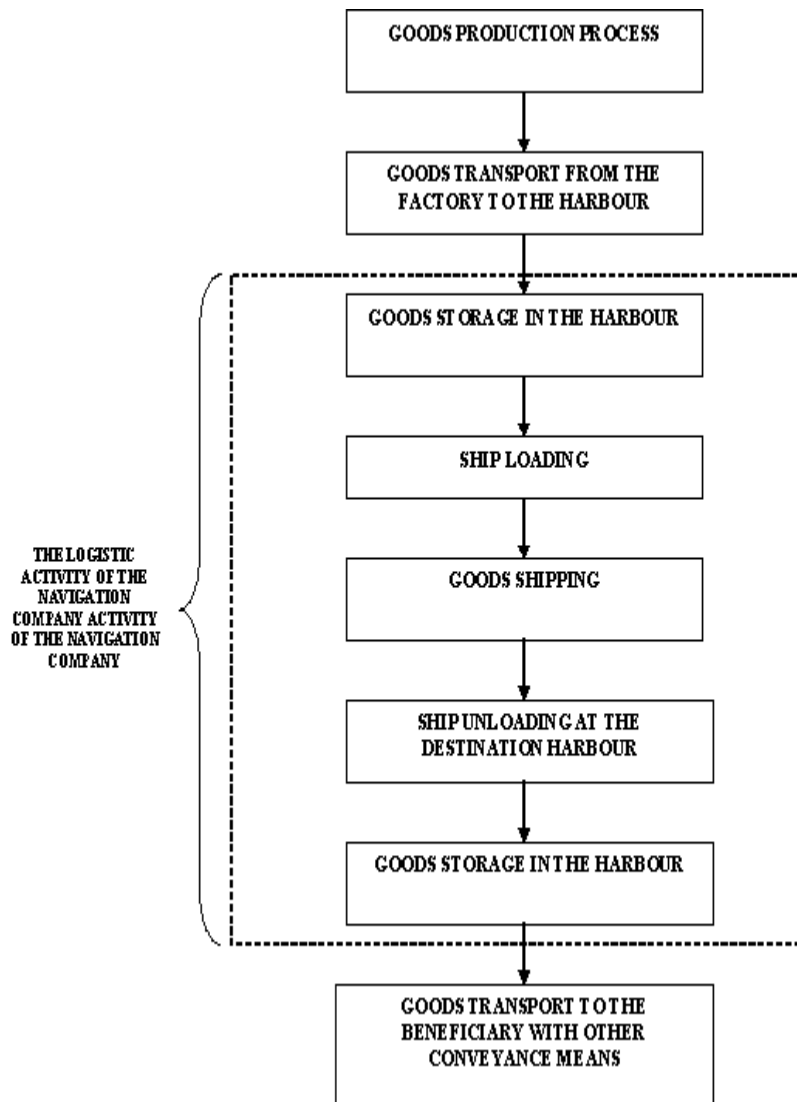
-how much added value is added to the service while it is provided from the moment the conveyance means is employed (the ship), during loading, moving and unloading the goods?

-which are the freighter’s costs for such an added value at every level?

The stages of the goods from the warehouse in the harbour to its unloading in the destination harbours places, in my view, two main problems: who offers the service and which are the attributions of the parties involved.

Logistician managers in the field of sea shipping have to identify the activities that create added value and allow such a difference between services provided by their company, comparing to that of their competitors. Goods circuit is described in scheme no. 1.

From the analysis of this scheme, we notice the area where the sea shipping company develops its activity. In some cases, this area extends towards the goods producer or towards their beneficiary. Many companies are able to significantly differentiate their own services from those offered by their competitors. Together with the growth of their complexity it is easier to offer a different service comparing to that of the competition, but it is more difficult to make the client perceive this difference. If the client does not notice the difference, it shall not exist on the market either, and thus the foreseen advantage will not be brought.



Scheme no. 1 Goods circuit

Source: Iordănoaia F., Marketing maritime și portuar, Nautica, Constanța, 2005.

If two sea shipping companies have the same type of conveyance means (ships) for example oil tanks, which do not carry the same type of products, still successful company tend to differentiate especially through the elements of significance for their clients. Abstract elements like the reputation of the shipping company through the quality of its services, is the only advantage perceived by the clients.

In this case there are many favourable occasions for those in charge with the managements of logistics of focusing on those differences important for clients in order to allow them to get a competitive advantage. Apparently, in the case of the same types of ships only the price (freight) is the one making the difference, but in reality there are also the following aspects: the age of the conveyance means (ships); technologization degree of operations, loading ability, average speed and consumption for kilometre, freighter's relations, appurtenance to a "Conference", training the commander and the crew members.

As far as information cost is concerned, it has been one of the few types decreasing for the last few years⁵⁶. The revolution in the field of information technology offers logistics the possibility to use trade based systems as well as support ones for decisions making, as a source of competition differentiation and as a way to increase the market quota. Service management by using electronic data trades between the shipping company and “key” suppliers can substantially decrease the costs. In this context the use of electronic data trade, between the shipping company and clients can offer savings regarding to stocks, for the execution time of the report, used for strengthening their competitive position on the maritime market, dividing advantages of the added value within connections to partners, which allows to create a partnership spirit significantly cancelling all costs and putting entry barriers on maritime markets against competitors. Due to the fact that suppliers, as brokers, can be strong factors of differentiation and influence, shipping companies have to learn how to make a trustworthy ally from the brokers’ network. Freighters finding that they are in a partnership with their suppliers can influence the clients to choose a certain shipping company, they are the ones that can make the differentiation of the service. In certain cases, the image of a company is so strong that brokers have no other option than to offer what the client demands.

In most of the cases, the client shall be influenced by the quality of services offered in the past and the relationship with the freighter. In these cases, the broker creates added value by promoting the service of the shipping company. Logistics departments have contacts more frequently with freighters and brokers, than ships or marketing operating departments. Due to the interactions with freighters and intermediaries, they have the unique occasion to offer services appreciated by freighters thus strengthening the partnership relationship between the two parties. There are three types of ships operating in maritime conveyance, distinguished by their service: line service, bulk service, tramp or charter service.⁵⁷

The line service offers regularly scheduled travels on established routes.

Bulk service offers especially contractual services for individual travels or for extended periods of time.

Tramp service is available for irregular routes scheduled only at request.

The differences between the two types of line and tramp shipping lead to the differentiation of the working way with clients because in the line shipping contracts are concluded for longer periods of time with direct implications upon the activity, and in the tramp one, brokers have the first contact with freighters.

Except for the services offered by shippers the “loading” type that a ship can carry is also important. The most common are usual loading ships (break bulk), containers harbour ships and RORO ships. Usual loading ships are useful for heavy loadings and unusual loadings, but they can be less efficient at the operations in the harbour.

Container harbour ships carry standardized containers facilitating goods loading and unloading as well as intermediary transfers. As a result, the time of the ship in the harbour is reduced.

RORO ships are actually ferries on the ocean. Trucks can climb on platforms built inside them and can come down at the destination. Another ship similar to RORO is LASH ship (much easier on board). LASH ship is built of boats stored on the ship and lowered at the destination point. These individual boats can operate on naval routes inside the territory which is useful especially in small waters.

The availability of a certain type of ship does not automatically mean that it can be used. The biggest international restraint regarding shipping is the lack of harbours and harbour services. For instance modern container harbour ships cannot serve certain harbours because their equipment cannot operate the resulting traffic. This can also be often seen in the developing countries as

56 Kampas P.J., Roadmap to the e-revolution. Information System Management, Humanitas, București, 1993.

57 Zincote M.M., International Business, Third Edition, The Dryden Press, Harcocest Brace College Publishers, 1998.

well as in transition countries where local authorities do not have the necessary funds to develop facilities.

In some cases, some nations can deliberately limit harbours development in order to prevent the flow of imports. Still, increasingly, governs have begun to admit the significance of a harbour structure that could offer adequate facilities and develop such facilities despite the necessary huge investments. If such investments are accompanied by simultaneous alterations in the general structure, transport efficiency, on a long term, should overcome the original investment. Investment can be even more profitable if the harbours in the neighbour countries are not adequate. Traders may choose to use neighbour harbours, with harbour facilities complying to their standards and then carry their goods on the ground to their final destination. For example by opening the East-European markets, German harbours Hamburg, Bremen and Bremerhaven are ideal locations because big ships should detour Denmark in order to reach East-European harbours, thus adding two days to the travelling time; German harbours are expected to take a big part of the anticipated growth of trade.⁵⁸

Great investments in the infrastructure are always necessary to give results. Selective funds allocation for transport usually result in transferring strangling to other point of the infrastructure. If these strangling are not removed, the consequences could be felt in the entire economic performance of the nation.

Activities development has to be considered due to their potential impact upon freighters and other clients. The few logistic resources of the shipping companies have to be directed towards these activities appreciated by clients, that bring added value and thus determine the competitive advantage for the company. Logistic manager should have a picture upon the strategic plans of their own companies and understand the role of logistics in the success of these plans. Logistic managers shall cooperate with the freight departments, the marketing and financial departments for identifying the types of activities that add value to the company's services.

The challenges of shipping logistics are many and various. It is certain that logistics will have a significant strategic role in getting the competitive advantage by the competing companies on maritime market. In order to answer these challenges, logistic managers have to develop new skills, to convince their superiors of the meaning of logistics and provide that level of services that could be appreciated by the company's clients.⁵⁹

At every level of the logistic service, we have to consider the following aspects: supplying and re-supplying the ship and the person in charge with making decisions regarding the re-supplying of the ship, the method to compute the amount of materials and pieces, the difference between supply and scheduling, the person in direct charge with the ship supply, agents company or the personal personnel of the logistic department?; what kind of goods are carried by the company's ships?; scheduling the ship movement in the loading harbour, receiving and loading the goods on board; goods shipping to the destination, unloading the ship and preparing it for restarting the shipping cycle; closeness to the harbours where the goods are located, covering the potential maritime market with the company's ships etc; orders management; credit control; promoting, promoting activities, company's management and representation; relations with the clients; services alterations, establishing the prices; service performance; technical support; information on the market; discounts/increases of prices to be applied? Are these common for this field of activity? Are they adequate to the service? Is there more to be done? How important is our service for clients? How important are clients for the company?⁶⁰

All these questions and aspects are, in my opinion, a real managerial project or management act for the management of a shipping company. Finding the answers to these questions and issues at

⁵⁸ Armbruster W., *Porturile vest-germane speră să câștige comerțul din blocul Europei de Est*, The Journal of Commerce 27 Decembrie 1989: 1A.

⁵⁹ Caraiani Gh., *Managementul afacerilor*, ediția a III a, Postuniversitaria, București, 2006.

⁶⁰ Roșu Hamzescu I., *Tratat privind tranzacțiile internaționale*, vol.II, Universitaria, Craiova, 2006.

the same time is a challenge for everybody involved in the management, especially for the ones in the logistics department.

From the aforementioned, regarding the logistic activity of a shipping company, I conclude that logistic is considered a significant factor in shipping, and the main principles of logistics, providing the connection between logistics and the strategy of the shipping company, overall organization of activities, total involvement of human resources, strategic alliances, financial performances, establishing the adequate level of shipping, solving details, regulating the amount of goods carried, are described in compliance and direct connection to what is happening at the level of modern companies management.

Superior services of the shipping service, clients service and complete quality, distribution strategy and identifying the needs of clients serving are at the same time a challenge for the companies management. Also, clients serving strategies development, the strategy of a distribution channel in shipping, the distribution channel and the structure of the distribution channel with all the participants to it, as well as brokers are a new element, a challenge for the management of any shipping company.

Aspects regarding the control of the distribution channel, conflicts inside the distribution channel, establishing a partnership within the distribution channel, partnership advantages are very important for providing the future of the company's business. All these have to be known and understood in order to answer possible situations and challenges.

Another important aspect for current logistics is electronic systems for making the necessary decisions for logistics. These systems are important from the beginning of their use, once with the introduction of the entry data in the computer in order to get the support for logistic decisions. Therefore, systems applications for decisions support, electronic data trades, hardware and software equipments positively influence the costs of the shipping company.

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INTEGRATING GERIATRICS INTO THE ACUTE HOSPITAL SETTING: NOW OR IN THE FUTURE?

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The demographic ageing of the population and its impact on social systems, economies or labor markets have often been analyzed and discussed in Germany. The German health care system is expected to face great challenges due to the “double-ageing” of the population. German hospitals have already started searching for solutions in order to eliminate the existing deficits of the (acute) hospital care for the elderly patients. This paper analyzes and reveals data provided by a German acute hospital with regard to the hospitalized elderly patients in order to underline their complex needs and the problems faced by the hospital. The paper ends with suggestions for integrating successfully geriatrics into the acute hospital settings.

Keywords: multimorbid elderly patients, department of acute geriatrics, acute hospital care.

JEL Classification Code: I10 M10 J01

1. Introduction

The demographic evolution has (already) increased the number and percentage of the elderly population in Germany; in the future, almost all (highly-developed industrial) European countries will be facing the demographic challenge of an ageing society. Hospitals and other health care providers will be confronted with the special and often complex needs of the elderly patients. The wish and effort for achieving the objective of preserving health, autonomy and self-determination till high ages will have a strong impact on social and health care structures. In this context, the geriatric medicine plays a very important role. In Germany, the geriatric care takes place at national level almost exclusively in the rehabilitation and hospital sector, but with some (major) differences between the different German States. Referring to the geriatric care structures in Germany, three scenarios can be found in practice: geriatric care takes place only in the hospital sector (in hospitals and day hospitals), or only in rehabilitation centers (inpatient and outpatient care), or in both hospitals and rehabilitation centers. In 2007, the number of clinical-geriatric care capacities (calculated per 10 000 residents older than 65 years) averaged 11.7 hospital beds, day hospital places, rehabilitation beds and outpatient rehabilitation places; with regard to the average clinical-geriatric care capacities, the differences are very high between the German States (the highest value of 26.9 in Hamburg, the lowest value 4.5 in Saxony). In Bavaria, the clinical-geriatric care capacities averaged 13.8 in 2007.⁶¹

The Bavarian Geriatrics Concept has set the focus of geriatric care in rehabilitation centers and has (almost never) allowed so far for the planning of acute geriatric departments. At present, the authorization of such acute geriatric departments in Bavaria is in discussion. This paper will underline the importance and necessity of establishing acute geriatric departments using the example of Klinikum Ingolstadt, an acute German hospital situated in Bavaria.

2. Hospitalized elderly patients: case study in a German acute hospital

61 Kompetenz - Centrum Geriatrie, Info-Service des KCG – geriatrische Versorgungsstrukturen in Deutschland, 2009.

Klinikum Ingolstadt is the health care centre of Ingolstadt and of the region with 1.132 beds distributed to 20 clinics and institutes. The average length of stay of the full-inpatient DRG-cases was 9 days at a bed utilization rate of 84.3% in 2008. Klinikum Ingolstadt has grown in the respective medical specializations in absolute compliance with the market evolution. The population growths in the region and in Ingolstadt are reflected in the bed occupancy, capacity utilization and case configuration of Klinikum Ingolstadt. The bed occupancy and utilization have grown further from 2006 to 2008 and also in the first quarter of the year 2009 in spite of increased number of beds. Klinikum Ingolstadt has adapted itself at an early stage to the changing market conditions and the state-regulated measures with regard to the catalogue of ambulatory surgeries and applied them adequately. Modern, actual and high-quality process structures that have been developed so far should now be expanded with the element of the geriatric medicine. The number of the hospital cases of the younger and slightly ill patients has decreased considerably in spite of the increase in the total number of hospital cases connected with a higher degree of severity and age of the hospital patients. The analysis of the age structure evolution from 1992 to 2008 of the hospitalized DRG-patients of Klinikum Ingolstadt revealed that the percentage of the patients aged 65 years and over has almost doubled, whereas the percentage of the patients aged 75 and over has more than doubled. The yearly hospitalization frequency of elderly, more often multimorbid patients has increased substantially. In 2008, the patients hospitalized (full-inpatient discharged DRG-cases, without patients aged less than 1 year) in Klinikum Ingolstadt had an average age of 57.4 years (and median age of 62 years); more than 45% of them were aged 65 and over, whereas the patients aged 70 to 80 accounted for more than 20% and those aged 80 and over for almost 14% of the total number of full-inpatient discharged DRG-cases.

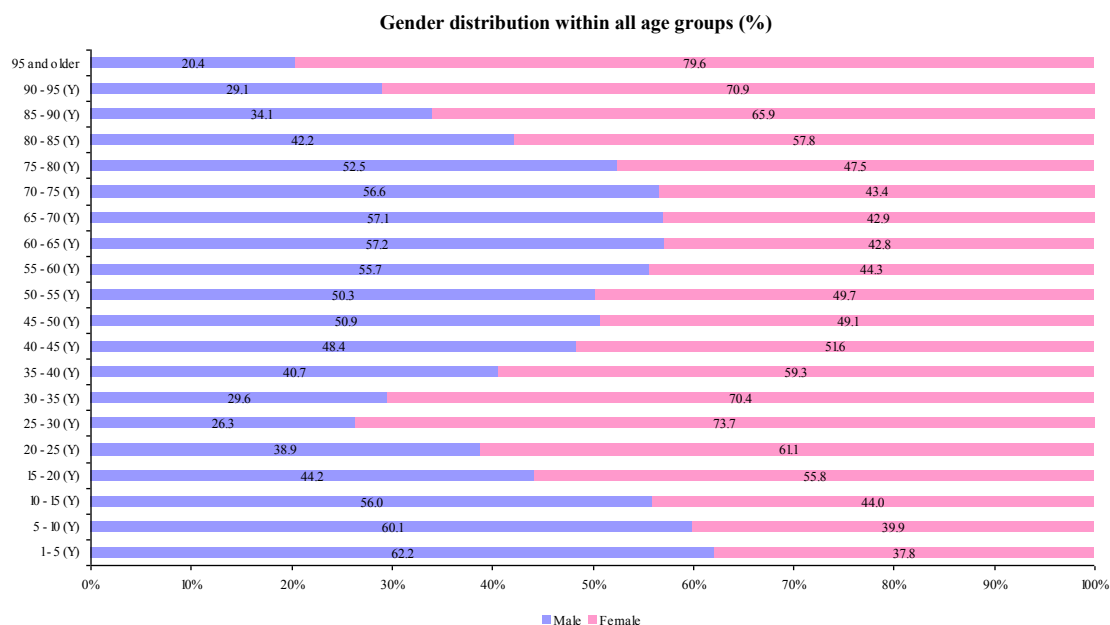


Figure 1: Gender distribution within all age groups (%).

Source: authors' own calculations based on the data provided by Klinikum Ingolstadt GmbH, Germany.

Analyzing the gender distribution in 2008 within all age groups (figure 1), one can notice that the percentage of the female patients is very substantial in the high age groups. Starting with the age group 65-70 (including patients aged 65 and less than 70) years, the percentage of the female patients starts to increase from 42.9% to 79.6% in the highest age group (95 years and older), whereas the percentage of the male patients decreases from 57.1% (65-70 years) to 20.4% (95 years and older). The presence of the female patients in high age groups is amplified by the

difference between the life expectancy of women and men and thus their social environment (including living arrangements). In 2007, the life expectancy of the 60-years old women was 24.5 years, whereas the life expectancy of the 60-years old men accounted for 20.6 years (3.9 years less than women). With regard to the life expectancy at birth, this was 82.1 years for women and 76.6 years for men (5.5 years less than women).⁶² Over the last years, both the life expectancy at birth and at 60 years have increased; this trend is expected to continue in the next years, thereby exacerbating the demographic ageing of the population and of the hospitalized patients.

At the same time, the multimorbid elderly patients need extensive medical and nursing care. The number of the unique DRG – secondary diagnosis can be used as indicator for case complexity or co-morbidity degree. The latest definition of the geriatric patient underlines the importance of the geriatric multimorbidity (and of a high age of 70 years and over predominantly), whereas generally, every patient aged 80 years and over is considered to be a geriatric patient due to the age-specific increased vulnerability (frailty).⁶³ Figure 2 shows the distribution of the number of the unique DRG – secondary diagnosis of the patients aged 70 years and over. Only 16.8% of the patients aged 70 and over have less than 3 secondary diagnoses; 63.8% of them have 3 to 10 secondary diagnosis and 19.4% have more than 10 secondary diagnoses. This data underlines the extensive medical and nursing needs of a large number of these patients and helps at estimating the geriatric patient potential in Klinikum Ingolstadt. Another noticeable trend refers to the increase in the number of hospital patients coming from elderly and nursing homes in the region. An additional aggravating factor has been the rise in the number of the methicillin-resistant *Staphylococcus aureus* (MRSA) carriers. A MRSA - network pilot project is being currently established in Ingolstadt in cooperation with the Bavarian State Office for Health and Food Safety and the local health authority.

The distribution of the number of unique DRG - secondary diagnoses within the age group 70+

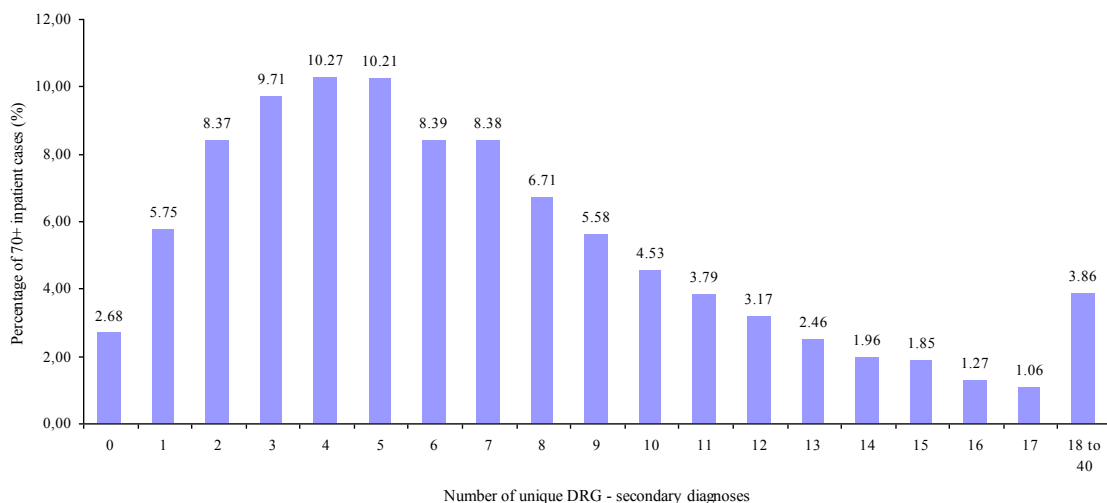


Figure 2: The distribution of the number of unique DRG-secondary diagnoses within the age group 70+

Source: authors' own calculations based on the data provided by Klinikum Ingolstadt GmbH, Germany.

The increase in the number of the multimorbid elderly patients causes problems for the classic (“organ”) clinics that are not prepared with the adequate personnel and premises for the more extensive medical and nursing efforts required by these patients. A lot of benchmark data have

62 Statistisches Bundesamt Deutschland, Pressemitteilung Nr. 336 vom 27.08.2007, Wiesbaden, 2007.

63 Definition of the Deutschen Gesellschaft für Geriatrie (DGG), Deutschen Gesellschaft für Gerontologie und Geriatrie (DGGG) and Bundesarbeitsgemeinschaft klinisch-geriatrischer Einrichtungen (BAG).

also confirmed these observations. Due to these changes in the patient population, Klinikum Ingolstadt faces increasingly capacity and revenue problems, as the elderly patients have for e.g. in the Departments of Urology, Gynecology, Cardiology, Gastroenterology, Orthopedics, General and Trauma Surgery higher average lengths of stay as provided for in the DRG-system. These so-called “costliers” (with length of stay over the average DRG-catalogue length of stay – which is considered to be the break-even point – and till the upper DRG-catalogue limit of the length of stay) and “longliers”(patients that are hospitalized longer than the upper DRG-catalogue limit of the length of stay) generate high bed capacity utilization due to their long lengths of stay, which has meanwhile caused bed occupancy shortages in the entire Bavaria, so that patients must switch more frequently to clinics with other medical specialization than their diseases. This switch is time-consuming, cost intensive and requires increased logistical efforts for the internal case transfers and monitoring. At the same time, the DRG-case revenue does not cover the hospitalization period over the average DRG-catalogue length of stay, so that the case revenues are less than the induced costs. The analysis of the distribution of the hospitalization days over the average DRG-catalogue length of stay in 2007 in Klinikum Ingolstadt reveals that the highest percentages of such days are generated in the high age groups 65 to 87 years, but they decrease considerably after the age of 87 (partially due to the high number of short-stay hospitalizations of these elderly patients). At the same time, the disease spectrum of the elderly patients is very large. Generally, the multimorbid elderly patients need multi-, interdisciplinary care teams and often more specialists from different medical departments. Table 1 indicates the percentage distribution of the primary diagnoses of the patients aged 65 years and over (by 10-year age groups) hospitalized in Klinikum Ingolstadt in 2008 (full-inpatient discharged DRG-cases). The percentage of neoplasms is very high in the age groups 65-70 (29%) and 70-75 years (24.4%) and decreases in the highest age groups (lowest value in the age group 90-95 years). The frequency of the diseases of the circulatory system is also (very) high in each observed age group (20.3% in the age group 65-70 years and 28.8% in the age group 90-95 years). Other major disease categories with high frequency in many or all age groups are the diseases of the digestive system, diseases of the musculoskeletal system and connective tissue, diseases of the genitourinary system and the category of injury, poisoning and certain other consequences of external causes.

The distribution of the primary diagnoses within the age groups 65+ (%)

International Statistical Classification of Diseases and Related Health Problems (10th Version): primary diagnoses	65 - 70	70 - 75	75 - 80	80 - 85	85 - 90	90 - 95	95 and older
Certain infectious and parasitic diseases	2.5	2.1	2.9	3	3.4	2.8	2.2
Neoplasms	29	24.4	17	12.4	11.5	6.4	9.7
Diseases of the blood and blood-forming organs and certain disorders involving the immune mechanism	0.4	0.5	0.8	0.7	0.7	1.7	1.1
Endocrine, nutritional and metabolic diseases	2.3	2.3	3.8	4.3	5.1	7.5	10.8
Mental and behavioural disorders	0.4	0.3	0.3	0.3	0.7	0	0
Diseases of the nervous system	3.5	3.6	3.6	3.2	3.2	2.2	3.2
Diseases of the eye and adnexa	0.8	0.7	0.6	0.6	0.3	0	0
Diseases of the ear and mastoid process	0.8	0.7	0.6	0.6	0.3	0	0
Diseases of the circulatory system	20.3	20.9	26.6	27.4	26.9	28.8	20.4
Diseases of the respiratory system	3.8	3.8	4.6	6.4	6.7	6.9	15.1
Diseases of the digestive system	8.4	8.6	8.7	10	10.8	12.5	11.8
Diseases of the skin and subcutaneous system	0.4	0.5	0.4	0.4	0.7	0.6	1.1
Diseases of the musculoskeletal system and connective tissue	8.1	9.0	9.1	7.2	4.4	4.2	3.2
Diseases of the genitourinary system	7.9	8.9	8.2	7.0	6.9	4.2	8.6
Symptoms, signs and abnormal clinical and laboratory findings, not elsewhere classified	3.8	4.5	4.5	5.0	4.3	6.6	1.1
Injury, poisoning and certain other consequences of external causes	6.6	7.8	7.6	10.2	13.4	15.2	11.8
Factors influencing health status and contact with health services	0.7	0.9	0.5	0.8	0.6	0.3	0

Table 1: The distribution of the primary diagnoses within the age groups 65+ (%)

Source: authors' own calculations based on the data provided by Klinikum Ingolstadt GmbH, Germany.

Besides the similarities of the different high age groups, one can also notice analyzing the data from table 1 the shift in the disease spectrum by age: the percentages of the endocrine, nutritional and metabolic diseases (2.3% in the age group 65-70 years and 10.8% in the age group 95 years and older), of the diseases of the respiratory system (3.8% in the age group 65-70 years and 15.1% in the highest age group) and of the category of the injury, poisoning and certain other consequences of external causes (6.6% in the age group 65-70 years and 15.2% in the age group 90-95 years) increase almost linearly with the age. The data provided by Klinikum Ingolstadt reveals some of the challenges the (acute) hospitals will face due to the phenomenon of the “double-ageing“ of the population: hospitals will be confronted with larger numbers of multimorbid elderly patients – geriatric patients that will require more extensive medical, nursing and therapeutic efforts and new acute care concepts due to their individual, often complex needs.

3. Conceptual suggestions for establishing acute geriatric departments

Many acute hospitals have anticipated the demographic impact and have consequently adopted appropriate measures for ensuring optimal acute care for the elderly multimorbid patients. One of these examples is Klinikum Ingolstadt; in this context, the most recent project has been the development of a concept for integrating the geriatric medicine in the acute hospital setting. Over the last years many other activities have been performed in order for the hospital to be able to prepare the acute geriatric medicine project. One important step has been the establishment of two rehabilitation centers, one for geriatric rehabilitation, the other one for orthopedic and neurological rehabilitation on the premises of the hospital (in form of a modified private-public partnership – rehabilitation services provided by an external partner in the premises built by the hospital). The discharge of the hospitalized patients to these rehabilitation centers takes place “just-in-time”, this principle being very appreciated by the elderly patients. The project started with the geriatric centre in 2007 has shown very good results: the number of the yearly transferred cases increased from 400 in 2007 to more than 1000 cases these days. The opening of

the new medical specialist center with 27 medical practices represents another step in enlarging (completing) and improving the offer of health care services on the hospital premises (from the pre-hospital/outpatient up to the post-hospital/rehabilitation phase); the vicinity of these institutions provides high benefits especially for the elderly patients. Altogether, the demographic evolution has had an impact on the age structure of the population in our region, so that the percentages of the population and of the hospital patients aged 65 years and older have accounted for disproportionately high increases. In the present context, acute hospitals (with clinics organized in a divisional structure and having no department of geriatric medicine or elderly wards) can only hardly (and with limitations) provide the patients of the higher age groups with appropriate professional health care services. The development and implementation of new concepts (referring to personnel, premises and hospital (medical) processes) have become imperative. In this context, it is essential for each acute hospital to integrate the geriatrics into the acute hospital setting and allow it to accompany and undertake for certain time intervals the medical process of the specialized clinics. The data analyzed above has presented important evidence in favor of the establishment of a main department of acute geriatrics (with elderly wards) in Klinikum Ingolstadt. The concept developed by Klinikum Ingolstadt in order to obtain the authorization for such a department can be summarized as follows:

- the establishment of this new department (with 42 acute beds) aims at professionalizing the medical care, admission, treatment and aftercare of the elderly patients allowing for the nursing and therapeutic activities necessary for this age group; Klinikum Ingolstadt aims also at establishing a geriatric day hospital with 10 places, so that the patients cared for in the department of acute geriatrics and in the geriatrics day hospital can be discharged as soon as possible in their familiar home environment;
- acute hospital beds are to be transferred from the hospital clinics - in accordance with the number of the treated (potential) geriatric patients - into the department of acute geriatrics and thus the establishment of the new department would not cause any increase in the number of the hospital beds;
- the hospital admission procedure has to take into consideration the facts that the elderly patients are often referred to the hospital emergency departments and that they have special needs; in Klinikum Ingolstadt the emergency admission rate of the patients aged 65 years and over is about 46%, so that the geriatric screening must be also ensured and performed in the case of emergency admissions; more than this, the acute geriatric care must be induced as soon as possible, parallel to the organ therapy, in case of a positive screening result and appropriate medical indication;
- after the completion of the significant parts of the organ therapy, the geriatric patient should be transferred from the normal clinic ward to the acute geriatric department (elderly wards) as soon as possible in order for the patient to be able to continue intensively with the geriatric care measures;
- the multidisciplinary team working in the department of acute geriatrics must consist of a geriatrician, nursing personnel, different therapeutic professions and social workers; at the same time, many other experts are to be involved in this team if necessary; due to the (future) increase in the number of patients suffering from dementia, it seems necessary for the department of acute geriatrics to collaborate well and closely with the psychiatric clinic;
- at an early stage must be clarified whether geriatric rehabilitation is needed; in case of a positive answer, these measures are to be initiated in adequate time; this procedure is already now in practice and the experience shows that this process can be streamlined and harmonized if rehabilitation institutes and acute hospitals work closely together.

For the department of acute geriatrics to be successful it is imperative that the collaboration with all the clinics of the acute hospital and rehabilitation providers is optimal. By establishing this main department of acute geriatrics and integrating it adequately (and efficiently) into the acute

hospital setting and medical processes, the hospital might also reduce the actual deficits of the medical care of the elderly patients, such as long lengths of stay, delayed discharges, unnecessary pre-hospital examinations and missing housing arrangements; in this context, an optimized health care can contribute to the increase in the economic efficiency of the health care system.⁶⁴

4. Conclusions

The data provided by the German acute hospital Klinikum Ingolstadt with regard to the evolution of the age structure of the hospitalized patients, to the complexity degree, length of stay and disease spectrum of the elderly patients reveal the importance and the necessity of establishing hospital departments of geriatrics. The existing care deficits will be exacerbated by the demographic ageing of the population unless new concepts and health care structures will be developed and implemented. In order to be able to manage the demographic challenge, hospitals will have to orientate themselves to the complex needs of the multimorbid elderly patients. The practice has shown that the integration of acute geriatrics into hospital settings has benefits for both patients and hospitals.

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TRENDS IN THE EVOLUTION OF THE WORLD INTERNATIONAL TRADE SERVICES

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Trade in services is a sector with a high degree of complexity across multiple interior areas. In such acceptance, trade in services is one of the most important aspects of the modern economy, becoming an element of the market economy.

World trade in services has undergone in the last twenty years an impressive increase. Thus the total value of international transactions in services has tripled from 1990. During this period the share of services in international trade has increased from 65% to 75% for developed countries and from 45% to 52% for developing countries. Today, services contribute to the creation of new jobs, 70% of the labor force working in services in developed countries and 35% in developing countries.

This paper attempts to highlight the trends of development of international trade in services worldwide and analyze global exports and imports of goods and commercial services. Also, for a profound analysis, the main exporters and importers of world trade in services are brought into question.

Key words: economy, commerce, trend, services, export, import, development

JEL Classification: F1, F15

1. Introduction

According to the concept of sustainable development of society, trade has a strategic importance for the development of balanced and sustainable economic and social systems of any country (Patrichi, 2007). Permanently between services market and commodities market is an interdependence relationship. Increased trade in commodities in recent years has boosted trade in services.

Business services, including information technology and communications and financial services and insurance are in an upward trend, in 2007 they accounted for almost one third of trade in services of developing countries. If the current financial crisis will prolong, production of mentioned services and also their trade will be affected directly, and these effects will reverberate on commodities trade, by limiting access to commercial loans.

On 12 November 2008, experts from nineteen of the most important international and regional financial fields met together with the WTO Secretariat to discuss upon the current financial crisis in the world. There were identified a number of issues regarding:

1. reducing the liquidity of trade loans. It is estimated a loss of financial liquidity concerning trade of about \$ 25 billion;
2. a general reassessment of risks caused by financial crises and the slow progress of global economy.

The financial crisis will reduce export opportunities by reducing demand, particularly for developing countries.

The results of this meeting have seen a series of measures, including:

- *International Finance Corporation (IFC)*, institution of the World Bank was responsible for operations in the private sector and actively involved in raising the ceiling of lending to financial trade from \$ 1 billion to \$ 3 billion;
- lending agencies for export activities have increased the percentage of business with 30% in the last twelve months;
- national governments, for example Germany, Hong Kong (China) and Japan actively supports this growth.

In the medium term, the solution of all problems is that commercial banks, international financial institutions and lending agencies for export, take risks and participate in the cash deficit reduction; improving the access mechanism to information, the risks for reassessment of trade and finance; developing a mechanism to allow cooperation between the private banks with international financial institutions and lending agencies and export awareness of the importance of trade to solve the current economic crisis.

2. Trends in the evolution of world trade in services

In the period 1970-1990 growth rates of trade in services was higher than those of commodities trade, that's why an increase occurred, although not spectacular, in the relative importance of this trade; during this period the share of transactions in services exports in the world increased from 28.4% to 32.9% and the share of total imports of services increased by 3.2% from 30.9% to 34.1%. Increasing the share of such flows is determined on one hand by the trend of increased globalization of markets and business expansion of multinational and transnational companies and, on the other side by the investments in developing countries and their increasing technological dependence of developing countries, the increased foreign debt and increasing interest rates (Ioncica, 2003).

In the period 1991-2000, excluding the years 1994-1995 and 1999-2000, commercial services have continued to have higher growth rates than commodities trade. In 1994, the economies of most developed countries have emerged from recession and growth has resumed, which has primarily triggered the boost of commodities exports.

In 2004 it was recorded the highest growth rate in commodities exports (21.6%), leading to continuing the trend of increase in world export of factor services within commodities exports worldwide. Also, export to worldwide non-factor services saw the highest growth rate in 2004 (20.8%). Over the next two years, commodities exports as well as services exports have been contracted from the previous year. In 2007 we can say that global exports of commercial services increased and exceeded the supply.

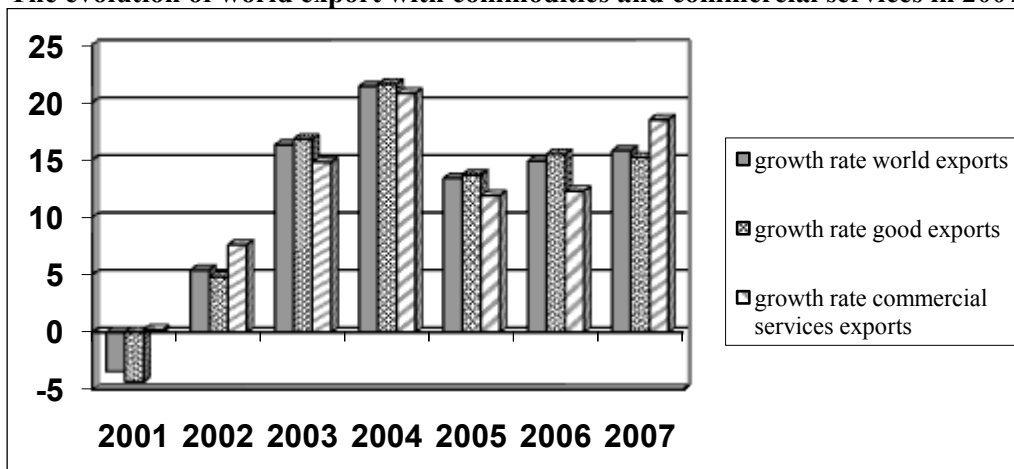
Evolution of world exports in commodities and commercial services 2000-2007

Year	World exports in commodities and commercial services (bill.\$ USD)	World exports in commodities (bill.\$ USD)	Growth rate facing last year (%)	Worlds exports in commercial services (bill.\$ USD)	Growth rate facing last year (%)	The share of commercial services from total world exports (%)
2000	7934,4	6456	-	1478,4	-	18,6
2001	7672,8	6191	-4,3	1481,8	0,2	19,3
2002	8085,8	6492	4,8	1593,8	7,6	19,7
2003	9414,3	7585	16,8	1829,3	14,8	19,4

2004	11429,9	9220	21,6	2209,9	20,8	19,3
2005	12958,4	10485	13,7	2473,4	11,9	19,1
2006	14890,9	12113	15,5	2777,9	12,3	18,7
2007	17241,5	13950	15,2	3291,5	18,5	19

Source: adapted after WTO -International Trade Statistics 2008

The evolution of world export with commodities and commercial services in 2007



Source: adapted after WTO -International Trade Statistics 2008

Regarding the participation of developed countries and those developing in the services trading area is found (table) that developed countries have a dominant part of total world exports. Since 2004 export of goods to developing countries was a priority, resulting in their decreased export contribution to global services trade.

Share of world exports of services in total world trade in commodities and services (%)

Years	2003	2004	2005	2006	2007
World level	20,1	19,9	19,5	18,9	19,4
Developed countries	22,5	22,7	22,7	22,2	22,8
Transition countries	15,9	14,9	13,8	13,3	14,5
Developing countries	15,0	14,7	14,1	13,7	14,0

Source: WTO- World trade in commercial services by category, 2007

Partial computations for 2008 indicate a decrease in the volume of world exports, while forecasts for 2009 are bleak, indicating a half-life value from the previous year (UN, 2009).

The expansion of border trade with services requires a strong centralized production of these services in several production units with international vocation. This technically predictable structure is inconsistent with the requirement for differentiation and personalization of services that is becoming increasingly obvious and involves the production being in contact with the consumer (Xiang, 2008).

Structure of commercial services exports hasn't known significant changes during 2003-2006 (see table).

The structure of commercial services (%)

Exports in commercial services	2003	2004	2005	2006	2007
Total, from which:	100,0	100,0	100,0	100,0	100,0
Transports	22,2	23,1	23,3	22,6	22,8
Tourism (trips)	29,2	28,8	27,7	27,0	26,0
Other services	48,5	48,1	49	50,4	51,2

Source: WTO- World trade in commercial services by category, 2007

„Other services” have been among the fastest growing components of the trade with non-factor services. The share of this category in total exports increased from 48.5% in 2003 to 51.2% in 2007. Unlike the "other services", the tourism share in total exports of commercial services fell from 29.2% in 2003 to 26% in 2007. With slight variations, in 2004 and 2005, the share of transport in total exports of services remained constant.

Since 2000 to 2003, the growth rate of imports of both goods and services, has been rather slow, because in 2004 to reach the maximum rate 21.7% and respectively, 19.1%. In 2007, the growth rate for the import of commercial services outpaced that of commodities (see table).

Evolution of world imports of commodities and commercial services 2000-2007

Year	World imports of commodities and commercial services (bill.\$ USD)	World imports of commodities (bill.\$ USD)	Growth rate facing last year (%)	World imports of commercial services (bill.\$ SUA)	Growth rate facing last year (%)	The share of commercial services from total world imports (%)
2000	8178,1	6727	-	1451,1	-	17,7
2001	7955	6485	-0,4	1470	1,3	18,5
2002	8300,7	6744	4	1556,7	5,9	18,8
2003	9640,1	7863	16,6	1777,1	14,2	18,4
2004	11686,1	9569	21,7	2117,1	19,1	18,1
2005	13207,8	10857	13,5	2350,8	11,04	17,8
2006	15048,1	12428	14,5	2620,1	11,5	17,4
2007	17329,9	14244	14,6	3085,9	17,8	17,8

Source: own computations after WTO -*International Trade Statistics 2008*

The first place regarding commercial services export was held in 2007 the U.S., followed by UK, Germany, France and Spain. As with global trade with goods, the leading actors on the market still remain strong industrialized countries. Growth in commercial services exports in the U.S. was 15% in 2007, superior to those of previous years. Regarding imports of services, U.S. had an annual increase rate facing the previous year of 10.9%, followed by Germany (8.1%), UK (6.3%), Japan (4.8%) and China (4.2%).

Major exporters and importers of services world trade in 2007

Place	Exporter	Value bill. \$	Percentage (%)	Annual growth rate (%)	Place	Importer	Value bill. \$	Percentage (%)	Annual growth rate (%)
1	USA	456,4	13,9	15	1	USA	335,9	10,9	9
2	Grand Britain	273,0	8,3	18	2	Germany	250,5	8,1	15
3	Germany	205,8	6,3	15	3	Grand Britain	194,1	6,3	13
4	France	136,7	4,2	16	4	Japan	148,7	4,8	11
5	Spain	128,3	3,9	21	5	China	129,3	4,2	29
6	Japan	127,1	3,9	10	6	France	124,1	4,0	16
7	China	121,7	3,7	33	7	Italy	118,3	3,8	21
8	Italy	110,5	3,4	13	8	Spain	98,4	3,2	26
9	India	89,7	2,7	20	9	Ireland	94,5	3,1	20
10	Ireland	89,0	2,7	30	10	Holland	86,8	2,8	10
11	Holland	87,5	2,7	9	11	Republic of Korea	82,5	2,7	21
12	Hong Kong, China	82,7	2,5	14	12	Canada	80,3	2,6	12
13	Belgium	75,5	2,3	-	13	India	77,2	2,5	22
14	Singapore	67,3	2,0	14	14	Belgium	70,6	2,3	-
15	Sweden	63,8	1,9	28	15	Singapore	70,1	2,3	14

Source: WTO – *International Trade Statistics 2008*

The category "other services", has the largest share in total exports and imports of the U.S., followed by tourism and transport.

It is noteworthy the jump recorded by the Hong Kong that ranked 21 among the main exporters of commercial services in 1980, ranked 14 in 1990 and 12 in 2007. If in 2000, Rep. of Korea had the 13th place among the main exporter of services, in 2007, services exports in the country had decreased, so they find themselves in rank 18.

As with the exporters, the first 9 importers own half (50.3%) of purchases of services.

3. Conclusions

World trade in services has expanded significantly in the recent decades. In 2007, according to data provided by the World Trade Organization (WTO), global exports exceeded the value of 3.291 billion U.S. dollars, which represents more than four times the amount recorded in 1990 (WTO, 2008). Major exporters of services - EU, U.S., Japan, China and India – hold approximately 2/3 of the world exports of services.

In the last years, exports of services of China and India recorded growth rates much higher than the world average. However, it should be noted continuous increase of the share of services exports in India, in parallel with the decrease in the share of Chinese exports. In 2007, services had a share of almost 38.2% of total exports of India (compared to 9% in the case of China) and

26.3% of imports (compared to 11.9% in the case of China). Compared to the U.S. - which holds the largest market of integrated global services - services had a share of 28% of exports and 14% of total imports.

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SWOT ANALISYS ABOUT ISD IN ROMANIA

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In the present evolution phase of the human society, the investments play an important role in the socio - economical development. Now, when the globalization is more and more wide, the ISD is present in almost all the economies. ISD incorporates an element of externality (the foreign currency, the place where the sold goods can be found, etc) and are a modern instrument for stimulating the economical growth, with direct and indirect effects on the economical and social development. Even if they are wanted by all the countries, they are symmetrically and equally distributed. The interest of the investors to invest in a region or other is influenced by a multitude of factors. The analysis is realized on the four components – strength, weaknesses, opportunities and risks – trying to take into consideration all the problems and advantages related to the business environment and the investment climate from Romania and the aspects related to the strategy to attract the foreign investments.

Keywords: investments, foreign, technology

Any foreign investment implies the existence of at least two economical agents – the issuing economical agent and the receiving economical agent, placed in different national areas.

We can talk about foreign investments in the following cases:

- when buying shares and bonds on a foreign market or issued by a company in another country;
- when establishing a new company or opening a new branch in another country;
- when participating with capital to the creation of a mix company;
- when overtaking a foreign company;
- when merging two companies located in two countries.

The foreign investments can be: direct or for portfolio.

The direct investments imply a long term engagement which involves influences on the resident company management by transferring a “pack” to the resident company (capital, technology, organization, marketing knowledge, etc).

The second category implies the intention of the investor to protect its capital by increasing it through the realized incomes after the investment.

The direct foreign investments (ISD) represent the “total financial, material, technological and managerial flows which are deployed by a physical or juridical person in an economy, other then the residence one, in order to realize a long term productive activity, by having the control of the activity”.

BNR defines the direct foreign investment as a long term investment relationship between a resident entity and a non-resident entity which, usually, implies a significant managerial influence exercised by the investor in the company he/she invested in. In Romania, direct foreign investments are: “the involved social capital and the reserves paid back to a non-resident investor which owns at least 10% of the subscribed capital of a resident company, the credits between this investor and the company he/she invested in and the re-invested profit”.

Table 1. The characteristics of the direct foreign investments

Nature of transaction	Financial, technological, material and knowledge flows; internalized investment flow
The duration of the interest	Long term
The relations between the issuing and the receiver of the investment	The control of the direct investor of the assets invested in; the direct and significant participation of the investor in the company management.
The main involved economical agents	The trans – national companies (ST); collective investment funds *
The monitored objectives	-the access to the market (the establishment of a strong position on the national market or the gain of the access to a new regional market); -the access to the production factors with low real cost (cost competitiveness); - the access to natural and human resources – access to the scientific knowledge and local research and development capabilities

* according to the UNCTAD acceptance the collective investment funds include also private equity firms and different other financial investment (mutual funds and risk funds).

Source: *UNCTAD, World Investment Reports 2006*, page 16

The reasons which determine the trans- national companies to make decisions to invest in a foreign country are based on a combination of motivations. Usually, these are grouped as follows:

- ISD looking for low cost resources (natural, qualified human resources, technological resources);
- ISD looking for markets – usually these markets where they exported products, so the investors know very well the characteristics of the market;
- ISD- looking for low production and transactional costs.

So, a series of other complementary local advantages are taken into consideration when taking the decision to invest in a certain country, for example: the economical and political stability (insure the security of profits); the quality of institutions (administrative efficiency, lack of corruption); a developed and modern physical infrastructure; the degree of economical agglomeration.

Table.2. The typology of the direct foreign investments according to the motivation of the foreign investors

Types of ISD	Primary motivations	Important attributes of the host country
ISD for market valuation	- establishment of a strong position on the national market – access on a new regional market	- the national markets potential (size and evolution) – the regional economical integration (the internationalization)
ISD for resources valuation	- the access to natural resources – access to human resources.	- the existence of natural resources – the high level of training/ the qualification of the human resources
ISD for valuation of the strategic assets	- the access to the local scientific knowledge – the access to the research and development capacities	- the availability of the scientific knowledge – the high level of research and innovation activities development
ISD for efficiency	- the access to the production factors with a low real cost (cost competitiveness)	- the availability of production factors (raw materials, human resources, transportation, communication, etc) at low cost

Source: C. Munteanu, A. Horobet. *Finante transnationale*. Ed. ALL Beck, 2005

Romania conducted a series of improvement of investment environment based on which were recorded remarkable developments of the flow of direct foreign investments in the years 2006 and 2007 which allows the configuration of a further positive evolutions.

These represent the strength of the SWOT analysis

- Recognition by the European Union of functional market economy status, which confirm the efficiency of the liberalization and macroeconomic stability in our country, a process started in 1990.

- A strong upward dynamics of economic growth, about 4-5% per year since 2000, according to the conditions where the private sector has become predominant in all economic sectors. These achievements provide a significant improvement in the rating of the country and the Romanian economic environment attractiveness for foreign investors.

- Creating a relatively stable, long-term European type, legal framework to promote foreign investments, inside which there are clear, concise legislative formulations, favorable for the promotion of the investments and competition environment, as efficient instruments for resources allocation. This framework is contained in the Emergency Ordinance no. 92/1997 on the stimulation of direct investment, the Government Ordinance no. 66/1997 regarding the foreign investments in Romania, achieved through the purchase of government securities, modified and supplemented by Government Ordinance no. 131/1998 and Law no. 332/2001 on promoting direct investment with significant impact in attracting investment to the national economy, and subsequently by the new draft law on investments which is still in debate.

- The existence of a modern institutional framework for promoting foreign investment through the creation of Romanian Agency for Foreign Investments, which provided a strong

upward dynamic of the foreign investments especially in manufacturing, compared to the rest of the economy.

- Establish partnerships with foreign investors will allow their access to a range of facilities offered by the Romanian company: land of the property, the utilities in the area, to the experience to gain a higher position in the domestic market, a well trained professional execution staff.

Despite the sustained efforts to improve investment environment, Romania has still to correct many deficiencies included in the category of weaknesses such as:

- The existence of a business environment not sufficiently developed.

- An orientation of the direct foreign investments to industries that provide a low degree of processing and low added value contained in the gross domestic product.

- The low attraction of foreign investments compared with dynamics of the investments realized in the neighboring countries (Bulgaria, Macedonia, Serbia and Slovenia).

- An uneven distribution of the foreign investments made in the past 18 years, between the eight economic development regions, the share of foreign capital invested varies between the two limits of 1.2% in the North-east and 64.3% in Bucharest area - Ilfov.

The direct foreign investments in the Romanian economy generate a series of effects which derive primarily from the significant contribution of multinational enterprises existing in our country:

- *The process of privatization, multinational companies participating directly with substantial capital to acquire some important assets from the former state enterprises, has influenced the process of reducing the gap between savings and investment rate.*

- **Improvement and modernization of technology** - through the promotion of modern technologies and managerial expertise, dependencies on the local technological capacity, on the facilities structure and the institutional arrangements, contribute to:
- the growth of productivity factors, changing the quality of products for both domestic market and export, the introduction of performance management practices, improving the skill levels of the local staff

Improving international commercial relations, contributing to our country in the European and global practices:

- *Improvement of professional skills in the production process, and also in separated various forms, organized by multinational firms.*

- *The creation of a European type legal framework in order to attract foreign investments in the interest areas like labor legislation, bankruptcy law, the law for profit tax, accountancy law, etc.*

Once with the recognition of the functional market economy status and than with the joining of the EU, the opportunities related to the promotion of the foreign investments in Romania increased because of:

- The continuous increase of the Romanian economy performance.

- The realization of important road transportation passages (passages 4.7 and 9) from Central and Western Europe to Russia, Greece and Turkey.

In the process of promoting foreign investments in the Romanian economy may appear a number of threats (risks), already manifested in some European countries that joined the EU, leading to:

- Destruction of local competition, canceling the ambitions of small companies to develop business at local level.

- a weak collaboration between sectors that contribute directly to a foreign investment of several tens of millions of dollars.

- the possibility to impose monopoly prices, especially for products and areas in which the application of the competition law is tolerant and permissive.

- failure by foreign investors on the application of the terms related to the conditions of work improvement, which would be a prerequisite to increasing labor productivity, with effects and consequences reflected in the size of direct cost of production.

Creating the Romanian Agency for Foreign Investments - ARIS is a prime element of the Romanian strategy to improve the country's image in the eyes of the foreign investors and of the foreign investors in the eyes of the population.

Romania by ARIS must count the opportunities for the most tempting foreign investments for developed countries and the investment climate of each county and region (Development region and macro-region), make them popular by penetrating communication means (Internet, brochures, organization of symposia, international fairs, roundtables, etc.).

The Romanian Agency for Foreign Investments estimated that Romania has genuine advantages for attracting foreign investments, consisting in:

Market advantages and geographic position advantages

- one of the biggest markets from the Eastern and Central Europe (over 21 million inhabitants);
- attractive location – is situated at the intersection of three international transportation routes – the 4, 7 and 9 passages;

Resource advantages

- qualified human resources with solid knowledge in technology, IT and engineering;
- rich natural resources, including fertile agricultural fields, oil and natural gas;

Political advantages

- stability factor in the area – NATO member ;
- EU member since January 2007;

International relationship advantages

- Bilateral agreements concluded by Romania with other states on the promotion and mutual protection of investments.
- Bilateral diplomatic relations with 177 states of the 191 UN Member States.

Economical advantages

- Decrease of inflation.
- Permanent financial assistance granted for the development of SMEs.
- Increasing of the foreign investors interest .

Improvement of the infrastructure advantages

- GSM mobile phone network well developed.
- The presence of branches and representatives of important international banks.
- Well developed infrastructure of the railway transportation.
- The engagement to develop a highway network at European standards.
- Sea and river shipping facilities.

Social advantages

- Agreements between government and unions representatives.
- The lack of major union movements.
- The continuous dialog between the executive power and the union associations.
- The labor market and the labor relations enacted by the Code of Labor.

Legal advantages

- EU similar legal provisions.
- The fiscal policy enacted by the Fiscal Code.
- The unique tax of 16%.

Conclusion

Major, strategic investments in the important sectors of the national economy can be successfully realized only by a special monitoring procedure and with the participation, in all the phases of the project, both of the multinational companies and of the national promotion institutions.

The establishment of strategies to attract the foreign investments is based on the following groups of influence factors:

- fiscal facilities;
- business environment development to an international and European level;
- stimulants which were efficient in attracting the foreign investments.

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ASPECTS OF CONTEMPORARY COMPETITIVE ECONOMIES

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According to the United Nations Conference on Trade and Development, the competitiveness of economies is "the ability of a nation, in terms of free and loyal competition, to produce and sell on the international market goods and services that meet global market requirements and also to spores or maintain the pace of domestic economic growth." Global position in Romania's competitiveness ranking in 2007 was 74 compared to 67 in 2005. The finish was not absolutely prosus a worsening of competitiveness, but in a relatively, in comparison with other countries we pierduc several positions. The paper explores the main issues related to national competitiveness and economic factors that may influence productivity in the 2 levels.

Keywords: competitiveness, economic, economic, productivity, labor, capital, market

Competitiveness has become now the prime concerns in order for the economic policies of each country, because no one country can not exist in isolation, should participate in globaltrade.

In these conditions the competitiveness of each economy is viewed from two angles:

- Externally-on - the ability of each national economy to produce goods that have search on the foreign market.

- On the domestic-domestic customers prefer to consume local goods in the imported ones. A competitive product, regardless of country of origin should therefore equally satisfy the requirements of consumers, foreign and domestic.

There is a close link between productivity and competitiveness. Productivity end of the wage and productivity level of capital profits.

We analyze the competitiveness level microeconomic and macroeconomic mezo-economic. According to the theory of M. Porter (The "diamond") at the micro level competitiveness is influenced mainly by the following factors: competition between bidders in the market, the threat of new competitors, threat of substitutable products, the tenderers for negotiation of power purchase (negoceire) of applicants.

In general, these forces manifest and mezo-economic at the macroeconomic and they influence the economic environment in which the business and I work, determine the profitability of the branch (through the prices, costs, investments). An increasing role in the economic environment il government policies, the creation of regional clusters in different areas, to help bidders on a particular market.

At the macroeconomic level competition becomes much more complex, because the ultimate aim at the country is on the penetration of new markets, or (at least) maintain existing positions, which in current conditions of competition that occurs worldwide is not just easy.

At the national level, increase competitiveness after he areage growth and consequently improve the standard of living of the population.

National competitiveness is often considered an economic power that drives the long term, to increase employment and increase domestic economic welfare of the population.

Link esntiala is to increase the competitiveness-increasing export performance at regional and global levels.

Competitiveness and microeconomic level mezo-economic is mainly supply-side and refer to the price competitiveness and by the quality.

Competitiveness of a sector combines quantitative aspects (the prices of investments), the qualitative aspects (management, brand, innovation).

Competitiveness at the macroeconomic level, but differs substantially from the first two, it is usually assessed through a mix of that. One of the most popular at present, assessment tools / monitoring of competitiveness is used by the World Economic Forum.

Until 2005, the competitiveness of countries was followed by the WEF (World Economic Indices by two indices - GCI (Growth Competitiveness Index) and M / B (Micro / Business Competitiveness Index). In calculating competitiveness play an important labor efficiency, labor market flexibility.

Global competitiveness factors are involved in 9 groups. Institutions, infrastructure, Macroeconomics, health, higher education and qualifications; efficiency market, the technological training, the complexity of business, innovation.

The importance of these factors is not identical but it differs from one country to another, from one period to another due to different levels of development. As a result, the share in the final outcome in a given time, is different from one country to another, from one group another.

Table 1

European Union countries by stage of development

Stage I	Stage II	Transition from stage II to stage III	Stage III
-	Bulgaria	Cehia	Austria
	Lituania	Estonia	Belgja
	Letvia	Hungary	Cyprus
	Poland	Malta	Danemark
	Romania	Slovacia	Finland
			France
			Germany
			Grece
			Ireland
			Italy
			Luxembourg
			United Kingdom
			Holand
			Portugal
			Slovenia
			Spain
			Sweden

Source: processing the data from World Economic Forum Global Competitiveness -2007

Depending on factors contributing to productivity in the WEF report identified 3 stages in which there are countries, namely:

Stage I: Competitiveness is determined by the factors of production-driven factor (unskilled labor or low-skilled, natural resources).

The economy is particularly competitive because of lower prices, the products are less complex. Also, it is assumed that there are basic conditions (institutions, economic infrastructure, health).

Stage II: competitiveness factors related to efficiency - efficiency-driven - has resulted in products of better quality. Terms of competitiveness related to continuing education and training and the ability to get the benefits of modern technologies.

Stage III; competitiveness based on innovation - innovation-driven is the new products obtained through complex manufacturing processes).

Overall Competitiveness Index (IGC) shows the performance gap between Romania and the EU-27, the total or average.

Table 2. Convergence of Romania in terms of increasing competitiveness with the EU (2007)

		Romania	UE-27	Minimum UE-27	Maximum UE-27
	IGC	3,97	4,89	Bulgaria 3,93	Denmark 5,55
Sources of the base		3,44	4,59	Bulgaria 3,22	Finland 6,16
	Institutions	2,57	5,13	Romania 2,57	Germany 6,65
	Stability macroeconomic	4,64	4,99	Ungaria 4,22	Finland 5,87
	Health and primary education	5,62	5,38	Bulgaria 5,57	Finland 6,58
The sources of productivity	Growth Education	4,14	5,18	Bulgaria 3,99	Finland 6,01
	Efficient markets	4,04	4,90	Bulgaria 3,89	Denmark 5,43
	Technology	3,29	4,94	Bulgaria 3,11	Netherlands 5,65
Capacity for innovation		3,09	4,56	Bulgaria 2,96	Finland 5,67

Source: Processing the data from World Economic Forum Global Competitiveness -2007

The Global Competitiveness Index for Romania, in 2004 was 3.68, decreased in 2005 (3.67), increased again in 2007 (3.97). In these conditions we place 67 worldwide in 2005, instead of 68 in 2006 and 74 in 2007.

In our country the main problems arise in connection with quality precarious business environment, reduced access to technology, low capacity and innovation economy. In the year 2006 (Report 2007), all economies in South Eastern Europe, making exceptions only Croatia and Turkey, have become less competitive compared to 2006. In conclusion -competitiveness of an economy depends on the degree of development and it is based on the primary sources (institutions, infrastructure, stability, primary education) - increasing the efficiency (higher education, continuing professional training, the technological level and innovation capability

About the relationship of economic growth-competitiveness-can assert that the policy of economic growth of our country should be included in the European model. Entering the EU does not guarantee the improvement of economic performance of countries but must be created by certain macroeconomic conditions related to: hob investment (especially FDI) make an efficient industrial sector, a development financial sector, a level comparable productivity and income with the old EU member countries.

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TOURISM POTENTIAL AND THE DIMINISHING OF REGIONAL DISPARITIES IN ROMANIA

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In the specific case of Romania an important characteristic of its natural and cultural-historic patrimony is the relatively well-balanced territorial distribution that has a particular significance especially for the lagging regions, with other economic activities less developed. This paper proposes a statistical evaluation of tourism potential and results in connection with the investigation of the possibilities to contribute to the diminishing of regional disparities, both in national and European context.

Keywords: *tourism, multiplier effects, regional disparities, convergence.*

Introduction

Regional competitiveness represents a key issue in the current debates about European economic and social cohesion. As pointed out in a paper by Nijkamp (1997) and confirmed by the international experience, in an increasing regional competition there will be always winners and losers but “it is important to recognize the difference between absolute and relative winners (or losers)” (p.1). For many regional economies tourism can bring about an encouraging response to such a sensitive question considering its positive influence on regional employment and income; though, the magnitude of the regional multiplier varies in accordance with the characteristics of each region (and locality). Moreover, the multipliers are not simply region-specific but also project-specific (Armstrong and Taylor, 2000). Therefore a special attention must be paid to supporting those tourism projects able to generate the most important benefits to the region and their correlation with other economic and social activities within territorialised networks.

Based on these overall considerations this paper proposes a case study in Romania, pointing out the tourism potential and the possibilities to turn it to good account, so as to contribute to reducing regional disparities.

The current state and competitiveness of the tourist sector in Romania

The evaluation of Romania’s tourist patrimony relies on a comprehensive activity of *tourist zoning* that was first developed in 1975-1977 and then periodically updated. Considering tourism as a system at national scale it has aimed at establishing a model for evaluating, constructing a hierarchy and proposing the most suitable ways of turning the tourist patrimony to good account. Multiple criteria have been used in order to delimit the tourist zones and to propose the priority actions in each specific case. As a result, a wide range of tourist zones have been identified, some of them of a particular importance to the European and world’s natural and cultural heritage.

Thus, the *natural patrimony* includes the Delta of Danube as biosphere reservation, the Romanian shore of the Black Sea, the Romanian Carpathians, North Oltenia, Banat area, the Danube Valley, and so on. The most representative areas for the *cultural heritage* are North

Moldova (with monasteries and churches declared world's heritage by UNESCO), the medieval core of Brasov and Sibiu cities in Transilvania, the medieval fortress of Sighisoara – also in Transilvania (the only one still inhabited in Europe), Bucharest and its surroundings, the Greek, Dacian and Roman archeological sites in Dobrogea and Transilvania, the neolithic archeological sites in Moldova – most of them located in extremely attractive areas from natural beauty viewpoint as well.

More recently, the Spatial Planning of the National Territory (Ministry of Development, Public Works and Housing, 2006) has structured the zones of a major tourist potential into two categories, namely: (1) zones of a highly valuable and complex tourist potential (24% of the national territory), which includes national parks and biosphere reservations, protected national areas, cultural patrimony of national and international interest, museums and memorial houses, spa resources⁶⁵; (2) zones of a high tourist potential (34% of the national territory), with natural and cultural patrimony resources of especially national interest.

An important characteristic of Romania's natural and cultural-historic patrimony is its *relatively well-balanced territorial distribution* that has a *particular significance* especially for the *lagging regions*, with other economic activities less developed.

Based on its *potential contribution* to the general economic recovery, competitiveness and reduction of interregional disparities tourism is approached by all significant actors – population included – as one of the priority sectors of the Romanian economy. All governments after 1990 have included tourism development in their strategies, this interest being reflected by its privatisation prior to other sectors⁶⁶. *Though*, the results recorded in the last fifteen years are far *below the expectations*: the rate of tourism growth is under the economic growth rate and the contribution of tourism to GDP is pretty low (2.3% in 2005 according to the methodology of the National Institute of Statistics and 4.7% based on the data provided by WTO).

A study elaborated by the National Authority for Tourism in 2006 in order to underlie the 2007-2013 corresponding strategy, based on data and indicators employed by the WTO, World Bank, UN, etc. reveals that Romania is below the tourism competitiveness level recorded by other countries in Central and Eastern Europe (see comments in Regional Operational Programme, Ministry of Development, Public Works and Housing, 2007). Thus, in 2006 the tourism competitiveness index was 58.91% in Romania, compared to 78.44% in Hungary, 74.47% in Czech Republic, 68.57% in Bulgaria, 68.04% in Croatia, 66.03% in Poland and 62.84% in Slovakia. Only a few countries are below Romania: Ukraine, Serbia and Montenegro. Romania has a better position in terms of prices, the international openness to tourism and trade and social services.

One of the *main reasons* of this unsatisfactory overall image is the insufficiency and bad state of both general and tourism-specific *infrastructure*, unable to meet the requirements of a modern, internationally competitive tourism. *Other disfavouring factors* in the last fifteen years have envisaged the rigidity of tourism administrative structures, the social instability, the poverty which the majority of population is confronted with, the deficient supply of food, fuel and other goods absolutely necessary to a proper tourism, the low managerial competence and tourism personnel's behaviour, the image of Romania abroad, various environmental damages.

Some of these drawbacks have been *partially alleviated* as a result of including tourism development as one of the priorities of the *National Development Plan* since 1999 (when the first plan was launched) and, consequently, of supporting it via national budget as well as EU pre-accession instruments (e.g. Phare). Nevertheless, current statistics and economic analyses still reveal results far below expectations.

65 One third of Europe's mineral and thermal waters are located in Romania.

66 Romania was severely criticized (especially during the '90s) by EU, IMF and other international organisations for the delays in privatisation process and institutional reforms.

In 2006 over 9 million Romanians traveled abroad for mainly tourist purposes, whereas the number of foreign visitors was approx. 6 million people, mainly for business purposes. If the tourist activity is strictly addressed via the number of tourists accommodated in tourist accommodation units, it decreased in 1995-2006 by approx. 12%. The decrease in the number of Romanian tourists was even sharper, of 23%. Even if the number of foreign tourists increased in the same period, it should be considered that in 2006 they represent only 22% of the total number of tourists accommodated in Romania⁶⁷.

The phenomena recorded on the domestic tourist market have been accompanied by the important increase in the number of Romanian tourists traveling abroad, especially after 2000. In 2005 this number was more than double compared with 2000. The decrease in the number of Romanian tourists, the relatively small number of foreign tourists visiting Romania, the big flow of Romanian tourists who prefer to spend their holiday abroad are all signs of a lower competitiveness of Romanian tourism.

The evolution of tourism activity at national and regional level confirms the important decrease since 1990 but also suggests a significant positive change of its trend after 2000 (Table 1). This tendency is correlated with the overall evolution of the Romanian economy, which has recorded an important economic growth after 2000 (annual growth rates above 5%).

Table 1. The evolution of the main indicators of tourism between 2000 and 2005

Region	Accommodation Capacity (AC) (nb.of beds)	AC 2005/2000 (%)	Stayings over night (thousand)	Stayings over night 2005/2000 (%)	Arrivals (thousand)	Arrivals 2005/2000 (%)
North-East	18718	+5.48	1436	-2.1	622	+14.5
South-East	132965	-0.83	5139	-5.7	1108	+13
South	22292	-0.62	1807	+3.8	574	+3.9
South-West	14672	-4.07	1601	+0.6	335	+2.1
West	21291	-2.06	1836	-2.2	535	-5.8
North-West	26019	+1.84	2290	+16.8	733	+31.3
Centre	35479	+0.7	2782	+8.6	1068	+23
Bucharest-Ilfov	11225	+41.56	1481	+48.7	831	+59.8
Romania	282661	+0.95	18373	+4.1	5805	+17.9

Source: Ministry of Development, Public Works and Housing, Regional Operational Programme, 2007, based on data from Statistical Yearbook of Romania.

It can be noticed that the accommodation capacity increased in 2005 compared with 2000, at the same time with the increase in the number of arrivals and stayings over night.

In 2005 the accommodation capacity reveals significant differences between regions⁶⁸: South-East region (where the Black Sea resorts are located) holds 47%, followed – at a big distance - by Centre (13%) and North-West (9%)⁶⁹.

67 Foreign tourists mostly come from neighbouring countries (Republic of Moldova, Turkey, Ukraine, Hungary). Romania also serves as transit country for tourists travelling to other destinations (Turkey, Greece, Bulgaria).

68 Romania has eight development regions, which are territorial units corresponding to the NUTS 2 level of the EU. Excepting Bucharest-Ilfov region (the capital city plus Ilfov county) each region includes four up to seven counties (administrative-territorial units corresponding to the NUTS 3 level).

By destination, the accommodation capacity is distributed as follows: 18% - Black Sea resorts, excepting Constanta; 29.7% - Bucharest and county residences (excepting Tulcea); 19.4% - spa resorts; 16.6% mountain resorts; 0.96% - Danube Delta (incl. Tulcea), 15% - other destinations. It is expected that the Black Sea and Danube Delta as well as Carpathians and Sub-Carpathian zones will continue to develop as tourist destinations. This tendency is supported by the big increase in the number of foreign tourists between 2000 and 2005, as follows: by 168.9% in Black Sea resorts; by 42.5% in spa resorts; by 28.2% in mountain resorts; by 398% in Danube Delta; by 54.9% in Bucharest and county residences.

By purpose of visit, 87.9% of Romanians travel for holidays, approximately 8% for health tourism and religious pilgrimages, and 5% for business and professional purposes. By tourist zone, 16.9% of tourists prefer mountain areas whereas 15% choose the seaside. Besides rest and leisure, spa tourism is also included in Romanian tourists' choices and tourism for business purposes displays an important growth tendency in recent years.

Approximately 83% of the accommodation beds are in less than 3-star units, most of them, namely 50% being ranked at 2-star level.

A *significant recovery* of the Romanian tourism has been noticed *since 2003*, after privatisation completion. The new owners of the existing tourist units initiated a complex investment process aiming to increase the convenience degree and service quality whereas the new tourist units have been all built and equipped at high quality standards. Of a large scope are private investments in agro-tourism, turning the local resources of rural areas to good account. As mentioned before, this tendency is correlated with the upward trend of the economic growth.

As far as the index of using the accommodation capacity in function is concerned, it decreased in the whole 1990-2005 period as a result of the decrease in the number of arrivals and stayings over night in the same period.

Though, the decrease was very small between 2000 and 2005 (moreover, two regions – Centre and North-West – recorded an increase), suggesting a change in the evolution for next years. In fact, the latest data released by the National Institute of Statistics for 2007 confirm this expectation, the mentioned index being 36%, that is by 3 percentage points higher than in 2005.

In this general context *considerable opportunities for niche tourism* have emerged, especially for rural tourism, adventure/sport tourism and cultural tourism, with a particular focus on cultural heritage tourism.

As highlighted by both experts and policy makers cultural tourism can bring about a significant contribution to expanding the scope of tourist sector in Romania, considering its cultural –historic and ethnographic-folklore patrimony, extremely valuable and of a great tourist attractiveness. There are over 700 patrimony objectives of international interest included by UNESCO within the world's patrimony, with many cultural and historic unica (e.g. the monasteries of Bucovina (North Moldova), the Dacian fortresses in the Orastie Mountains, the inhabited medieval fortress of Sighisoara, the Brancoveanu-styled architectural monuments, the masterpieces of Brancusi, Grigorescu, Eminescu, Enescu). The ethnographic and folklore thesaurus is living and of a noteworthy originality, a considerable number of human communities still observing the old traditions and habits in their daily activities. The village-specific architecture, the wooden churches, the popular art in all its forms (including ceramics, popular costumes), traditional religious and ethno-cultural celebrations, fairs and exhibitions, open-air ethnographic museums are all relevant examples.

A recent proof of the international recognition of Romania's contribution to the Europe's cultural life and cultural-historic patrimony is the declaring of the city of Sibiu as the European Capital of Culture in 2007 (shared with Luxembourg) under the theme "City of Culture – City of Cultures".

69 In fact, if South-East region is left apart, the Gini index calculated taking into consideration the other seven regions indicates a clear tendency of diversification, that is a well-balanced distribution.

Indeed, Sibiu is a multicultural city, with different ethnic communities and a valuable historic – medieval centre of German architecture.

At present cultural tourism is supported by an accommodation capacity representing 13.2% of total capacity in Romania. The number of foreign tourists involved in cultural heritage and religious tourism increased in 2003 by 25% compared with 2002 and by 90% compared with 1999 (Ministry of Culture, 2005).

Like tourism in general, one of the major problems cultural tourism is still confronted with in Romania is the outdated and insufficient infrastructure, unable to offer proper access to architecture monuments, archeological sites, to meet the demand of parking lots, information points for cultural sites, belvedere points for defense walls, medieval fortresses, churches, monasteries, camping lots for pilgrims, etc. Also the connected facilities – hotels, motels, restaurants, gas stations, car rental firms – are still behind the demand.

Therefore many efforts should concentrate in the forthcoming years on infrastructure modernisation, marketing development, service quality improvement, sustainability so as to make cultural tourism and tourism in general able to have an important contribution to reducing intra and interregional disparities and increasing the overall economic development, in accordance with its major potential in Romania.

As previously mentioned, an important characteristic of Romania's natural and cultural-historic patrimony is its *relatively well-balanced territorial distribution* that has a *particular significance* especially for the *lagging regions*, with other economic activities less developed. For example, in the case of the North-East region tourism potential has a particular significance, considering the major contribution it can bring about to the economic recovery of this region, of the lowest development level among all NUTS 2 level regions of the EU. Moldova's geographical location, its landscapes and the nationally and internationally renowned historical and architectural landmarks make tourism represent one of the North-East region's greatest assets.

Conclusions

The cultural tourism projects can contribute to attracting new investments in a certain area, new job creation, urban area revitalisation, supporting community participation and thus to increasing regional competitiveness.

In the case of Romania, considering its important cultural and natural patrimony, cultural tourism and tourism in general could have a relevant contribution to economic recovery and to reducing intra and interregional disparities provided a series of correlated measures addressing a competitive specialisation profile, infrastructure improvement, sustainability, institutional capacity building, financial management and control are adopted and implemented.

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METHODOLOGICAL APPROACHES IN REALIZING AND APPLYING COST-BENEFIT ANALYSIS FOR THE INVESTMENT PROJECTS

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Cost-benefit analysis represents the most frequent technique used for a rational allocation of resources. This modality of evaluating the expenditure programs is an attempt to measure the costs and gains of a community as a result of running the evaluated program. It is not a direct decision making tool, but one that leads to a decision that is better focused, if it is accurate. The aim of this paper is to present the methodological issues involved in achieving a cost-benefit analysis for the investment projects financed from public funds.

Key words: cost-benefit analysis, social benefits, investment project, public funds, sensitivity analysis.

JEL code: G11, G17

1. Introduction: cost – benefit analysis evolution and purpose

The development of an investment project (transport infrastructure, waste management system, research center, land improvements, production or distribution of electricity) may cause benefic effects such as local or regional economical development, transport flows optimization, pollution reduction, improving the performance of soil, but it can also have negative effects such as the demolition of properties, displacement of population, decommissioning of land, noise, environmental modification. For most types of projects, their impact on the environment (natural and anthropogenic, in all its components) causes the creation of an *intrinsic economic value*. Therefore, in order to select the optimal variant of an investment project (from both constructive and operational aspects) it is necessary to accurately estimate the investment's costs and benefits, not only through financial performance, but also through the economic - social one, whose effects are transmitted in the development of the region in which the project is implemented.

In literature and in current practice, a methodology highlighting the feasibility of investment projects in terms of economic and social impact is the cost - benefit analysis (1). Its main purpose is to help decision-making for realizing a project from the economic, financial and social criteria, facilitating a more efficient allocation of the society's resources (2). Otherwise formulated, the purpose of the cost-benefit analysis is to highlight the fact that the impact is not greater than the net benefit of society (7, 8). The society's net benefit is the amount of cash and non-monetary benefits given by a rational exploitation of the environment determined by the relationship (2):

$$SNB = \Delta CB + \Delta PB + \Delta BR \quad (1)$$

where ΔCB , ΔPB , ΔBR represent variations in consumers' benefits, producers' benefits and in budget revenues resulting from the project's implementation. Since all these three sizes can be both negative and positive, the social net benefit can also be positive or negative.

Cost-Benefit Analysis (CBA) estimates and totals up the equivalent money value of the benefits and costs to the community of projects to establish whether they are worthwhile. The idea of this economic accounting originated with Jules Dupuit, a French engineer. The British economist, Alfred Marshall, formulated some of the formal concepts that are at the foundation of CBA. But the practical development of CBA came as a result of the impetus provided by the Federal Navigation Act of 1936. This act required that the U.S. Corps of Engineers carry out projects for the improvement of the waterway system when the total benefits of a project to whomsoever they accrue exceed the costs of that project. Thus, the Corps of Engineers had created systematic methods for measuring such benefits and costs. The engineers of the Corps did this without much, if any, assistance from the economics profession. It wasn't until about twenty years later in the 1950's that economists tried to provide a rigorous, consistent set of methods for measuring benefits and costs and deciding whether a project is worthwhile. Some technical issues of CBA have not been wholly resolved even now but the fundamental presented in the following are well established (3). If until the '60, cost benefit analysis (CBA) was used to assess investment projects such as water management plant (using water as a resource or as a means of transport - to prevent flooding, hydroelectric works, water supply, sewers, hydro-transport, etc.), since the 1970s, the method has been translated and used in other projects with public funding (and not only), which generates an impact on the environment (1).

In conclusion, we can say that cost-benefit analysis is presently among the most widely used techniques for the rational allocation of resources. It is essentially an attempt to measure costs and gains of a community following the implementation of the program or project. In itself, CBA is not a direct decision making procedure, but one that leads to a decision that is better focused, if its compliance (4).

2. Methodology to achieve a cost benefit analysis: steps, approaches and limitations

The cost - benefit analysis has two temporal variants. Thus, the ex-ante CBA (its usual meaning) is performed during the period of project studies, when the opportunity to start and implement the project is analyzed, the desirability of resource allocation (limited) to run. Ex-post CBA is done after the project's finish, when all resources are allocated and used to achieve it, and it will determine how the initial forecasted opportunity materialized. The informational value of ex-post CBA is greater, but less direct, providing information not only about the project itself but also about the manner in which similar types of projects would be appropriate. Besides these two variants, a CBA during the project's life (in media res) may be conducted, certain elements of it are similar to those of ex-ante analysis (therefore projective), and others are similar with an ex - post analysis. There is a fourth option, which compares an ante with an ex-post CBA (or, eventually with an in media res) for the same project (2).

The realization of a thorough CBA involves eight steps (2):

1. *Identifying the scenarios and the set of alternative options for the project.* In a broad sense, the project is a set of tasks and activities related and indivisible economically, with identifiable goals and a set of allocated resources. For each project, three possible scenarios should be considered:
 - The alternative to doing nothing, to be considered at least to compare the situations with or without the project, being also called the initial scenario, or status quo;
 - The alternative to do a minimum, to improve an existing situation (for example, to strengthen the high-speed European highway connecting two localities)

- The alternative to realize the project, based on a concept or a technological alternative (eg, to link the two cities by a motorway).

For the project, there are more alternative options, which in some cases are extremely numerous and with reference to the constructive, technological and operational aspects.

Typical examples of options are (6):

- different routes, or different construction timing, or different technologies considered for transport projects (for example, for a highway: the material used for the running surface, the number of lanes);

- large hospital structures rather than a more widespread offer of health services through local clinics (for the healthcare public programs);

- the location of a production plant in area A, nearer to the end markets, versus area B, nearer to the suppliers;

- different peak-load arrangements for energy supply;

- energy efficiency improvements rather than (or in addition to) the construction of new power plants.

In general, when dealing with options, pricing policy is often a decision variable – and will have an impact on the performance of the investment, not least through influencing demand. Thus, the relationship between each option and the assumptions on tariffs, or other prices, should be explored. The combinations of locations, investment expenditures, operating costs, pricing policies, etc., may amount to a large number of feasible alternatives, but usually only some of them are promising and worth detailed appraisal (6).

2. *Identifying the entities that will receive the benefits and those who will bear the costs.* They form the stakeholders of the project; their impact is dependent on the extent and relevance of the project (local, regional, national). Stakeholders are defined as persons, groups of individuals, institutions, organizations, companies etc. which may be related, directly or indirectly, with the project or program. In order to maximize social and institutional benefits of the project or program and to minimize the negative impact, in the analysis of the stakeholders, all the factors which could influence the project either positively or negatively are identified. Actually, the stakeholders' analysis must take place at an early stage, the stages of identification and formulation of the project or program (9).

3. *Impact evaluation and selection of measurement indicators.* Impact, in general, means inputs (resources needed for the project in terms of costs) and outputs (results of the project in terms of revenue). Significant impacts are divided into benefits and costs for which indicators and measurement units are established to use in quantifying impacts. In order to reach a conclusion as to the desirability of a project all aspects of the project, positive and negative, must be expressed in terms of a common unit. The following categories of costs are considered in a cost-benefit analysis (1):

- Direct costs (eg project cost, consultancy cost, land cost, construction costs, technology costs, operating costs, management costs, training, financing costs, etc.).

- Indirect costs, from externalities which can in turn be addressed in terms of: i) the market price (property value decrease, costs for environmental rehabilitation, costs of pollution prevention, recycling costs, costs of population transmutation, costs of health caused by pollution or hostile environment, the replacement cost of productivity losses in tourism or agriculture, etc.). ii) the shadow price (the opportunity cost of goods, sometimes different from current market prices and from regulated tariffs, they are used in the economic analysis to better reflect the real costs of inputs to society, and the real benefits of the outputs).

These types of costs are related to benefits such as:

- Direct benefits, grouped in: i) financial benefits (profit) - Revenue from sales of goods and services, ii) economic benefits (economic development, local, regional, national – especially in infrastructure development projects, economy of resources used in manufacturing, the

organization's image and its position's strengthening on the internal and external market towards its customers and suppliers) iii) social benefits (increasing of employment and strengthening social stability);

- Indirect benefits, generated by externalities grouped in: i) market benefits (increased property value, lower public health expenditures, avoiding the costs of pollution prevention, increased productivity in some sectors like tourism, agriculture, fisheries, economy of cost achieved by decreasing the level of environmental taxes - for projects of environmental infrastructure); ii) Benefits due to the shadow price (environment and eco-system conservation, reducing noise, emissions and effluent pollution, natural habitat conservation, historic, cultural and recreational sites preservation, public and private services quality increase etc.).

The project has a direct impact on users, workers, investors, suppliers, etc. but also indirect impacts on third parties. The risk of double counting project benefits should be carefully considered. In general, indirect impacts in secondary markets should not be included in the economic appraisal, whenever an appropriate shadow price has been given for the benefits and costs. For instance, the impact of a highway on the local tourism sector, e.g. through the additional employment or additional added value should not be included in the CBA when an appropriate shadow wage has been used. As a general rule, market effects (quantity or price changes) in undistorted secondary markets should be ignored, assuming that the appraisal has considered (6)

4. *Forecasting quantitative effects throughout the project's life.* Investment projects generate continuous effects through time, respectively over the life of the project's outcome of the reference period. This CBA step involves quantifying all the effects for each project alternative for the entire lifetime. For example, in a highway construction project, it will be necessary to assess the number of vehicles that cross the highway, the number of vehicles that cross the old routes, the proportions of passengers on different categories of vehicles (trucks, buses, automobiles, personal automobiles) and, using statistical information, to estimate the reduction of carburant consumption, the saved time of travel, the number of accidents avoided, the number of lives saved (a new highway will save lives for two reasons: it is shorter therefore the total number of accidents is lower, and it is safer, so the average number of fatal accidents per km will decrease). At this stage, it is very important to establish the correct reference period, which is the maximum number of years for which forecasts are provided. Forecasts about the future project should be made for a period of time close to its economic lifetime and long enough to cover its medium and long term impact. The sector reference period for projects financed from structural funds, based on Commission recommendations, is presented in Table 1 (6). These limits are considered to be relevant in most cases, but specific time horizons may be used, determined according to the particular characteristics of the analyzed project, when an appropriate justification is. In such cases, the analysis must accordingly justify the choice of a different reference period.

Table 1. The reference period for CBA through different sectors

Sector	Reference period (years)
Energy	15-25
Water and environment	30
Railways	30
Ports/airports	30
Transport infrastructure	25-30
Industrial production facilities	10
Other services	15

5. *Determining monetary value of the effects.* In order to be comparable, the effects should be expressed in the same measurement unit. The most convenient common unit is money. This means that all benefits and costs of the project should be measured in terms of their equivalent money value. A program may provide benefits which are not directly expressed in terms of money but there is some amount of money the recipients of the benefits would consider just as good as the project's benefits. For example, a project may provide for the elderly in an area of free monthly visit to a doctor. The value of that benefit to an elderly recipient is the minimum amount of money that would take that container instead of the medical care. This could be less than the market value of the medical care provided. It is assumed that more esoteric from benefits such as preserving open space or historic sites have a finite equivalent money value to the public. The project's costs, from an economic point of view (in addition to the financial ones), are measured in terms of their opportunity costs, representing the society's loss of opportunity caused by the use of limited economic resources compared to an alternative use of funds in other purposes. Similarly, the economic benefits of the project can be measured in terms of avoided costs, as a result of project implementation, or in terms of external benefits resulted from the project's implementation and which are not included in a simple financial analysis. Compared to the financial flows of a classical financial analysis, the monetary flows included in the CBA use two corrections (10):

- Fiscal correction and price conversion. Fiscal adjustments are needed for those elements of the prices that are not related to the content of the opportunity costs of involved resources. From this standpoint, the corrections will include deducting indirect taxes (eg VAT), subsidies and simple transfers (eg, payment of social security). Once the tax adjustments are considered, it is necessary to use those prices that reflect adequately the economic value of the envisaged resources. The project's cost conversion from market prices to accounting prices involves detailing costs in different categories, applying a specific treatment for each case (eg for a land to be used by default in the project, even when no financial cost is included in the project's cost, the land being made available without cost by the beneficiary of the project, the costs correction aims the net product adjustment that would have been obtained on the specific land if it had not been used for the project; in the case where the land has been acquired at market value, the conversion factor applicable is 1, if it is considered that the market value reflects the present value of future achievements, otherwise, the adjustments to reflect economic costs will be calculated in each case).

- Externalities integration / monetization. Externalities (positive and negative) are present in all proposed actions and depend on the specifics of the projects. It is therefore necessary to identify externalities case by case when the CBA is done. The most difficult part is their monetization and inclusion in the analysis, since it will lead to their transformation into economic terms by assigning a price or a cost. The difficulty is that, by definition, externalities do not have a price determined by the market, it is therefore necessary to use approximations to convert them into economic terms. But, to avoid distortion, it is necessary to restrict the analysis at those externalities for which there is a strong economic justification and for which a monetization or a realistic estimate is possible. In other cases, when monetization is difficult to justify, the identified externalities may be introduced as part of a multiple criteria analysis, for example in the selection of options.

6. *Upgrading the benefits and costs.* To evaluate and compare the programmed costs that lead to future costs and benefits, it is necessary to obtain their present value, using the update of these amounts (4):

$$UPB = \sum_{t=0}^n \frac{B_t}{(1+a)^t} \quad (2)$$

$$UPC = \sum_{t=0}^n \frac{C_t}{(1+a)^t} \quad (3)$$

where UPB - the updated total project benefits, UPC - the current total cost of project, a - the rate of update (financial, for the financial analysis, social – for the economic analysis), n - the reference period of the project (years) Bt - benefit of the t year, Ct - cost of t year (which includes both investment costs and operational ones).

Choosing the most suitable update rate is still a controversial subject. If for the financial analysis as part of the CBA, choosing the financial update rate is not so difficult, for choosing the social update rate the debates between theorists and practitioners are still far from a consensus. Therefore, the social update rate is one of the important variables in the sensitivity analysis. For projects financed by EU funds (structural instruments or complementary actions), update rates are determined a priori: 5% for financial analysis and 5.5% for the economic.

7. *Calculating economic net present value for the project.* For each alternative of a project there is determined the net present value:

$$ENPV = UPB - UPC \quad (4),$$

The project is accepted if $ENPV > 0$. When for a project there are several alternatives, the alternative that generates the largest ENPV (assuming there is a positive ENPV) is selected. If there isn't a positive ENPV, then no project alternative is higher than the inertial scenario (status quo), which should therefore remain unchanged. Certainly, the financial analysis also calculates a financial net present value (NPV), but publicly funded projects relate more to ENPV than NPV since the stakeholders are not just financiers, for which NPV counts.

8. *Sensitivity and risk analysis.* Its objective is to assess the stability and performance of the indicators of project feasibility. The sensitivity analysis seeks to identify critical variables and to determine their potential impact on the project's performance indicators, and risk analysis aims to estimate the likelihood that these changes occurred, the results of these analysis are expressed as estimated mean and standard deviation of the indicators mentioned. The relevant performance indicators considered in a risk and sensitivity analysis are RFR/C (rate of financial return reported in the invested capital) and NPV for the financial analysis, ERR (economic rate of return) and ENPV for the economic analysis.

The sensitivity and risk analysis is performed in three steps (10):

- Identifying the critical variables and establishing those variables that are considered critical to the performance indicators of the project, achieved by changing the percentage of + / - 1% of a set of variables of the project and calculating the value of performance indicators. Any project variable for which the variation of 1% will produce a change by more than 5% in the basic NPV or ENPV amount will be considered a critical variable;

- Calculating switching values of critical variables, which represent the variation (in percent) of the critical variable that makes the NPV or ENPV performance indicator analyzed to pass through zero;

- Estimating the probability distribution for the indicators of profitability - this step involves a qualitative assessment of relevant factors that may affect the critical variables values and the measures already included in the project in order to reduce the impact of these factors.

Consequently, there are two options for quantifying the values' level of safety calculated for the performance indicators:

- If there is reasonable information to determine the critical variables probability distribution, then it is possible to use the Monte Carlo statistical method or similar ones, which assigns simultaneously random values for the critical variables (in the expected distribution) for a large

enough number to obtain a distribution probability for each of the performance indicators, therefore each performance indicator is expressed as mean and standard deviation of all variables obtained by repetition;

- If there is no reasonable information to determine the probability distribution of critical variables, then the risk analysis will be done by defining the optimistic, neutral and pessimistic scenario that includes all critical variables and calculating three extreme values for the performance indicators based on the three scenarios.

3. Conclusions

The cost benefit analysis is focused on how the resources should be allocated, being therefore indicative. It is not a positive or descriptive theory, about how to take decisions on resources allocation, but only one element, an entry date into the decision making process. It is merely an analytical tool (mostly effective), used to estimate (in terms of benefits and costs) the social and economic impact due to the implementation of certain actions and / or projects. The impact must be assessed in comparison with the predetermined objectives, taking into account all the entities affected, directly or indirectly, by the action. The decision, at least when using public funds, is taken in the political and administrative environments, including other criteria in resources allocation.

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URBAN TOURISM – FORM OF TOURISM WITH REAL ECONOMIC DEVELOPMENT PERSPECTIVE FOR CITIES

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Abstract:

Combining a rich tourist potential, an important material basis of accommodation, food, entertainment and transportation, numerous facilities for business and services of good quality, the city offers optimal conditions for conducting tourism, which is true nodes on the convergence of national and international tourist flows.

As far as it is properly planned, developed and managed, tourism can bring significant benefits to urban communities: stimulating local production of goods and services, creating many jobs, increasing income and improving standards of living, achieving revenue to local budgets, construction / improvement of basic infrastructure, rehabilitation of historic centers, improving the quality of the environment, improving the city's image and reputation of forming a business location.

Key words: tourism, urban, development, economy

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While other forms of tourism have experienced spectacular growth in the '60s – '70s, during which tourism was associated with the movement of residents from urban areas into tourist resorts and to rural areas, urban tourism has enjoyed the specialists focus only since the '80, when it became clear that many cities have turned into major tourist destinations.

Late occurrence of this form of tourism can be explained by the neglect treatment of urban tourism. Unlike other destinations where tourism is more easily identified in the multifunctional urban system functions identifying urban tourism is much more complicated. This research area to identify the role of tourism and tourists in the urban space is increasingly dynamic, making the subject of numerous studies over the past 20-30 years.

If until recently urban tourism was seen as a result of population mobility, for which the city was only a brief stopover, at present due to significant behavioral changes, and due to extensive changes that took part, the city turned into a cultural center, relaxing place where people shop, meet friends and spend a pleasant time. Therefore one can say that urban tourism is not just a form of tourism, but an integral part, a traditional feature of urban life⁷⁰.

According to consulting firm IPK International⁷¹, urban tourism is one of the most dynamic forms of tourism, for example in 2005 over 2004, city breaks segment increased by 20% compared with only 3% as increased season seaside tourism, 8% summer mountain tourism and 12% mountain winter tourism season, and in the future it is expected that this trend will continue. Currently, tourist visits of short duration in the cities (city breaks) hold a share of 38% of all international travel by Europeans, by various percentage from one country to another.

It is estimated that approximately 80% of visits in cities represents pure urban tourism (motivation is specific, exclusive) and 20% is complementary tourism - visiting urban settlements

70 Frank Howie, *Managing tourist destination*, Thomson Learning EMEA, 2003, page 93

71 IPK International, *ITB Convention Market, Trends and Innovations*, 9 ian. 2006

are associated with other forms of holiday spending (seaside, mountains, rural areas, circuits, etc.).

As regarding distribution by countries, urban tourism has a large market share in France, Germany, Great Britain, Sweden and central European countries and lower in Spain, Portugal, Greece, due to competition and other tourist destinations, mainly to the seaside⁷².

In Europe, due to high accommodation capacity and number of nights spent are notable London, Paris, Rome, Vienna, Berlin (cultural and business tourism), Barcelona, etc.

In the Central European countries (Hungary, Czech Republic, Poland, Slovakia), urban tourism has contributed to national development of tourism as a whole. The most eloquent success was registered by the capitals (Budapest, Prague, Warsaw, Bratislava), who became poles of attraction for international tourism, due to growing cultural and architectural traditions (attracting prestigious network hotels Hilton, Four Seasons Hotels, Marriott etc.) and other famous cities (Krakow, Karlovy Vary, etc.)⁷³.

1. Conceptual Specifications

Specialized literature does not provide a widely accepted definition for urban tourism. However there are common factors among different authors on including the concept of tourist, excursionist and delimitation of the urban area. It is clear that urban tourism refers both to the movement of tourists in cities or urban agglomerations of at least 20,000 people outside their main residence, subject to remaining at least one night at the destination and the tourist movement to less than 24 hours in the urban area, provided that the travel distance to be at least 100 km⁷⁴.

OMT⁷⁵ considers the fact that urban tourism refers to travels inside cities or areas with a high population density.

Other authors characterize urban tourism⁷⁶ from the point of view of a sphere of extremely wide coverage - leisure time (the holidays) in the cities to visit them and to conduct activities of a very diverse nature, such as visits to relatives, meeting friends, watching shows, exhibitions, shopping, etc.

The city has become the center place for a wide range of tourism activities, and municipalities are increasingly concerned with the organization of recreational areas, conservation and protection of touristic objectives in order to attract a large number of tourists.

Urban tourism is seen as a field of interference of the various major types of tourism⁷⁷. Forms of tourism characteristic for the urban area, with particular importance to the economy of tourism in this area are: cultural tourism, business tourism, and other forms of tourism such as shopping tourism, sports tourism, visits to relatives and friends etc. Also of particular importance is the leisure tourism, with its established bases inside the city and suburban area. They are intended for both tourists and residents who spend the weekend here.

72 Rodica Minciu, *Economia turismului*, Uranus Publishing, Bucharest, 2004, p. 85

73 Mihaela Dinu, *Geografia turismului*, Didactic and Pedagogic Publishing, Bucharest, 2002, p. 259

74 G. Cazes, Fr. Potier, *Le tourisme urbain*, PUF, Paris, 1996, pag. 10

75 UNWTO, *Tourism 2020 Vision*, Volume 7, Global Forecasts and Profiles of Market Segments, pag. 103

76 Rodica Minciu, op. cit., 2004, pag. 85

77 Aurel Gheorghilaș, *Turism urban și turism cultural*, Credis Publishing, Bucharest, 2004, pag. 12

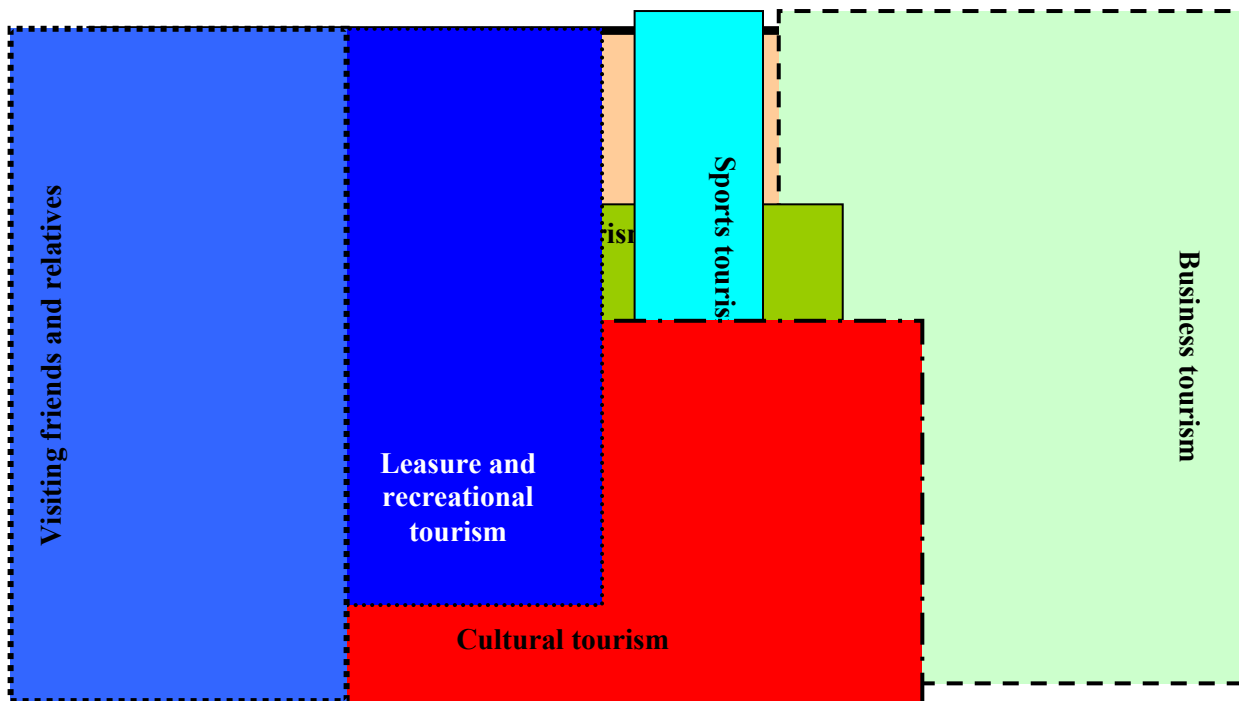


Figure no. 1 – Urban tourism interference with other forms of tourism⁷⁸

The existence of mineral springs (Budapest, Karlovy Vary) and the location of certain cities on the banks of Seas / Ocean (Barcelona, Nice), or at the foot of the mountain (Innsbruck) have fostered in these cases the development of these additional forms of tourism (health tourism, seaside tourism) with a significant contribution to increasing the attractiveness of these cities.

Spatially concentrated, the city is seen as a "spectrum of opportunities for tourists," having as its main competitive advantage the existence of many historical and cultural attractions, numerous sports facilities and leisure activities and a multitude of events.

Cities are becoming more and more popular, offering visitors a vigorous, sophisticated and exciting atmosphere, which is very different from other tourist destinations.

Synthesizing, Van den Berg, Van der Borg and Van der Meer (1995)⁷⁹ have introduced the concept of "touristic product" which introduced the factors that determine the competitiveness and attractiveness of urban tourist destinations: primary (basic) tourist products, secondary (complementary) touristic products, accessibility to foreign destination, internal accessibility within the destination and destination image.

Within the basic elements are contained a unique mix of attractions that have the power to attract tourists to that destination. Among these may be mentioned: the location of the city (urban morphology, urban heritage, green areas, water fronts) and the offer of diverse cultural and artistic facilities and leisure activities (anthropogenic cultural resources - museums, theaters, exhibition halls - facilities for sport and entertainment (casinos, theme parks, etc..), festivals, cultural events etc.

Among the complementary elements shall be included a number of urban facilities that have the support role for business and tourism and that are hospitable facilities (hotels, restaurants) or commercial (malls, souvenir shops, bazaar, markets) and bring value surplus to the tourism experience. In some cities shopping opportunities are part of the basic elements, when they are

⁷⁸ Doru Tudorache, Caracteristici ale cererii turistice din municipiul București, Tourist notes nr. 2, june 2008, page 16

⁷⁹ Leo van den Berg, Jan van der Borg, Jan van der Meer, Urban Tourism Performance and Strategies in Eight European Cities, Ashgate Publishing Company, Aldershot, Hampshire, UK, 1995

the main reason of the journey and in this sense, such offers appeared even on the Romanian market like "Shopping in Istanbul" or "Shopping in Vienna".

2. Key Factors Of Urban Tourism Evolution

It is estimated that urban tourism has evolved under a complex of factors, some of which had great influence:

- **Increased leisure time**, determined by reducing the working week, increasing the number of leave days, reducing the retirement age, increasing duration allocated to studies, and development of services that help reduce the time spent for household activities.

- **Population revenue growth**, in particular the remaining revenues after the satisfaction of basic needs.

- **Transport development** has led to increased mobility of population promoting tourism related travel. A strong impact on tourism is the emergence of road, rail and air networks, the emergence of the high-speed transport, air transport deregulation. Occurrence of low-cost flights and high-speed trains have had a strong impact on the development of short visits in the urban area (short breaks).

- **Socio-demographic changes** - in the last period it is observed that the age of establishing a family is increasingly , and in these circumstances youth groups can organize their holidays and during the school year, leading in this way to extend the tourist season. For these tourists the city is the ideal destination for holiday spending.

- **Changing travel motivations** - with increasing level of education of the population, also grew the desire of knowledge, of discovering something new, to interact culturally. In these conditions it is seen increasingly evident transition from flows like "sunlust" (determined by natural conditions) into streams of "wanderlust "(tourism-related knowledge). This increased the tourists interest for architecture, for cultural heritage, to participate in artistic and cultural events, which have a large representation in the major cities and the rapid growth of short visits to the major cities (city break) are a direct result of this interest.

- **Improving city image**. Although in the past the city had a negative image, being seen as a crowded place, polluted, ugly, insecure and full of ill people, being considered a realm of prostitution and drug abuse, however, there are numerous positive images that can be associated, newly, to the city. Thus it is lively, exciting, full of cultural opportunities (theaters, concerts, art galleries, a variety of publications, etc.) Opportunities to meet other people with a very sophisticated social life, the city offers many opportunities for entertainment , to make sport and to participate in sporting competitions, numerous shopping opportunities; in short the city provides numerous attractions for tourists. This image could be changed through the efforts of municipalities to diversify urban entertainment centers by arranging historical centers, commercial centers, development of general and specific infrastructure. Tourism is for the local authorities as one of the most interesting forms of urban revitalization of the area and especially of the old city.

- **Increased demand for business trips** - one of the major factors that led to the development of urban tourism is the "explosion" of business tourism in all its forms: individual business trips, participation in fairs and exhibitions, conferences or conventions, and stimulant travel (incentive). The volume of business travel has grown rapidly since last years of XX century, once with stressing the process of globalization, cities and large towns in general, representing the suitable area for development of this form of tourism.

- **Request for personal interest visits** - visits to relatives and friends are an important segment of urban tourism, even though it's volume may not always be recorded in the touristic indicators. The number of tourists traveling on personal interest is usually directly proportional to the size of the city.

Although in most cases the favorable factors are significantly superior, there are situations where certain limits occur into valuing the tourist potential of the urban area. Thus, there are cities endowed with excellent tourist attractions, but due to a restrictive set of factors are valued well below normal limits. Among them we can identify⁸⁰:

- *urban environmental degradation*, representing actions of vandalism, overloaded infrastructure, the destruction of premises for accommodation and alimentation, green areas, undermining of cultural values. Also very important is the aesthetics pollution, namely the implantation of new construction that does not fold within the traditional architecture of the urban area, problem increasingly present in Bucharest urban landscape;

- *terrorism*, in recent years turned into a global phenomenon. After the events of September 11 2001 it was a strong alarm signal on the consequences which they may have, including on tourism. There are more numerous cases in which this phenomenon affects the important tourist destinations: Bali, Istanbul, Djerba, London, Madrid, Casablanca, etc..

These restrictive factors leaves a deep mark on the image of that destination, with repercussions often serious over the prospects of future development of tourism. Therefore local authorities should endeavor to prevent these phenomena, or as appropriate to remove the effects of these factors and to improve the image of the destination.

3. *Tourism Impact Over Urban Communities*

Tourism is a huge potential and challenge for development of cities. In general, stakeholders have identified this opportunity and decided to get involved in developing this potential, however, maintaining a balance between the needs of tourists and the local population. Tourism provides financial justification for the restoration of old buildings and the creation of general infrastructure that can be used by the local population. Tourism can play a role in administrating physical and economical of old cities or districts thereof, may stimulate the development of cultural facilities and new and improved commercial facilities⁸¹.

Thus, insofar as it is properly planned, developed and managed, tourism can bring significant **benefits** to urban communities:

- *is stimulated local production of goods and services*, providing new opportunities for selling certain products. It is undisputed that the activities of certain industries is determined largely by the tourism needs and deserves mentioning here: work in hotels and restaurants, cultural and recreational services, transport services and travel intermediation, producing crafts, etc. Moreover tourism stimulates business in a wide range of other related areas such as construction, financial services, trade, food industry, light industry, cultural artistic activities or general nature services, which benefit tourists also (local transport, mail, telephone, currency exchange etc.). Therefore tourism brings an important growth of production for major cities and finds that tourism has a very important share in GDP (12% for London, 8% for Budapest);

- *many work places are created* directly, in hotels, restaurants, travel agencies, retail businesses, transport, and of indirect jobs created in the local economy by the expenditures expenses made by employees from the travel sector which in turn give rise to other jobs. To highlight the importance of tourism in the economy of large cities, we should remember that only in London tourism creates almost a million jobs (13% of employment), that in Paris are created around 150,000 jobs directly in tourism (12% of employment), in Budapest the direct employment in tourism has reached 100,000, in Barcelona 60,000, and examples may continue;

- *international tourism stimulates local exports*, and by type of applying, consumption of goods and services near the production area, this is an extremely effective export mean, being eliminated transport costs, customs duties and various other commissions;

80 Aurel Gheorghilaș, op. cit., page 9-11

81 Gabriela Stănculescu, Managementul turismului durabil în centrele urbane, Economic publishing, Bucharest, 2004, page 94

- as a result of increased local production and employment results in *increasing population revenues* and *improving the living standards*, with the chain effect of increasing consumption expenditures;
- creating *revenue to local budgets*, especially coming from taxes on income from entrepreneurs in the tourism sector and related sectors, but also charges from tourists (hotel fee, fee to enter with the car in city etc.). They can be used to improve community services, infrastructure and services, etc;
- tourism development perspective provides arguments for the *construction / improvement of basic infrastructure* (roads, power systems, water works, electricity, telecommunications, waste management) for the *rehabilitation of historic centers, construction of cultural and leisure facilities, upgrading local transport network, the development of cultural and sporting events of international importance, etc.* From these investments benefit both tourists and resident population;
- *improving environment quality*, because tourists prefer to visit attractive places, clean and unpolluted;
- *improving the city image and forming a business location reputation.*

On the other hand, desire for higher gains, led by the often to a chaotic development, unplanned of tourism in some locations, creating **numerous problems** in the area: the increasing urban density, the construction of new giant structures in the vicinity of architecture monuments, excessive request by visitors of some tourist objectives, air pollution, traffic and noise, are just some of the dangers that can affect the value of a tourist town⁸².

However it may be said that tourism can contribute to sustainable development of urban areas by improving the competitiveness of businesses / companies, through liability to social needs and preserving cultural and natural environment.

Many perspectives on economic development occurs as a result of urban tourism. As a result, many cities seek ways to develop tourism as a way to stimulate and diversify the urban economy. For some cities that are involved in a wider process of economic restructuring and industrial compacting, tourism offers many opportunities for development of the area.

It may be said that the vast variety of things that can be seen and done on a relatively reduced area, plus a wide variety of accommodation facilities, food, transportation and entertainment experience support the development of tourism in urban area.

Therefore, local authorities together with the interested economic operators have begun to make efforts to profit from this activity. They gave cities life, by organizing all kinds of events, began rehabilitating historic centers, created new objectives (museums, zoos), have achieved new features for tourists (access cards), have introduced special buses for them, leading a fierce campaign to promote the city, have created facilities for business tourism, have developed an extensive commercial network, etc.

Basically, the responsible factors for the development of the tourist product locally should consider a global development of the existing tourist product, watching all the 5 components of it. Thus, according to the needs resulting from a SWOT analysis, and funds available, can focus on improving the primary or complementary tourist products, reinforcing the image of the city, on improving access to the city or a combination them.

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THE FINANCIAL CRISIS AND ITS IMPACT ON THE TRAVEL AND TOURISM SECTOR

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Abstract: *We have seen over the years that economic business cycles are almost perfectly correlated with tourism growth rates. When economies grow, personal incomes rise, allowing for discretionary income spending on Travel & Tourism. In recent years, according to the United Nations World Tourism Organization (UNWTO), while the world economy grew at approximately 4 percent annually, this was outpaced by growth in international tourist arrivals reaching about 6.5 percent per year. On the other hand, with nations facing a global credit crisis, fluctuating stock markets, erratic fuel prices, and a global recession, people and businesses are beginning to reduce travel and businesses are scaling back their travel budgets. In an interview with Global Insight, Doug Shifflet notes that, while the slowdown in air travel will vary by traveler type and purpose, businesses in particular are likely to continue to reduce travel budgets in 2009.*

Against this background, the Travel & Tourism industry will certainly navigate yet another perfect storm in 2009.

Key words: *Tourism sector, financial crisis, global recession*

The article's JEL code: *L83*

Tourism is a global-scale industry with growing impacts on the environment, as well as profound implications for regional and local development. In many developed and developing countries tourism increasingly provides new opportunities, employment and economic benefits to local communities, many countries seeing tourism promotion as an expedient and relatively inexpensive strategy to attract foreign direct investment by, for example, showcasing natural areas and local indigenous cultures. Growing tourism activity in many places in the world is increasingly tying them to the industry and related cultural, social, economic and political networks. At the same time tourism is deeply influenced by its changing physical and social environments and larger processes such as global climate change. The current global economic credit crisis has, in addition, underlined the impact of shifting economic fortunes on the global tourism system.

Effects of a global recession

A global recession will impact the entire Travel & Tourism sector, despite the robustness that it has shown in past years. There are many reasons to expect that demand for all kinds of travel will decline in the coming years. The financial crisis and economic recession are bringing about tighter credit conditions, high consumer debt, decreased housing wealth, stagnant wages, and rising unemployment, all of which are leading to a contraction in travel demand, particularly business travel. According to IATA, in the first quarter of 2008, airlines—which tend to be very sensitive to the business downturn—experienced the largest contraction in business travel since 2003, with growth in economy class travel slowing to less than 1 percent, down from 6 percent in 2007,

significantly reducing airline operations' revenues. IATA estimates that, by the end of 2008, the total loss to the global air transport industry will have been in the order of US\$5.2 billion. By July 2008, passenger demand growth had fallen to 1.9 percent—the lowest in five years. In parallel, passenger capacity increased by twice that amount—3.8 percent—which indicates that cuts in service did not keep up with decreasing demand. In September 2008, the six largest US airlines experienced a 9.5 percent drop on average in the quantity of domestic miles traveled by passengers compared with September 2007. Compounding these difficulties, flight ticket fares are 15 to 25 percent higher on many routes than they were in 2007.

The lower price of crude oil, which fell by late 2008 to more than two-thirds of its peak price of over \$147 a barrel in July 2008, has not significantly lessened the financial difficulties for many airlines in the industry, as many of them hedged against the possibility of fuel prices rising to even higher levels. Therefore, if the US and global economies remain in recession for most of 2009, as many expect will be the case, it is reasonable to assume that both global leisure and business travel, measured in trips per person, will decline over the period. Capacity contraction, industry consolidation, and possible bankruptcies It is safe to say that, within the Travel & Tourism industry, airlines have been the hardest hit by the crisis, with serious negative consequences for the bottom line.¹⁰ According to Felipe González Abad, Senior Advisor at Amadeus, airline bookings in October 2008 were down approximately 10 percent from the same month in 2007. As a result of the present contraction in consumer demand, the T&T industry will probably face an increase in the number of airline industry bankruptcies. Strategies to eliminate excess capacity (e.g., grounding planes, slowing down the purchase of new planes) and increased mergers and acquisitions (market consolidation) will likely be adopted as a means of achieving greater financial stability.

One single GDS has lost 30 percent of its segments production in nine months. Since the beginning of 2008, more than 25 airlines have stopped or suspended operations. These include the bankruptcies of Russia's AiRUnion and Britain's XL Airways UK. Globally, many airlines have grounded aircraft to reduce supply in light of slumping domestic markets. For example, in late 2008, China Southern Airlines and China Eastern Airlines began to ground aircraft and cut flights because of concerns that the slumping domestic air travel market would not recover quickly.

Similarly, in October 2008, Singapore Airlines (SIA) addressed the problem of falling passenger numbers through an aggressive capacity-reduction program aimed at cutting back on some routes and entirely pulling out from others. According to the corporate travel agency Egencia, the contraction in both the supply and demand of air travel, together with the spillover effects of mergers and acquisitions, will result in lower average ticket prices for business travelers in most markets, despite higher fees for services such as meals and baggage. There is not all bad news, however. On the positive side, notwithstanding much skepticism within the industry, the current financial crisis could provide a positive effect by, for example, encouraging airlines to lobby governments for increased liberalization of the market through the adoption of global Open Skies agreements. It could also lobby for the removal of all current ownership and control restrictions, which currently hinder the airlines' ability to consolidate on a truly global scale.

Many agree that airline industry consolidation would be beneficial by allowing for economies of scale and increased functional synergies (e.g., shared sales services, frequent flyer programs, fuel hedging, fleet acquisition and maintenance, etc.). This is along the lines of the logic employed by the US Justice Department in approving the merger of Delta and Northwest in October 2008: it was agreed that the merger was likely to benefit consumers through improved service, made possible by the consolidation of the airlines' activities. Other mergers of present relevance are that of British Airways/Iberia/American Airlines, currently awaiting European Union (EU) antitrust approval; the Virgin-BMI acquisition; and the alliance between India's Jet Airways and Kingfisher, aimed at stabilizing the market in the greater public interest.

With respect to the hospitality industry, since mid- September—almost in parallel with the stock market turmoil—demand for high-end hotel rooms has sharply decreased because businesses, especially, are cutting back on travel expenses. The hospitality industry has been experiencing a drop-off in business from affluent international leisure and business travelers in particular, as economies around the globe slow and the value of the US dollar rises against many currencies. Patrick Ford, the president of the global authority for hotel real estate Lodging Econometrics, has said that in 2008 revenue rates on luxury hotel rooms “slowed in mid-September and really atched downward during October.... Revenue per available room, the standard measure of performance, dropped 14 percent at upscale and luxury hotels in the week ending Oct. 18 over the comparable week last year.... For hotels in general, the decline was about 8 percent.” (Sharkey 2008).

A roundtable of two dozen hospitality industry professionals and Cornell faculty members that met on November 10, 2008, to discuss key trends facing the lodging industry in 2009 made the following prognosis:

- Lodging supply will continue to grow at between 2.5 and 3 percent per year through 2010, while demand for lodging will decline by approximately 0.5 percent in 2008 and 1 percent in 2009 before growing again in 2010.
- . Hotel prices will decline by over 25 percent in the short term as a result of the increased cost of debt capital and slower industry growth.
- . Most agree that future lending criteria will be more conservative, but, within these strictures, some deals will still be made.
- . When an economic turnaround occurs, it will occur quickly.
- . Owners and operators will likely increase their cooperation in order to get through what everyone

knows will be a very difficult period.

Ultimately, however, the lodging industry is also driven by trends in GDP growth (or contraction), the

availability of airline seats to take people to destinations, the cost of oil, the increase in hotel room supply, and the demand for hotel rooms. Therefore, according to a recent PKF Hospitality Research study, the expected decline in airline travel will alone bring about a decline in hotel room demand on the order of 1 to 1.5 percent.

Conclusions

The present economic crisis has highlighted the urgent need for industry, governments, and society to re-shape companies and institutions, to redefine values, and to collaborate in innovative ways. Only coming together to meet these urgent needs will ensure the effective and sustainable use of our planet’s scarce resources. For the T&T industry, this translates into the need to fully embrace the concept of sustainability within day-to-day operations as well as in re-formulating new products and services. Success in this endeavor will ensure not only that the destinations will be able to reap the benefits

of Travel & Tourism in the long run, but in the short run it will also better prepare companies to ride out the present economic turmoil.

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CORPORATE SOCIAL RESPONSIBILITY AND MULTINATIONALS

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CSR (Corporate Social Responsibility) is in the center of one of the most intense debates in the present occidental culture. Even though, at a first glance it seems a new corporative "toy", an ideological "ghost" that lacks substance, the idea of social responsibility involves a new vision, with important ethical and social implications on the consumer market and tries to subtly modify the public's perception of what a business is.

Keyword: social responsibility, ethics, multinationals, companies

JEL Classification: M14

CSR is defined by Stephen B. Young in the supplement Partners of the magazine 22 as being: "In a business you don't need only financial capital, but also assets, human resources, and also a social capital created on reputation and trust. Investing a part of the profits towards such resources, the company will offer a smaller profit to its share holder in the short run, but it will create a durable form of capital. I call corporate social responsibility all these non-financial forms of capital: human resources, assets, social capital and reputation".

The principle idea of this quotation refers to the active implication of companies in activities with a social impact (charitable, humanitarian, ecological events) and the acknowledgement that the consumers' decision-making depends more and more of factors of a different nature than a commercial one. CSR is about the contribution a company makes to society through its core business activities, its social investment and philanthropy programs.

From this point of view, one of the essential objectives of this new vision is given by the fact that the communitarian space means primary source and the finality of a business. The needs, ideals and interests of the consumers are independent and cannot be treated separately. Because of this reason, this objective of CSR means letting go of the narrow perspective of the relationship that a consumer has with a company or a product in favor of a complete experience with which the consumer can associate the image of a company with experiences and interests that don't belong to the consumption sphere.

In the effort to define and make popular the concept of social responsibility it is tried to reconcile capitalism and ethics, and by doing this, also to annihilate the negative halo that is associated with companies worldwide (greed, deceit, all associated with profit). Is a "moral capitalism" possible or are these two terms destined to remain in an ideological conflict forever? As any new concept, social responsibility is seen as being ambiguous and is received in the Occident with a lot of hostility, hostility mainly coming from the cultural spaces influenced by the Marxist tradition. The main issue of these spaces is the irreconcilable differences between the class that exploits and the humble and evidently exploited consumers. From this point of view, humanitarian actions are considered to be forms of symbolic manipulation through which heartless moguls fake disinterest and generosity in pursuit of the maximization of profit, fast capitalization and positive image brought by social implication.

According to the World Economic forum survey of CEO's and leaders in 2004, corporate brand reputation outranks financial performance as the most important measure of success. Several studies show that companies practicing CSR have a better image and do better financially, grossing in higher profits by 18%.

Turning to Africa, it has been said that “CSR is a theme generally inserted in the countries of the South by the countries of the North”. Multinational projects in Africa are focused on ethics, fair labor issues, HIV/AIDS, education and child labor. CSR is a particularly prominent theme among mining, oil and gas companies in Southern Africa, due to their potentially significant negative social and environmental impacts.

CSR and Health Issues

Between 1999 and 2000 more people died of AIDS in Africa than in all the wars on the continent, as mentioned by the UN Secretary General, Kofi Annan. The death toll is expected to have a severe impact on many economies in the region. In some nations, it is already being felt. Life expectancies in some nations is already decreasing rapidly, while mortality rates are increasing. “[2000] began with 24 million Africans infected with the virus. In the absence of a medical miracle, nearly all will die before 2010. Each day, 6,000 Africans die from AIDS. Each day, an additional 11,000 are infected”. (Lester R. Brown, HIV Epidemic Restructuring Africa’s Population, World Watch Issue Alert, 31 October 2000)

UNAIDS estimates for 2007 that there were roughly:

- 32.8 million living with HIV
- 2.5 million new infections of HIV
- 2 million deaths from AIDS
- over two-thirds of HIV cases, and some 80% of deaths, were in Sub-Saharan Africa.

The estimated number of adults and children living with HIV/AIDS, the number of deaths from AIDS, and the number of living orphans in individual countries in sub-Saharan Africa at the end of 2007 are shown below.

Country	People living with HIV/AIDS	Adult (15-49) rate %	<u>Women with HIV/AIDS</u>	<u>Children with HIV/AIDS</u>	AIDS deaths	<u>Orphans due to AIDS</u>
Angola	190,000	2.1	110,000	17,000	11,000	50,000
Benin	64,000	1.2	37,000	5,400	3,300	29,000
<u>Botswana</u>	300,000	23.9	170,000	15,000	11,000	95,000
Burkina Faso	130,000	1.6	61,000	10,000	9,200	100,000
Burundi	110,000	2.0	53,000	15,000	11,000	120,000
Cameroon	540,000	5.1	300,000	45,000	39,000	300,000
Central African Republic	160,000	6.3	91,000	14,000	11,000	72,000
Chad	200,000	3.5	110,000	19,000	14,000	85,000
Comoros	<200	<0.1	<100	<100	<100	<100
Congo	120,000	3.5	43,000	6,600	6,400	69,000
Côte d'Ivoire	480,000	3.9	250,000	52,000	38,000	420,000
Dem. Republic of Congo	400,000-500,000	1.2-1.5	210,000-270,000	37,000-52,000	24,000-34,000	270,000-380,000
Djibouti	16,000	3.1	8,700	1,100	1,100	5,200
Equatorial Guinea	11,000	3.4	5,900	<1,000	<1,000	4,800
Eritrea	38,000	1.3	21,000	3,100	2,600	18,000

Ethiopia	980,000	2.1	530,000	92,000	67,000	650,000
Gabon	49,000	5.9	27,000	2,300	2,300	18,000
Gambia	8,200	0.9	4,500	<1,000	<1,000	2,700
Ghana	260,000	1.9	150,000	17,000	21,000	160,000
Guinea	87,000	1.6	48,000	6,300	4,500	25,000
Guinea-Bissau	16,000	1.8	8,700	1,500	1,100	6,200
Kenya	1,500,000- 2,000,000	7.1- 8.5	800,000- 1,100,000	130,000- 180,000	85,000- 130,000	990,000- 1,400,000
<u>Lesotho</u>	270,000	23.2	150,000	12,000	18,000	110,000
Liberia	35,000	1.7	19,000	3,100	2,300	15,000
Madagascar	14,000	0.1	3,400	<500	<1,000	3,400
<u>Malawi</u>	930,000	11.9	490,000	91,000	68,000	560,000
Mali	100,000	1.5	56,000	9,400	5,800	44,000
Mauritania	14,000	0.8	3,900	<500	<1,000	3,000
Mauritius	13,000	1.7	3,800	<100	<1,000	<500
Mozambique	1,500,000	12.5	810,000	100,000	81,000	400,000
Namibia	200,000	15.3	110,000	14,000	5,100	66,000
Niger	60,000	0.8	17,000	3,200	4,000	25,000
<u>Nigeria</u>	2,600,000	3.1	1,400,000	220,000	170,000	1,200,000
Rwanda	150,000	2.8	78,000	19,000	7,800	220,000
Senegal	67,000	1.0	38,000	3,100	1,800	8,400
Sierra Leone	55,000	1.7	30,000	4,000	3,300	16,000
Somalia	24,000	0.5	6,700	<1,000	1,600	8,800
<u>South Africa</u>	5,700,000	18.1	3,200,000	280,000	350,000	1,400,000
<u>Swaziland</u>	190,000	26.1	100,000	15,000	10,000	56,000
Togo	130,000	3.3	69,000	10,000	9,100	68,000
<u>Uganda</u>	1,000,000	6.7	520,000	110,000	91,000	1,000,000
United Rep. Of Tanzania	940,000	5.4	480,000	130,000	77,000	1,200,000
<u>Zambia</u>	1,100,000	15.2	560,000	95,000	56,000	600,000
<u>Zimbabwe</u>	1,300,000	15.3	680,000	120,000	140,000	1,000,000
Total sub- Saharan Africa	22,000,000	5.0	12,000,000	1,800,000	1,500,000	11,600,000

Constraints such as social norms and taboos, or lack of decisive or effective institutions have all contributed to the situation getting worse. In South Africa, a relatively wealthy African nation, President Thabo Mbeki had long denied AIDS resulting from HIV. Only through public outrage and international pressure was he forced to admit that there is a problem. However, other nations in Africa have shown a more proactive response to the crisis.

Senegal has been a success story when it comes to fighting HIV/AIDS. Reasons are many, including that: problems were recognized early; resources were poured into fighting HIV/AIDS; courageous steps were taken to deal with the religious and cultural taboos head on, using mass media to raise awareness effectively; both prevention strategies and reactive approaches such as

condom use have also been promoted and universal access to anti-retroviral drugs was found to be more effective than user fees, for example and by monitoring and responding, they were able to increase health coverage and access to essential medicines, as USAIDS reported in its World Report 2004.

Uganda has also been another success story in fighting. Botswana, Ethiopia, Tanzania, Senegal, and Zambia, have also tried to provide free HIV treatment as user fees have prevented people from receiving health services. Some of these free treatments are funded by a combination of government resources and donor contributions, showing partnerships at work.

CSR discourse on health is not well developed. Surprisingly, multinationals do not place their HIV/AIDS workplace programs in the context of CSR. It seems AIDS has become such an overwhelming crisis that multinationals consider addressing AIDS a fundamental requirement for the sustained growth in Africa. Provision of HIV/AIDS counseling and services has become commonplace among multinationals operating in Africa, and, with the advent of cheaper treatment options, provision of antiretrovirals at the worksite is no longer unusual. In terms of worksite HIV/AIDS programs in Sub Saharan Africa, about 31% of Tanzanian enterprises have some type of prevention program by mid-2003, compared to 32% of Ugandan and 44% of Kenyan enterprises.

Chevron Texaco has launched a comprehensive HIV/AIDS program for its employees and their families in Angola, the program provides peer education, condom promotion, confidential testing and treatment of sexually transmitted infections. They also provide HIV-positive employees and eligible dependents and to pregnant employees and spouses. The program offers prevention, counseling and treatment services, targets an estimated 12000 pregnant women in Cabinda, at least 7% of whom are HIV-positive.

Launched in 1999, K-Rep is widely considered Africa's groundbreaking institution in commercial microfinance. The bank finances small businesses as well as micro enterprises and began an HIV/AIDS worksite program for its 400 employees on collaboration with IFC Against AIDS in Spring 2004. The company plans to extend the reach of its client base of over 60000 borrowers.

Mali appears to be off the radar in terms of private sector involvement in CSR and HIV/AIDS. However, in 2005, UNAIDS began to implement a plan with the Malian government to develop an HIV/AIDS strategy and incorporate more private involvement with funding from the Multi-Country HIV/AIDS Program for Africa, Global Fund and African Development Bank.

In 2005, the Merck Company Foundation initiated the vaccination management skills training program in Mali to better handle and store vaccines. Other Merck initiatives addressing health issues in Africa include the 18-year-old Merck Mectizan Donation Program, the UN/Industry Accelerating Access Initiative and the African Comprehensive HIV-AIDS Partnership (ACHAP) in Botswana. The two largest diamond companies in Botswana, Debswana and Bamanguato have extensive worksite health programs. The Merck Company Foundation announced on 19 November 2007 a \$2.8 million commitment to establish two new immunization training centers in Uganda and Zambia and to expand the Foundation's support of two existing centers in Kenya and Mali as part of the Merck Vaccine Network - Africa.

Amway is one of the world's largest direct-selling companies and manufactures and sells a wide range of quality products in the areas of Nutrition and Wellness, Personal Care and Homecare. Amway Europe has committed more than Euros 2.5 million over the period 2005-2010 supporting UNICEF Immunization & Education projects in Kenya and Eastern European countries. This funding will contribute to immunization of children against the six most common childhood diseases (measles, polio, diphtheria, whooping cough, tuberculosis and tetanus). In Kenya's Kilifi District, UNICEF and Amway Europe are engaged in Strengthening Essential Health Services for Women and Children with a target of reaching 133,170 children under five

years of age and 33,300 pregnant/lactating women from the district's population of approximately 665,847.

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SUPPORTING POLICIES FOR DEVELOPMENT OF CROSS-BORDER COOPERATION - THE ROLE OF UNIVERSITY IN BUSINESS ENVIRONMENT

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The universities are an important actor in education and training to support economic growth and the development of the knowledge based society. The article aims at charting possibilities of knowledge transfer between university and business environment, especially SME. This article has a specific focus on universities as a regional channel for business development in a cross-border area. Cross-border cooperation on the external borders of the EU is a key priority both in the European Neighborhood Policy. The research questions of this paper are: How does the university contribute towards building the cooperation between cross-border partners? Studies, analyses, research activities to provide quality information and enough relevant data for the development of the exchange of good practices? The study will conclude by recommendations how to support to develop university networks and enterprises for business development.

Keywords: enterprises, innovation, networks, policies fostering investment, role of university

JEL Classification: O12, A23

1. Policies fostering investment in support of development

The proposed framework is based on the most recent theoretical background underpinning the Lisbon strategy and its further developments and describes both the role of innovation in the economic structure of a country, and the functionality parameters of the innovation system defined. Usually the innovation process involves five elements:

- the research system (which is the center of knowledge production);
- the innovation drivers (enterprises, which transform knowledge into market products);
- the innovation infrastructure;
- the capital and financing channels;
- the labor resources and education services (human capital).

In reality the five elements are often overlapping, as for instance a research unit can also function as an innovation driver, companies might have their own research units, etc. but theoretical simplification may be more useful in order to grasp better the different functions of an RDI system.

Currently, Romania is a laggard in terms of competitiveness. According to Global Competitiveness Report 2008, Romania is ranking on the 26 position out of 27 countries of European Union. This is particularly worrying, as besides the challenges coming from global market competition, Romania will confront with the internal competition of EU. This creates a huge pressure at the current gap. The goal of convergence calls for an accelerated transformation given that EU is in itself a fast moving target.

Most of the domestic firms produce goods or services designed in other, more-advanced countries. Technology is assimilated through imports, foreign direct investments and imitation. Firms have limited roles in the value chain, focusing on assembly, labor intensive manufacturing,

and resource extraction. However, there is also a part of the economy, which may be considered investment-driven. The last couple of years have brought new investment in efficient infrastructure and policy measures aimed at creating a business-friendly administration. The products and services become more sophisticated. Technology is accessed through licensing, joint ventures, FDI and imitation. At the same time, embryos of an innovation-driven economy have developed, especially in the Information and Communication Technology sector, which has a high competitive potential.

Organizational innovations in *business practices* involve the implementation of new methods for organizing routines and procedures for the conduct of work. Innovations in *workplace organization* involve the implementation of new methods for distributing responsibilities and decision making among employees for the division of work within and between firm activities (and organizational units), as well as new concepts for the structuring of activities, such as the integration of different business activities. New organizational methods in a firm's external relations involve the implementation of new ways of organizing relations with other firms or public institutions, such as the establishment of new types of collaborations with research organizations or customers, new methods of integration with suppliers, and the outsourcing or subcontracting for the first time of business activities. As business model innovation is not an explicit category in the OECD definition and classification, it should be included under this category

2. Innovation and development policies - relation between university and SME sector

Universities have an important role in regional innovation systems. The University role in the integrating innovation and development policies is hampered by the little presence of innovation concept and idea in the daily life. In the actors discourses, the innovation is perceived mostly as being related with invention. The public policies in the innovation field are not strongly enough to alter this perception. It is significant that during the interviews the aim of the study has to be re-worded as being the study of the role of the University in the regional economic development system, not on the regional innovation system.

The European Union gives a main role to the research, development and innovation domain (RDI) for consolidation of the competitiveness and for the economical growth; this domain will be called synthetically Research and Development (R&D). Changes occurred in technology and society demands introduce changes in traditional higher education, quality being seen as a knowledge generation in academia nowadays.

In Romania the most important objective of the Universities is the education of the young generation and through its specialization in various fields of activity. The goals of the university in this direction are: boost the cross-border economic development process by increasing the amount of entrepreneurs who are establishing start ups cross-border; to upgrade human resources by enhancing the number of start-up entrepreneurs cross-border with viable business plans and by training local trainers.

During programming period 2007-2013, Romania and special North East of country will benefit significantly from structural and rural development funds, and will receive about 17 billion Euro in Structural Funds (includes 11.143 for convergence) and approximately 8 billion Euro in agriculture and rural development funds. These resources offer the financial means to address critical and strategic local needs, but also pose significant challenges in terms of absorption capacity, effectiveness and efficiency of expenditures. Strategic thinking, selectivity and synergies between operational programs, especially territorial aspects of regional and rural development are important to maximize the impact and absorption of EU funds.

3. Material and methods of research – the comparative introduction of the economical environment from Suceava town and Chernivtsi area.

From a study made by The Ministry of Regional Development and Housing of Romania there result that the North-East region is the less developed area of Romania. A major problem recorded in Suceava County is the un-industrialization process to which it was subjected in the last 10 years, which brought to an aggravation of the economical situation. Another major problem that has the Suceava County in this moment is the migration of the work force because of the missing work places, of the precarious remuneration and of the fact that the young people aren't motivated to start their own business or to work in manager positions.

According to the National Agency for Occupying the Workforce Suceava the work market from the county is confronted, from 2007, with the dismissal of 1.475 wage workers. The statistics show that, even if the rate of the unemployment is a lower one in Romania (7,2% in November 2007), there are a lot of young people that don't have a work place. According to the dates presented by the statistical arm of the European Commission (Eurostat), in the third trimester from 2007, Romania was situated on the second place from the countries members of the European Union, as regarding the unemployment rate of young people (21,9%). In our country, even if there is a staff crisis, finding a work place isn't an easy mission. At present Romania is confronting with a high lack of qualified work force, and the qualification level had become, in over 80% from the cases, the main criteria for hiring the personnel from SMEs.

Collaboration between North east region of Romania and Chernivtsi means and promotion of the Romanian Ukrainian cross border area and attraction of foreign investments, development of collaboration with similar organs and institutions from the EU and participation in international projects with regional and local interest.

Within the general policy context set out above, cross-border cooperation (CBC) has an essential role to play, distinct from other forms of cooperation by virtue of operating for the benefit of both sides of the EU's external border, and drawing on funding from both external and internal headings of the EU budget.

According to a study regarding the competition from the SME sector made in 2006 in the North-East region there is recording a low number of SMEs, under 18 SMEs/1000 inhabitants while the country average is 26 SME/1000 inhabitants, and the European average is over 50 SME/1000 inhabitants. In Romania there is also a lack of mobility of the firms, by existing few business transfers, few place changes. This conservatism can be noxious regarding the management of change, the fast adaptation on a new conjuncture. According to the same study the majority of the entrepreneurs from Romania are starting off a business in another domain than the one which they have been prepared to, which isn't good regarding to the professionalism side and to the capacity to be in the top of the profit firms. Romania is situated between the countries with very weak number of the young people in businesses, and giving some extra chances to the young people to launch themselves in businesses, to utilize the capacities in the country's advantage must be seen as an investment with big shot for success.

Between the constraints identified in Suceava county and which impose this research as a necessity are counting the next ones: the absence of some significant investors, a low level of the cooperation between the economical agents from Suceava county and Chernivtsi area, a low level of the entrepreneurial spirit and the absence of a tradition and an entrepreneurial culture in the aimed regions, the absence of some models, of some positive examples to inspire them and to motivate the young people to involve themselves in entrepreneurial activities.

Analyzing the situation from the Chernivtsi area it is determined that the problems and needs are similar with the ones from Suceava county: low level of the foreign investments, massive migration of the work force to the occident, very low technology, low level of the remuneration, high level of the unemployment.

4. The role of university in business environment - project Young entrepreneurs in Bucovina

The political environment of the European Union is trying to mobilize the universities because of them to bring the complete contribution to the Lisbon Treaty “Studying must include beside the specialty knowledge also transverse abilities (for example the ability to work in a team and the entrepreneurship)”.

The researchers and the experts from the entrepreneurial domain have shown within numerous studies that the founding of new enterprises represents a key element in the development process and economical refreshment. The new firms generate work places and contribute to the development, implementation and propagation of the innovations having, in this way a positive impact on the economical growth in general.

The activities nominated in this project aim the entrepreneurs forming, capable to start off and administrate a business and will be organized in collaboration with the young people from Chernivtsi, which will lead to create a community of future entrepreneurs with a modern vision in the business domain, which will contribute to the activation of the local business environment. This will lead to the overtaking of the regional lack of balance and to the intensification of the economical and social integration process of the area. Consequently within this project it is facilitated the mobility of the young people from Bucovina, that will contribute to the development of a prosperity area and of a cordial neighborhood.

Promoting the entrepreneurship it will be realized within understanding the statute and the importance of the entrepreneurship in the economical and social life of the area and also within creating an entrepreneurial culture. Within the promoting and the development of an entrepreneurial culture it is evidenced the three dimensions of the attitudes and of the entrepreneurial behavior, “the innovativeness”, “risk assuming” and “the proactivism” (the vocation for implementation).

The activities included in this project aim to create an optimum background for collaboration, background that it is necessary for forming, preparing and for professional improvement of the young people, and also for creating, maintaining and developing some communication channels between the communities from the border area of Romania with Ukraine.

The project aims the forming of future entrepreneurs capable to start off and to administrate a business in the border area. This will be realized within a correct and complete informing on the possibilities of founding, developing and funding of the own businesses and also within the development of some practical activities which will have as finality the development of the entrepreneurial spirit and of some abilities and attitudes necessary to some future entrepreneurs.

The actions of this project will develop the entrepreneurial abilities for the Romanian and Ukraine young people with the aim to create communication and durable cooperation links in the entrepreneurial domain, in the border area. Within the development of the entrepreneurial abilities it is encouraged the free initiative and the involvement of the young people in the economical life of the area, basing an efficacious collaboration. Within this project it is encouraged the creative utilization of the knowledge about the local needs and interests, to promote activities and events, where persons from one and the other side of the frontier to meet each other, to work together and to participate with regularity to different commune activities. It is desired to offer to the young people a practical alternative to the knowledge cumulated in the university background creating in this way a community of young people with entrepreneurial abilities. During the development of the activities, the participants will receive support from the trainers to put into practice their ideas, respective in writing some viable business plans for the border region and in their implementation. It is also kept in view starting some firms by participants.

The participants to this project will assimilate, through these trainings for start-up in business, leadership and negotiation, some strategies, techniques and instruments, that will help them to fulfill the professional attributes, no matter their nature, in a much creative and efficient way.

The problem of the entrepreneurship is very important also for Ukraine and also for Romania, and it's solving is seen as being a progress and a development source. Unfortunately, because of the lack of knowledge and entrepreneurial abilities, the young people from the border area of Romania with Ukraine avoid the start-up in business domain, even if the potential of economical development had by Suceava county and Chernivtsi area is big.

This project will help the young people from these regions to be aware of the importance of the entrepreneurship, also as practical alternative for carry into effect the knowledge obtained in university and also as initiation way in the business domain.

The project aims, among other things, the education of 18 young people regarding the opportunities of starting off, developing and funding of a business and forming them in the business domain, elaborating 5 business plans viable for the border region, which will be presented to some business mans or bankers for obtaining a financing and for founding at least a firm. Moreover, the activities that will be developed in this project will lead to the forming of some durable bounds between the young people from the border area of Romania with Ukraine, the entirely program being a promoting campaign of the entrepreneurship and of the entrepreneurial culture. The project aims to develop a new generation of Romanian and Ukrainian entrepreneurs with proper abilities, and also with responsibility, spontaneity, adaptability, initiative and managerial spirit and to encourage the young people to start off a business in the cross-border area.

The activities included in this project have the purpose of creating one optimum collaboration staff, necessary for professional forming, preparation and perfecting of the young people, as well as creation, maintaining and development of some communication channels between the two areas of Bucovina. The creation of this favorable context will allow the exchange of experience between young people from Bucovina as well as the identification of the collaboration opportunities between them. From a study made by CERB (Centre for Entrepreneurship and Business Research) in 2007 about feminine entrepreneurship from Romania results that "the main motivation for IMM owners to involve in entrepreneur activities was detecting a business opportunity. On an average, 55% of the IMM owners declared that they started a business from the reason mentioned".

Through this project it desires to offer to the young people a practical alternative to the accumulated knowledge during university, creating in this way a community of young people with entrepreneur aptitudes. The participants will get support from the trainers for putting in practice their ideas, and for writing some viable business plans for border region and in their implementation. The young people will get assistance in establishing their personal firms as well. Concerning that in present Romania confronts with an acute absence of qualified working force and with a very high level of unemployed young people, through this project we propose to offer to the young people the possibility of perfecting and putting in value their potential. The project can be described as a preparing program of human resources in entrepreneurship domain, which will contribute at the development of business average from the boarding area of Romania with Ukraine. Because young people representatives in business average is very reduced, and SME's number from Suceava is reduced as well, we propose to support young people in writing their business plan for accessing the finances from European programs and to offer assistance in implementing business ideas and in start up firms.

Between the constraints identified also in Suceava county and also in Chernivtsi area and which impose this project as a necessity it is counted the followings: low number of SMEs, a very high level of the unemployment rate between the young people (21,9%), week representatives of the young people in businesses, a low level of cooperation and of the information flow between the communities from the border region, a low level of the entrepreneurial spirit and the lack of an entrepreneurial tradition and culture in that regions, the lack of some models, some positive

examples which to inspire the young people and to promote them to involve themselves in entrepreneurial activities.

Conclusions

The result extension of this project will be centered mainly on continuing exchange experience in the entrepreneurial domain, extending the collaboration also in the social domain and promoting the project to the regional level as “best practice” model. This project can constitute an example of developing the entrepreneurial competences and of cross-border cooperation and can be a model for other organizations from the area or from the other regions of the country. The persons involved in this project can also be the information multipliers in the entrepreneurial domain, in the organizations, faculties or other groups that they belong to.

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STRATEGIC ORIENTATIONS IN SUSTAINABLE DEVELOPMENT OF TOURISM IN ROMANIAN MOUNTAIN REGIONS

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Mountain tourism represents an important component of tourism in Romania, which unfortunately is not exploited at its real potential, and whose development does not take into account the principles of sustainability. Changes occur in the environment, especially due to global warming, are affecting the development of this type of tourism, both globally and at national level. Also very often, spatial development in the mountain areas does not take into account the carrying capacity of the environment, and it is often a chaotic development. In this context, it is necessary to develop a strategy for tourism development of mountain area, with specific objectives and strategic actions that take into account the idea of sustainability. With this paper we are trying to emphasize the need for such strategies, and we are shaping some of the strategic objectives.

Keywords: sustainable development, mountains regions, strategic objectives.

Jel classification: L 83

Of the multitude of needs which man has to face, the travel is very important, coming after the primary needs (physiological). As a tourism destination, Romania has sufficient resources (geographical, manmade, culture, spas, etc.) to attract tourist customers from all over. Barriers that hamper the full realization of this strategy is especially connected to the lack of professionalism of staff in tourism businesses and organizations, and the absence of marketing optics. Because of these reasons the present paper is trying to provide researchers and practitioners a minimum of information and arguments for the transformation of Romanian tourism in a profitable business for operators and a means to economic recovery national. Within the national strategy of development of Romanian tourism is necessary to establish a hierarchy of priority areas to be considered in the period immediately following, taking into account the potential offer and categories of tourism demand that could be met through the existing supply.

Priorities and challenges in developing sustainable tourism in mountain regions - climate change

One of the most important challenges in sustainable developing of tourism is the global climate change, and this is more important when we talk about tourism development in mountain regions. The type of climate and the weather has a strong influence on the tourism industry, over the resources underlying it (biodiversity, the consistency of the snow pack needed for ski, reserves of water, etc.) and on the duration and quality of the tourist season. Despite the growing significance of tourism in the global economy and relations with climate, there are researchers who claim that the vulnerability of individual sectors of tourism and tourist destinations to climate changes, was not treated properly⁸³.

Within the "International Tourism and Hospitality in the 21st Century", Butler and Jones (2001), stressed that "climate change can have a huge effect on the world of tomorrow and the tourism and hospitality industry in particular. The most worrying aspect is that the major problems of the

⁸³ Scott D., Climate Change and Tourism in the Mountain Regions of North America, International Conference on Climate Change and Tourism, Tunisia, 2003, p.1.

century are ignored by this industry. The World Tourism Organization held in 2003 (9-11 April) at Djerba in Tunisia, the "International Conference on Climate Change and Tourism" with over 150 participants from 42 countries and six international organizations, the first of its kind. With this occasion the WTO tried to bring an alarm signal on the deep implications and impact that may have climate change on tourism and hospitality industry. There are two critical environments - coastal regions and the mountain - for tourist activities, to which climate change can have devastating effects.

Seaside tourism season is particularly affected because of beach erosion, sea level rise, the occurrence of catastrophic natural phenomena (storms, hurricanes, tornado, etc.) reduction of water reserves, etc. While some regions experience a decrease in tourism demand, others - less important today as tourist destinations - can record significant increases. In mountain regions, it is very likely that the demand for winter sports to fall very much. Season will shorten, opportunities for young tourists to learn ski will decrease, but it will increase pressure on the mountain resort at higher altitudes (above 1 600 m) etc. As a result, the summer season will be longer with record increases in demand, a phenomenon that will have negative environmental consequences of disasters⁸⁴.

Major changes in terms of tourism demand will have an impact on multiple sectors (economic and social), for example on employment, local transport, infrastructure etc. However, with the exception of the destination for winter sports, taking into account climate change, loss of some tourist destinations can be found in the demand for alternative destinations.

Climate change affects mountain regions of the world, including popular destinations for winter sports in the Alps or the United States of America, the same reduction layer of snow because warmer winters (eg. 1°C increase of temperature causes a collapse a layer of snow to 150 m), of the ski season gets shorter amounts of precipitation in the form of high rain during winter months etc. The winter sports are already threatened in several regions of Switzerland and Austria and Scotland recorded a deficit already considerable snow during winter. The effects of global warming are felt in our country, where the ski season has been extremely limited in 2006-2007. In Romania, the effects of climate change and of global warming are felt for several years. Rains cause flooding in many mountain regions and landslides, while the snow showers are becoming fewer. Winters tend to become increasingly hot, the days with extreme negative temperature are downward and statistically classic winter days tend to be less. Although these trends cover most of the country, there is regional differentiation. Assessment studies conducted by specialists in the period 1961-2000 showed that there was a significant trend of decrease of snow cover in the western part of the country, especially in the Apuseni Mountains, in north-east of the country. This trend of decreasing the snow layer, already observed in the west and north-east of the country and which might increase in future issues to management of water reserves, reserves that in our country are threatened by future effects of change climate.

Changes in the climate of Romania are fitting in the global context, taking account of regional conditions: temperature increase will be more pronounced during the summer, while in northwestern

Europe the most pronounced increase is expected during the winter. After the estimates presented in the IPCC AR4, Romania is expected to increase the annual average temperature over the period 1980-1990 similar to the whole of Europe, there is little difference between the models with regard to the first decades of the XXI century and more in terms of end of the century:

- between 0.5° C and 1.5° C for the period 2020-2029;
- between 2.0° C and 5.0° C for 2090-2099, depending on the scenario (eg. between 2.0° C and 2.5° C in the case scenario which provides the lowest increase in global average temperature

⁸⁴ 84 WTO, Climate change and Tourism, 1st International Conference on Climate Change and Tourism, Tunisia, 2003,

between 4.0° C and 5.0° C in the case scenario with the most pronounced increase in temperature).

In mountain regions, most affected by the impacts of climate change will be the resorts for winter sports. Increasing temperatures will reduce the tourist season, and opportunities to make sport and recreation will diminish. As a result it will create greater pressure on areas at higher altitudes. Simultaneous summer season will be a greater demand, with negative effects on environment and tourism capacity in excess of certain support areas, which will lead to a diversification of activities this season⁸⁵.

In Romania, the most popular resorts for winter sports are in the Prahova Valley (Sinaia, Predeal, Azuga, Bușteni) and Poiana Brasov. Reduced rainfall in the form of snow was felt in recent years in these resorts, and tourism operators have seen reductions in the number of tourists. In some resorts, winter sports are not the main or only form of tourism practiced, but as Sinaia, Predeal or Poiana Brasov and provide facilities for organizing conferences, business meetings etc., making the tourism business to hold a major share in the number of tourists, and the receipts. A number of mountain resorts (Arieseni, Borșa, Stana de Vale, Văliug, Lupeni Cavnic Baia Sprie etc.), which have no other alternative activities for the winter season, only skiing, will feel more powerful the effects of climate change. Climate change affects tourism activity in Romania and there were taken measures to mitigate the adverse impacts they have on tourism and local communities.

Climate change involves:

- Lack of summer rainfall, more warm than before, which causes increased tourism opportunities within the country;
- Less cold winters, which are favorable for tourism during the year;
- More outdoor activities, favored by the warm weather.

Tourism is generally based on short-term plans, without taking into account the effects of climate change in the long term. In case of mountain resorts can be applied a range of adaptation strategies in order to counter the effects of climate change, such as:

- resorts endowment with machinery that generates artificial snow to help supplement and expand the areas covered with natural snow;
- creation of additional tourist attractions in mountain resorts, alternative to winter sports in winter, so that this cannot be affected by lack of snow;
- introducing tourism activities that can be practiced in mountain resorts (eg. tourism business) in order to address other segments market expansion;
- the extension of the summer season and creation of travel packages for people who can take holidays off season, especially those of the third age.

Some of the measures to be taken, in order to reduce the effects of climate change on tourism, are available in the long term, such as: construction of a technical material in high mountain areas or a tourist infrastructure to address other segments of tourists (business, health tourism etc.).

Tourism is not only affected by climate change, but also contributes to them. Thus, transport tourists to holiday destinations, the resulted waste etc., generates emissions of greenhouse gases. The influence of climate change on tourism should not be regarded isolated whereas major changes in tourism demand may have strong effects on economic and social policy in those areas (eg. the demand for labor, transport infrastructure). Also other sectors, such as agriculture, energy industry, manufacturing industry, the local network of small businesses, which represent a resource of raw materials and materials for tourism, may be affected by changing weather conditions. There is a need of an action plan that takes into account all these aspects and the interference between sectors of the economy.

⁸⁵ 85 *** Ghid privind adaptarea la efectele schimbărilor climatice, material disponibil la adresa www.mmediu.ro/departament_mediu/schimbari_climatice/GASC.doc

Climatic conditions are changing rapidly, creating problems to the tourism operators. Therefore, the tourism sector must develop the capacity to adapt, to maintain viability and to continue to generate economic and social benefits to the local communities, but also to enrich the life experience of tourists.

Characteristics of the mountain tourism resources in Romania

The touristic potential offered by the three sectors Romanian Carpathian (Eastern Carpathians, Western and Meridional) is very valuable and diverse: spectacular relief (karsts, glacial lakes and valleys, strange rocks, grows Alpine narrow, waterfalls), fauna and endemic flora and valuable medieval fortresses, castles and palaces, churches and monasteries, tourist villages where traditions and the port have remained unchanged for hundreds of years. Tourism development in mountain areas should be considered by the responsible authorities a priority to relaunch the Romanian tourism on the internal market and the EU market. Defining the strategy for tourism development in mountain area that offer was based on a good knowledge of mountain tourism potential, the degree of recovery of its international economic situation and European experience in the field.

The strategy starts from the idea of developing mountain tourism on small areas, adapting to the local specifics and in accordance with the new concept of economic regionalization in Romania. Mountainous area no longer been seen only through sports tourism season or climbing trips, but as an area which may develop other alternative forms of tourism: ecological, rural, cultural, speotourism, entertainment, religious, etc. If mountain tourism product, to identify the best strategies we can use matrix GEC (General Electric), adapting it to the requirements of sustainable tourism. In this matrix to evaluate the attractiveness of the market the product as high, medium or low, and effective competition in the same way: high, medium or low. Tourism product review will be placed in the appropriate category, and this position will be used to develop future strategies.

The possibility to include a different number of variables is an asset for this matrix, but can lead to a high of objectivity of a performed. For this reason it has established a set of variables that apply to all products analyzed.

The main strategic objectives of sustainable development of tourism in Romanian mountain regions

Tourism development in mountain areas can be easily made by accessing the Structural Funds, through the Operational Development Programs (Competitiveness, Agriculture and Regional), being fully consistent with the Community Strategic Guidelines, since this activity contributes to improving the attractiveness of regions and creation of new jobs. Investment in tourism and culture will allow regional development in general, and in mountain areas in particular, and to use the advantages of their tourism potential and cultural heritage in identifying and strengthening their identity in order to improve benefits for local communities.

Tourism development will take into account the principles of sustainable development for the purposes of conserving and protecting natural and cultural heritage, but also to reduce the anthropogenic pressure on the environment inherent in the practice of tourism on a large scale. The overall objective of the strategy for tourism development in the mountain area is to create a competitive tourist destination, according with economic and social analysis, the SWOT analysis and the overall development strategy of the Romanian tourism. The specific objectives aimed within this strategy are those of increasing the number of foreign tourists by 10% annually and by 5% of Romanian tourists in 2007-2013.

The first aspect to be covered is the creation of committees at regional level with personalities and professional socio-political representative of the mountain area and representatives of ANT. The role of this committee is to present the tourism development plan and to follow specific adaptation to each area, to prepare an inventory of existing tourism resources, to integrate the guidelines for tourism development in national development scheme. To achieve this goal, the

committee should pursue two strategic axes: the selection of territories and dynamic partnerships. Selecting territories must take into account that the first destinations that have the greatest development potential. The selection criteria can be: potential planning, dynamic private initiatives and political will. In determining the potential of the territory must be taking into account the natural resources for tourism (landscape, fauna, flora); material cultural heritage (built) and intangible resources (traditions, festivals, fairs, gastronomy), all essential services (pharmacies, banks, mail, medical, church); transport infrastructure must be well developed. It starts from the idea that the size of the territory taken into account should not be very large (up to 1 hour of transport).

The land should attract the attention of investors in tourism, who want to highlight the various elements of its potential. You should focus only on local investors, already present in the local tourist economy, but in November attracted entrepreneurs who are willing to start a business in tourism. Romania needs to take account of the fact that a major problem is the capital and therefore should be pursued as these investors to enter into cooperative relations, association to achieve those common services (fixing of the overall development and management of tourist equipment, programs promotion of the area).

Overall planning, the infrastructure and public services that accompany this development, the balance between human and natural resources are very important for the local communities, focused on a strong cooperation. By contrast, public management of tourism activities can only be partial or temporary. Cooperation will enable all communities to enjoy the benefit of infrastructure development. Modernization of roads would allow development not only of that community who manages a tourist site but also those that are along this road.

A possible tourism development strategy for the mountain areas may have some strategic objectives, like:

- *Reorientation of activities towards sustainable tourism, which contributes to the conservation of the natural environment and protects it.* There can be introduced into the tourism and successfully applied, activities such as equestrian tourism, mountain biking, rafting, canyoning, via ferrata etc. These activities are specific to the summer season, by this trying to attract more tourists in the mountain area off-season (winter).

- *Development of tourism activities according to the carrying capacity of the environment and host communities.* Having some examples of chaotic development of mountain tourism it is necessary to implement solutions to reduce the overall impact of tourism on host communities and over the environment, ensuring the satisfaction of tourists: the ability of support, limits of acceptable change, visitor impact management etc.

- *Understanding and monitoring the impact of tourism on the natural environment, economic, social and cultural environment of host communities to minimize possible negative effects.* To implement effectively limits of acceptable change and the assurance of sustainable use of natural resources, the authorities should have a set of clear and concise informations. Since the impact of tourism management is not an exact science, it is very difficult to quantify the impact of tourism on natural environment and socio-cultural. In this situation, management must be sufficiently flexible to adapt to constant changes.

- *Grants and incentives to members of local communities, in order to support conservation and protecting natural resources and to preserve the specific architecture, traditions and traditional crafts.* Mountain tourism should contribute to local economic development and ensure a degree of community welfare. When the community benefit directly from tourism activities, it will have

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a greater interest in limiting the activities unsustainable and conserve natural resources on which tourism depends. In a situation in which communities manage to cover only the costs of travel, benefits will exceed the interest of exploiting resources and protecting the benefits of conserving them. Sometimes this can lead to a situation of hostility and the reluctance of local people

towards tourists, the former having the belief that interest tourists to the supreme interests of the community.

- *Developing eco-tourism, rural tourism and agro tourism, or other alternative form of tourism.*

The existence of protected natural areas and resources of many cultural, traditional could successfully contribute to the development of local communities, thus respecting the principles of sustainable development.

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COMPETITIVENESS OF SMALL AND MIDDLE ENTERPRISES – KEY FACTOR FOR A SUCCESSFUL ECONOMY

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In the literature for the economic activity there are a lot of ways in which the enterprises competitiveness can be understood. Still, up to now, there is no unanimous accepted definition for this concept and all works in this field lack of the little interest in this direction. This research work tries to bring into focus for those preoccupied by this field of activity some trials to define this concept, as well as the intentions showed by the European Union specialists to encourage the small and middle enterprises.

Key words: competitiveness, small and middle enterprises, European Union, structural funds.

JEL classification: M21

In the present highly competitive business environment, the importance of small and middle enterprises (SME) has become more and more outstanding, mostly demonstrated by the following economic and social aspects:

- they bring an important contribution to the strengthening of the competitive environment, they stimulate the market reducing the capacity of the big companies to influence it and undermining their exclusive position;
- they offer a strong individuality of their products and services;
- they represent the most important source of new labor places;
- they present a better response and adaptability to the market needs;
- they create opportunities for the development and adjustment of new technologies;
- they exploit efficiently the market niches which are considered unprofitable by the big companies;
- they exploit efficiently the local resources;
- they represent the suppliers specialized for the big companies;
- they contribute to the development of the entrepreneurial culture and assures the delivery of a high number of entrepreneurs capable to assume risks;
- they stimulate the investments from the population economies or from other funds which, otherwise, wouldn't obtain a profit;
- they contribute to the political and social stability on long and very long term.

The companies' competitiveness represents their capacity to react and also to adapt to the existent changes, both in their external and internal environment, so that they can obtain profit from long term activities. In other words, competitiveness represents a continuous struggle for survival in the market (A. Chikan, 2001).

Another definition for competitiveness suggests the fact this represents the enterprises ability to produce goods and services so that they answer to the more and more demanding requirements of the clients and, in the same time, to meet a more and more fearful competition at the international level.

In 1994, P. Krugman considered that the word productivity can be used as a synonym for competitiveness. The concept of competitiveness refers to gaining a competitive advantage in the market; this advantage determines the market success of the enterprise.

Competitiveness can also be understood as the companies' capacity to create and present in the market products qualitatively superior to those offered by the competition. In conclusion, between competitiveness and market success can be put the equal sign.

S.A. Khader considers that the competitiveness level of an enterprise depends on the following factors: the ability to keep its clients and to raise the market share; the opening direction for new markets; the preoccupation for a continuous improvement of productivity, of products quality and of the services offered in the market.

Other two authors known in this domain, G. Johnson and K. Scholes showed, in 1993, the importance of the environment in which the enterprises develop their activity to put into practice the competitive strategies. The firms competitiveness depends, in the opinion of the two authors, of several factors, among which are: market share, the quality of the resources, the flexibility they are able to create in their specific market etc. In other words, the influence of the external environment on the SME competitiveness is very significant. This idea is underlined by the insecurity of the environment factors, which grows every day, by the stronger and stronger competition in the market and by the very restrictive protection measures for the environment.

In 2006, ANIMMC issued the following definition for competitiveness: the extent an enterprise is capable to invest and its capacity to introduce new products in the market so that to face international competition.

The conclusion drawn from the presented definitions may be that a competitive enterprise is characterized by the following two elements:

- it is capable to identify those valuable elements important for its clients;
- it is capable, by the help of the owned resources, to create and offer in the market the valuable surpluses previously identified.

SME represent the core of any economy and an important factor for the labor force. The European Committee shows a great concern for SME. The main priority is represented by the improvement of the financial environment and the multiplication of the regulations for allocating facilities to European SME.

At the European level it is considered that bureaucracy costs could be reduced with about 25% for SME. So, the companies will be able to spare approximately 150 billion Euro and the Gross Domestic Product (GDP) in the European Union will increase with 1.5%. Also, the European Committee funds for SME will grow so that more and more enterprises to be able to access them. Between 2007 and 2013, the regional development funds will contribute with about 200 billion Euros to improve business, work places and economic growth; the SME will have access to a great part from this sum of money. The research and development programs produced by the Economic Committee will offer SME approximately 6 billion Euros to finance the research works. Up to the end of 2013, the European Committee expenses to promote the entrepreneurial and innovation spirit will increase up to 60% compared to 2006, due to the 3.6 billion Euros supplied by the new Program for Competitiveness and Innovation. Out of this sum of money, 1 billion Euros goes to the financial assistance for SME.

One of the main problems of SME, which the European Committee has focused to solve, is the easier access to useful information. For this purpose, it was created the SME portal <http://ec.europa.eu/enterprise/sme/>, easy to access and use. On this portal one can find information about:

- finance opportunities for SME;
- services for assistance;
- the importance of SME for the European economy and for creation of new work places;
- creation of European politics to support SME;

- the encouragement of entrepreneurial spirit in Europe;
- the territory where the created European Union politics for supporting SME are applied.

Another problem worth to be solved by the European Committee is the bureaucracy. A series of studies shows that over 10% from the enterprises which use only one employee would hire staff if the formalities would be easier to fulfill. Because of the fact that these enterprises represent more than half of the total European Union enterprises, solving this problem would mean to obtain more than 1.5 million new work places. As mentioned before, by a reduction of 25% in the bureaucracy costs would be obtained an increase of 1.5% from the European Union GDP, that is about 150 billion Euros.

For the moment, the European Union is very preoccupied to reduce bureaucracy, both in the existing legislation and in the legislation proposals. Between 2005 and 2008, 220 laws and 1400 texts from secondary legislation were examined; at the beginning of 2007 half of the laws previously taken into account has already been debated.

Another very important aspect is represented by the reduction of the formalities in SME public auctions. The main difficulties met by SME when involved in public acquisitions are the inefficient information concerning the auction's procedures, the lack of expertise to prepare the offer, the lack of money to react in such a short time and the difficulty to fulfill the administrative requirements. So, one of the priorities of the European Committee is constituted by taken measures so that to create equal conditions for the enterprises participating to public auctions.

An essential element to start or develop a business is to find the adequate financing forms. The European Committee supplies guarantees for SME, in order to obtain the loans from banks. Also, the Committee facilitates investments of risk capital for SME. The European Investment Funds is the institution that supplies all these financial instruments.

Between 2001 and 2006, 510 million Euros were distributed and over 1 billion Euro was allocated as part of the new Program for Competitiveness and Innovation of the Committee which has been developed between 2007 and 2013. The financial institutions will be able to supply about 30 billion Euros as new financial possibilities for around 400,000 SME in Europe.

The loyal competition is another very important aspect for the SME in the European Union. The European Committee focuses its activity on preventing the abuse from a dominant position. The Committee pays a great attention to the complaints received from the SME signal non-competition practices used by the important companies; these great companies exploit their power to destroy the less significant competitors. There are, also, forbidden the mergers which could create or consolidate a dominant position in the market.

The creation of the entrepreneurial spirit is also very important for the European Committee. For this purpose the Committee cooperates with the national authorities in order to implement the entrepreneurial tuition in the education programs at all levels. By the help of these activities, the young people learn the significance of the entrepreneur concept and, also, their creativity and desire for initiative are stimulated; these elements are considered essentials for a successful entrepreneur.

The support for SME worldwide extent is done by a permanent examination and updating of legislation, so that to guarantee the correct development of the market and the acceptance of the fact that the SME may use stable regulation all over Europe. The new regulation for the services, for example, will reduce bureaucracy in the commerce with services and will encourage the European companies to extend over the borders.

The research and innovation activities are, mostly, more difficult to implement for SME than for big companies. The lack of financial resources and experience, as well as the difficulty in finding a competitive business partner are defining factors for the "disabled" small enterprises at this chapter. That is the reason why the European strategy regarding innovation wants to create better business conditions and to eliminate the obstacles in the market.

The Program for Competitiveness and Innovation finances investments, especially those for SME, in innovatory activities. The program objectives are:

- the improvement of the access to finance;
- the promotion of the eco-innovation;
- the continuity of finance for community services which support business and innovation.

The program has a budget of 3.6 billion Euros for the period between 2007 and 2013. Also, The Committee supports the development of some so-called “leader markets” referring to those sectors with the greatest development potential of the new innovations for the commercial products.

In order to stimulate the innovation, ideas protection becomes more and more significant. The companies need to protect their creative ideas, as well as their rights of intellectual property (RIP). The Committee tries to intensify the understanding of RIP and offers support especially for SME, in order to determine them to exploit at maximum the intellectual property.

The finances for regional development are crucial in reaching the objectives established by the European Union concerning competitiveness. From the budget point of view, the structural funds will offer more than 300 billion Euros for the financing of regional development between 2007 and 2013. More than two thirds from these funds have been allocated to actions promoting the development of the enterprises and of the work places.

The rural development, a main priority for European Union, will benefit of a additional support. About 80 billion Euros will be available for the increase of agriculture competitiveness and for diversifying the economy of rural zones. Moreover, special efforts will be done for fishing and for the regions with specific characteristics, for example in the mountains or the most remote parts of the European Union.

The expenses are meant for problems and activities which support the SME development, such as innovation and finance. The SME will receive very important financial resources. In the present, all the regions are appropriate for finance from structural funds. In the less economical developed regions, the SME will be able to obtain a direct support, if they respect certain conditions, while in the rest of the European Union, the support will be available for associations of enterprises, support agencies, local administrations and other intermediate structures. In all these regions, the structural funds are focused on co-financing of business locations assistance programs, formation and finance of SME, technology transfer, groups of activities in SME and network activity.

The project selection for finance is always fulfilled at a regional level. The SME and other organizations interested in structural funds must, therefore, to contact the local authorities and to do some research upon the present finance possibilities.

In conclusion, the start of a new business needs much more than a simple idea. It is essential to exist a person capable to assume the risks of his own business and to have the professional and managerial qualities necessary to lead it. In other words, this person must prove entrepreneurial abilities which are compulsory if a long term success is taken into account. A very eloquent definition of the entrepreneur is that produced by the authors Longenecker, Moore, Petty and Palich in 2006, emphasising very well the main characteristics: the entrepreneurs are those individuals who discover new needs for consumers and who are capable to develop business responding to these needs.

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THE PRESENT STAGE OF CAPITALIZATION OF THE TOURISM POTENTIAL IN ROMANIA

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Tourism resources – elements of the natural and cultural - historical environment – have been capitalized in tourism from ancient times, even if we refer only to the spring waters or to the religious sites from Antiquity and the Middle Age, that were generating sightseer flows.

The capitalization of the tourism resources and the development of tourism have to be constitutional correlated with the general stipulation of the complex systematization of the territory, which ensures a harmonious development of all economic sectors and also a blend between the criteria of economical efficiency with the social ones.

Taking all these facts into consideration, this paper work submits to carry out an analysis of the present development degree of capitalization of tourism potential in Romania. The degree of capitalization of the tourism potential for every particular tourism destination will be followed. In the end, the conclusions of the analysis and also the solutions for a superior capitalization of the tourism resources from our country will be presented.

Key words: tourism, resources, development, accommodation, tourists

JEL Classification: P17, Q56

1. Introduction

Practice proved that Romanian tourism has known till present times an extensive development especially a conjuncture one, without a unitary conception that would comprise all the categories of tourism resources. This conception led , on one side to investment wasting, that on territory level achieved incomplete and especially uncompetitive „tourism products”(mountain products, spa products, cultural one, etc.), and on the other side, tourism sites and areas with representative or unique tourism potential were left behind (Vellas and Becherel, 1999).

An efficient method to establish the capitalization degree of the tourism potential implies comparing the existing attractions with tourism endowment and the intensity of demand (Minciu, 2005). Taking in consideration the equipment and tourism circulation indicators, one can determine the capitalization degree.

In accordance with these assessments, studies show for Romania a relatively poor capitalization degree of the tourism potential, of 20 – 30%. In order to sustain this statement, other pieces of information are disclosed. Therefore, in 2007, Romania was disposing of 283.701 accommodation places, which represented 12,2 places for 1000 inhabitants and 1, 16 places for an area of one square km, a very poor situation in comparison with countries with tourism tradition - where these indicators are very high: in Austria 142,5/ 13,6; France 87,9/9,2; Italy 56,3/10,7; Spain 59,8/4,6 (Briggs, 2001).

2. The distribution on areas of the major indicators of tourism activity in 2007

At the level of our country, significant disparities regarding the level of capitalization of the tourism areas and resorts are recorded, therefore, in order to assess it, the study of tourism indicators of the main tourism destinations is necessary: in particular for the seaside, the Danube Delta, spa areas, mountain areas, major cities and their outskirts.

Table 1 The distribution on areas of the major indicators of tourism activity in 2007**- percents -**

Area <i>Indicators</i>	Total Romania	Seaside	Spa Resorts	Mountain Resorts	Danube Delta	Bucharest and Residence cities	Other cities
No. of units	100	19.86	7.93	20.84	2.15	17.81	31.42
Existent accommodation capacity (no. places)	100	41.55	13.54	11.08	1.15	19.03	13.66
Check – in tourists, from which	100	11.42	10.64	14.31	1.06	47.48	15.09
Romanians	100	13.61	13.02	16.21	1.00	39.96	16.20
Foreign	100	3.74	2.32	7.67	1.29	73.76	11.22

Source: calculated according to *The existent tourism capacity in 31 July 2008*, The National Institute of Statistics, October 2008.

If we analyze the accommodation units on tourism destinations, in 2007, one can observe that 31% of them are located in other cities and 18% in Bucharest and other county residence cities. These areas receive annually more than 50% from tourism arrivals for vacation and business. In the seaside area there are 20% of the accommodation units, and in the mountain area 21%. For achieving performance tourism, the number of these units is not sufficient, and the main tour-operators take into consideration these elements when they establish tourism contracts with our country.

In what concerns the number of accommodation places, these are divided in the following way: on the seaside can be found more than 41% of them, many of them situated in gigantic hotels built before year 1989, or in villas opened after the 90s by small tourism entrepreneurs.

If the hotels are analyzed on vacation destinations in 2007, the situation is the following: in county residence cities there are 390 hotels, second places being taken by the seaside, with 295 hotels. On the third place is situated the areas of other cities with 158 hotels, the fourth place is being assigned to spa resorts, with 118 hotels and the mountain area disposes of 104 hotels, being situated on the fifth rank. The last place is assigned to the Danube Delta area, where one can find 16 hotels.

The hotels and restaurants sector achieved this year a turnover of three billion euros, increasing with 45 than the last year, according to five star Hospitality estimations, based on the data offered by the National Institute of Statistics and by the National Commission of Forecast. If for year 2007, the turnover increasing rate was of 15 %, in 2008 the increasing degree did not manage to exceed 4%, as a result of the last trimester decline and due to the effects of the financial crisis. Therefore, the turnover of the hotels and restaurants sector achieved in 2008 represented only 2,2% of the GDP.

According to the World Tourism Organization (WTO), because of the world wide economic crisis, tourism arrivals stagnated, and in other regions even declined with 2%. Europe will be the most affected region because the main countries that the tourists emanate from got into recession

(Beirman, 2003). In Romania, the number of tourism arrivals has been of 6972 thousands, from which 1551 foreign ones.

3. The capitalization of the Black Sea tourism potential

The Romanian seaside tourism appeared in an organized framework, from the second part of the XIX century and acquired importance after year 1956, when it began the construction of large hotels.

The natural conditions, extremely favourable for practicing a complex tourism, permitted the construction of a strong infrastructure for accommodation, public alimentation, entertainment, treatments, etc. in 12 resorts, the Romanian marine seaside being considered as the main tourism area from our country, even though, because of its particularities is characterized by seasonality. At the level of 2007, at the seaside region existed 932 tourism units (about 20% from the total number of units from that area) and 117.864 places (representing 41, 5% from the accommodation spaces of our country), the 12 resorts having 295 hotels and 300 public alimentation units. In addition, even if it has a small surface, the seaside records the highest capitalization degree (80%).

If from the quantitative point of view, in the facilities domain with tourism equipment, the seaside is in a good statute, from the qualitative point of view this equipment has a high degree of wear- many of them have a length of service over 27 years-which require investments for modernization; also the recreational facilities are not up to international standards and sometimes the quality of the services is poor (Minciu, 1999). These are the causes why the tourism demand records low levels, therefore all of those who benefited in 2007 of accommodation services at the seaside, hosted 13.61 % of Romanian tourists and 8% of foreign tourist. Confronted with all of these considerations we have to consider also the potential elements that are decreasing and reducing gradually (the beach, the therapy mud), leading to the diminution of tourism potential at the seaside.

4. The capitalization of the tourism resources in the Danube Delta

Compared with the exception value of Danube Delta, the technical equipment, and especially the organized tourist movement is very low. These make that the tourist potential to be below possibilities. We take into consideration not the achievement of crowding of accommodation spaces on land, but a proper endowment with hydro buses, boats, and bedroom ships etc., clean and modern boats proper for deltaic ecosystem.

The tourist equipping of Danube Delta is modest, about 3266 accommodation places in 101 units, representing 2% of the total exiting places from our country. In the establishments of tourists reception were recorded in 2007, about 1% of Romanian tourists and 1.29% of foreign tourists, which show a low development degree of attractions and requires major concern in developing new facilities, both for hosting and for recreation, in order to attract more tourists. Certainly the concept of the Delta capitalization must be subordinated to the requirements imposed by the statute of biosphere reservation which it owns.

5. The capitalization spa tourism potential

Currently, Romania has over 160 resorts and cities with natural treatment factors, which amounts to 13.54% from the total of accommodation places from the country.

In most of them were built modern hotel and sanatorium treatment complexes, from which the services of accommodation, meals, diagnosis and treatment are provided in the same, building (Băile Felix, Băile Herculane, Sovata, Băile Tușnad, Covasna, Călimănești-Căciulata, Mangalia, etc).

Overall, the spas area has 372 tourism units(7.93% from total units) and about 38.404 accommodation places (13.54% from total places),in 2007 the demand was only 13.02% of

Romanian tourists and 2.32% of the foreigners ,have expressed their requests for spas area, all these showing an insufficient exploitation of the natural treatment factors and of existing equipment. This situation is largely attributable to a decreased comfort of facilities, the high degree of attrition, poor endowment with modern treatment equipment. The solution would be to diversify the offer of treatment, but also the diversification of holiday spending, simultaneous with the increasing in the quality of services (Tribe, 2005).

6. The capitalization mountain tourism potential

Analyzing the degree of technical equipment of mountain massive (in terms of accommodation units, of ski path, of the cable transport, of the accessibility of marked paths, etc) as well as of the tourism movement results the following:

- technical inadequate endowment: from the total of the 60 massive examined, about 20 have a certain technical equipment, and only 13 have a better equipment (Postăvarul, Bucegi, Gârbova, Cindrel, Semenic, Ceahlău, Muntele Mic, Țarcu, Făgăraș, Rodnei, etc.);

- the mountain tourism has 31448 accommodation places (11.08% from the accommodation capacity of the country) in 978 hotel units, approximately 108 chalets have about 5574 places that do not cover the mountain space, and from the technically point of view ,in general are inadequate; technical equipment includes: 61 cableways(funicular railway)-cables, lifts and ski lifts-which amount to 62 km in length (compared to 3696 cableways in Austria, 3033 in France, 1534 in Switzerland), nearly 80 km of (upgrade) arranged ski parts (compared with 9500 km in Austria and 2500 in France), from here results a reduced share of the number of foreign tourists (9.61%).

The establishment of tourist reception from the mountain area focuses on 8 resorts and 5 tourist complex ;from these only 4 resorts (Poiana Brașov, Sinaia, Predeal și Bușteni) and 3 tourist complex (Durău, Semenic și Borșa) provide adequate international tourism facilities.

Analysis performed above shows that the Romanian Carpathian mountains has a great tourist potential, with real possibilities for use in tourism, but it is insufficiently exploited.

7. The capitalization of the county residence towns and other settlement (urban or rural)

Tourist movement in this area recorded about 39.96% of Romanian tourists and 73.76% of foreign tourists, which allows assessment of a good exploitation.

Regarding Bucharest and county residence cities, these are suitable for a cultural tourism and in special the business tourism, expensive and lacking of seasonality. Destined both to the tourism and to the transit movement or to the un-tourism movement, these areas enjoy good equipment about 19.03% form all the accommodation places, many of them in units of superior comfort hotels - 4 and 5 stars.

However, because in this area tourist flows can not be separated from the un-tourism ones ,the situation described above, regarding tourist movement reflect only partially the reality, with the exception of cities such as Bucharest, Brașov, Cluj, Sibiu, Suceava, Neamț, where it is needed exploitation of quality and quantity.

8. Conclusions

In present and future conditions of Romania development, the superior exploitation of tourism resources is necessary, with poignancy, as in any economic field. This involves a complex and efficient operation in an intensive tourism, a protection and a conservation of the tourism value.

According to the analysis made on the Romanian tourism potential results that it is poor capitalized, that there are many landmarks, which are not included in tourism circuit. There are imposed measures in the design of planning strategies for development and modernization, according to specific areas-the biosphere reservation, national parks, natural reservation etc., for

accommodation equipment, food and entertainment. It also should be take in consideration increasing the quality of offered services, and diversify of the tourism form.

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THE BAKERY INDUSTRY—A FAVOURABLE ENVIRONMENT FOR THE ROMANIAN ENTREPRENEURS

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The entrepreneurship is a complex phenomenon covering all sectors of activity. The bakery industry doesn't represent an exception from it, especially because this industry permits and encourages innovation. The aim of this paper is to present a series of arguments for and against the idea that the bakery industry could represent a favorable environment for the Romanian entrepreneurs to initiate and develop a business. The purpose of the paper is to provide a clear image on the Romanian bakery industry by presenting its strong and weak points, allowing the entrepreneurs to decide on initiating and developing businesses in this area.

Keywords: bakery products, bakery, equipments, entrepreneurship.

Jel Classification: M1,M2,M3,Q1.

Introduction

Bread is part of the consumption habitudes of almost all the nations in the world. Bread ensures more nourishing substances than any other food source. Bread is the main food for daily consumption; this is why bakery products manufacturing was, is and will always be the society's main preoccupation. The bakery industry is known from the ancient times and has evolved with the human society. The products in the bakery industry play a key role and are very important in people's activity, with a permanent action in the manufacturing and consumption of the bakery industry products.

The purpose of this paper is to provide a clear image on the Romanian bakery industry, by presenting its strong and weak points, allowing the entrepreneurs to decide on initiating and developing businesses in this area. The present paper is composed of two chapters; the first one briefly describes the bakery industry in Romania and the second one presents a series of strong and weak points of the industry.

Brief description of the Romanian bakery industry

This part of the paper presents a short description of the Romanian bakery industry, by briefly emphasizing its evolution from the beginning up to now.

The bakery, namely the manufacturing of bread and other bakery products represents one of the oldest labors in Romania. At the same time, bakery represents a major component of food production. The Romanian bakery industry comprises bread factories, bakery products, biscuits, flour paste ware and expanded products.

In Romania, the industrial production of bread has started at the end of the 20th century, within the army who built the first high capacity bakeries, equipped with high level technological equipment, for that era. The first bakery in Romania was built in Bucharest, in 1891 and has

become the core of the bakery industry in our country. After the First World War, bread manufacturing units were created all along the country with several employees and new manufacturing technology. After the Second World War, the production of bread and bakery products was organized on a new basis, taking into account several objectives such as, the increase of the production capacity in order to satisfy on industrial scale the entire quantity necessary for consumption, the mechanization of all the difficult processes, the diversification of the ranges or the improvement of the hygienic-sanitary conditions for manufacturing. Furthermore, in the same period, the bakery industry has also become a scientific and professional research area. The first special courses were thus organized for all the preparation levels in the area, in professional schools and universities. In order to have a complete image on the development degree of the bakery industry in Romania up to 1989, it is necessary to mention the fact that the specificity of the grist and bakery industry is that it develops in industrial complexes. These industrial complexes represented groups of grist and bakery enterprises and were usually composed of gristmills for wheat flour, bread and bakery products factory, biscuits factory and flour paste ware factory. The transition period characterized by difficulties and radical changes modified also the image of the bakery industry in our country, after 1990. The consumers' growing demand on the ranges and quality of the bakery products is observed lately and will be observed in the future. Several small units with a more flexible technology entered the Romanian market of the bakery industry, after 1990. It had a strong social impact on the restructure and diversification of the products and lead to the market competition intensification which has forced the big units to adopt modernization measures. Thus, the technology of approximately 12% of the total capacity of the big industrial groups for the manufacturing of bakery products was improved. A large international opening is necessary in the context of Romania's accession to the European Union as a critical factor that can promote the fundamental ideals and interests of the Romanian people. Consequently, the bakery industry also needs to diversify and restructure its production and marketing, by several strategic options aiming at promoting coherent policies compatible with the European Union mechanisms. These policies target the structural adjustment, the development and modernization of the physical, scientific and social infrastructure, the renewal of the technology used in the production and marketing of the bakery products and the creation of a favorable business environment for the modernization and development of the bakery products.

As a short conclusion, it can be said that in the Romanian bakery industry before 1989 there existed equipments and machines manufactured in the country, with high energy consumption, low productivity and high production costs, as compared to the international technologies. The optimum technological parameters couldn't be ensured and thus the products didn't fully comply with the quality indices that could make them competitive on the external market. After 1990, the bakery industry entered a restructuration and privatization process ensuring the processing and valorization of the agricultural products. This was made by continuously improving the quality and diversification of the products in the bakery industry for reaching the European Union's standards and requirements, in view of increasing the competitiveness and accession to the external market.

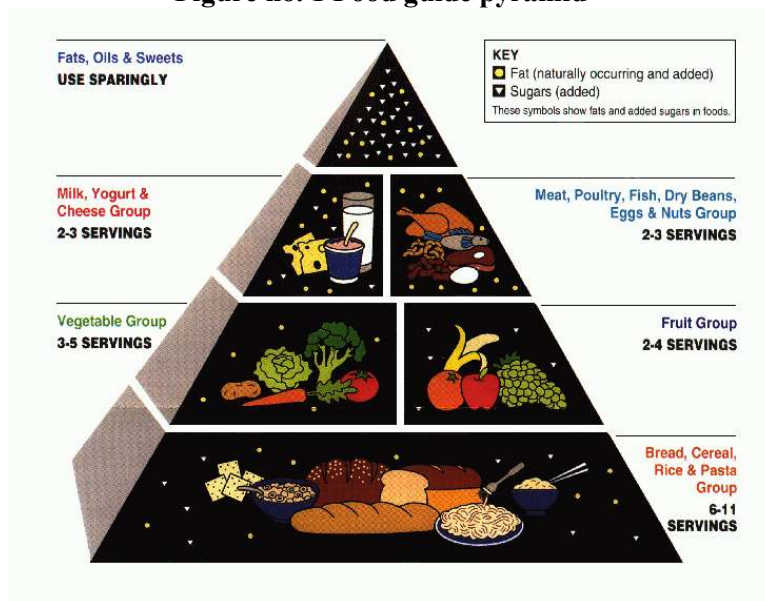
After having briefly described the Romanian bakery industry, the paper aims at analyzing a series of strong and weak aspects of this industry.

Considerations on the development of the Romanian bakery industry

The paper briefly presents a series of strong and weak points of the Romanian bakery products that could represent at the same time a series of arguments in favor of and against the idea that this industry represents a favorable environment for the entrepreneurs in order to initiate and develop businesses.

A series of foods that are part of the consumption habitudes of various nations is part of the multitude of worldwide foods. Among these, some foods are consumed by the majority of nations. The bread and the bakery products are part of the above foods category. The bread is part of the category of “foods with tradition”, the historical sources proving the fact that the first bread was made during the Neolithic age, more than 12.000 years ago⁸⁶. At the same time, the bread is a basic food in the daily nourishment. The bread and the bakery products are foods that shouldn't be missing from the daily nourishment of each person.

Figure no. 1 Food guide pyramid⁸⁷



Source: <http://www.eat-online.net/italian/pyramid.gif>

Food guide pyramid (fig. no. 1) illustrates the importance that people should grant the bakery products situated at the basis of the pyramid. Food guide pyramid informs the consumers on the recommended consumption quantity of each alimentary group in order to assimilate the necessary nutrients and to maintain the calories, the fats, the cholesterol and the sugar to an optimum level. The bread and the bakery products represent an important source of proteins, vitamins and mineral salts. Thus, it can be appreciated that in the human food, the bread and the bakery products play a key role. The bread was, is and will always be one of the most consumed foods of the majority of the Romanian population with medium revenues.

Table no. 1 Consumption of bread and bakery products during 2005-2008

Year	2005	2006	2007	2008
Consumption (kg/inhabitant/year)	120	118	115	113

Source: The Group of employers in the Grist and Bakery area

In the above table (table no. 1) it can be seen that during 2005-2008, the consumption of bread and bakery products has registered a decreasing trend, from year to year, the consumption decreasing by an average of 2,33 kg/inhabitant. At the same time, if we establish a prevision based on the data presented in the above table, and taking into account the decreasing trend, in

⁸⁶Dorin V. Popescu, Bogdan C. Onete, Puiu Nistoreanu, “The bread-necessity or trifle?”, “Trade Magazine”, no. 1, Bucharest, 2006, p. 6.

⁸⁷A serving represents a slice of bread, 30 grams of cereals, a cup of rice or boiled flour paste ware.

2011 the consumption will reach the value of 106 kg/inhabitant. But, even though the evolution of the bread and bakery products consumption has registered a decrease from one period to another, with its 113 kg bread consumption in 2008, Romania is much above many European countries where the average is of approximately 80 kg/inhabitant/year. At the same time, it can be considered that the request for bread and bakery products will always exist, irrespective of its level. The consumers will never give up on bread, irrespective of the economic context. Thus, the request and the consumption of bread and bakery products can be considered an argument in favor of the initiation of a business in this area.

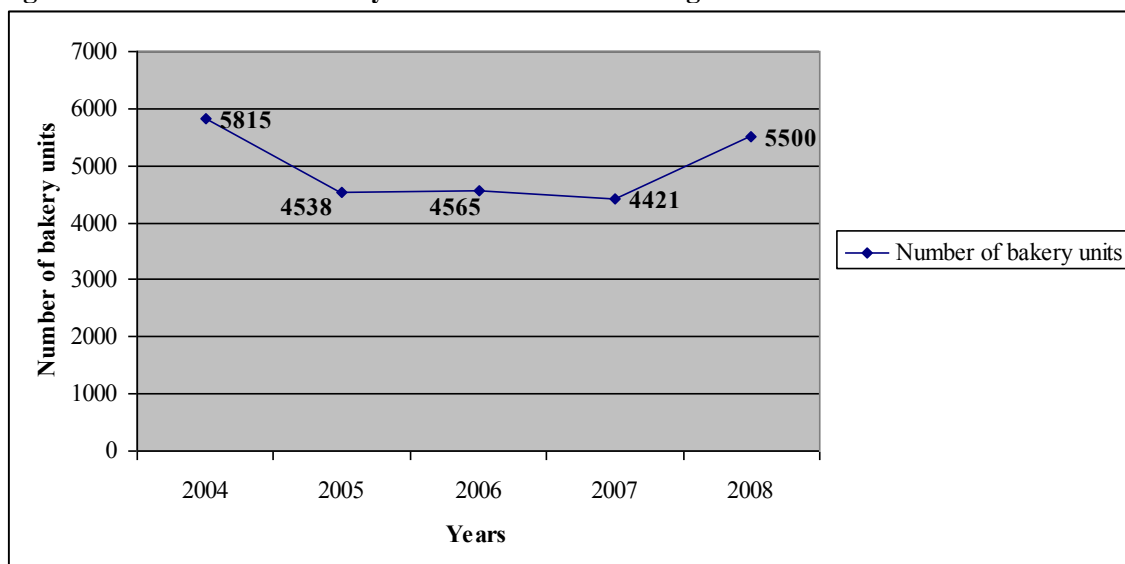
The access to various funds is another argument in favor of considering the bakery industry a favorable environment for initiating and developing a business. In 2008 the grist and bakery sector was granted for the first time European funds that can be used for the modernization and development of the sector. 80 million Euros are available and these funds can be accessed in 2009, after they are approved by the European Commission of the “Programul National pentru Dezvoltare Rurala (PNDR)” - “National Rural Development Programme” (NRDP). These funds can be accessed by the enterprises, in order to buy new machines, but also to build new factories or bakeries. Furthermore, the National Rural Development Programme will be more easily accessible starting May 2009, because the representatives of the Agriculture Ministry worked together with representatives of “Agentia de Plati pentru Dezvoltare Rurala si Pescuit” (APDRP) - the “Payments Agency for Rural Development and Fishing” (PARDF), in view of simplifying the method for submitting the documentation necessary to access the existing funds.

Another aspect of the bakery industry that could constitute a motivation for the initiation and development of a business in the area could be the labor force. Thus, in 2008, in the bakery industry there were 60.000 employees, of whom 15.500 were commercial workers and 44.500 were directly productive workers. Less than a half of the 15.500 commercial workers, were qualified, namely 6.500. Also, less than a half of the 44.500 directly productive workers, were qualified, namely 18.500. Thus, it can be appreciated that in 2008, 40% of the total number of employees in the bakery and pastry units in the country were qualified workers. It is easier and cheaper to attract and recruit unqualified personnel than to attract and recruit qualified personnel. But, according to a survey made in 2005 on a sample of 250 producers in the grist and bakery industry, one of the main problems of the respondents is labor force recruitment of qualified personnel. Thus, this aspect could be partly considered a weak point of the bakery industry. It is mentioned “partly” because there is a resolution for obtaining qualified personnel. You can either invest in the recruitment process, by appealing to personnel recruitment and selection agencies or you can attract unqualified personnel and you invest in their training. Various organizations offer different professional training courses. For example, since March the 1st, 2007, “Patronatul de Morarit si Panificatie” (Rompan) – “The Group of Employers in the Grist and Bakery area” received an authorization from the Ministry of Education and Research to organize professional training courses for the employees in the alimentary industry. At the moment, Rompan organizes professional training courses for various qualifications such as baker, miller-grain elevator operator, pastry cook, flour paste ware preparer or technician for alimentary products analysis. In the program offered by Rompan, the professional training is composed of various initiation, qualification, perfecting, and specialization and requalification programs. The professional training is differently organized on levels of training, professions, occupations, crafts and specialties, taking into account the needs of the employers, the basic competences of the candidates, the demands of the jobs they occupy or wish to occupy, their abilities to promote or to be employed. The courses organized by Rompan comply with the legal requirements in force; at the graduation of the courses, the participants are awarded a Professional Qualification Certificate issued by the Ministry of Work, Social Solidarity and Family recognized both on national and international level.

Another weak point of the bakery industry could be the equipments used by the specific enterprises. Bread and bakery products manufacturing involves several different equipments, from machines and installations for raw materials, up to baking ovens. The costs of some of these equipments vary from one producer to another and from one model to another, but are not easily accessible to all the entrepreneurs in the area. Thus, this aspect could be considered a weak point of the industry. But, just as in the case of the qualified labor force aspect previously mentioned, there exist various opportunities for resolving this situation. For example in 2008, Helco launched the “Rubbish” program for bakeries. Helco is part of a group of societies acting in various fields of activity such as consultancy, service, bakery machines production, materials warehouse, bakery machines and calculation technique import, electronic products and equipments marketing, electrical goods or IT products, and is one of the main suppliers of machines used in the bakery products. Helco performed together with a famous research institute a survey and they found out that over 70% of the bakeries in Romania use equipments with a wear degree much above the normal limits. Thus, starting from September the 1st, 2008, Helco initiated a campaign aiming at stimulating the entrepreneurs in the bakery industry to replace the old equipments with new ones, by granting a discount up to 3.000 Euros, depending on the category they belong to.

Other aspects of the bakery industry that could be considered both weak and strong points are strongly tied to the accession to the European Union. On one part, the accession to the European Union signifies an easy access to raw materials who registered an increase in the EU’s average for the price of wheat from 116 Euros/ton in December 2005 up to 134 Euros/ton in December 2008. The accession to the European Union has created a sale market for the Romanian producers, but Romania has also become a potential sale for the foreign producers, which lead to the strengthening of competition. At the same time, the competition between the Romanian bakery units on the national market is strong. According to the survey performed in 2005 on a sample of 250 producers in the grist and bakery industry, previously mentioned in this paper, the most difficult problem of the bakery enterprises questioned is the competition.

Figure no. 2 Number of bakery units in Romania during 2004 - 2008



Source: The Group of employers in the Grist and Bakery area

As one can see in the above figure (fig. no. 2), the number of bakery units in Romania has registered an oscillating evolution during 2004-2008, varying with approx. 79 bakery units from

one period to another. Thus, in 2005, the number of the bakery units dropped suddenly from 5.815 to 4.538, and afterwards it registered a small increase in 2006, followed by a small decrease in 2007. In 2008, the number of bakery units in Romania has registered a strong increase, reaching the value of 5.500 units. Thus, it can be seen that on the Romanian bakery market there exists a quite strong competition.

Coming back to the aspects connected to the accession to the European Union, it can be appreciated that the accession forced the Romanian entrepreneurs in the bakery industry to get in line with the Union's norms. In this way, in 2007, the enterprises acting in the grist and bakery industry have invested over 300 million Euros for the modernization and implementation of the requests imposed by the Union. These investments necessary for the operation according to the EU norms wouldn't be considered a weak point of the bakery industry in Romania, if they hadn't been emphasized by an inappropriate legislation in the area and by the strong presence of the fiscal evasion and of the black market. Consequently, the inadequate legislation and the quite frequent legislative modifications in the area represent a very weak point of the Romanian bakery industry. In our country, the European legislation is improperly implemented, being probably the sole country in the world that after passing a law, also passes application norms drawn up in such a way that they can be eluded. Thus, next to the bakery units that have got in line with the EU's norms, there are also other units that don't observe the in-force legislation. At the same time, the black market and the fiscal evasion represent major problems of the bakery industry in Romania. According to the sayings of the president of Rompan, the underground economy in this sector was of 40% in 2008 (the highest level in the EU), and the fiscal evasion inside the chain wheat-flour-bread is of almost 700 million Euros every year. A main cause of this phenomenon could be the extremely high level of the taxes and duties and especially of the VAT that rises up to 19%, as compared to the European average of only 5-7%.

In conclusion, we appreciate that innovation is a strong point of this industry. Thus, the bakery industry is an industry that encourages and promotes innovation. For example, new ranges or shapes of bread, biscuits, flour paste ware, etc., can be discovered at any moment in this area.

Conclusions

Even if the menu of the Romanians varies from one day to another, there exists anyway a constant that is not missing from their table, irrespective of the season or the economic environment condition: the bread. The bakery industry, an industry with tradition worldwide was, is and will be one of the basic industries of our country.

The aim of this paper was to present a short but clear description of the Romanian bakery industry in view of encouraging the initiation and development of a business in the area. Thus, it can be seen that the Romanian bakery industry has both strong points such as the existence of various financing programs and funds, or the promotion and stimulation of innovation, and weak points such as the strong presence of an underground economy or of the fiscal evasion. The future entrepreneurs are to appreciate whether the Romanian bakery industry is a favorable environment for the initiation and development of a business.

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CREATIVE ECONOMY. DETERMINANTS AND STAKES OF CREATIVITY AND INNOVATION MANAGEMENT. REGIONAL INGRESSIONS

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Within the framework of creative economy the creative and innovative management represents a strategic issue to consider when stimulating the enhancement of competitiveness among companies and countries. Creativity, innovation and new product development are the main aspects that should be referred to in order for a company to achieve a leading position, both on local and global markets. Besides the reinforcement of active policies within companies, there should be economy-wide approaches for stimulating nation-wide creativity and innovation through various policies (quality of the environment, talent retention etc.). The aim of this paper is to outline the main determinants and stakes of creativity and innovation management in the context of the knowledge-based society.

Keywords: creative economy, innovation, creative and innovative management, creative place

JEL classification: O0, O1, O3, R1.

1. Creativity and Innovation at the Centre of Competitiveness Concerns

There are six main internal determinants for competitiveness based on creativity, innovation and new product development: organization strategy & availability of resources; new technologies; intensity of research and development activities; organisation culture & communication; organisation structure and motivation of employees & their involvement⁸⁸. However, there are authors who argue that competitive advantage can be achieved by dint of technologies alone. According to such authors, new technologies are to turn into efforts into new products. In this respect, it is within the scope of research and development to create and improve the technological potential⁸⁹. In our opinion, technologies alone cannot play this complex role without a backup coming from the aforementioned factors.

In addition, we would like to mention the impact of *interdisciplinary and multidisciplinary approaches* within the innovation process. It is comprised of *the formal and informal framework* that brings together organisations from different industries and technological institutions around common purposes and objectives. This framework enables the combination of competences and the integration of extremely necessary knowledge and abilities for creating technologies and complex products for the market. This type of *cooperation* should be: *diverse* (for actors and competences), *coherent* (integrating complementary activities) and *interactive* (tight cooperation relations). In this context, forming *interdisciplinary heterogeneous teams* would also play a key role for the cohesion of idea generation and subsequent efforts.

This *diversity* mainly refers to the education attainment level of the members who are part of such heterogeneous teams. There is a direct relation between the education heterogeneity of the

88 Alves, Jorge, Marques, Maria José, Saur, Irina, Marques, Pedro, Creativity and Innovation through Multidisciplinary and Multisectoral Cooperation, in "Creativity and Innovation Management" 16 (1), 27–34, 2007.

89 Reger, G., von Wichert-Nick, D., A Learning Organization for R&D Management, in "International Journal of Technology Management", 13 (7/8): 796-817, 1997.

team, the innovation degree embedded in products, the degree of detection of environment opportunities and the openness of the strategic planning created by the entrepreneurial team.

Creativity and innovation are present at all business levels – from the management of company to aspects pertaining to development, branding and product state. Companies face rapid changes due to growing market competition on the one hand and their efforts to keep the pace or improve their position on the other hand. Creativity outputs render the company more attractive both for clients and for partners. In other words, business future, profitability and *sustainable competitive advantage* largely depend on their degree of creativity. Therefore, innovation requires also flexibility, because innovation that cannot be commercialised is worthless⁹⁰.

A company is *innovative active* if it is involved in:

- the introduction of a new product (good or service) or a significantly-improved one;
- unfinished or abandoned innovative projects;
- expenses for internal research and development activities, training, accumulation of external knowledge or machines and equipments to be used for innovation activities.

Creativity, as a source of sustainable development and seen as the first step in achieving innovation has three interacted facets:

- *Technological side*. In this case creativity results in innovation, new products and ideas and technologies.
- *Economic side*. This type of creativity includes entrepreneurship, turning innovation, new products and ideas and technologies into new business or new industries.
- *Cultural and artistic side*. This type of creativity refers to the ability to invent new ways of seeing things, new art forms, new designs, new photos, new concepts etc.⁹¹

2. Regional Requirements for Creativity and Innovation

In his study, *Competing in the Age of Talent: Quality of Place and the New Economy*, Richard Florida highlights the role played by the *creative place*⁹² in the development of the new economy. Within this category fall amenities and the quality of the environment as well.

The authors points to the following issues:

- *Quality of place from natural, recreational and amenities standpoints*, all of which influence our lives. Creative knowledge workers prefer to choose culturally rich environments with various amenities to live and work in. These are places where global networks turn into growing and competitive regional and urban economies.
- *Availability of career opportunities and jobs* is a necessary but not sufficient condition to attract creative and innovative people in a region.
- *Quality of the environment and level of amenities*, including the possibility of developing competitive technologies.
- *Strategies* meant to propel the improvement of the quality of environment and natural amenities, and to attract and retain talent in those places.
- *Recreational activities and amenities* that influence *the life style of creative and innovative people*.

The same author suggests that a set a measures should be implemented for the human factor to be motivated to pursue its purposes. These policies would basically concern:

- the transformation of the quality of the place into a real objective within regional economic development strategies;

90 Sutton, Robert I, *Weird Ideas That Work*. 11 and a half Ways to Promote, Manage and Sustain Innovation, Allen Lane, The Penguin Press, London 2002.

91 Florida, Richard, *The Rise of the Creative Class: And How It's Transforming Leisure, Community, and Everyday Life*, New York: Basic Books, 2002.

92 Place is different from location, as the former includes complex elements as well, such as social, environmental and cultural factors besides the factors offered by location: distance to the market or availability of adequate labour force.

- the integration of natural amenities within the general policy of regional economic development and talent retention;
- investment in recreational amenities;
- the development of a strategy targeting the amenities of the academic environment and their integration into regional economic development strategies;
- encouraging regional sustainable growth and development through sustainable use, preservation and revitalisation of natural resources;
- creation of certain mechanisms meant to stimulate knowledge and ideas on behalf of citizens for improving the quality of place.

There are studies trying to explain the connection between *tolerance* (including *individuals' talent* and *high-tech jobs*) and *economic health and growth*. Gary Sands and Laura Reese⁹³ conducted a study on forty medium-sized urban places in Canada that revealed that there is a connection between *diversity* and the creative population and economic health. However, there has been found no correlation between high-tech jobs or economic growth and the other factors. The authors conclude that amenities and economic development strategies based on *the creative class* may be effective, but they are not sufficient. Besides, they also consider that it would be necessary to take the following measures: implementing a tourist marketing strategy; improving the general infrastructure; rendering the business environment more attractive in the traditional way; implementing various strategies for retaining resources and talents.

3. Creative Milieux – Resultant of Place and People Vectors

'*Creative milieux*' bring together shared spaces and traditions where people can learn, compare, compete and cooperate and where creative and innovative people can suggest, develop and disseminate or reject ideas. These are places where genuine and deep knowledge are borne by people with various competences and communication skills. In these places, people experiment and are willing to face highly uncertain and complex market situations, whose main landmarks are continuous changes in the culture, science and technology.

For creativity and innovation to be fostered, *informal and spontaneous communication* is a must both at internal and external level.

In addition, '*creative milieux*' are *synergetic* and *multidisciplinary environments*, connecting science, arts and business and benefitting by a stout financing structure, capable of financially supporting experiments, risk-taking and trial-and-error activities.

There are examples galore of '*creative milieux*'. However, these good examples should be replicated everywhere in the global economy. Examples of such good practice '*creative milieux*' are: *New York Silicon Alley* (USA), *Silicon Valley – San Francisco Bay Area* (USA), *Boston's Route 128* (USA), *Creative Industries Precinct* (Australia, Queensland), *Cyberjaya – Malaysia's Multimedia Supercorridor* (Malaysia), *Intelligent Island* (Singapore), *Shenzhen* (China), *Barcelona* (Spain), *Goteburg* (Denmark), *Milano* (Italy), *Jamtland* (Sweden), *Tilburg* (The Netherlands), *Berlin* (Germany), *Helsinki* (Finland), *Dublin* (Ireland). All these places generate competitive advantages such as: increased productivity by larger access to inputs (technology, knowledge, labour force); promoting innovation by rapidly reacting to opportunities; promoting training in other fields as well as life-long learning by facilitating access to competences, technology and capital.

Apart from the incontestable role played by internal and organisation-related factors in generating creativity and innovation, geographers have highlighted the *regional clustering* phenomenon in the creation of new ideas that give rise to patents and advance technologies in a specific field⁹⁴.

93 Sands, Gary, Reese, Laura A., Cultivating the Creative Class: And What About Nanaimo?, in „Economic Development Quarterly”, Vol. 22, No. 1, pp. 8-23, 2008.

94 Sherwat E. Ibrahim, M. Hosein Fallah, Richard R. Reilly, Do Localized Clusters Influence Creativity of Inventors?, in „Creativity and Innovation Management” 15 (4), 410–418, 2006.

The main *external geographical determinants* are the interactions having a direct effect on innovation (from the perspective of *the human factor*) and the specific events and the local environment circumstances grouped into the following categories⁹⁵:

- *directly localised factors influencing creativity* (local inhabitants, material aspects outside the organisation);
- *localised situations belonging to the local environment* (such as brainstorming sessions, meetings, social reunions, conferences, seminars, fairs etc.);
- *localised stimuli* grouping general influences pertaining to the regional environment (agglomeration).

Besides the *regional clustering phenomenon*, we mention the concept of *communities of practice* within the selfsame regional context. These communities of practice refer to people belonging to and acting in a specific field, irrespective of their spatial localisation. Communities of practice represent groups of people who are informally connected through expertise and passion for joint projects. Such people have a common baggage of knowledge and practice, common values and attitudes and the sense of a common identity. Unlike clusters and agglomerations, communities of practice are not strictly dependent on space because connections can subsist either by traditional meetings or at distance by information and communication technologies. It is not the means of interaction (close-far; here-there) that characterises communities of practice, but rather the shared experience and knowledge.

The necessity of communities of practice is explained by the usefulness of rapid resolution of problems that might arise in that field. Within these communities, expertise, good practice transfers, professional skills development and many other assets build their strength.

The counterbalance of these efforts comprises a wide range of benefits such as *social and organisation innovation* (by creating, developing and applying knowledge), knowledge sharing as well as individual and group learning. Although few, disadvantages may occur as well: conflicts related to power and the tendency to exclude outsiders, given the very strong connections and deeply-rooted common identity.

Conclusions

Creativity and innovation are at the crossroads of people, places and policies at local and regional level. *Creativity and innovation management* is extremely important in today's changing *social, economic, technological and cultural environment* and may prove to be the right key to increased competitiveness and market responsiveness.

The importance of such an issue is debated at European level. To this purpose, year 2009 was declared *the European Year of Creativity and Innovation by the European Commission*⁹⁶. This is due to the fact that all decision-makers understood that the innovation, culture and creativity taking place in European towns and regions propel economic growth, giving rise to new investment and jobs.

Measures taken at microeconomic level alone (organization strategy & availability of resources; new technologies; intensity of research and development activities; organisation culture & communication; organisation structure and motivation of employees & their involvement) are a necessary but not sufficient condition for creativity and innovation to lead to increased competitiveness. National and regional steps should be taken and

95 Ibidem.

96 <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:C:2008:257:0046:01:RO:HTML>.

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ECOTOURISM MANAGEMENT IN ACCOMODATION STRUCTURES

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The contribution of tourism services to life quality refers to three important aspects: the consumption of tourism services, the connection between tourism services, leisure time and the environment.

The relation between the tourism services and the environment is both protective and damaging. As long as the economic interest is growing and the lack of interest in applying sustainable development is accentuated, the reduction of the negative impact on the environment becomes an important issue.

Keywords: life quality, environmental management, sustainable tourism

Clasificare JEL: L83

With time passage and enhancing economic activities, threats that until now were seen at a more or less local scale began to be perceived as danger to the whole planet. With the exception of environmental factors that are related to the entire planet, environmental problems take various issues very different from country to country, depending on the degree of development. Highly developed countries are faced today with problems related to waste reduction and recycling, reducing energy consumption and lack of open areas.

Currently all these difficulties with devastating environmental impact are already under the attention of political, economical, governmental and non-governmental factors (environmental organizations, NGOs, etc.) and sometimes even in public attention.

Ecology defines a stream of thinking, a movement, that promotes respect for the natural equilibrium and environmental protection ahead of the injuries from our industrial society. These injuries consist of any factor from the urban or industrial life which is a trouble, an injury, a danger to health or to the environment.

On the other hand, the concept of environment should not be confused with that of nature, which is earlier and has a different content. The concept of environment is system like; it is a complex system, but unitary, the unit consists of a large number of elements and links, with a capacity of self adjust and the most active factor is the human communities.

Environment is a mix of natural elements and dynamic correlated between them. These items can be grouped into three categories:

- a.primary components – physical background, lifeless;
- b.derived components - developed on the account of primary, representing biotic environment;
- c.anthropogenic components - man entered through conscious activity.

Making a bridge between the environment and the tourism and travel industry, industry whose business has a strong impact on the environment, a study can be undertaken from which to result actions taken in the hotel world through a pro-ecologic management and at the same time pro-quality management.

And from a social point of view, due to industrial development, to computerization, increasing living standards, began to be felt pressures from socio-economic environment over the economy. Thus, firstly, their own employees have requested for improving the quality of their life, while talking about hotel industry, we cannot bring into question the quality of life of communities where the hotel units operate. In this sense for raising the quality of life, there should be monitored and controlled raising the quality of touristic products and services. There have been established a number of public and private organisms, there have been drawn up quality standards and there have been developed international programs. But all this do not have the

expected value or fail to reach their purpose if hotel units managers are not aware of the importance and in the same time of the weight that the environmental side has in achieving the objectives of quality for products and services supplied to the final consumer. The share of these components in increasing the average life of the hotel unit is extremely high.

The new management politics in ecotourism must combine the forms of tourism management with the environmental management to build a sustainable development and promotion of tourism. Each economic unit in tourism must create their own policies for pro-active protection of the environment. Corporate policies, those of hotel chains and restaurants cannot not take into account the location of the unit of accommodation or food, the climate, the specific operating conditions, legal constraints in terms of environmental policies in the country. If these policies are missing, corporations have a moral duty to introduce them. Policy of each unit should be based on actual demand of consumers touristic services, on customer involvement in the implementation of these concepts - as active and conscious part - along with the unit staff. Thus you have an ongoing education for staff and for customers.

Any accommodation unit, regardless of position, size, grading, in order to offer services compatible with environmental requirements, must conduct its own analysis on compliance ecological indexes which are given by:

- health and safety of staff and clients, which relate to losses relating to lost time per million hours worked, environmental and hygiene training conducted for staff and the code of conduct for tourist customers;
- noise, producing an important discomfort that requires setting the maximum allowable and the average level in the working sectors of the hotel and of the location;
- air emissions of specific pollutants, compared with the allowable levels, the number of irregularities reported quarterly and annual number of complaints related to air quality from the tourists but also from local inhabitants;
- waste waters resulting from the everyday cleaning and general cleaning of accommodation structures - pH, quantity of substances used in the hygiene process and are found in sewage (detergents, disinfecting agents, etc.) with reporting the excedances to the rules allowed, the number of sewage discharge conducted per day; losses due to deterioration in the supply / exhaust, possibility of waste water recycling;
- waste from industrial or household that is required for knowledge as a percentage of total product used; the percentage of waste recycled, the amount of waste sent daily and annually to be evacuated (one possibility is to reduce the quantity of single use tableware and other disposable objects);
- energy - by establishing the sources used, the proportion of alternative sources - solar, in particular for heating, wind; specific consumptions for each room, common areas, lift etc;
- use of toxic substances for hygiene raise the problem of the types of detergents used, insecticides in the form of aerosols, the derating poisons for disposal of other unwanted species of flora or fauna;
- indoor facilities - the materials used for furniture (it is preferred the use wood instead of chipboard that is containing aldehyde formaldehyde), for tapestry (decorative textile items are favored from cotton, rayon blended with wool and not those of propylene, which is derived from products petroleum) and for construction (there is a trend to expand the use of porous materials, which provides better thermal insulation, and a good circulation of air);
- transports are key elements in the movement of tourists and the supply of tourist structures, purchase of machinery should consider a small degree of pollution and fuel economy, use of unleaded petrol, use of catalytic convectors, low braking coefficient, the

use in construction of recycled or recyclable materials, reduction of unnecessary travel, the use of collective transport in major tourist areas;

- biodiversity reported by number and value of flora and fauna species in the area of the accommodation unit, degree of forest conservation areas, enforcement of new forest plantations for ecological restoration of natural landscapes, the preservation of areas with natural grass vegetation.

Thus, in Romania in 2007 were launched several environmental programs, including the program entitled "Sustainable Tourism Development" financed by the Government of Switzerland through the State Secretariat for Economic Cooperation and implemented by UNIDO - Industrial Development Organization for the United Nations, in collaboration with the Ministry for Small and Medium Enterprises, Commerce, Tourism and Liberal Professions. The program will run for a period of two years and will be implemented in Bucharest and in Prahova Valley with a budget of 650,000 Euros.

The aim of this project is to create a practical tool, applicable in hotel industry in Romania to ensure access to an area more competitive and this way access to international markets. The project will implement the following activities: organization and conduct of training sessions on methodology of Clean Production (CP) and Social Responsibility (CSR), the initial assessment of the Clean Production and Social Responsibility towards the benchmarks in at least 25 hotels selected for the demonstration; evaluating Clean Production (CP) and social responsibility (CSR) in companies / hotels - including staff training; identify options to improve CP / CSR and the formulation of agreed management measures, implementing approved measures plans and monitoring the results; organizing branch and national level seminars to quantify the results.

Sustainable tourism can only survive through environmental protection. The program of UNIDO is helping Romanian hotels to implement a good management of resources and thus decrease the current expenditure, and contribute to maintaining at the best possible state the environment. In addition, once the recommendations were made and tested on the original sample of hotels, there was taken into account the introduction of these recommendations among the mandatory criteria required to be followed to obtain the certificate of classification of tourist accommodation structures in Romania.

Under this program there have been selected a number of 15 hotels that will be involved in the project for the first year of deployment, following that during 2009-2010 another 10 hotels would be selected. To be noted that there will be involved into the project only hotels that have at least a number of 60 beds and a restaurant.

However the concerned ministry has not yet published any selected units so far (April 2009).

ROMANIAN SUSTAINABLE TOURISM – LAW PROPOSALS

1. SYSTEM "acorn" of environmental quality provision of tourism services

The encoded system (ACORN) determining the ecological quality of tourism provision, *proposed* by the Environmental Association TURISMVERDE with the primarily aim the NATURAL ENVIRONMENT HEALTH, and implicitly HUMAN health and the default beneficiary and / or service provider of a RURAL TOURISM + ECOTOURISM + AGROTURISM = = GREEN TOURISM = Romanian concept of sustainable tourism development.

Tourist extra-urban structures displaying the symbol – 1 acorn - are those structures that provide tourist services in the areas of environmental measurements, as without pollution and, most important aspect, not negatively interact with the environment; also they allocate at least 1% of revenue for the planting trees and shrubs.

Tourist extra-urban structures displaying the symbol –2 acorns - are those structures that provide tourism services who are located in areas with no pollution, do not pollute the environment, have implemented programs to reduce consumption, provide food services with the menu based on products organic certified and who allocate at least 2% of revenue for planting trees and shrubs.

Tourist extra-urban structures displaying the symbol – 3 acorns - are tourist accommodation structure located in areas without pollution, are not sources of pollution to the environment, have implemented programs to reduce the water flow at most 20 l/min, train tourists on the environment protection rules, collecting sorted waste, use 50% economic bulbs, use organic detergents, provide food services with the menu based on products organic certified and who allocate at least 3% of revenue for planting trees and shrubs.

Tourist extra-urban structures that display the symbol – 4 acorns - are those tourism structures that use ecological sources of producing "green" energy in the proportion of min 10%, have implemented programs to reduce the water flow at most 15 l/min, use economic bulbs up to 75%, train tourists on the environment, their waste is collected selectively (organic, glass, paper, plastic), use organic detergents, use only environmentally friendly means of transport in the programs organized for tourists and allocate at least 4 % of revenue for planting trees and shrubs.

T

he extra-urban structures displaying the symbol – 5 acorns- are those tourism structures of ecological excellence in which more than half of energy needs is product based on green energy, use organic detergents, have implemented programs to reduce the water flow at 10 l / min, train tourists based on programs organized by the rules of environmental protection, collect their sorted waste (organic, glass, paper, plastic), use economic in a bulbs rate of 100% and use only environmentally friendly means of transport in programs organized for tourists, and allocate at least 5% of revenues for planting trees and shrubs.⁹⁷

2. The second draft law on granting operators of tourism businesses that have ecological accommodation units benefits of utility pricing to consumers as private persons

The draft law provides several features for tourism companies who are developing or have a business with ecological specific. One of the provisions contained in the draft legislation is in correlation costs with the utilities, so that the economic agent would benefit of the same rates as private persons.

In the legislative proposal regarding the establishment of mechanisms for promoting economic development and ecological tourism, was provided that authorized individuals, family associations and companies that operate eco-tourism to take advantage of certain incentives, including exemption from income tax or profit, as appropriate, for a period of ten years, with the accommodation capacity of up to 40 rooms including.

In exchange for this exemption, beneficiaries are required to use those amounts of money to the replacement of classical lighting with unconventional systems, for the thermal insulation of buildings, the purchase of nonpolluting vehicles, and the purchase of solar panels or heat pumps.

In this context there should be stressed that Romania has the highest number of eco-hostels in South-Eastern Europe and occupancy of them in 2009 will increase by up to 30% compared with 2008⁹⁸. The most popular eco-hostels in Romania are in the area Retezat, Piatra Craiului, Bucovina and Sibiu. Traditional rural destinations are the most requested ecological tourist packages. Cost of a vacancy in such a hostel rises to 400 - 500 Euros and includes a number of programs that are based on specific activities.

3. Other programs funded from the budget of the Ministry of Tourism, up to the funds limit approved for this destination for 2009, approved by the state Budget Law are: "The annual tourism product developments program" and „The annual marketing and promotion of Romanian tourism program”.

The annual tourist products development program

97 Ecological Association TURISMVERDE

98 Romanian Ecotourism Association

While those programs are not directly involved in environmental programs of the resort ministry, they aimed to support domestic tourism in order to improve the tourist movement in parallel with the conservation of natural and cultural heritage.

Aimed objectives are related to:

- The establishment of partnerships, for development and planning the strategic framework at national level for tourism development, including: creating a system of institutionalized cooperation between specialists from tourism and from urban planning, participation and approval of promoting the National Territory Development Planning - Section VIII, for areas with tourist resources, among specialists and the local authorities and the methodology for the analysis of tourist potential of the territory;
- Improving the quality of the training programs for the tourism staff from hotels and restaurants;
- Improving the quality of tourism services in Romania;
- Development of forms, products and important tourist destinations in Romania, through short visits to Bucharest, cruises on the Danube and the Danube delta, mountain tourism, health tourism, seaside tourism and cultural tourism;
- Organizing international partnerships, with a role in increasing the visibility of tourist destinations in Romania;
- Restructuring the information system in tourism;
- Actions for sustainable development of tourism;
- Consultancy services for improving legal and institutional framework in accordance with good practices at EU level;
- The acquisition of documentary materials;
- Carrying out investment programs in public-private partnership between the Ministry of Tourism and local authorities at the county level or the administrative territorial unit;
- Creation of specialized studies (for pre-feasibility and feasibility, implementing technical projects, etc.) and the allocation of funds for investment in tourism infrastructure, in partnership with local authorities;
- Developing field legislation (by the common order of the Ministry of Tourism and the Ministry of Regional Development and Housing, to approve the methodology for analyzing the potential of tourism planning of the territory, updating and finalizing legislation of the ski area).

Annual marketing and promoting program

This program seeks to promote the most important destinations and types of tourism in Romania, on the internal market and on major tourist markets abroad. Activities relate to:

- developing marketing studies;
- marketing activities through the Internet and other electronic means (eg: portal for tourism information);
- participation in expositional tourism events in the country and abroad, on foreign markets of interest;
- organization of educational and informational visits in the country;
- organization / collaboration in organizing events and missions, in the country and abroad, with a role in increasing tourist movement in Romania or the impact of increasing Romania notoriety as a tourist destination;
- a.- Activities for promotion and advertising through airlines operating flights to destinations in Romania and through the main airports which operate international flights from / to Romania;
- b.- Activities to promote, through catalogs advertising inserts that promote tourism, on the targeted markets of interest, for the tourist destination "Romania", tourism packages and products for tourism services in Romania;
- c.- Purchase of materials of the type: guidebooks about Romania, maps, albums, catalogs, picture, photos, books about specific tourism etc;

- d.- Promoting activities through radio-TV stations, which have travel programs;
- e.- Actions for general advertising to advertise products and tourist destinations in Romania;
- f.- Making promotion of the type printed, audio-video, with tourism specific;
- g.- Creating the national tourism brand and promote it.

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BANKRUPTCY OF THE PRIVATE INDIVIDUAL

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The financial crisis and the economic recession have taken over Romania. This situation quickly led to the cash problem, since the bank loans monthly installments turned into an unbearable burden and are more and more aggravated by the extremely high level of interests and rate exchange differences. Based on the lack of liquidity, more and more Romanians practically find it harder and harder to meet their financial obligations falling due while others are about to face personal bankruptcy. Yet, this notion does not actually exist from a legal point of view, which is why various insolvency specialists tend to believe that Romania requires an urgent adoption of a private individual bankruptcy act as a protection measure against forced execution.

Key words: bankruptcy, financial crisis, economic recession

JEL:K- Law and economics

The financial crisis and the economic recession have taken over Romania. There were times when Romania could brag about a low unemployment rate, but the time has come when more and more Romanians lose their jobs or their wage increases are blocked or they face either having their wage reduced or losing their job. This situation quickly led to the cash problem, since the bank loans monthly installments turned into an unbearable burden and are more and more aggravated by the extremely high level of interests and rate exchange differences. Based on the lack of liquidity, more and more Romanians practically find it harder and harder to meet their financial obligations falling due while others are about to face personal bankruptcy. Yet, this notion does not actually exist from a legal point of view, which is why various insolvency specialists tend to believe that Romania requires an urgent adoption of a private individual bankruptcy act as a protection measure against forced execution.

The bank loan for the population was implemented in Romania just a few years ago and yet the culture of indebtedness already became a reality and seems to be accepted as a natural thing. One can no longer refer to purchasing an estate without implying a bank mortgage while the people turn to personal needs loans very easily. The bank loan is destined to equalize the income of a client in time by actually allowing the client to use now the money to be earned in the future. Nevertheless, should this facility be used excessively, a person may turn out buried in debts that will burden him/her for a very long time. Such phenomenon is known as over-indebtedness and is largely familiar in Europe where up to 20% of the population over the age of 18 report problems when reimbursing bank loans. In most countries, 11% to 16% of the population describe themselves as over-indebted. According to Eurostat, the highest percentages are reported in the UK (18%), Denmark (19%), Ireland (21%), Spain (23%) and Greece (49%)

We are most certainly unlikely to escape such phenomenon, if we are to consider “the large number of bank loans that were granted last year and just how easily they were granted, as well as the lack of experience of Romanian consumers when it comes to crediting”.

A Europe Council Report indicates that, besides the financial effects, the loss of control over debts also has psychological consequences mostly resulting in affected individual withdrawing from the social life by affected individuals. These families generally cut back on their consumption incurred expenses, which may some times make it difficult to meet basic needs of the children. Besides, the debt issue is a long-term one and children are usually negatively

affected by a lack of hope in their home. This is why several European countries modified their institutional legal framework in order to provide these families with a minimum life standard.

At the individual level, the overindebtedness is usually revealed when the debtor loses their job or the when work field is disturbed by causes such as unemployment or illness. The age of the persons no longer capable of facing their financial debts ranges between 18-49 and these persons may belong to the low-level income category but also to the middle class. The single-parent families but also those having just one spouse working are mostly affected by this risk. The persons working on variable income rates such as commissions are also highly vulnerable. Studies have recently revealed that optimistic persons borrow twice more than population average, while women tend to assume greater risks than men do, thus exhibiting a higher indebtedness probability.

Most of the EU states currently have a special legal framework created for the overindebted persons. These acts are adopted in order to economically rehabilitate the affected persons and to avoid their ending up in a similar situation. The first country to adopt such a legal framework was Denmark in 1984. Five years later it was followed by France and after 1990 some other countries promoted such acts: Scandinavian countries, Germany, Austria, Belgium, Holland, Italy, Spain and Luxembourg. In 2003 and 2004 respectively, Estonia and Portugal amended their Bankruptcy Act while the Czech Republic undertook such action starting January 1st 2007 in order to include certain adjustment procedures regarding individual entity debts.

Romania has no such similar legal framework. The Ministry of Justice representatives state that, in order to initiate this type of act, it is necessary for the institutions monitoring population indebtedness level and the observance of rights thereof (such as the National Bank of Romania or the National Agency for Consumer's Protection) to first signal the existence of this problem.

It is quite difficult to determine who should actually be in charge with creating this type of bill by simply analyzing and focusing on the experience of the countries already enforcing such legislation. The institution in charge with this issue is the Ministry of Justice in Austria, Denmark, Holland, Sweden and Finland, the Ministry of Labor in Germany, Ireland and Luxembourg, the Ministry of Finance and Economy in France, the Ministry of Industries in Italy while in the UK and Portugal the institution in charge with this project is the consumer's protection agency.

In the absence of a special legal framework, the banks can, by means of a court order, force employers to operate salary withholds until the entire debt is fully reimbursed. Consequently, the salary seizure may be maintained even up to debtor's retiring date. The only protection is provided by the Employment Code regulating that the cumulated withholds cannot exceed half of the net salary.

At the European Union level there is no unitary approach regarding overindebtedness. Still, there are three regional patterns.

The first group includes the Scandinavian countries, which were inspired by the Dutch rules. They give special attention to good faith as a main condition for a client to be granted legal protection. The courts of law have the power to deny access to the debt adjustment procedure should the person in question be exposed to have acted irresponsibly, to have not done sufficient efforts in order to pay the debt or to have applied for bank credits just before applying for the debt adjustment.

The second regional pattern is represented by the German and Austrian formula, which was also implemented in the Czech Republic and Estonia. This pattern focuses on reimbursing a minimum part of the debt so as the debtor earn their right to get rid of the accumulated loans. Indebted persons are bound to observe creditors' rights by their own behavior, namely they must be employed or be looking for a job. The debt adjustment procedure is regulated by the bankruptcy law, which addresses a private individual's inability to pay creditors exactly as it does corporate bankruptcy.

The third pattern is the one used in France, Belgium, Holland and Luxembourg, where the legislative framework is rather focused on debt-related issue prevention. This is the reason why the law encourages voluntary agreements between parties. In return, the judiciary option used to escape debt imposes certain harsh conditions and the procedure takes a long time, thus being quite disadvantageous for both parties. It is important to specify that a client may enter the debt adjustment program only if the bank has no collateral to capitalize. For example, in the case of a mortgage-based personal needs loan or a property loan, the bank cannot be prevented from selling the estate the loan was guaranteed with, in order to retrieve the debts/back payments. Besides, very few countries have particular regulations regarding property guaranteed loans. In most cases the basic idea is that, even if the person owns a house, such person could not be able to keep it within the debt reduction procedure.

New reimbursement schedule

The debtor is, in all countries, bound to reimburse part of the accumulated debt according to a very specific reimbursement schedule. The person in question must make his/her entire income available to the creditor and is strictly entitled to withhold from such income only the amounts necessary to cover family needs and expenses. The calculation of these expenses and costs vary from one country to another but the general attitude is that overindebted persons must get used to an extremely modest standard of life, most similarly to the social welfare.

The debt adjustment schedule is usually spread over five years but there are certain countries such as Denmark or Holland where payment can be made in 3 years. On the other hand, in France the debtor may be bound to stand these restrictions even for 10 years while in Austria, Luxembourg and the UK, it can go up to 7 years. The overindebted client may pay either fixed or variable installments. Even the fixed installments may be modified should the debtor's income be significantly changed. In Austria, Germany and Estonia, the installment rates are variable and are permanently adjusted to the earned income. Also, they have a descending tendency namely the persons are allowed to withhold a higher percentage of the salary in the final years of payment.

Special attention is given to the persons that have no minimum income necessary to provide for the survival expenses. In these situations, there are certain countries that allow insolvent clients to be entirely released of their debts without paying anything. Yet, the person in question is closely monitored. In France, for example, the debtor is released of debts after a two-year monitoring period. On the other hand, Austria, the client must reimburse at least 10% of the debt, irrespective of his/her financial situation, while in Luxembourg a special fund was created that reimburses the minimum debt that must be paid by the persons having major difficulties.

Romania should also implement the European standards regarding private individual bankruptcy. Although the corporate reorganizing or liquidation is regulated, the same cannot be said about individuals.

The Ministry of Labor, Family and Social Protection proposed a Decree Draft for the procedure regarding the insolvency status of debtors, be them individuals or companies, in compliance with the provisions stipulated under article 176 in the Government Decree no. 92/2003 concerning Fiscal Procedure Code.

According to paragraph 1 of article 176 in the Fiscal Procedure Code, "the insolvable debtor is the debtor whose income or traceable assets' value is lower than the fiscal payment obligations or the debtor that owns no traceable assets or has no income"

Thus, the Procedure included in the Decree draft is applicable to individuals or companies that meet the legal conditions in the matter. According to the procedure, the fiscal debts, which are to be analyzed from the perspective of declaring the insolvency state shall be deemed as complying with the legal conditions in the matter, the debtor in question shall be declared insolvable based on the minutes drafted by the forced execution department of the territorial labor inspectorate and signed and approved by the legal department thereof and the chief inspector. The insolvency

minutes shall be drafted in 3 copies, of which one for the forced execution file, one for the financial-accounting department and one for the debtor to be declared insolvent.

The insolvency procedure shall be applied for each of the situations specified under article 176, paragraph (1) in the Government Decree no.92/2003 concerning the Fiscal Procedure Code, as republished and with subsequent amendments, for both the debtors whose income or traceable assets' value is lower than the payment fiscal obligations and the debtors having no income or traceable assets.

The forced execution measure shall not be interrupted throughout the period a debtor, whose income or traceable assets having a lower value than the payment fiscal obligations, is declared insolvent. Moreover, for the main fiscal obligations of insolvent debtors whose income or traceable assets are lower in value than the payment fiscal obligations, accessory fiscal obligations shall fall due until the full payment date thereof.

In exchange, the fiscal debts of the debtors having been declared insolvent or who own no traceable assets and have no income, shall be erased from the current records and shall be recorded separately, while the enforcement of forced execution measures shall be interrupted.

For the main fiscal obligations registered on the name of the insolvent debtors having no income and no traceable assets, accessory fiscal obligations shall be deemed due until the date such obligations are recorded separately on, in compliance with the provisions of article 120, paragraph 4, letter b) in the Government Decree no.92/2003 concerning the Fiscal Procedure Code, as republished and with subsequent amendments.

The fiscal debts, from the current records, of the debtors having been declared insolvent and for which the forced execution procedure is continued as well as the fiscal debts, from the separate records, of the debtors having been declared insolvent but for which the forced execution procedure is interrupted, shall be erased from these records on the expiry date of the limitation term of the right to request a forced execution procedure.

The fiscal debts of the corporate debtors shall be erased from the current records or from the separate records, as the case may be, after the date on which the legal entity was erased from the Registry of Trade and Companies based on the erasure decree issued by the delegate judge from within the Office of the Registry of Trade.

The fiscal debts of the private individual debtors, who were declared insolvent, shall be erased from the separate records also during the limitation term, after the date on which the person in question was declared missing or deceased by a court order and such person has no legal heirs to accept the inheritance.

The erasure procedure of the fiscal debts of the debtors from the current records or the separate records, as the case may be, shall be carried out under the law and based on the erasure minutes and the enclosed entry-erasure slip. The records erasure minutes shall be drafted by the forced execution department within the territorial labor inspectorate and shall be signed and approved by the legal department and the chief inspector.

After the date a private individual was declared insolvent on, and should the execution body find that the legal conditions regarding joint and several responsibility are met, it shall undertake legal steps as per the provisions of article 27 and article 28 in the Government Decree no.92/2003 regarding the Fiscal Procedure Code, as republished and with subsequent amendments.

Several opinions were expressed on the matter of adoption of such law. Those in favor of adopting such law as a means to protect the insolvent private individuals refer to economic and moral arguments. Unlike the legal entity, the private individual has to defend themselves before several creditors in individual court trials with each and every one. Normally there should be only one trial that may gather all creditors. It is not normal for a person to pay debts and penalties their whole life even after the crisis has passed, it is not normal not to be given the right to a new start simply because he/she was the victim of an historical circumstance". Take for instance the cell phone subscription contracts stipulating the fact that the payment delay penalties can exceed the

actual debit, which is not at all normal. Nevertheless, given the Romanian specificity, a legislation must be elaborated that prevents abuse, i.e. the combination between the bad faith and the complicity of the bank officers.

Those against the adoption of such a bill sustain the idea that we already have the forced execution act and the bank loan contracts that act as enforceable instruments/writs of execution. If there is a collateral/guarantee, the bank simply executes it. Yet, it is impossible for a private individual to find itself in insolvency or bankruptcy. A company is erased and dissolved and it no longer exists. Yet, a private individual cannot be erased. We cannot go back to the Middle Ages when there used to be prisons for the indebted. If a private individual cannot pay the debts, a minutes may be drafted stating the lack of assets or the unemployment status and thus there is nothing left for the bank to execute or seize, and so nothing can be done. In order to keep the enforceable instrument valid, the creditor must check up with the debtor in order to see if assets were acquired meanwhile. The law is very specific and no artificial means are necessary for something that already exists” declared Dumitru Falota, Esq.

There are certain moderate voices stating that an insolvency bill is not necessary, the only thing that may prove necessary would be some special regulations that may grant a grace period with no penalties and no interests for the insolvent ones, until such individuals get a new job and their situation is improved, declared Ioana Moiescu, president of the National Union of the Insolvency Practitioners (UNPIR), Iasi branch.

Even if the opinions of both practitioners and specialists differ, the lawmaker it self is the actual entity to take action in order to protect, on the one hand, the private individual in a temporary payment incapacity and, on the other hand, to allow creditors to capitalize their receivables without affecting the stability of the civil circuit.

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TOURISM AND STRATEGIC DEVELOPMENT

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Trough the present work, I wished to bring a new light on the touristic potential and the possibilities of strategic development of this in future. For many countries, the tourism is an important factor of economic development, trough it's well known effects: growth of national income, creation of additional assessment, stimulating the production in other areas, diversifying the structure of national economy, higher capitalization of all the categories of resources, attenuation of interregional imbalances, ensuring a balance cash movement, creating new jobs, balancing the trade balances and of external payments. Because of these effects, in the strategy of economic development in the respective countries includes as option developing the tourism industry.

Key words: *development, strategy, objectives, touristic improvement, ecotourism.*

JEL classification: *Q01, Q26, Q56.*

1. Introduction

The recent strategy of economic development adopted by our country the touristic policy can be “derived” just from the study of financial policies, monetary and exchange rate, commercial, of consolidation and development of the sector of small and medium enterprises, social, of environment protection, what represent a underestimation of the economic role of the tourism in Romania and of the possibilities of assessing the Romanian touristic patrimony.

Regardless of the level at which it develops and applies, a plan of development of the tourism

must ensure fulfilling of at least three conditions: superior using of the natural, cultural and human resources; rational use of the destined capital to investments; obtaining of a high profitableness of the projects. The general strategic objective of tourism development is the creation of a competitive national touristic product, at the level of the value of touristic resources available to



Romania and which to impose this domain as priority economic activity within the national economic system

The plan of tourism development must reunite the three directions – economic and politic- and to specify the ways of action starting with the macroeconomic level and ending with the core of developing the tourism, respective the resort or the touristic center. The guidelines of such a plan may be:

- setting the rhythm of development of the tourism structure on areas and types of tourism;
- harmonizing the development of tourism with the other economic sectors, in a broader horizon of time;
- underling the tourism development in territorial plan on a rigorous scientific research;
- ensuring of a flexibility in the development of the tourism in order to adapt rapidly to any changes of the demand;
- making the stages of the development, in the sense of classifying the areas and establishing the priority of the programs;
- choosing the type of development – concentrated or dispersed – of the touristic centers, so as to ensure the necessary infrastructure;

- protecting the natural and socio-human environment and adapting some measures to increase the quality of these;

2.The evolution of tourism

The evolution of tourism, as a result of the joint action of the economic, demographic, psycho-social, politic, etc factors, has marked in time a upward course. It can be talked, thus, of a development of it, resulted in an increase of goods and touristic services, but also in increasing the number of those that travel, development characterized trough high rhythms, which contend with the most dynamic branches in economy.

The number of night spent of the tourist in the accommodation spaces follows broadly the trend of arrivals with specification that have been recorded very small increases over previous years in 2004 and 2007. The largest number of night spent was on 44, 5 million in 1990, and the smallest in 2005 of 17,2 million.

In what concerns the nights spent by the foreigners tourists in the accommodation units the situation is broadly similar with that of arrivals with some small differences: the maximum number of nights spent is touched in 1990 with 4,2 million and the minimum level in 1999 with only 1,9 million

The Romanian tourists have opted in 2007 primarily for the area of county residences (38,7%). The other options are divided between the mountain area (16,8%), beach area (15,7%), the balneary resorts (14,9%), other localities (12,6%). A small share it has the Danube Delta with 1,3%.

Regarding the nights spent the situation is changing a little in the sense of dominant shares of balneary areas (35,4%) explained by greater length of staying in this area (in fact a small share of arrived Romanian tourists by treatment tickets, the so called “ syndical tourism”. Something smaller shares are having the littoral area 24,7%, county residences 19,2%, mountain area 11,6%, other localities 8,2%. A smaller share that for the arrivals case we have in Danube Delta of 0,7%.

In in the years 1988-1989 the number of Romanians that had a trip aboard was very small due tot the well known political situation of the country, in 1990 was recorded a maximum historic of over 11 million of departures of Romanian visitors. The figures were as high as in the next years (generally of over 10 million), following then the Romanian visitors departures to be less and to swing form 5,7 million in 1996 and 7 million in 2007.

Table1. The international tourism of Romania after the means of transport used

	1990	1995	2000	2004	2005	2006	2007	Year 2007 in comparison with1990
								+/_
The arrivals of foreign visitors in Romania (thousands arrivals)								
Total	6532	5445	5264	4938	4794	5595	6600	+ 68
Road	3670	4266	3808	3622	3594	4343	5401	+1731
Railro	2349	570	660	476	374	348	308	-2041
Air	271	433	655	705	689	752	705	+434
Naval	242	176	141	135	137	152	186	- 56
Romanian visitors departures abroad (thousand departures)								

Total	11275	5737	6388	6408	5757	6497	6972	- .4303
Road	8396	4288	5018	5086	4886	5584	6010	-2386
Railro	2501	985	687	648	251	256	224	-2277
Air	265	299	535	541	527	593	687	+422
Naval	113	165	148	133	93	64	51	- 62

Source: Statistical Yearbook of Romania, 1991-2008

The transmitter tourism study can be complete without to analyze the main countries of destination for the Romanian tourists. According to the latest data provided by the Inquire of Touristic Demand of Residents, the transmitter tourism of Romania is oriented almost entirely towards the countries from Europe. Among the European countries Italy has the dominant position – 34, 7% from travels being carried out abroad being in this country.

The following European destinations preferred by Romanian residents in 2007 were Spain (8,7%), Greece (7,8%), Hungary (7,6%), France (6,5%), Germany (6,4%), Turkey (5,8%), Australia (4,5%), U.S> is also the preference of Romanians as a destination with a 2,6% share of all trips abroad. The other countries in Europe together are totaling 10,4% and other countries from other continents 5%.

Regarding the spent nights the situation is slightly different with a strong concentration of nights spent afferent to extern travels for Italy (41,7%) and a greater share of Spain(14,5%), and Germany (7%). Smallest share are recorded for France (5,7%), U.S. (5%), Greece (4,4%), Hungary (3,9%), Austria (2,9%), Turley (2,8%). The family ties between the Romanians working abroad and the relatives in the country explains in good measure the Romanian preferences for the principal countries, countries that are known and as work destination abroad, respective Italy, Spain and Germany.

3. Strategic objective of tourism

Achieving the general strategic objective of tourism development imposes the joint adoption of corresponding policies, for the different domains of activity of the sector, respectively:

1. Policy of touristic product – aims modernizing and expanding the Romanian touristic offer, increasing the concurrence and attracting of her on internal and international market.
2. Promoting policy and of marketing must ensure the creation of real image of Romania, fated to stimulate the internal and international touristic demand
3. Policy in the labor domain follows the assurance from quantitative and qualitative point of view of the personnel necessary and of the way of formation and perfection of it.
4. The politic concerning the increase of the role of scientific research and of technological development, motivated by the necessity of identifying of new products on touristic markets, of the investment opportunities and of foundation of development programs, investments and of touristic arrangement.
5. Legislative policy – involves adopting the regulations required for tourism development (primarily the Law of tourism, Law of touristic parks), in accordance with the legal previsions of the countries of the European Union.
6. The fiscal policy has as purpose assessing the measures impact of fiscal nature on tourism development and adoption of a attractive system for tourism investors.
7. State partnership policy – has the role to ensure the superstructure(roads, paths of communication, other utilities, etc); public local administration – which to contribute with the lands needed for the projects and private sector, required to finance, to built and exploit the projects of this type.

Conclusions

Starting from the current conditions of rural economy, characterized as a economy with many weaknesses in the management domain, the level of technology, of competitiveness and from the objective of integrating Romania in European Union, are imposing strategic measures necessary to lead to sustainable development and achieving some standards of economic

In conclusion, can be summarized the major causes that contribute to the decline of Romanian tourism:

- lack of a program of actions, consistent and stable, concerning the tourism development;
- lack of investment funds destined to development, modification and rehabilitation of general and specific infrastructure as a result of slow and complicated process of privatization,; applying of a inappropriate taxation, - - lack of some facilities in the domain of bank loans, s.a;
- the reform of touristic sector started late, even if some attempts of economic reform have been made since the early 90's, but the duration of their application was stretched over a high time period;

with a few exceptions, the touristic domain hasn't proved to be attractive for the foreign investors (under 1% from the capital subscribed in foreign currency during the period 1990-2008 on total economy)

- lack of current means (financial resources) available to the enterprises of profile;
- practicing some high interest bank accounts and therefore, unattractive, in parallel with the permanent depreciation of the national currency and the persistence of high rates of inflation;
- long length necessary for reconstitution of private property, in the case of nationalized assets;
- existence of a hybrid management, unnatural between the rigors of competitive economy and the mentality of a super-centralized society;
- lowering the purchasing power of the population and reordering of the priorities;
- reorienting of a part of internal touristic demand towards external destinations

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ECONOMY

SUSTAINABLE DEVELOPMENT IN GLOBAL ECONOMY

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The actual paper comes with an approach regarding the sustainable development in today's world and the global economy. The way of proceeding is the following: the main causes of the current economic crisis are analyzed and it is demonstrated that applying economic guidelines, which are not founded on sustainability in order to achieve the large quantitative and artificial growth from last decade grounds the current challenges. This paper is based on qualitative research and offers proposals for possible solutions for the current economic crisis from the standpoint of sustainability: development of the "green" industries, jobs, technologies and growth,. Researching different aspects of the interconnection between sustainable development and sustainable economy the following conclusion might be drawn: the global economy is less probable to take its ascendant rhythm no sooner than 2012.

Keywords: sustainable development, global economy, crisis, environmental technologies

JEL Code: F20

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 future generations to come. The term was used by the Brundtland Commission, which coined what has become the most often-quoted definition of sustainable development as development that "meets the needs of the present without compromising the ability of future generations to meet their own needs" (United Nations Council, 2006).

The discussions regarding this concept started at the Environment Conference which took place in 1972 in Stockholm and idea issued at that time was a signal to express the worries and concerns due to the human action on the environment (Report of the United Nations Conference on the Human Environment, 1972). In 1985, after the discovery of the ozone layer above Antarctica, it started a serial of proposals in order to reduce the toxic substances that affects the ozone layer. After that, in 1992 at Rio de Janeiro conference "Summit of the Earth" where 170 states attended the event were adopted conventions regarding the problems of changing climate (to reduce the carbon dioxide emissions), conserving the biological diversity (to protect the species endangered) and to stop the massive deforestations.

During the last ten years, different organizations have tried to measure and monitor the proximity to what they consider sustainability by implementing what has been called sustainability metrics and indices (Boulanger, 2008). Sustainable development is said to set limits on the developing world. While current first world countries polluted significantly during their development, the same countries encourage third world countries to reduce pollution, which sometimes impedes growth. Some consider that the implementation of sustainable development would mean a reversion to pre-modern lifestyles (<http://www.menominee.edu/sdi/whatis.htm>).

Of course, this concept of "sustainable development" raises several critics at different levels. John A. Baden, the founder and Chairman of the Foundation for Research on Economics and the Environment reckons that the notion of sustainable development is dangerous because "the consequences are proceedings with unknown effects or potentially dangerous" ([229](http://www.free-</p></div><div data-bbox=)

eco.org/articleDisplay.php?id=624). Moreover, he adds that economy like ecology, the interdependence rules applies. Isolated actions are impossible. He states that a policy which is not enough carefully thought will carry along various perverse and adverse effects for the ecology as much for the economy. Many suggestions to save our environment and to promote a model of “sustainable development” risk indeed leading to reverse effects.

These measures were introduced in a sustainable plan called “Agenda 21” ten years later at the Johannesburg Conference. Although, everyone can save the planet just by doing small things like recycling, using efficient light and smart saving energy systems it looks like that Romania is far away from this concepts and nowadays the only who look concern about this are the homeless who collect the paper, iron and copper in order to make some money.

Lester Brown, founder of World Watch Institute, mentions in his report “Rescuing a planet under stress and a civilization under trouble” that the key point of sustainable development represents the reconciliations of two human aspirations, first is the of further economic and social progress and second, the preservation of the environment as o only and unique way to improve out quality life. The main issues of this report are:

- the maintaining huge number of poor around the globe;
- degradation of the environment and continuing aggravation of natural disasters;
- maintenance of unemployment
- manifestations of economical crises that makes a lot of incommensurable damages;

Joseph Stiglitz, Obama’s consultant and also ex-Bill Clinton consultant, Nobel Prize laureate mentioned for reasons of this actual crises which didn’t respect any of sustainable development rules of the economy

- the promoting of Roosevelt administration of relaxing monetary policies and eliminations of regulatory measures by FED;
- removal of interdictions of commercial banks to do risking transactions;
- other measures were in bad assets accounting (toxic assets) off balance sheets of credit and insurance institutions;
- refusal of authorities to regulate the financial derivates; reducing taxes for the riches, and other measures that increase tendency “living on credit”; artificial creation of money through the uncontrolled amplification of the derivative financial instruments, resulting in stimulation of lending to firms and population capacity versus economic reality (Stiglitz, 2002).

Jacques Attali, the former advisor of Francois Mitterrand, considers that actual world system is broke and it comes with some numbers: the value of toxic assets around the world is \$ 14.000 billions; total credit loans are \$80.000 billions and banks reserves overall amount is \$2000 billions. He continues by adding that the movements of virtual values without coverage in the real economy and financial support from the banks and other credit institutions will end up like in a pyramid-game. Therefore, banks have suspended credit to remodel their own funds, which leads to a spiral from stopping lending money to stopping of investments, reducing productive activities, increased unemployment and the last step to reduce purchasing power parity and commercial activities, which led a financial crisis to turn in a global crisis comparable with the one from 1929-1933 (Attali, 2008).

Lester Brown, known researcher in the field of global problems and sustainable development, in his famous report “Plan B” notes the spectacular development of China and India concluding by:”Western economic model cannot work for China or to India, neither to the other 3 billion people in Western countries and in a world economy increasingly integrated, the existing model will not work either for industrial countries.”(Report Plan B: Rescuing a Planet under Stress& a Civilization in Trouble 2003).

In the annual report of World Watch Institute were presented some interesting results. Among them that the world is different from physically to philosophically from the world known by Adam Smith, David Ricardo and other past economists making the conventional economy to be

inappropriate and not sustaining human activities. All dimensions of economic activities have changed so much in the last twenty years and this global slump is the sign that should be reviewed some basic economic concepts and ideas to promote reform in the conceptual economy. World Watch Institute also considers that besides the economic growth, considered the main purpose of the economy, the global economy should pass to the development objective which is not limited only to economic growth. The development means improving people's welfare, and this requires above all, improving the lives of the poor. By promoting welfare, it is meant to increase the quality of education system, reduce poverty while preserving the country's ambient and to maintain environment and cultural traditions (Strategia Nationala pentru Dezvoltare Durabila a Romaniei, 2008).

For us as a country are essential short term solutions to get out of this economic crisis, and also medium and long term ones for sustainable development of the country using the framework provided by the European integration, assurance of competitiveness and convergence with the EU, including the preparation of adoption euro and the reduction of historic disparities between us and developed countries. For this mission is needed all the cooperation among political forces, policy makers in the state and institutions.

From pessimism to optimism

After six month of continuous decline on international trade, the global economy begins to recover and a glimmer of hope can be seen. Two thirds of the capital markets that Standard & Poor's tracks have increased by more than 20%

(http://www2.standardandpoors.com/portal/site/sp/en/us/page.topic/indices_news). Different indicators in different parts of the world have improved considerably. House markets in US and UK are starting to breathe as mortgage rates fall and homes become more affordable. The confidence index of investments in Germany turned on green for the first time in the past two years. (www.investmenttools.com/equities/world/germany_dax.htm)

This entire event can only be well received, because in the end the crisis brought a lot of panic and despair. In September 2008, when the financial system was on the edge of collapse investors shunned all but safest assets, consumers stopped consuming and businesses started to close down. But this optimism has two traps, one obvious, and another more subtle. The first one is that this optimism is unjustified and this progress is not a comeback, but the rate of declining is slowing. The second trap, for politicians especially, is that confidence and better news create ruinous and complacency. Optimism is one thing, but the news of economy recovering can block the development and also can block policies adopted in order not to fall into a new crisis. As the returning on green of the capital markets can be easily to read and interpret because usually the markets make it on returning on growing before economies copy their trend. But many comebacks are consumed in vain. Between 1929 and 1933, Dow Jones index grew with more than 20% four times only to fall more than it had been originally. The current index has experienced five increases of 10% followed by more powerful decreases. Economic statistics are hard to interpret. The last six months have seen decreases, each one with a different trajectory. Decreasing production is due to the huge inventory that was adjusted. Unsold goods and the inability to take loans ended by companies cutting the production by more than sales fell. Once companies will deplete their stocks and start to produce, only then can be said that manufacturing industry has passed the most difficult obstacle (The Economist Intelligent Unit, 2009).

OECD economies

Even if this challenge will have passed two other more are on the horizon: banking system and the recovery of the loans, particularly for US and UK. Demand has plunged due to the increasing prices of assets, which has determined the population to save more money. History has shown that such crises are long and the recovery is slow. The next recession will be seen in the emerging

countries, where most of them were hit by the capital flows. Last year, the emerging economies imported 5% capital of their GDP in order to cover the deficits and now face the problem when the investors are reluctant to invest in these markets. According to IMF (International Monetary Fund) in its Report from 2009, emerging countries received \$1.8 trillion in 2008 and most of the capital went to Central and Eastern Europe. If these markets will recover, the investors' confidence will be very hard to follow the trend. This crisis sent the global economy into a recession that, from several points of view, is stronger than the Great Depression. Last prediction of IMF says that the global economy will decrease by 1.3% this year, the first decline in 60 years. During these times, the central banks pumped trillions of dollars into economies, have used a number of financial instruments to facilitate the lending and interest rate have reached almost zero. All rich countries came up with a series of fiscal measures to stimulate demand. Deficits budgets in rich countries will grow on average of 9%, 6 times higher than before the crisis. The Great Depression showed how bad the situations can be if the government do not intervene. There was never tried a stimulating effect on a global scale, therefore it is not known yet the effect it has.

A healthy increase in demand in based on government and private sector demand. The news in private sector tends to be everywhere the same – unpleasant. Most of the world hopes that the only country that can make a difference is US. Adjustments in the US house markets were the first signs of comeback. This marked experienced a 30% fall, manufacturing 20% fall and offensive policies of stimulating the economy were used in a lot of countries. Strongly stimulated by the government, the economy will start to regress in the 4th quarter of 2009. But is hard to see the recovery of an economy that is already robust, facing also unemployment. The status of the global economy will reduce the US exports. US banks are now full of public money, but balance sheets are still of toxic assets. Consumerism and investments will slow down because the population needs to give back the money and also to save some in deposits. US private sector, which increased by 70% of GDP from 2000 to 2008 is barely relaxing. Deposits reached a 4% from merely zero before the crisis. Worries related to increasing unemployment and bankruptcies could easily return the economy into a greater recession (IMF's Report, 2009).

In the UK, given the size of financial sector, property market and consumer indebtedness the financial adjustment will be higher. Meantime, a weak pound will help the exports but UK government will pump less money into economy compared to US. At the first sight, the situation should be better for Germany and Japan. Both have experienced drastic reduction in production compared to the other countries due to the collapse of trade and manufacturing industry, but in none of them the people are indebted to the banks as in the Anglo-Saxon countries. Once the inventory will adjust the recovery will be rapid. In practice, this is unlikely, especially in Germany. While production declines, unemployment reaches two digits and is hard to hope that the consumers will start to spend again and government has not shown too much enthusiasm and good will to stimulate consumption. What is worst is that German banks are still in trouble. IMF prediction for bad assets in EU sums \$1,1 trillions.

(www.marketoracle.co.uk/Article7092.html)

Instead, Japan has acted strongly on financial stimulation. The last package of tax cut and government consumption made public this year is the biggest financial boost compared to the other rich countries. The economy is unlikely to return this year, but with reserved of 200% of GDP, Japan has enough space to come up with this stimulus. With exports plunged, Japan should focus more on its domestic market, but the last two decades proved that Japan is not able to make this transition. Meanwhile, in China, where the equilibrium on inventories was made and where the government has the strength and liquidity necessary to support any action, the comeback is on the way. The first measures started to be felt: increased loans and increased investments in infrastructure in a sustainable manner. This year IMF reckons a 6.5% growth, but China has its

problems. Two thirds of demand comes from government, in particular for infrastructure development.

All this collected date make optimism falling instantly due to massive and unsustainable transfusion, the production will stabilize at some point. Despite the overall size of the crisis, any improvement is not foreseeable. When we are talking about growth, this is very timid and has no capacity to stop the rising unemployment and for years many countries will depend on their governments. This is provoking two digits unemployment in most of the rich countries. Deflation will lead to lower prices and wages due in large part of decreasing inflation due to decrease of petrol's price. Debt will increase due to weak growth, the extension of financial stimulus and high cost of correcting this crisis. OECD started the crisis with debt amounting 75% of GDP and in 2010 will reach 100% of GDP and in 2014 to 140% of GDP (www.imf.org/external/pubs/ft/weo/2009/01/pdf/c1.pdf). Continuing with unemployment, low foreign investments and a large burden on the public debt, OECD countries will face real serious economic and social problems. Although it is clear that the world economy will not resume soon its positive trend, it is certainly that the rate of growth of world economy will be lower than before the crisis.

Green at the horizon

Barack Obama is right when is saying that a lot of governments, not least his own, are spending heavily to create green jobs. Various countries like Canada, China, France and Indonesia have pledged to support the green industry in an effort to revitalize their fading economies. Religious leaders, trade unionists and the General Secretary of U.N., among others, welcomed the green stimulus as a remedy for global economy. In the end, this shift to "green" has a triple advantage: a return to economic growth, a response to global warming and a long-waiting response to the dependence of imported fuels.

Roland Berger, a world wide consulting firm, said in a special report that German government wants to do something similar. It is estimated that global expenditure on environmental technology is \$1 trillion/year and will increase by 5.4%/year until 2020. These businesses support already 1.5 million jobs in Germany the number could double if the state provides more tax incentives, subsidies or other incentives for investing in green sector.

UN produced a report where was encouraging the governments to promote the "green" employment and aims to achieve ten times more jobs in clean industry by 2030. Critics of these studies, argues that they leave many important questions unanswered. The first would be that it is difficult to know how many jobs would have been created in other sectors using that amount of money. A recent report from Peterson Institute of International Economics (2009) and the World Resources Institute, two NGOs, seek to make these calculations only for America. It found that \$1 billion invested in "green" energy is creating 31,000 "jobs-years". That compares with 25,000 jobs-year for road construction and only 7000 for tax cuts. These green stimuli will be more than good, because they will concentrate investments in areas like wind and hybrid cars industry. But the large number of employment lead to the researcher conclusion that the green industry will increase demand on the internal market, which otherwise would not occur. More highlights suggest that if you simply redirect capital from one use to another will not make the number of created jobs so big.

J.M Keynes said: "The debate on the future of humanity will end up focusing in particular on this point: that the limit that can be set for loving money and the willing of making money very fast, as the main driver of economic mechanism". (Liberalism and Labor, 1972)

These appraisals are still valid nowadays in the analysis of this economic crisis and the debates on the evolution of the global economy in the XXI century.

Unfortunately, the Keynesian model brought the breach between the State and its people. The breach was gradually and accepted with enthusiasm by a population who became assisted and

more and more dependable by the State. Probably, not even this slump or the next to come, same powerful at this one, will not convince the State and its people that its fundamentals need to be changed. In order to do that is mandatory that the one elected should not want the absolute power. Of course, it's a paradox but a real world cannot be built with paradoxes.

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FROM STRONG ECONOMIC GROWTH TO REAL CRISIS IN ROMANIA – HOW BAD IS THE PICTURE?

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The present crisis started in United States, the main motor of the present systemic crisis, as a financial failure. It spread rapidly in the economic area and also world wide. No economy was spared, and the emerging economies, among them Romania, were visible affected, even with a little later. Romania, facing a strong economic growth in the last decade, was confronted from Q4 of 2008 with an important slow down of the economy and financial disturbances, even almost all economists were hardly accepted the contagion effect on Romanian economy. But the current crisis could be not only a cyclical event, but even the crisis of the liberal economic framework.

Key words: Romania, crisis, government reaction

JEL code: E30, E32

1. Macroeconomic Development in Romanian Economy after 2000

The significant stabilisation of the macroeconomic environment achieved in recent years was stimulated by the prospect of becoming an EU member. Romanian GDP increased by a real 7.9% yoy in 2006 and 6% yoy in 2007. Economic growth was strong after 2000, and especially in the latest 3 years. As we see in the next table, GDP and GDP per capita were strongly growing, the inflation rate and unemployment rate slowed down constantly. However, the foreign trade balance, the external debt and the budget deficit were increasing. Widening external imbalances in the context of a general repricing of risk at the international level are, however, enhancing vulnerabilities.

Table 1. Economic developments in Romania, 2000-2007

	2000	2001	2002	2003	2004	2005	2006	2007
GDP, yoy, %	2,1	5,7	5,1	5,2	8,5	4,4	7,9	6
GDP per capita (lei)	3583	5211	6950	8758	11018	13327	15962	18791
Exchange rate (lei/EUR)	2	2,6	3,1	3,8	4	3,6	3,5	3,3
Inflation rate (%)	45,7	34,5	22,5	15,3	11,9	9,0	6,6	4,9
Unemployment rate (%)	10,5	8,8	8,4	7,4	6,3	5,9	5,2	4,1
Foreign trade balance (thou EUR)	-1876	-3323	-2753	-3956	-5324	-7806	-	-
External debt (thou EUR)	11163	13575	14969	15885	18298	24641	28628	36728
Budget Excess/Deficit (thou lei)	-3204	-3758	-3808	-4395	-3693	-2268	-5100	-9449

Source: INSSE

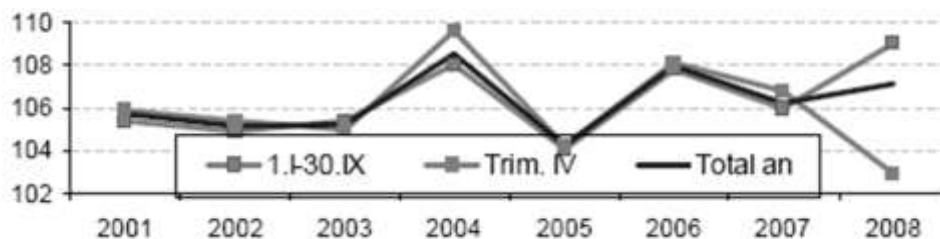
Economic growth was strong also in 2008, but the significant growth was reported in the first 3 quarters. Compared to other European economies, it appears the strongest growth (see Table 2).

Table 2. Growth of the GDP 2008/2007, %

	Q4	Year
ROMANIA	2,9	7,1
EU (27)	-1,4	0,9
Belgium	-0,8	1,2
Germany	-1,6	1,3
Estonia	-9,7	-3,6
Spain	-0,8	1,2
France	-1,0	0,8
Italy	-3,0	-1,0
Latonia	-10,3	-4,6
Lithuania	-2,0	3,1
Hungary	-2,3	0,5
Netherlands	-0,6	2,0
Austria	0,3	1,8
Poland	2,3	5,4
Sweden	-4,9	-0,2

Source: EUROSTAT

Although, in Q4, economic growth slowed down, as in all other European economies, emerging economies included. In 2008, the GDP achieved during Q4 was 31,6% of the yearly GDP, compared to the period 2000-2007 when it was of 32-33% (see Chart 1).

**Chart 1. GDP development in 2001-2008, yoy**

Source: INSSE

Despite this, construction and communication remain among the sectors with the best contribution to the economic growth recorded. Unfortunately, the biggest contributions are of sectors very pro-cyclical and a priori fluctuating: constructions and services, while industry has a very small contribution. .

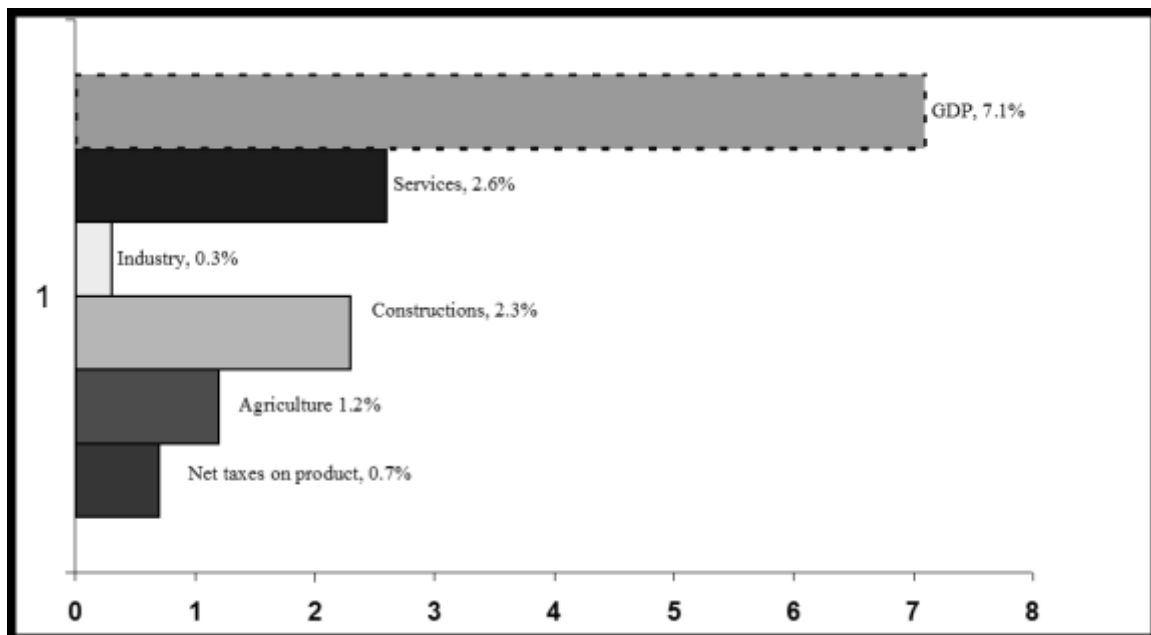


Chart 2. Contribution to GDP growth, by category of resources, 2008/2007

Source: INSSE

FDI continued to play a major role in shaping the future specialisation of the country. Foreign companies already represent 43% of total turnover and 72% of the total exports of Romania. The incoming FDI increased significantly, to 9000 million euros in 2008 (preliminary data).

2. The signs of the crisis

Romanian economy benefited from a favorable premise, e.g. the absence, to the local plan, of the toxic "financial instruments" of derived types, pertaining to the "sub prime" credits. However, as the credit crisis extended and the global financial crisis spread, the confidence between the financial institutions got lost, and the banks hesitate to grant credits whose repayment is not certain. The result was a financial blockage propagated in waves towards the Romanian financial institutions. A lot of them saw themselves obligated to stop the credit lines to the enterprises, with immediate effects on the production and investment expenses.

So, as world wide, and as occurred in the Great Depression, the current crisis began with a financial crisis. However, and unfortunately, the actual crisis is not only a financial one; it spread into the real economy. Moreover, it is not a liquidity crisis; it is a crisis of the velocity of the liquidity, intensified by the lack of confidence – a priceless public good.

As stated by the Recent Larosière Report, the current crisis has many causes: macroeconomic issues, risk management issues, Credit Rating Agencies failure, corporate governance failures, regulatory, supervisory and crisis management failures – excessive de-regulation. "Ample liquidity and low interest rates have been the major underlying factor behind the present crisis, but financial innovation amplified and accelerated the consequences of excess liquidity and rapid credit expansion. Strong macro-economic growth since the midnineties gave an illusion that permanent and sustainable high levels of growth were not only possible, but likely. This was a period of benign macroeconomic conditions, low rates of inflation and low interest rates. Credit volume grew rapidly and, as consumer inflation remained low, central banks - particularly in the US - felt no need tighten monetary policy. Rather than in the prices of goods and services, excess

liquidity showed up in rapidly rising asset prices. These monetary policies fed into growing imbalances in global financial and commodity markets”⁹⁹.

Although the global crisis was already obvious in the developed economies, Romanian economists and especially politicians were very optimistic about the possibility that the crisis extend itself in Romania. This is due to very strong economic growth and the absence of integration with the world financial system. However, in an economy where almost 90% of the bank system belongs to foreign banks, the risk of contamination was very high. Indeed, the crisis occurred and its first signals were obvious in the fourth quarter of 2008.

In the real economy, the first clear signs of slowing were noticed in Q4. Despite the strong economic growth of near 9% yoy in the first 3 quarters of 2008, this growth proved to be unsustainable, based mostly on consumption by credit of import goods. Indeed, GDP growth rate slowed down to 2.9% in Q4, proving the Romania’s vulnerability and exposure to the global financial crisis.

Inflation rate recorded a 9% peak in inflation in July 2008, but disinflation started to gain pace in H2/2008. The disinflation process is expected to go on in 2009, on the background of economic crisis (see Chart 3).

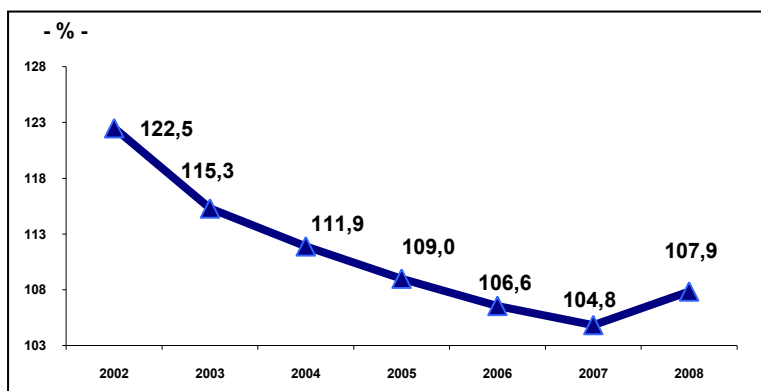


Chart 3. Consumption prices index, 2002-2008 - previous year = 100 -

Source: INSSE

Unemployment rate increased from 5.4% in Q3 of 2008 to 5.8% in Q4, and the occupancy rate went down from 60.5% in Q3 2008 to 58.3% in Q4 2008.

The current account deficit is a significant threat to the macro-economic stability, and financing the gap a concern, even in Q4 imports strongly contracted (export growth remained negative). This correction allowed the full year 2008 current account deficit to reach “only” widen 5% on 2007 to reach 12.7% of GDP, down from its peak of 13.7% of 2007 (see Chart 4).

99 High level group on financial supervision - de Larosière Group report, http://ec.europa.eu/commission_barroso/president/pdf/statement_20090225_en.pdf, p. 7

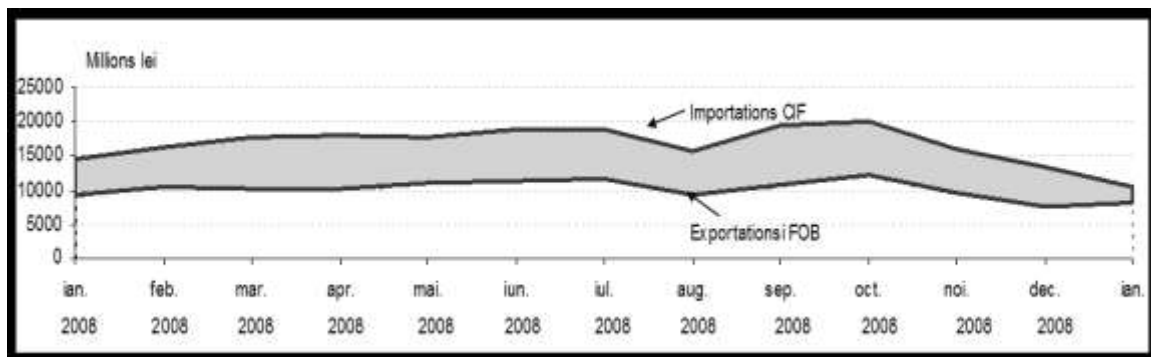


Chart 4. Exports (FOB), imports (CIF) and FOB/CIF deficit, January 2008-January 2009
Source: INSSE

The RON depreciation, beyond the uncertainty, exerted a positive effect on the C/A deficit correction. Thus, the exchange rate depreciated as follows: December 2007: 3.53 RON/EUR, December 2008: 3.92 RON/EUR, March 2009: 4.2 – 4.3 RON/EUR. The import prices raised and thus stopped the import-oriented consumption (-17% yoy drop in November 2008). As coverage the external financing needs was a major source of concern, the recent IMF agreement is meant to respond to this threat.

The monetary issues are even more complicated. RNB initiated a tightening cycle in November 2007 and raised its key policy rate, several times, from 7% to 10.25% in July 2008, trying to slow down the rate of lending and to limit the risk of overheating the economy, and also imposed several restrictions on the maximum level of household debt. As a reaction to the fast deterioration of the growth prospects, NBR turned its policy stance around in the early 2009, initiating its first cautious cut.

In this crisis of the real economy, the exporters are the more touched, because the demand and the financings of the European Union and United States, the main business partners of Romania, began to cut down at the same time with the extension of the crisis. The main factor that affected the business environment in Romania is the decreased demand, phenomenon related to:

- the availability of the credit
- the volatility of the exchange rate
- the apparition of the late payments and the problems of liquidity
- the availability of the credit:
- the uncertainty on the rate of exchange
- the financial blockages: difficulties to cash the production sold.

The crisis touches selectively the economy. The most affected are the companies in metallurgy, metallic constructions, metal products, and the industry of the transportation means, construction supplies, chemical industry and transportation¹⁰⁰.

3. Government responses

The government response to the crisis concerned in the first place two issues. First, on institutional level, it was created inter-ministerial groups for implementing anti-crisis measures taken by the government, as well as re-enforcement of the National Committee for Financial Stability. Second, on strategic level, it was adopted a program to offset the crisis, structured in more than 20 economic, financial and social policy actions. The most important component is the public investment in infrastructure and transportation.

100 *** Raportul anual de analiză și prognoză, SAR, 2009

Another response, the agreement with IMF is meant to respond to the issue of financing the major C/A deficit. A stand-by agreement for two years with the IMF for 12,95 billions euro, part of a multilateral financial support packet, was signed in March 2009. The total packet of external financing (IMF, EU, World Bank, EBRD) is 19.95 billions euro, as follows:

- IMF: 12.95 billions euro, interest rate of 3.5% per year, sliced until 2010, repayment until 2015
- EU: 5 billions euro
- World Bank: 1 billion euro
- EBRD and other financial institutions: 1 billion euro

The main goal is to improve the consequences of the strong fall of the incoming private capital in Romania and to implement the necessary economic policies in order to reduce the fiscal unbalances and to strengthen the financial system

The mission of the IMF agreed with the Rumanian Government a budgetary deficit of 4.6% of the GDP in 2009, under the condition of maintaining the present wage level and that all extra-revenues to be used exclusively for investments.

4. Conclusion. Is the current crisis the most powerful one after the Great Depression?

In the present context, there are a lot of similarities with those that followed the stock crash of 1929, such as: a period characterized by an excessive indebtedness followed by a massive deflation of the prices of assets, an analogous stagnation within the banking and financial system; an economic slowing that is quickly and spectacularly propagated to the whole world.

There also bug and important differencies. The unemployment rate exploded in the Great Depression to 24%, while now is above 10%. In 1929-1933 the bank system recorded hundreds of bankruptcies, it was not settled a system to deposit guarantees, the monetary policy was to reduce the money supply, and the world wide response was to enhance protectionism that drove to an increase of the customs tariffs. Nowadays, the government measures reduced significantly the risk of bank failures (but the price will be paid by the next generations!), it was pursued a massive recapitalisation of banks, and there are searched emergency saving policies to help the banking systems.

Even though the extension and seriousness of the crisis are not yet known, it is obvious the need to re-build the financial markets operating pattern, in the sense of more or at least better regulations. The economic growth, if not sustainable, will all the time result in more or less severe corrections. There is also needed a budgetary re-launchement globally co-ordinated. On a more extensive level, this crisis marks the end of an American-style capitalism and probably the crisis of the neo-liberal model. A new-etatism is ready to emerge, a new keynesism and perhaps a new global order.

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THE ROLE OF THE NECESSITY AND THE OPPORTUNITY ENTREPRENEURSHIP IN ECONOMIC DEVELOPMENT

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Entrepreneurship is a complex subject of study and its determinants, characteristics, dynamics and manifestations differ across countries. The level of economic development constitutes the contextual distinction for the research on entrepreneurship. There are different forms and ways of entrepreneurship in underdeveloping countries, developing countries and developed countries. In this paper, we aim to describe different types of "entrepreneurship" that affect economic development, focusing mainly on necessity and opportunity entrepreneurship.

Keywords: entrepreneurship, economic development, necessity entrepreneurs, opportunity entrepreneurs

JEL L10, M10, O10

1. Defining the entrepreneurship

Although many economists try to give a definition of entrepreneurship, we consider that there is not such a complete definition containing all the aspects relevant to entrepreneurship. This concept has been in a continuous evolution since it was used for the first time in the literature by the French economist Richard Cantillona in the 18th century. For this paper we consider necessary to present the entrepreneur approached from an occupational definition, a behavioral definition, or an outcomes definition.

The *occupational definition* sees entrepreneurs as the self-employed; based on the notion that a person can either be unemployed, self-employed, or in wage employment. It is measured either statically (through the number of self-employed) or dynamically (through the rate of start-ups)¹⁰¹. In the economic development literature this definition of entrepreneurship is perhaps encountered most often, due to many formally-registered unemployed who seek to eke out a living through informal self-employment in small and medium sized enterprises (SMEs)¹⁰². Because many of these entrepreneurs are not in self-employment by choice but by necessity, a distinction is often made in the measurement of entrepreneurship between necessity entrepreneurs and opportunity entrepreneurs.

The former is self-employed because of the lack of wage employment, while the latter is self-employed by choice, in order to exploit some perceived 'opportunity'¹⁰³, or to overcome regulations or avoid taxes.

From a *behavioural* point of view, a number of definitions have described the entrepreneur according to perceived functions that are performed. Schumpeter (1961) views the entrepreneur as the coordinator of production and agent of change ('creative destruction'). As such the entrepreneur is an innovator. Kirzner (1973) described the entrepreneur not primarily as someone who initiates change, but who facilitates adjustment to change by spotting opportunities for profitable arbitrage. Knight (1921) emphasized the uncertainty attached to the exploitation of

101 Wenekers, S. and Thurik, R. (1999). „Linking Entrepreneurship and Economic Growth”, Small Business Economics.

102 Banerjee, A.V. and Duflo, E. (2007). „The Economic Lives of the Poor”, Journal of Economic Perspectives.

103 Global Entrepreneurship Monitor, (GEM), www.gemconsortium.org

opportunities. According to Schultz (1975) the entrepreneur is anyone who can „perceive an economic disequilibrium, evaluate its attributes [...] and if it is found to be worthwhile to act, reallocate their resources”. Entrepreneurship need not result in creation of new firms, from Schult’s definition. According to Hitt et al. (2001) entrepreneurship constitutes a part of the management function within existing firms.

In recent years the behavioural notion of entrepreneurship has been broadened to include the concepts of corporate entrepreneurship/strategic entrepreneurship and “intrapreneurship”, which has been defined as the “pursuit of creative or new solutions to challenges confronting the firm”¹⁰⁴.

Entrepreneurship can also be defined from the *outcomes* that different types of entrepreneurship can have on the economy. These definitions are based on the realisation that not all forms of entrepreneurship are good for economic development. According to Baumol (1990)¹⁰⁵ entrepreneurship can be productive, unproductive (e.g. rent-seeking), or even destructive (e.g. illegal activities). He defines entrepreneurs as „persons who are ingenious and creative in finding ways that add to their own wealth, power, and prestige”. According to Coyne and Leeson (2004)¹⁰⁶ this may imply that underdevelopment is not due to an insufficient supply of entrepreneurs, but due to a „lack of profit opportunities tied to activities that yield economic growth”.

2. The role played by entrepreneurship into economic development

In the literature, authors such as Schumpeter, Baumol, Wenekers consider the entrepreneurship as an important mechanism for economic development through employment, innovation and welfare effects. The dynamics of entrepreneurship can be vastly different depending on institutional context and level of economic development. There are considerable differences across countries in the orientation of entrepreneurial activities (see GEM 2007). The nature and structure of entrepreneurial activities varies across countries as reflected by, for example, the relative volumes of necessity and opportunity entrepreneurship. In a report of GEM it is shown that opportunity entrepreneurship has a positive significant effect on economic development, whereas necessity entrepreneurship has no effect.

From another point of view, entrepreneurship achieves important functions related to efficiency, competition, product innovation, pricing and industry survival by acting either to disequilibrate (Schumpeter 1934), to equilibrate (Kirzner 1997) or to do both (Hall 2007) in the market. However, the nuances of entrepreneurship are not easily generalized and complicate policy-focused interpretations related to level and role of economic development.

Entrepreneurship offered many things that other economic development interventions did not. First, entrepreneurship is a local and regional level activity, and new firms can immediately begin to create benefits for their host locations. For this reason, the idea of entrepreneurship was a perfect complement to an increasing focus on community-based economic development.

Second, economic development interventions focused on building hard infrastructure (bridges, roads, transportation networks), and often neglected to consider how the infrastructures would be used. Entrepreneurship can work without a perfect system of hard infrastructure (or, at least, can begin to work) and often with minimal other resources. In many countries, entrepreneurship has gained popularity because it can be a low-cost, high-impact approach to economic development. Third, although economic development interventions were able to create macroeconomic changes and build infrastructure, they were still unable to address immediate and short-term problems.

104 Antoncic, B. and Hisrich, R.D. (2001). „Intrapreneurship: Construct Refinement and Cross-Cultural Validation”, *Journal of Business Venturing*.

105 Baumol, W. (1990). „Entrepreneurship: Productive, Unproductive, and Destructive”, *Journal of Political Economy*.

106 Coyne, C.J. and Leeson, D.T. (2004). ‘The Plight of Underdeveloped Countries’, *Cato Journal*.

Entrepreneurship can address individual-level needs related to income and employment. At the very least, entrepreneurship creates one job for the entrepreneur as well as income. At best, it generates additional jobs and (financial or nonfinancial) incomes for other people.

3. The necessity versus the opportunity entrepreneurship and the implications for policy

Necessity versus opportunity entrepreneurship is largely determined by the level of economic development in the long run and the actual state of the economy in the short run¹⁰⁷. Necessity entrepreneurship is more common in lower-income countries and decreases with the level of economic development¹⁰⁸. Gross domestic product (GDP) growth has no significant impact on necessity entrepreneurship and a positive impact on opportunity entrepreneurship¹⁰⁹. However, the impact of these variables may also differ for different types of opportunity entrepreneurship.

A nation's economic development depends on successful entrepreneurship combined with the force of established corporations. However, the beneficial value of this mechanism varies with the national income, as measured by GDP per capita. At low levels of national income, self-employment provides job opportunities and scope for the creation of markets. As GDP per capita income increases, the emergence of new technologies and economies of scale allows larger and established firms to satisfy the increasing demand of growing markets and to increase their relative role in the economy.

At the same time, the numbers of business start-ups decrease as a growing number of people find stable employment. Finally, as further increases in income are experienced, the role played by the entrepreneurial sector increases again, as more individuals have the resources to go into business for themselves in a business environment that allows the exploitation of opportunities. In high-income economies, through lower costs and accelerated technology development, entrepreneurial firms enjoy a newly found competitive advantage. Thus, entrepreneurs in countries with different levels of GDP per capita, face different challenges. As a result, policies and conditions favorable to entrepreneurship in one country (or region) may not be effective or favorable in another.

Less developed countries need to strengthen their Small and Medium Sized sector, before focusing on the entrepreneurial framework conditions, since this is the first step toward development. These policies are focused at firms not at individuals. These include financial assistance, management assistance, training and reducing regulatory burdens. Part of the goal should be to reduce the number of self-employed and strengthen the existing Small and Medium Sized Sector. Underdeveloped countries should be focuses on bringing in direct foreign investment that would employ more of the people leaving agriculture and self-employment. There is also important a strong commitment to education and training, both at the elementary and secondary level. Those with less education in developing countries will end up in necessity entrepreneurship.

Developing countries need to strengthen the conditions to improve the quality of entrepreneurial environment for major established firms, including the rule of law, labor market flexibility, infrastructure, financial market efficiency and management skills. Most of these conditions are necessary to attract foreign direct investment that will provide employment, technology transfer, exports and tax revenues. Entrepreneurship in developing countries should be focused on strengthening the entrepreneurial sector. Also, it is necessary a strong commitment to education at both the secondary and tertiary level.

For *developed economies* the focus of an entrepreneurial economy is on change. Entrepreneurial economies need to strengthen technology transfer, make early stage funding available, and

107 Global Entrepreneurship Monitor—2005 Executive Report.

108 Wennekers, S., van Stel, A., Thurik, R., & Reynolds, P. (2005). „Nascent entrepreneurship and the level of economic development”, *Small Business Economics*.

109 Van Stel, A. J., Storey, D. J., & Thurik, A. R. (2007). „The effect of business regulations on nascent and young business entrepreneurship”, *Small Business Economics*.

support entrepreneurial activity at the state, corporate and educational level, especially at the university level.

Entrepreneurial activity in developed countries needs to focus on high value added, high technology, innovation and technology commercialization. Finally, in developed economies the higher education system needs to play an important role in research and development, technology commercialization and education.

4. Conclusion

Necessity entrepreneurs engage in entrepreneurship to avoid unemployment, whereas opportunity entrepreneurs pursue a recognized opportunity for profit. Necessity entrepreneurs make up an important part of the total set of entrepreneurs in developing countries, and are relatively less common in developed countries.

In developing countries the entrepreneurship is concerned with starting and accelerating growth, and in providing impulse to the structural transformation of economies; in the advanced economies the concern is largely with obtaining new sources of productivity growth (which underlies competitiveness).

The ration of opportunity to necessity entrepreneurship is a key indicator of economic development. As more and more of the population becomes involved in opportunity entrepreneurship and as more and more people leave necessity entrepreneurship (self-employment) the more we see rising levels of economic development.

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INSTITUTIONS AND VALUES OF ROMANIANS – COMPARATIVE ANALYSIS OF HISTORICAL REGIONS

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Starting from the results of a national survey, a questionnaire on the values of Romanians was applied in April 2008 which was used for a comparative analysis of historical regions of Romania: Moldova, Bucharest, Dobrogea, Transilvania and Muntenia.

Our main purpose is to emphasize the fact that the stereotypes regarding the characteristics of Moldavians, Transilvanians or people from other regions, their superiority/inferiority are not statistically confirmed and therefore they are not scientifically demonstrated. Moreover, we intended to analyse the manner in which certain values, associated to some negative, informal institutions, considered to be characteristic to Romanians, can be found in Romania’s historical regions and if there are any significant differences from this point of view.

Keywords: instrumental values, formal institutions, informal institutions, culture, regions

JEL Classification: A30, R11, Z10

Introduction

Ever since 1944 Lucian Blaga suggested the existence of a direct connection between the occupied space and the way the collective mentality is structured; the steppe generates a collective mentality different from the one created by the hill-valley alternation. Each people is dependent on the space it occupies, the space history, on its culture; however, the resulting differences should not be discussed in terms of quality (some are better than others) but in differential, specificity terms¹¹⁰. This is the case because, before being a Romanian or a Chinese, a person has some deep socio-psychological characteristics, which are common to all human beings.

Recent international research focuses mainly on cultural factors which draw a line between economic performance, work discipline, economic thinking, or the respect paid to some traditional institutions like property or contracts. Culture influences institutional development. At the same time, the integration of cultural elements within the frame of the institutions of society is a mechanism which leads to their own persistence¹¹¹. In this context, it is necessary to be aware of the fact that certain behavior rules have a very slow changing rhythm, finding their origin in immutable cultural factors, while others can change to the extent to which the economic game is more attractive as far as the economic results are concerned. The *inherited* behavior rules and beliefs are constituted by and, at the same time, reflect the cognitive models shared by individuals, thus representing common knowledge in terms of expected and, at the same time, socially accepted behavior. These can hardly be changed and the main reason for this is the ideology of a social community.

110 Ovidiu Ivancu, Nu mi-e rușine că sunt român... Mi-e indiferent!, 2009-03-24, <http://www.romaniaibera.com/articole/articol.php?care=9390>

111 M. Aoki, M., Fondements d'une analyse institutionnelle comparée, Albin Michel, 2006, p.16.

There are two or three dominant cultural patterns as far as the European level is concerned: *traditionalism*, *modernism*, and *post-modernism*. Of all the European countries, Romania is among the closest to traditionalism¹¹², having the tendency to consolidate its traditional values thanks to the population's disappointment regarding political, economic and social changes after the fall of the Communist regime. The Romanian government introduced hesitant policies, dominated by compromise which brought no feeling of positive change. As a consequence, the Romanians' reluctance, as far as the power of state and the newly-created institutions, generally perceived as corrupt and inefficient, maintained socialism-influenced beliefs or managed to push society towards traditionalism and constantly cultivated the tendency towards not accepting the modernising of values. This is why the analysis of formal-informal institutions in the context of value change becomes much more relevant in Romania's case.

Methodology

The data gathering method was the survey and the questionnaire was its instrument, applied at a national level, in April 2008, through the INFOMASS IAȘI company.

Of all the procedures used in surveys practice for sample formation (aleatory, controlled and mixed sample formation procedure), the mixed sample formation procedure was chosen and the stratified sample formation method was applied. The strata were delimited according to some qualitative criteria (cultural areas, the residential medium) and quantitative criteria (the size of localities). The sample was made up of sub-samples, created through selections at the stratum level.

The following types of questions were used: cloze questions (multiple choice and dichotomic answers), open questions and partially open questions. Factologic and opinion-based questions were also included. The Likert scale was used to measure the intensity of opinions expressed during the survey. This is a response scale on which the subject places his/her opinion between „agree” and „disagree”.

The questionnaire is made up of three parts:

- one part which contains *instrumental values* (types of action), using 15 out of the 18 original instrumental values of the Rokeach questionnaire, presented as bipolar statements on a Likert scale, on which the respondents had to express their approval, disapproval or neutrality;
- one part made up of *negative informal institutions* supposed to be characteristic to Romanians (task delay, lack of ambition, taking/giving bribes or „gifts”, neglect and laziness, envy, lack of punctuality, the „assisted” mentality, negative collective identity), all these being presented in the questionnaire in the form of positive statements with the purpose of checking the respondents' honesty, considering that they would not overtly admit the fact that they are envious, lazy or oriented towards neglect;
- and one part which comprises a set of *demo-economic* variables (the level of education, the field of activity the subject activates in, the number of family members, monthly income, personal wealth etc.)

The data analysis was achieved by using a series of statistic methods and techniques: tables, graphs, percents, correspondence analysis, analysis of variance.

Results

As far as the first set of questions over instrumental values within the Rokeach value questionnaire is concerned the region analysis is synthesised in table no. 1 where the affirmative answers are presented in percents.

112 Bogdan Voicu, Mădălina Voicu, *Valori ale Românilor 1993-2006*, Institutul European, Iași, 2007, pp. 306-309.

Table no.1 *The Regional instrumental values evaluation*

Statement- value	Moldova	Buuresti	Dobrogea	Transilvania	Muntenia
A 1 / Afectiveness	71	83	94	90	85
A 2 / Ambition	84	67	85,4	85	82,4
A 3 / Obedience	48	35	53,4	61	57
A 4 / Competence	84	69	99	95	87,5
A 5 / Courage	76	44	61	60	60
A 6 / Cleanliness	84	73	98	96,4	91
A 7 / Creativity	57	47	55	55,4	52
A 8 / Independence	78	68	85	80	76
A 9 / Tolerance	57	62,5	80	75	70
A 10 / Inteligence	62	53	61	65	60
A 11 / Politeness	86	78	97	97	88
A 12 / Receptivity	78	48	61	58	61
A 13 / Responsibility	92	75	77	85	85
A 14 / Sincerity	56	45	73	60	72
A 15 / Cheerfulness	45	35	65	44	49

Therefore as far as representative characteristics are concerned, with over 75% positive answers, the following instrumental values are present in the historical regions:

1. for Moldova – ambition, competence, courage, cleanliness, independence, politeness, receptivity, responsibility;
2. for Bucuresti – affectiveness, politeness, responsibility;
3. for Dobrogea – affectiveness, ambition, competence, cleanliness, independence, tolerance, politeness, responsibility;
4. for Transilvania - affectiveness, ambition, competence, cleanliness, independence, tolerance, politeness, responsibility;
5. for Muntenia – affectiveness, ambition, competence, cleanliness, independence, politeness, responsibility.

We notice that, at the regional level, the most frequent values (present in at least 4 regions out of 5) are *affectiveness, ambition, competence, cleanliness, politeness, responsibility*. Values such as sincerity, receptivity, creativity obtained poor results, which confirms the idea that individual initiative still needs to be cultivated in the Romanians' case, for whom the competition mentality is not part of the socially accepted values yet. The correspondence analysis led us to the following associations between the above-presented instrumental values and regions in table no. 2, where the √ sign indicates the presence of the characteristic.

Table no.2 *The Association of instrumental values with the Regions*

Statement- value	Moldova	Bucuresti	Dobrogea	Transilvania	Muntenia
A 1 / Afectiveness			√	√	√
A 2 / Ambition	√		√	√	
A 3 / Obedience				√	√
A 4 / Competence			√	√	√
A 5 / Courage	√				
A 6 / Cleanliness				√	√
A 7 / Creativity				√	
A 8 / Independence				√	
A 9 / Tolerance				√	
A 10 / Inteligence				√	
A 11 / Politeness			√	√	√
A 12 / Receptivity				√	
A 13 / Responsibility	√	√		√	√
A 14 / Sincerity					√

A 15 / Cheerfulness				Y	Y
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From the perspective of the two dimensions of the above-mentioned axiological orientations – *traditionalism* and *modernism* or *postmodernism*, we notice that the region which gathers most of the modernism characteristics (8, out of which 5, of the most representative, are exclusively found here) is Transilvania, which leads us to the conclusion that this region is the closest to modernism.

As far as the questions regarding negative informal institutions – considered to be representative for Romanians – (slink attitude, task delay, lack of involvement, neglect, shallowness, taking/giving bribes, laziness, envy, lack of punctuality, the „assisted” mentality, negative collective mentality) are concerned, the hierarchy patterned by the respondents in the five historical regions is synthetised in table no. 3, by gathering the *total agreement* and *partial agreement* percents.

Table no. 3 *The regional evaluation of negative informal institutions (%)*

Statement- institution	Moldova	București	Dobrogea	Transilvania	Muntenia
B 1 / Slink attitude	9	3	6	6	9
B 2 / Task delay	45	48	56	47	42
B 3 / Lack of involvement	11,4	5	11	6	8
B 4 / Shallowness	22	8	8	5	16
B 5 / Bribery	15,4	11	9	7	9,4
B 6 / Laziness	6	1	1	9	5,4
B 7 / Envy	36	44	40	36	31
B 8 / Lack of punctuality	20,4	7	21	10,4	18
B 9 / „Assisted” mentality	74	60	89,4	74	76
B 10 / Negative collective identity	57	48,4	72	67	63

Thus, a strong negative characteristic, with over 74% of the answers, is the „assisted” mentality for Moldova, Dobrogea, Transilvania and Muntenia. As far as Bucharest is concerned, this characteristic is present in over 60% of the answers. *The negative collective identity* is present in over 50 % of the positive answers in Moldova, Transilvania and Muntenia and in over 72% in Dobrogea. *The task delay* characteristic is to be found at the limit between 40 and 50% in all the regions, the greatest approval percentage being identified in Dobrogea with 56% percent. The well known Romanian *envy* is not statistically confirmed as a dominant characteristic, the result being between 31% and 44% in all regions.

The simple correspondence analysis led us to the following negative types of behavior (institutions) associations:

- as far as the „*assisted*” *mentality* is concerned the association is made between the „total agreement” and Dobrogea and Moldova; Muntenia and Transilvania are related to „partial agreement”;

- as far as *the negative collective identity* is concerned, we notice an association between the „total agreement” and Dobrogea; „I hardly agree” or „neither agreement nor disagreement” and Bucharest; „total disapproval” or „partial approval” and Transilvania, Muntenia and Moldova;

- as far as the task delay characteristic is concerned, the association was confirmed by „total approval” in the case of Bucharest, while the inhabitants of Transilvania totally disapprove this.

The multiple correspondence analysis led us to the following associations between negative behavior (institutions) and regions:

- for Moldova – the „assisted” mentality and envy;
- for Bucharest – envy;
- for Muntenia – the „assisted” mentality.

The correlation between **the negative informal institutions** and the respondents’ income according to the region criterion registered a significant value for:

- for Bucharest– *the lack of involvement, shallowness, and the „assisted” mentality;*

- for Dobrogea– *the slink attitude, lack of involvement, punctuality, the „assisted” mentality and negative collective identity;*

- for Transilvania – *lack of involvement.*

Although it is a well-known fact that Moldova is the poorest among Romania’s regions, no significant correlation between negative cultural characteristics and the respondents’ non-performant status was identified.

Conclusions

The most frequent instrumental values (present in 4 regions out of 5) are *affectiveness, ambition, competence, cleanliness, politeness, responsibility*. Values such as *sincerity, receptivity, creativity* obtained only a poor percentage, a fact which confirms the idea that individual initiative still needs to be cultivated in the Romanians’ case, for whom the competition mentality is not part of the socially-accepted values yet. The simple correspondence method demonstrated that the region which gathers most of the modernity characteristics, (8 out of which 5, among the most representative, are to be found exclusively here) is Transilvania, thus being different from the rest of the regions.

Out of the negative informal institutions, considered to be representative for Romanians, the hierarchy created by the respondents confirms the initial hypothesis of the dominance of the *„assisted” mentality* and of *the negative collective identity*, which had a clear impact and with a poorer percent *the task delay* and *envy*. They demonstrate that even after 20 years of communism, the free and self-determined man’s mentality is not rooted, as far as the collective mentality is concerned. The simple correspondence method showed an association between the *„total approval”* response and Dobrogea and Moldova for the *„assisted” mentality*, and between Dobrogea and *the negative collective identity* and *task delay* and Bucharest.

The results of the present research confirm the fact that if motivation exists, behavior can improve by internalising efficient formal institutions, and economic agents can thus appreciate those values which enable the behavioral adjustment to the new institutional context, even though this is a long-term learning process. The gradual increase of the population’s welfare doubled by corruption diminution at the level of national institutions are conditions which, added to the population’s *diffuse support*, are imperatives for transition at the level of values and behavior.

Romanians lack *social trust and involvement*, a fact which is demonstrated both by the present research and by studies performed by international studies: nevertheless, they increase capital and social welfare; this is why we consider that the *alfa* and *omega* for any institutional reform or of any socio-political policy should be their support and development on a social level. Just like identity, trust is built by having as a point of departure the past –the sum of values and traditions, actions and motivating facts – all given value, widely-recognised and cultivated both at the group as well as at the community level.

We are convinced that the Romanians’ pessimistic obsessions regarding their own flaws can righteously be abandoned. We have tried to demonstrate so far that the Romanians, as people, are neither superior nor inferior to others, and this is why we believe that only by trusting each other can we have the life we desire.

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COMPULSORY EDUCATION IN ROMANIA BETWEEN EQUITY AND EFFICIENCY

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The paper aims at investigating the two main characteristics of a modern system of compulsory education with a focus on Romania. It assumes that the equity of the education sector and the efficiency of resource use are strongly correlated, both supporting the development of a knowledge - based society. The trade-off between equity and efficiency persists in the Romanian educational sector, since the opportunity cost of increased budgetary allotment for education is high for an developing country such as Romania; on the one hand, the efficiency of these allotments are very important for the economic growth, on the other hand, the government’s compensatory actions to increase equity and equal opportunities are equally important.

Keywords: equality of opportunities, public education, efficiency indicators, equity indicators, compulsory education.

JEL Classification: H52, I21, I22, I28.

Theoretical background

Education has become one of the greatest resource consumers and one of the greatest industries in all economies, regardless of the level of development. Public expenditure allotted to education has increased twice or even three times in the 60s and 70s, along with a development in the economic literature on *human capital* and with Schultz’s (60 and 61), Mincer’s (58) and Becker’s (75) famous contributions.

The beneficial contributions of education have been analysed along the years from various points of view: productivity growth, income growth of educated persons, decreasing social discrepancies, reducing disparities between the levels of development among countries. The orientation in recent studies is concerned not so much with proving the correlation between public allotment for education and the level of development, as with discussing issues connected to measuring the efficiency of these allotments, to the quality of education from the point of view of maximizing the results, as well as with issues related to the equity of the educational process and to equal opportunities in education. Both the concept of *efficiency* and that of *equality* are accompanied by many theoretical and political controversies.

Although misleadingly simple when considering the neoclassic cost-minimizing or result-maximizing model of analysis, the problem of the *efficiency* of education is a controversial one, given the different methodology used for the calculus of the social rate of return to investment in education.

The social rate of return, that compares the costs and benefits of education for the whole society, is used to ground and formulate the educational policies regarding the expansion of different levels and types of education. The social rate of return is difficult to calculate if we refer to it in terms of clear monetary profit to which the externalities owed to education are added (the externalities are effects of education on health, fertility, criminality and civil involvement). Including externalities or not in the calculus of the social rate of return to investment in education may lead to very different educational policies, since the social return rate can be larger or smaller than the private return rate¹¹³. In a poor country, for instance, the optimum number of

113 G. Psacharopoulos, H. A. Patrinos, Human capital and rates of return, in vol. edited by G. Johnes and J. Johnes International Handbook on the Economics of Education, Edward Elgar Publishing Ltd, UK, 2004, p. 25.

schooling years from the social point of view is smaller than the optimum number of schooling years from the private point of view if one ignores the fact that educated women have a lower degree of fertility, that is if one ignores an external profit owing to education. If externalities are taken into account for the calculus, the social rate of return is higher than the private rate of return, the result being a higher number of schooling years and hence different educational policies. The empirical analysis of this issue has proved to be extremely difficult, as measuring the externalities of education is one of the most laborious approaches that the economy of education and economics in general have had to face.

In order to avoid these methodological and empirical difficulties, other authors calculate the efficiency of education by using the concepts of educational *attainment* and outcome. Attainment can be defined as the number or proportion of school-age children that enter and complete primary or secondary school, or a particular grade¹¹⁴. This measure is superior to enrolment because it excludes students that drop out of school prematurely and the number of repeaters does not affect it. Attainment rates indirectly reflect high educational *quality*.

Being mainly concerned with increasing the level of compulsory education attendance and attainment, governments have gradually increased budget allotment for education, but the concern for what the students know, for their abilities and competences has been comparatively reduced. This is the reason why international standardized tests such as the PISA test, which reveals the competences in literature and mathematics, are lower by far in the emerging countries as compared to the developed countries. Current controversies regarding the increase in expenditure for education show that in order to reduce the differences in the level of development among countries, an increase in quantity regarding education - that is budget allotment - is no longer sufficient, but a rise in quality is needed. The latter implies structural changes in educational institutions¹¹⁵.

Equity has two basic meanings in the economic jargon: a horizontal and a vertical one. The horizontal one refers to the necessity of avoiding discrimination (in terms of gender, ethnic group or any other form) among individuals that are equal from a material point of view (they have identical results in economic terms). Vertical equity consists in reducing the economic differences among individuals. It is put into practice through the redistribution function of the state and implies the use of the public budget to redistribute income towards the underprivileged categories, either directly by transfer or by negative taxation or indirectly by providing free or subsidized goods or services.

The difficulty in choosing between educational policy programmes lies in that the term *correct* or *ethical* is fairly vague, subjective, various individuals will have different views on what is correct or not. Various individuals will benefit to various degrees from governmental programmes, but it is difficult to tell who will benefit from a certain programme - if anyone does. In order to have an even vague notion of this issue, we have to be able to answer the following question: *Who benefits* from a certain programme and *Who pays* for it, and *From what funds* respectively. Most programmes of public expenditure ground in the notion that in order to obtain a higher degree of equity, a certain rate of efficiency can be yielded. Most arguments regarding some programme or other refer not so much to the rate of efficiency that is given up for increased equity, as to the nature of the exchange and the consequences it has on the distributive situation, as quite often these results differ from the ones that have been anticipated.

Current economics literature underlines the necessity of taking into account more systematically the redistributive effects of the public services, since they are connected to the income indicators, in order to underline the manner in which the various public service programs can influence the

114 A. S. Rajkumar, V. Swaroop, Public spending and outcomes. Does Governance matter? Policy Research Working Paper n. 2840, World Bank, 2002, p.16.

115 Eric A. Hanushek, Ludger Wößmann, The Role of Education Quality in Economic Growth, Policy Research Working Paper n. 4122, World Bank, 2007, p.51.

achievement of social policy objectives. Nor is assessment of equity free from dangers and difficulties which are of an empiric and methodological nature. Extreme poverty can be assessed by using infant mortality rate, as this has an important impact on the rate of enrolment in primary education. Secondary education is influenced to a higher degree by another indicator, the Gini indicator of income distribution. Ensuring minimal – or compulsory – education for all citizens, irrespective of wealth distribution, is aimed at by putting into act the principles of equity. This type of research is the more important in Romania, where the objective of economic growth is of paramount importance, while, on the other hand, the arbitration among the various public programs is difficult as they directly influence social disparities.

Main findings

Quantity and quality of compulsory education in Romania

The educational policy in Romania is probably facing the greatest challenge ever. The critical issue of Romania's active population (half of the active population migrates towards the EU countries in search for work), the international trends in research and education – emphasizing the role of knowledge and innovation, the international trends on the labour market and the human capital, the cultural disparity and the disparity in development comparative to other EU countries are some elements that can prompt the leaders to re-consider the role of education, to increase of the budget allotted to education, as well as an institutional reform meant to increase the overall quality of the educational system.

Table no. 1 shows that, compared with the European average, Romania allots education a far lower percentage of its GDP. The greatest discrepancy as compared to the European average is present in secondary education, where the need for financing is greater due to a higher rate in school-drop - as we will show in the paragraph devoted to the description of equity. To conclude, if an increase of the GDP is allotted to education, it should be done according to the specific needs of the various levels of education in order to increase their efficiency.

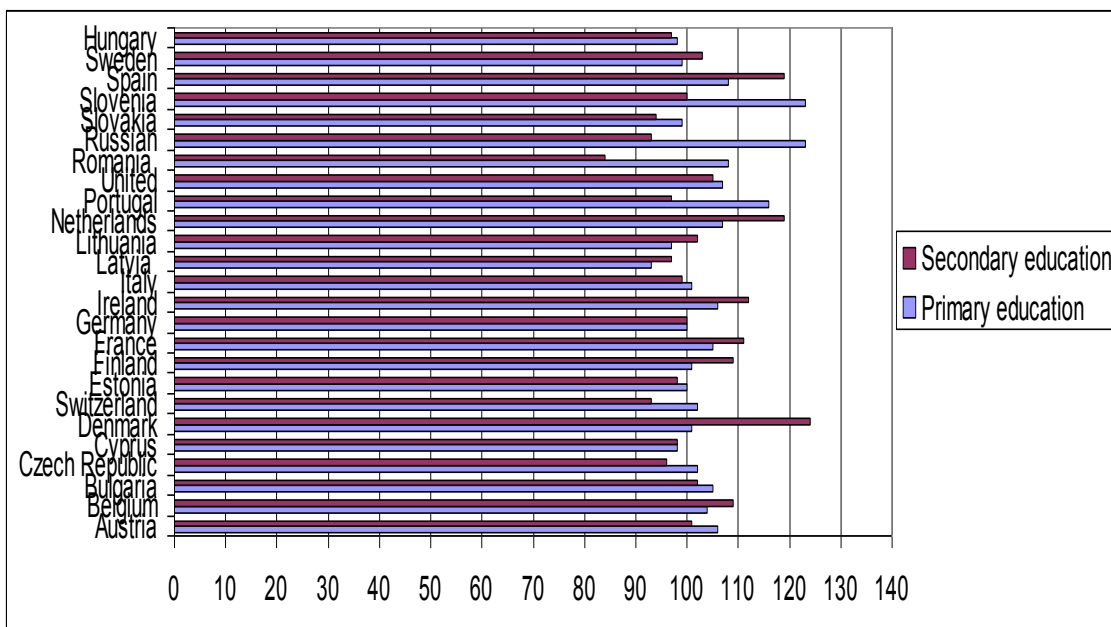
Table no. 1 Total public expenditure on education in EU and Romania

Indicators	EU	Romania
Total public expenditure on education as % of GDP, for all levels of education combined	5.07	3.29
Total public expenditure on education as % of GDP, at primary level of education (ISCED 1)	1.15	1.20
Total public expenditure on education as % of GDP, at secondary level of education (ISCED 2-4)	2.30	0.73
Total public expenditure on education as % of GDP, at tertiary level of education (ISCED 5-6)	1.13	0.70
Total public expenditure on education as % of GDP, at pre-primary level of education (ISCED 0) and not allocated by level	0.49	0.66

Source: Eurostat

By comparative analysis, Romania has the lowest enrolment rate in secondary education among the EU countries, as shown in Fig. 1

Figure no.1. Enrolment rate in the UE



Source: Romania's Yearbook, 2006, INS, Bucharest, 2007.

Romania's position, in relation to knowledge indicators, is not favourable, on the contrary. As we have shown in the first paragraph, one of the ways of emphasizing the efficiency of education is through *attainment* and *outcome*. *Attainment rate* shows the ratio of the population graduating from the various education levels as compared to the ratio of people enrolled. If in Romania the rate of enrolment is quite high - a national average 98.9% in the year 2005, it is only 66.5% of them who manage to graduate compulsory education, as compared to 77,3% which is the EU average. The specific indicators *results* of education in terms of acquired knowledge and skills do not place Romania in a competitive position within the EU, as 41% of the pupils do not manage to reach the lowest performance level in the PISA test as compared to a European average of 19.4%.

Equity in compulsory education in Romania

The general perception of the Romanian education system is that lately it has not been equitable, as it does not offer equal opportunities in spite the underprivileged groups support policies implemented and due to the fact that compulsory education is not actually free, although it is meant to be.

Two categories of pupils are particularly underprivileged: pupils from the rural areas and pupils belonging to the Roma ethnic group. At present, only 24.5% of the pupils from the rural areas manage to attend high school. The average drop-out rate in secondary education is 1.5 -1.7 % every year, but the drop-out rate in the rural areas is 1.6 – 2.1 %.

As far as secondary education is concerned, the cost of education – mainly connected to the cost of transportation – is very high, and the opportunity cost of education related to housework in the household is also very high. 41% of the **agricultural** households workers had a personal income under 119 ROL in 2006, when the personal income of 88% was under 336 ROL (the minimum pay was 330 ROL), while 74% of the **employees** had an average personal income of over 336 ROL when the average pay was 862 ROL. Very low income in the families of agricultural workers results in a very low rate of compulsory education graduation as compared to the national rate; at the same time, the lack of differentiated pay between teachers in the rural areas and urban areas respectively and the lack of incentives and protective policies for teachers and pupils from the rural areas causes poorer results in rural school as compared to the national

average. Thus, the rate of pupils from the rural areas who obtain good results in the national tests is 2-3 times lower than that of pupils in the urban areas.

As far as the Roma ethnic group is concerned, as many as 80% of the persons who do not attend school belong to this group, of which 38% are functionally illiterate. The rate of Roma children being enrolled in primary education is 64% as compared to the national rate of 98.9%¹¹⁶. Official statistics of average income in the Roma families or of gender differentiation are limited or not available. The problems that the Roma ethnic group are facing are major and persistent, as most of the Roma children come from families where parents are unemployed, living from begging or social benefits in unwholesome public housing.

Most developed European nations tend to have Gini coefficients between 0.24 and 0.36. In Romania the values of the Gini concentration coefficient for the years 2004, 2005 and 2006 ($i_{G\ 2004} = 0.355$; $i_{G\ 2005} = 0.375$; $i_{G\ 2006} = 0.359$) indicate a moderate concentration of total income per person for the years considered. Since the results are similar, we can conclude that no major changes in the distribution of total income per person have occurred in the country. The Gini coefficient can be used to indicate how the distribution of income has changed within a country over a period of time (2004-2006), thus it is possible to see if inequality is increasing or decreasing. The lack of data has prevented the calculation of a statistically significant correlation between the drop-out rate and the Gini coefficient for Romania.

Conclusion

Both equity and efficiency of the Romanian education sector will increase if the institutional efficiency of this sector increases. Institutional efficiency is corroborated with economic growth, while the quality of the educational institutions ensures the efficiency of extended budgetary allotment directed towards education. In a country such as Romania, where each percent of the GDP allotted to a certain section of the budget has a high opportunity cost, institutional quality is very important, since the actual efficiency of the various educational projects depend on it. That is why the so-much desired reform in the education sector will have to focus more on quality and not on quantity, on spending the money efficiently rather than increasing the allotted funds.

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¹¹⁶ Romania for education, Romania for research, Report of the Presidential Committee of Analysis and Elaboration of Educational and Research Policies, Bucharest, 2007, p. 8.

THE EFFECTS OF HEALTH ON ECONOMIC PERFORMANCE

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This paper aims analyzing the relationship between population health status and growth. The investment in human capital has an important impact on the economic development of a country. A number of studies in developing countries have shown that there is an important relationship between health and economic development. The state of health in a country will affect its growth path through various channels, in a way that depends on local conditions.

Keywords: Health, economic development, growth, human capital

JEL Classification: I10, O40, O43

1. Introduction

Traditionally the economic theory has focused on the accumulation of physical capital as the source of the most important growth, at least in the short term¹¹⁷. According to Lucas, even from the early 1990's various studies were aimed at identifying economic growth variables; long-term growth is endogenous rather than exogenous¹¹⁸.

The role of human capital (including health care, education and skills) is almost universally regarded as indispensable. Sustained economic growth depends on the levels of human capital, whose characteristics increase as a consequence of the higher levels health care, education and new teaching and skill acquiring methods¹¹⁹. In the absence of a workforce with minimal levels of education and health, a country is incapable of sustained growth¹²⁰.

Health is a major determinant for productivity and many developing countries depend more on physical labor, therefore it is desired to prioritize having a healthier workforce to attain maximum productivity. Besides, there are threshold values for health levels, below which functioning and productivity will be seriously affected.

117 Sushil Haldar, Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study, *Asia-Pacific Social Science Review* 8:2, 2008, pp. 79-97.

118 Lucas, R.E, On the Mechanics of Economic Development. *Journal of Monetary Economics*, 22, 1988, pp. 3-42.

119 Sushil Haldar, Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study, *Asia-Pacific Social Science Review* 8:2, 2008, pp. 79-97.

120 Lopez-Casasnovas, G., Rivera, B., and Currais, L., The Role Health Plays in Economic Growth, 2005 In G. Lopez-Casasnovas & B. Rivera (Eds.), *Health and Economic Growth: Findings and Policy Implications*, Massachusetts: MIT Press, pp.1-15.

2. The Relationship between Health Care and Growth

Studies on the effects of health over income and its increase divide the literature in two main branches. On the first side we have international data over longer periods to help us estimate the impact of national health care decisions on national incomes and their evolution. On the other side there are studies on individual level containing one or more measures of health status among other data. Healthier populations tend to have higher productivity, as workers are physically vigorous, mentally robust and have fewer workdays lost due to illness, theirs or of the members of the family.

There is a series of assertions that the health of a population influences growth and should be treated as another element of economic productivity.

One such study is the one carried out by Arora (2001)¹²¹ who takes into consideration the integrated relation between income and health, health care innovations lead to economic growth, but not vice versa. Observations made by Arora are similar to those reported by Fogel (1994, 1997) in a study on western economies considering a period of two centuries – from 1780 to 1979. Analyzing international data of the last 25 years, Bloom and Sachs obtained empirical evidence that health status and demographic variables play a key role in determining growth rates. More recent studies examined the effects of life expectancy on growth for the next 15-25 years and found strong direct and indirect effects, which operate through investment rates in physical capital and the demographic profile of the population (Barro¹²², 1997). Bhargava, Jamison, Lau and Murray (2004)¹²³ estimated the effects of initial health status on growth for a 5-year term in a group of countries and found, also, strong effects, but only for low-income countries. A series of macroeconomic studies at international level also found proof of a major impact of health status (measured by life expectancy) on growth¹²⁴.

According to Barro¹²⁵, different theories on growth lead to different answers to the question of the way in which the status of health care system affects per capita GDP growth.

For example, neoclassical growth theory proposed by Solow and Swan¹²⁶ suggests that, on the long term, only per capita GDP levels will be affected by global rate of technological advancement. The first generation of endogenous growth models, in which the rate of technological progress varies from country to country, according to local economic conditions, predicts a permanent effect on development¹²⁷. Health status of a country's population will affect its development through various channels, in a way that is dependent on local conditions. The nature of these effects will depend on the convergence group to which the country belongs. For example, a slight change of parameters in the countries from a first group will impact on the long-term levels of per capita GDP in comparison with the technological leaders, without

121 Arora, S., Health Human Productivity and Long-Term Economic Growth, *Journal of Economic History*, 61(3), 2001, pp. 699-749.

122 Barro, R.J., *Determinants of Economic Growth*. Massachusetts: MIT Press, 1997 apud Sushil Haldar, *Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study*, *Asia-Pacific Social Science Review* 8:2, 2008, pp. 79-97.

123 Bhargava, A., Jamison, D., Lau, L.J., & Murray, C., Modeling the effects of Health on Economic Growth. *Journal of Health Economics*, 20(3), 2001, pp. 423-440. apud Sushil Haldar, *Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study*, *Asia-Pacific Social Science Review* 8:2, 2008, pp. 79-97.

124 Sushil Haldar, *Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study*, *Asia-Pacific Social Science Review* 8:2, 2008, pp. 79-97.

125 Barro, Robert J., and Jason R. Barro, *Three Models of Health and Economic Growth*, Preliminary Draft, September, 1996.

126 Solow, Robert M., "A Contribution to the Theory of Economic Growth." *Quarterly Journal of Economics* 70, February 1956, pp.65-94, Swan, Trevor W., *Economic Growth and Capital Accumulation*, *Economic Record* 32, November 1956, pp.334-61 apud Howitt Peter, *Health, human capital and economic growth: a schumpeterian perspective*, Brown University, February 9, 2005, at http://www.econ.brown.edu/fac/Peter_Howitt/publication/PAHO.pdf.

127 Ibidem.

affecting their long term growth, while, the same change in a country from the second group will impact on its long term growth rate. Also, a significant alteration of parameters may move the country from one convergence group to another. Howitt identifies six channels through which the level of population health influences economic growth¹²⁸:

Productive efficiency

Healthier workers are more productive from a variety of reasons – increased vigor, strength, alertness, stamina, creativity and so forth. This means that, when health status improves, the country is able to produce more output with any given combination of skills, physical capital and technologic knowledge. One way to look at this effect is to treat health status as any other element of human capital, analog to the skill element.

Life expectancy

Higher life expectancy has a direct effect on population's level of training, influencing the rate of work-related deaths, which constitutes the rate of effective skill depreciation.

Where infant mortality rates are dominant, and work-related death rate is rising, the above effects cannot be switched. This effect may explain why so many developing countries that seemed to grow just as fast as the developed world in the first half of the XX century, later produced disappointing results.

Learning capacity

Health status has a key role in determining the result of educational processes. Children that are well fed, vigorous and alert will assimilate more from a given amount of education than those that are malnourished and suffer from disease effects.

Creativity

One of the benefits of good health status, especially in the case infants and mothers, is that it tends to make a person more creative. Just as a healthy person is more efficient producing goods and services, the same person will be more effective in producing new ideas. In other words, one of the effects one can expect to increase as the health status of the population improves.

Adaptive skills

Another benefit of improving health is that young people develop a better ability to cope with stress, and hence to adapt to the frequently disruptive and stressful effects of rapid technological change.

Inequality

Empirically, there is a strong negative correlation between different indicators of population health and measures of income inequality. Even if a causal interpretation of this correlation is yet an open question, many measures that increase population health will lead to a decrease in inequality, as the main impact will be on the least privileged members of society and those individuals for whom better health status means a better life.

Howitt (2005) notes that these will lead to increased productivity and GDP per capita of a country which is sufficiently well off to be growing at the same rate as the world technology leaders, they will raise the growth rate of per-capita GDP in a country whose growth rate is below that of technology leaders, and they will allow some countries finally to stabilize the relative gap in living standards that separates them from the technology leaders. The one possible exception is an increase in life expectancy, which acts primarily by reducing the infant mortality rate.

A number of studies conducted in developing countries have shown that there is a strong relationship between education and health of the new generation, measured in terms of life

¹²⁸ Idem p.14.

expectancy; the mechanism by which this relationship is revealed resides in the survival rates of the infants and children.¹²⁹

Le Vine (1987) and McMahon (1999) argue that education and increased level of potential gain from education allows parents to provide a healthy environment to their families, although the mechanism by which this occurs is still unclear. Regression proposed by McMahon shows that infant mortality rates depend on the rate of educated women, lagged 20 years¹³⁰. Campino et al considers that height, educational results and health status have a positive impact on income. Therefore, investments in human capital formation, either during childhood or at a later stage, and health status in adulthood, suggest the probability of individuals to obtain higher income, better access to medical services, health and education.

Hurd and Kaptevn (2003)¹³¹ in the paper Health, Wealth, and the Role of Institutions, used data from the two countries (U.S. and Netherlands) argued that income and inequality of income is closely related to inequality of health.

Deaton (2003)¹³² does not find a significant correlation between life expectancy and income inequality in developed countries; infant mortality in developing countries is primarily a consequence of poverty hence, conditioned by average income, income inequality is important only because it is, effectively, a measure of poverty.

The relationship between socio-economic status and health is one of the most robust findings of the health economy. A positive relationship between socio-economic status and health was seen worldwide¹³³. A dominant view in the literature is that socio economic status leads to reductions in psychosocial and environmental risk factors¹³⁴. However, very few studies were aimed at revealing whether there are qualitative differences in how health affects growth and vice versa (double causality). Studies made by Bhargava (2001) and Hurd, McFadden, Merrill and Ribeiro (2003) are truly exceptional in this regard. Bhargava, etc. notes that the survival rates of adults leads to growth in developing countries. Most studies analyzing the connection between income and investment in health systems focus on developed countries¹³⁵.

3. Conclusions:

Sustained economic growth depends on human capital levels, its characteristics growing as a result of higher levels of health, education and new methods of learning and training.

If one asks himself why the performance of poor countries is weak, then we have as a determining factor - the state of health that affects the productivity of individuals thus influencing the welfare of a country.

The impact of health on income is an important issue that has motivated many researches in the field. Most studies analyzing the connection between income and investment in health systems focus on developed countries. Investments in health system will lead to better results in health; on the one hand a higher economic growth affects the health status and better health claims increase revenue, on the other.

129 Campino A.C.C., Monteiro C.A., Conde W.L. , Machado F.M.S. Health, human capital and economic growth in Brazil, São Paulo (BR), 2004, p.6 at <http://www-sre.wu-wien.ac.at/ersa/ersaconfs/ersa04/PDF/490.pdf>.

130 Idem.

131 Hurd, M., Kapteyn, A., Health, Wealth, and the Role of Institutions, The Journal of Human Resources, 38(2), 2003, pp. 387-415.

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134 Sushil Haldar, Effect of Health Human Capital Expenditure on Economic Growth in India: A State Level Study, Asia-Pacific Social Science Review 8:2, 2008, pp. 79-97.

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L'EUROPE ET LES FEMMES

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“L’humanite civilise, sous la pression du mode mecanique de production, s’oriente vers une societe basee sur la propriete communautaire, dans laquelle la femme affranchie des chaines economiques, juridiques et morales qui l’immobilisent, pourra developper librement ses facultes physiques et intellectuelles...”(Paul Lafargue – La Question de la femme- 1904).

Si on devait prendre a la lettre les previsions, plus qu’optimistes de Paul Lafargue, la femme europeenne et d’ailleurs ne devrait plus etre privée de rien ni dans la vie privée, ni dans celle publique, ni dans le domaine de la justice economique et sociale, ni dans celui des droits de l’homme, ni dans celui de la prise de decisions.

Malheureusement, les femmes, que nous qualifions d’ordinaire comme etant sensible et singulieres par un tel melange subtile de fragilite et de force qui leur confere unicite et charme, les femmes, disais-je, sont assez loin de l’ideal de lafargue. On presentera plus bas rien que quelques donnees pour soutenir notre affirmation:

- la violence conjugale : en France, 15 deces par mois; en Algerie, 60% des femmes sont victimes de la violence conjugale; en Russie, 16 000 femmes ont ete tuees l’annee derniere par suite a des violences conjugales; aux Etats-Unis, toutes les 9 secondes une femme est battue par son conjoint ;..

- la violence sexuelle: en Nouvelle- Zelande, 20% des femmes ont ete abusees par leur partenaire; au Bresil, 3 500 enfants sont victimes de viol; au Congo, le viol est une redoutable arme de guerre: 30 000 viols l’an passe; en Moldavie, 60 000 sont victimes, chaque annee, de l’esclavage sexuel; 120 000 femmes de Roumanie, Ukraine, Pologne sont introduites clandestinement en Europe poue alimenter les reseaux de prostitution. En Thaïlande, la prostitution represente entre 10 et 14 % du PIB;

- l’avortement: le Nicaragua interdit l’avortement therapeutique bien que 8% des meres ont entre 10 et 14 ans et dont la cause est, en 90% des cas, le viol; en Europe, il est illegal en Irlande, autorise en Pologne s’il s’agit de viol; en Grande Bretagne, Espagne, Portugal et Les Pyas Bas il faut faire preuve d’un justificatif (cas de viol ou difficultes socio-economiques);

- en Afganistan, toutes les 27 minutes une femme meurt en couches ;

- en Palestine, 77% des femmes sont illetrees ;

- en Afrique noire, 58% des femmes sont seropositives, deux fois plus que les hommes;

- en Ethiopie, 35% des filles de 10-14 ans travaillent...

Et l’on passe car trop effrayant. Des chiffres et des statistiques qui, rapportes a un bilan des inegalites socio-economiques entre les femmes et les hommes de nos jours, disent vrai d’une societe marquee encore par une repartition traditionnelle des roles de la femme et de l’homme et des fortes inegalites sur le marche du travail. Cette situation est non seulement contraire aux principes de justice sociale mais elle, de meme, inefficace et couteuse pour la collectivite.

C’est justement pour cela que la societe civile, les ONG, les femmes politiques impliquees dans le destin de la nouvelle europe militent en faveur d’un nouveau statut de la femme vis-a-vis de celui de l’homme soit par des programmes de toutes sortes, soit par des textes legislatifs europeens, soit par des fonds structureaux europeens, soit par un nouveau reseau europeen des femmes occupant des postes de decision et responsabilite, soit par des alliances exerçant un lobby europeen.

On va en parler a tour de role car nous considerons ce probleme de la femme en europe comme un droit fondamental, une valeur commune de l’Union Europeenne. Et meme si des inegalites

subsistent encore, l'UE a réalisé, ces dernières décennies, d'importants progrès dans le domaine, en principal grâce à la législation relative à l'émancipation de la femme.

Quelques données sur le **Programme PROGRESS**¹³⁶ qui est le nom du programme européen en faveur de l'emploi et de la solidarité sociale. Il fut lancé pour soutenir financièrement la mise en œuvre des objectifs UE concernant l'emploi, l'égalité des chances, les problèmes sociaux. Le Programme contribue aussi à l'application de la Stratégie de Lisbonne pour développement et emploi. Il a démarré en 2007 et continuera jusqu'en 2013, remplaçant les quatre programmes précédents, finis en 2006, parce que l'UE a opté pour un programme unique pour rationaliser et regrouper les efforts de financement communautaire. Progress dispose d'un budget global de 743,25 millions d'euros pour les sept ans. L'UE emploiera ce budget afin d'agir comme un catalyseur de changement et modernisation en cinq domaines:

- emploi;
- inclusion et protection sociale;
- conditions de travail;
- lutte contre la discrimination;
- égalité entre les sexes.

Progress est ouvert aux 27 états membres, aux pays candidats à l'adhésion, le programme pouvant fournir un co-financement maximale de 80%.

Le Fond Social Européen¹³⁷, l'un des fonds structurels de l'UE ayant pour objectif la réduction des différences de richesse et de niveau de vie entre les états membres et leurs régions. Grâce à ces fonds la vie des citoyens européens va s'améliorer car on va leur offrir des compétences meilleures et des perspectives d'emploi. Un des segments visés est la situation de la femme car, malgré les progrès faits dans le domaine, le pourcentage des femmes qui travaillent est inférieur à celui des hommes, bien que les femmes sont plus nombreuses à être diplômées et licenciées. De même, pour chaque heure de travail une femme gagne en moyenne avec 17,4% de moins qu'un homme!, chiffre restant stable. On peut ajouter que les femmes sont largement sous représentées dans les postes de décision économique et politique, même si leur proportion a augmenté ces derniers dix ans. Également aussi, la répartition des responsabilités familiales est encore inégale entre les femmes et les hommes. Pour ne plus parler du risque d'une vie de misère qui est plus grand pour les femmes. C'est pour cela que le FSE distribuera, entre 2007 et 2013 environ 75 milliards d'euros aux états membres et à leurs régions pour atteindre leurs objectifs.

136 <http://ec.europa.eu/social/main.jsp?catId=327&langId=fr>

137 <http://www.fse.gouv.fr/-Connaitre-.html>

Population Totale (1000S)

	Femmes (N)	Hommes (N)	Femmes (%)	Hommes (%)
UE-27	248 671	237 308	51	49
Belgique	5 417	5 197	51	49
Bulgarie	3 958	3 715	52	48
République Tchèque	5 275	5 045	51	49
Danemark	2 742	2 689	50	50
Allemagne	41 460	39 903	51	49
Estonie	723	615	54	46
Irlande	2 180	2 179	50	50
Grèce	5 469	5 285	51	49
Espagne	22 569	22 061	51	49
France	30 978	29 305	51	49
Italie	30 251	28 629	51	49
Chypre	386	366	51	49
Lettonie	1 230	1 051	54	46
Lituanie	1 808	1 577	53	47
Luxembourg	230	235	49	51
Hongrie	5 216	4 691	53	47
Malte	205	204	50	50
Pays-Bas	8 157	8 023	50	50
Autriche	4 206	3 985	51	49
Pologne	19 353	17 924	52	48
Portugal	5 471	5 133	52	48
Roumanie	11 047	10 504	51	49
Slovénie	1 024	991	51	49
Slovaquie	2 774	2 617	51	49
Finlande	2 697	2 569	51	49
Suède	3 365	3 433	49	51
Royaume-Uni	30 480	29 382	51	49
Croatie	2 225	1 994	53	47
Macédoine, ancienne République yougoslave de	1 017	1 023	50	50
Turquie	34 567	34 327	50	50
République de Serbie	3 808	3 604	51	49
Liechtenstein	18	17	51	49
Islande	105	112	48	52

Norvège	1 703	1 734	50	50
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Tous les pays	292 114	280 119	51	49
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- = non applicable , : = pas disponible

Source: Commission Européenne, DG EMPL, Base de données sur les femmes et les hommes dans la prise de décision

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Emploi Total (1000S)

	Femmes (N)	Hommes (N)	Femmes (%)	Hommes (%)
UE-27	97 586	121 545	45	55
Belgique	1 937	2 443	44	56
Bulgarie	1 521	1 732	47	53
République Tchèque	2 116	2 806	43	57
Danemark	1 310	1 494	47	53
Allemagne	17 458	20 752	46	54
Estonie	325	330	50	50
Irlande	908	1 204	43	57
Grèce	1 750	2 760	39	61
Espagne	8 369	11 987	41	59
France	12 023	13 619	47	53
Italie	9 165	14 057	39	61
Chypre	169	209	45	55
Lettonie	545	573	49	51
Lituanie	757	777	49	51
Luxembourg	89	114	44	56
Hongrie	1 783	2 143	45	55
Malte	50	106	32	68
Pays-Bas	3 832	4 632	45	55
Autriche	1 819	2 209	45	55
Pologne	6 838	8 403	45	55
Portugal	2 380	2 790	46	54
Roumanie	4 237	5 116	45	55
Slovénie	446	539	45	55
Slovaquie	1 036	1 322	44	56
Finlande	1 202	1 290	48	52
Suède	2 150	2 391	47	53
Royaume-Uni	13 371	15 747	46	54
Croatie	717	897	44	56
Macédoine, ancienne République yougoslave de	:	:	:	:

Turquie	5 532	15 675	26	74
République de Serbie	:	:	:	:
Liechtenstein	:	:	:	:
Islande	80	96	45	55
Norvège	1 153	1 281	47	53
Tous les pays	105 068	139 494	43	57

- = non applicable , : = pas disponible

Source: Commission Européenne, DG EMPL, Base de données sur les femmes et les hommes dans la prise de décision

Toujours dans le but d'améliorer la situation de la femme, on a créé un **Institut européen pour l'égalité entre les hommes et les femmes**¹⁴⁰ ayant pour mission de fournir des avis d'experts, d'améliorer les connaissances dans le domaine et sensibiliser l'opinion publique. On a aussi créé un **Reseau européen des femmes dans des postes de décision**¹⁴¹ dans l'économie et dans la politique. Il fut lancé en juin 2008. Le réseau constitue une plateforme au niveau de l'UE pour l'échange de bonnes pratiques et stratégies pour améliorer l'équilibre entre les hommes et les femmes dans des postes de décision. En Europe, les femmes ne représentent que 31% des membres des parlements et gouvernements nationaux. Dans le secteur privé, les conseils d'administration des entreprises européennes de haut niveau sont encore composés d'homme pour 90%. La différence est encore plus grande au sommet de la pyramide: seules 20% de femmes sont à la tête de l'organe de décision suprême. On a joint à notre étude des statistiques révélatrices pour cet état de choses, des données qui proviennent de la base de données de la Commission européenne :

¹⁴²

Membres

	Président	Femmes (N)	Hommes (N)	Femmes (%)	Hommes (%)
Commission européenne	H	10	17	37	63

- = non applicable , : = pas disponible

Source: Commission Européenne, DG EMPL, Base de données sur les femmes et les hommes dans la prise de décision

¹⁴³

Membres

	Président	Femmes (N)	Hommes (N)	Femmes (%)	Hommes (%)
Parlement européen	H	245	540	31	69

¹⁴⁰ <http://europa.eu/scadplus/leg/fr/cha/c10938.htm>

¹⁴¹ <http://www.fenetreurope.com/php/page.php?section=actu&id=11324>

¹⁴² http://ec.europa.eu/employment_social/women_men_stats/out/fr001.htm

¹⁴³ http://ec.europa.eu/employment_social/women_men_stats/out/fr002.htm

Source: Commission Européenne, DG EMPL, Base de données sur les femmes et les hommes dans la prise de décision

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Personnes Occupant Des Postes De Chefs D'entreprise

	Femmes (%)	Hommes (%)
UE-27	28	72
Belgique	31	69
Bulgarie	30	70
République Tchèque	28	72
Danemark	26	74
Allemagne	30	70
Estonie	32	68
Irlande	21	79
Grèce	29	71
Espagne	35	65
France	39	61
Italie	35	65
Chypre	10	90
Lettonie	34	66
Lituanie	32	68
Luxembourg	22	78
Hongrie	29	71
Malte	12	88
Pays-Bas	28	72
Autriche	32	68
Pologne	35	65
Portugal	32	68
Roumanie	27	73
Slovénie	26	74
Slovaquie	30	70
Finlande	17	83
Suède	25	75
Royaume-Uni	33	67
Croatie	21	79
Macédoine, ancienne République yougoslave de	:	:
Turquie	6	94
République de Serbie	:	:

Liechtenstein	:	:
Islande	19	81
Norvège	17	83
Tous les pays	27	73

- = non applicable , : = pas disponible

Source: Commission Européenne, DG EMPL, Base de données sur les femmes et les hommes dans la prise de décision

Les ONG également detiennent une place de choix dans la problematique des femmes dans la nouvelle Europe. La Roumanie a plus de cent organisations non gouvernementales, dont la plus ancienne s'occupe du probleme de l'egalite entre femme et homme dans tous les domaines. Il s'agit de l'Association des femmes de Roumanie. Mais ce n'est pas de cet organisme que nous voudrions parler mais de la plus large allied'organisations non gouvernementalesdes femmes de l'UE, c'est-a-dire le **Lobby europeen des femmes**¹⁴⁵ (LEF), fonde en 1990 et qui reunit plusieurs milliers d'organisationsdes femmes d'Europe. Ensemble, elles essaient d'influencer la politique europeenne militatnt pour l'egalite femme-homme dans tous les domaines de la vie publique et privee. LEF jouit d'un statut consultatif aupres du Conseil de l'Europe et aupres du Conseil economique et social des Nations Unies. La Presidente en est madame Kirsti Kolthoff et la Roumaine Dina Loghin fait partie, comme observateur, du Conseil d'administration, forme de 26 membres. On ne va pas commenter ici le Rapport annuel de l'organisation, on donnera juste la Table des matieres, revelateur pour l'eventail des responsabilites assumees par LEF. On a ainsi :

- analyse de la mise en oeuvre de la «feuille de parcours» de la Commission europeenne concernant l'egalite entre hommes et femmes;
- promotion de la diversite et de l'egalite de chances, la necessite d'integrer les besoins et les perspectives des femmes;
- conciliation entre la vie professionnelle, familiale et privee, un probleme d'egalite entre hommes et femmes;
- violence envers les femmes, l'UE doit legiferer ;
- soutien des femmes soumises a l'esclavage sexuel, le Projet Nordic-Baltique...

Quoique nous n'ayons pas la pretention d'etre exhaustive, on pourrait conclure que, malgre les apparences d'une Europe (et d'un monde) dans laquelle la cohabitation femmes et hommes soit depourvue d'asperites evidentes, la verite se fait cruelle des fois, les chiffres et les statistiques sont la, a l'appui. De meme, la multitude d'organisations se proposant de lisser ces asperites et disparites entre hommes et femmes s'averent etre de plus en plus efficaces. On est sur le bon chemin. Helas, pas encore sur le meilleur !

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ORTHODOXY, HETERODOXY AND MAINSTREAM THEORY OF ECONOMIC GROWTH

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The main purpose of this paper is to gain an overview of developments in growth theory. Swinging between orthodox and heterodox theories it has been remarked that these theoretical itineraries, seemingly divergent, become somehow convergent. The general strategy of formulating an interdisciplinary analysis scheme more appropriate to real economic evolution represents the key of understanding this scientific trend. In this insight, the mainstream theory of economic growth is nothing more than a selective synthesis; choices between competing orthodox and heterodox theories having been done on the basis of inherent plausibility and consistency with realities.

Keywords: economic growth, technical progress, human capital, exogenous and endogenous models, new-institutional economics, evolutionary theory, mainstream theory

JEL Classification: A10, B12, B23, B25, B52, O10, O17, O30.

1. Orthodoxy, heterodoxy and mainstream economics: conceptual clarifications

It is helpful in making our argument to consider carefully the terms "mainstream" "orthodox" and "heterodox". Let us start with the term, "mainstream economics." In some sense, mainstream economics is the easiest of the terms to define, although it may be the hardest to identify in practice. It is in large part a sociologically defined category.

Mainstream consists of the ideas that are held by those individuals who are dominant in the leading academic institutions, organizations, and journals at any given time, especially the leading graduate research institutions. Mainstream economics consists of the ideas that the elite in the profession finds acceptable. It is not a term describing a historically determined school, but is instead a term describing the beliefs that are seen by the top schools and institutions in the profession as intellectually sound and worth working on. Because of this, mainstream economics usually represents a broader and more eclectic approach to economics than is characterized as the recent orthodoxy of the profession.

In our view, the term "orthodox" is primarily an intellectual category. It is a backward looking term that is best thought of as a static representation of a dynamic, constantly changing science, and thus is never appropriately descriptive of the field of economics in its present state. Orthodoxy generally refers to what historians of economic thought have classified as the most recently dominant "school of thought," which today is "neoclassical economics." Modern mainstream economics, however, is quite different from this concept of neoclassical orthodox economics. Having the two terms is important because it allows one to make intertemporal comparisons between the most recently dominant school of thought, in this case neoclassical economics, and today's evolving mainstream economics.

The difference between mainstream and orthodox becomes clearer when one recognizes two other aspects of the term “orthodox.” The first is that the name and specification of what is orthodox usually comes decades after that time when orthodoxy was supposed to exist; at the time it is a true orthodoxy, it generally has no name. Thus, orthodox specifications inevitably are backward looking, not current or forward-looking. Second, in economics at least, the name for the orthodox school usually comes from a dissenter, who opposed orthodox ideas, not from a supporter of the orthodox ideas. Defining orthodoxy, and giving a name to it, gives a critic an easy target; it implies a static unchanging dimension of thought. But this static view is not characteristic of the economics field. At any point in time, and especially by the time that the term becomes generally used, a large part of the mainstream profession disagrees with important dimensions of what is then thought of as orthodoxy.

Finally, let us consider the term “heterodox.” It is usually defined in reference to orthodox, meaning to be “against orthodox” and defines itself in terms of what it is not, rather than what it is. An economist who sees him or herself as heterodox does not subscribe to the current orthodox school of thought, as defined by the historian’s classifications. However, in our view, heterodoxy involves both sociological and intellectual aspects. Since many mainstream economists do not accept important aspects of the orthodoxy, the additional feature that determines a heterodox economist is social; heterodox economists refuse to work within the framework of mainstream economics whether because of the nature of the modeling process used, or because of the assumptions made. This often causes a failure of communication between heterodox and mainstream economists, even when they may share similar views about the limitations of the “orthodox” approach.

2. Economic growth theoretical itineraries

Contemporary academic interest for economic growth and development mechanism is not a new one, but a sequel (or a resurgence) of an older preoccupation. In fact, the theme has exerted a big attraction between the economists, sociologists, politicians, ecologists, historians, geographers, etc. As result, it has come into view theoretical itineraries of which convergence and divergence has been remarked from the begging or during the time. Our paper swings between the economic growth orthodox and heterodox theories. Some references will be made about the orthodox vision on the economic growth process, natural and automatic, with the free game of market forces and the individual motivation as principal spring which gives the ability of self maintenance, but also our attention goes to heterodox theoretical systems born from the desire of underlining the standard thinking limits and to offer alternative reasoning.

2.1. The orthodox theories of economic growth since 1776

The first imagine on the theme is the Smithian “machine” through which growth is obtained, simple and total, with objective and natural mechanisms of auto-maintenance, that works when the individual is let free to consume his energy and talent. The state, ‘the night watcher’, has only the catalyst role of these individualistically consumed energies by setting the rules of the game and through the manifest care for the compliance with them. The government intervention or the centralized planning is not needed, the economy can be coordinated by that “invisible hand” with the best results.

The Smithian message, by its simplicity, acquired grandeur and perennial character; so, many economists were seduced by its optimism, embracing the vision on the economic growth as a cumulative process in which the incomes per capita become progressively greater in time. For others the pessimism of his colleagues, Malthus and Ricardo, was contagious; the population principle according to which the surplus of the population is doomed to disappear and the law of decreasing returns in agriculture according to the expansion of the cultivated surfaces was converted in reference points for the ones who regard the natural course of things with

skepticism. The lack of consensus regarding the accomplishment and sustenance of economic growth during long periods did not attract the discrediting of the classical school, rather represented a premise of constitution of a much more comprising analytic scheme and thus more useful to ulterior theories.

The classical theory successfully passed the test of time, overcame the limit of experimental, perceptible knowledge, its vocation to interpret facts being in some respects unaltered in the present. Actually, the economy of the developed world “is flowing” according to this liberal scheme, unequalled as emulating force. What essentially brought the neoclassical to the construction of this scheme? Economy got “complicated” and they “invented” with the pretension of renewing and modernization of the classical message. Neoclassical school has proved that, inside free markets, voluntary changes, made under the prices signs between ‘selfish’ economic agents, lead to mutual incomes, best resources allocation, and, finally, to the maximization of general economic welfare. Also seductive by the optimism discharged, this reasoning is limited at least because the maximization of society benefits is analyzed on its whole, at a moment, or under conditions of different stationary states. The “cutting out” technique of some patches of reality (and concentration upon them) is not proper for understanding the course of things and changes which have been produced over the time.

The next generation of economists started their work from an easily noticeable and impossible to neglect assertion of reality that the world automatically configures itself into rich and poor, being able to be perceived as a mechanism where some prosper faster than others. This triggered the contemporary neo-neoclassical interest for the determination of the forces acting on this mechanism and making it work differently in time and space. The long-term investigations on the sources of economic growth and development materialized in theories representing rather variations on the same theme than fundamental disagreements or points of view of absolute novelty. *The trinomial of the fundamental production factors – labor, land, capital – remained actual under the aspect of the sources of the economic growth*, but the conceptual nuances given to each particularizes the content of the discourses and conclusions on this theme. On the plane of the work instruments, the production functions framed in mathematical models became the protagonists of the new theories; this type of analysis was useful for evidencing the rate with which an economy grows, but it is criticisable for the gross simplification of reality. The ones who shared the respective method reached similar conclusions under the aspect of the limited contribution of labor and capital to the economic growth and the existence of a “residual factor”. The equivalence of the total productivity residue with the technical progress is not exhaustive, it reflects “a measure of our ignorance” (Abramovitz, 1956); it regards besides the technical innovation, the institutional and organizational change, the changes in the social attitudes, the fluctuations of the demand and other omitted variables and even the errors of measure. However no matter how we regard it, as a total or partial explanation of the residual factor, *the technical progress plays a positive, unequalled role in the transformation of the productive processes and the improvement of the living standards*.

In this context, the Solowian lesson is referential. Solow asserts that a high rate of formation of capital is required, if the objective is the acceleration of the growth of the product and productivity, but drew the attention that the formation of capital is not the only source of the growth of productivity (Solow, 1962:76-86). The technological change gained a crucial role, even more important than the accumulation of capital. Solow considered it as “exogenous”; a phenomenon outside the economic model and system, determined by spheres in which the market does not have any control. The exogenism of Solow’s model was subject to severe critique but, a perfectionist spirit, Solow does not end his research in the field of economic growth during the years 1956-62; this preoccupation accompanies him, in fact, along his entire professional career, theoretizing and re-theoretizing the issue of economic growth from positions and with accents in consonance with the respective times.

At the end of the 20th century, a new theory asserted itself as intellectual fashion, firstly thanks to the formalization of the profound role played by knowledge in the process of economic growth and development; the configuration of the production functions changes to show that the increasing returns are only possible by increasing the stock of human capital and through specialization and investment in the capital “knowledge”. As a reply to the paradox that the economy is under the auspices of an exogenous factor – the technological change – which it cannot influence, the second generation of neo-neoclassical economists (Romer 1986, 1989, 1990, Lucas 1988) clearly defined its paradigmatic belief around which the matter of its theories gravitates: the economic growth is an endogenous result and not the result of some external forces.

The ‘new theory’ aims at a universal vocation manifesting interest for the realities of the economic growth and development everywhere. So, for the developing countries, it recommends an orientation towards the human capital to the detriment of the physical capital, and points out the benefits resulting from the international exchanges of ideas specific to open economies, integrated in the world economy. The convergence of the poor countries to the level of the rich ones takes place when the technology differences disappear, which is produced on the background of the growing transfer of new knowledge through the channels of globalization.

2.2. Heterodox ways of thinking about economic growth

Gradually, growth researchers have become conscious that technological innovation and the process of its spreading are under the sign of institutions both in the developed countries (the laboratories of these innovations), as well as in the developing ones (under the aspect of rhythm of absorbing the advanced production techniques). By sequential changes of initial orthodox model, it has been obtained mathematical formalizations which reflect *the important role played in the economic dynamics by the social infrastructure- that combination between institutions and government policies, giving contour the economic environment in which individuals gain human capital and companies accumulate physical capital and yield output* (Hall, Jones, 1999).

With much more clarity and conviction, new-institutional theoreticians, those who have initiated this wave of changes in the economic growth and development approach, considered that however much meticulous, subtle and useful would be the estimations of economic growth sources realized by the neo-neoclassical economists don’t tell anything about the ultimate causes of economic growth. They don’t show us the motivations that lead to savings and investments or why innovations and capital accumulation have been bigger in a society or in a period of time. They don’t follow growth channels till their source (Olson, 1999:24). The axis idea for this new heterodox thought is that *endogenous institutions, partial or total product of the society on its whole, or of a segment of this, represent the causes for some societies being poorer than others*. Inherently, the analysis of economic performance has been translated from economic institutions ground to that of political institutions. Although, the economic growth efficiency of a set of economic institutions, comparative with the other one, is taken into account in the election process, the last arbiter is the political power. The group provided with ‘de facto’ political power will force ‘de jure’ political power representatives to foster the economic institutions suitable to its interests. Briefly, the hierarchy of institutions in a society is the following: *political institutions determine the configuration of economic institutions and, these, at their turn leave the mark upon the economic performances of a nation* (Acemoglu, Johnson, Robinson, 2004)

If we limit ourselves on theories mentioned till now, surely a rich literature about economic cycles would have remained outside our concern. The theorists of long cycles have been bent over the study of the past, and by extrapolation to shape the future; their intellectual exercises have as a target the events’ anticipation and the attempt to direct them. The attitude has not been one of finding the way that things are going, they tried, by a permanent past-present-future connection, to find solutions; for example, although one cycle phase characterized through

prosperity is possible to repeat, the specialists underline the need of conscious actions in order to create favorable conditions for its birth, or, on the contrary, to face the crisis and to counteract its effects. Dominant Schumpeterian thesis, according to which *'by innovations, it depends the recurrent periods of prosperity from cycling movement and the shape that the progress in capitalist society take, has gained followers till nowadays;* in the category of these innovations, the author has registered important variations and not the infinitesimal marginal ones, respective the historical and irreversible changes in the manner of doing things.

Later approaches of relation between technological (innovation) change and economic growth from techno-economic paradigm perspective represent a new theoretical chapter, substantial different from the neo-neoclassical one. Under the name of 'appreciative' theory, the evolutionist Schumpeterian descendants start with empirical remarks and express personal points of view linked to reality. Preferring the verbal way of economical theorization, appreciative-evolutionists demonstrate that also nowadays *the theory can formulate convincing arguments without resorting to mathematical tools.* Despite all these, they are conscious that the maintenance of such a method can be translated into a handicap, under the aspect of research rigor, in competition with neo-neoclassical theory, and for this reason starting with 90's, they build complex models, that get closed to the real world. By these efforts, the evolutionary theory wants to re-win the place taken in the economic science till the half 20th century, the neo-neoclassical theory affirmation moment. (Nelson, Winter, 2002:23-4). With an open attitude upon institutionalism (from which they claim a series of thesis) or more general, upon history and sociology, the evolutionists make their strategy of formulating an interdisciplinary analysis scheme more consistent with the realities than the orthodox one.

3. Mainstream theory of economic growth

If the field of economics were static these two classifications (orthodox/heterodox) would be sufficient. The economics is dynamic and constantly changing. Since these classifications usually lag developments in the field by decades, the terms, "orthodox" and "heterodox," when used in a current setting, tend to be backward-looking, describing beliefs that, while they still may show up in texts, are not strong convictions of many in the profession and are being attacked by economists at the edge of the profession. The edge of economics is that part of mainstream economics that is critical of orthodoxy and that part of heterodox economics that is taken seriously by the elite of the economists.

Recognizing that there is an elite element in the mainstream that plays a crucial role in what new ideas will prove to be part of the acceptable edge of economics raises two problems—one of how open the elite will be, and another of how these ideas then disseminate throughout the rest of the mainstream and the profession more generally. Our view is that the current elite are relatively open minded to new ideas, but quite closed-minded when it comes to alternative methodologies. If it isn't modeled, it isn't economics, no matter how insightful. It is here that heterodox economics and the mainstream elite normally collide. Specifically, it is because of their method, not their ideas, that most heterodox find themselves defined outside the field by the elite.

On the theme of economic growth, neo-neoclassical economics is commonly dubbed "mainstream" because of its dominance in the economics departments of most major English-speaking universities and also for the inclination to model everything. But while neo-neoclassical economics was building up its hegemony, its path was never entirely free from dissonant voices. Some objected to what was perceived as an excessive use of mathematics in economic theory, and others to the general methodology of establishing a social science on an axiomatic basis. Yet others expressed concern that axiomatic economics had little to say about disparities in wealth between rich and poor nations, or about the growing income gap between management and labor. Making special reference to the scientific approach represented by the endogenous theory, doubled by empirical studies, we could say that it succeeded to penetrate the mainstream sphere of

economics and still belongs to the spirit of the era; a proof in this sense is the wide presence in different studies, reports, scientific works, of the assertion that the differences regarding the knowledge between the poor and rich countries are at least as important as the differences regarding the rates of saving or the international exchanges. This is just one of the multiple echoes the work of endogene economists produced on the ground of mainstream economics.

We are certainly not claiming that the mainstream is always pluralistic and open-minded, willing to accept orthodox/heterodox views with open arms. Far from it. However, the most insistent challenge to mainstream economics is probably that issued by an increasingly influential group of economists going under the general title new-institutional economists. Their charge is that the mainstream is still oblivious to the fact that economic activity is under the sign of society institutions.

4. Conclusion

The orthodox way, opened by classics and successfully followed by the neoclassical and neo-neoclassical schools, proved its perennial character, building up landmarks for ulterior developments. Although, clearly delimited, under the aspect of content and form, the recent orthodox discourse shows the wish to maintain its statute of dominant theory at any cost; and the respective cost, big or small, presupposes the exploitation of interdisciplinary aspects of the phenomenon of economic growth subject to formalization or, in other words, presupposes the validation and assimilation of a part of heterodox thought.

Also, on the side of heterodox theories we keep in mind the neo-institutionalism merit in order to demonstrate the fact that economics can realize remarkable jumps when he resorts to an intercourse dialogue characterized by sincerity and lack of inhibitions or restrictions. The new-institutional theoreticians have opened a way that economics has to go through as science!

We appreciate that recent changes produced inside the neo-neoclassical school mark the beginning of a much more comprehensive theorization upon the economic growth and development; we don't think that orthodox economists are still deaf at the external signs of their building, but, purely and simply, any kind of adaptation needs time.

Summing up, we notice the gradually disappearance of demarcations in what the theoreticians said and demonstrated. As the relation between the empirical and theoretical research became stronger the things can not advance only in one side; the contemporary economic reality is the one who establishes the direction and represents the inexhaustible inspiration source for everyone, orthodoxies and heterodoxies. On this particular ground, mainstream economics succeed in becoming not more then a synthesis loudly spoken by those who form nowadays the elite of economics. A synthesis! Synthesis of the synthesis!

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EU AND GLOBALIZATION: SOME STYLIZED FACTS

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Most of the people all over the world claim that globalization is a result of dynamic interactions between economic, technological, social and political factors. The aim of this paper is to document some stylized facts on this phenomenon in order to take a further step forward in implementing a multidimensional framework as an overall assessment of the level of integration of European countries in the international community. In this connection we implement a k-means Clustering Algorithm to classify 73 countries into four groups (leaders, potential leaders, dynamic followers and marginalized) by considering a data set of 16 selected variables as indicators of the main dimensions of a sustainable globalization in 2006.

Keywords: globalization, cluster analysis, k-means algorithm, international ranking.

JEL Classification: E60, F0,F15,F43,O1

Introduction.

There is a large consensus in the international community on the idea that studies on globalization require a careful analysis of numerous factors, not just economic integration, which are likely to affect development dynamics.

This paper stems from the need to take a further step forward in the construction of a multidimensional framework combining different elementary dimensions of globalization in order to achieve an overall assessment of integration across countries.

When the research goal is to define a composite index, which summarizes the extension of the phenomenon under investigation in each dimension, it may be appropriate to proceed in three different and complementary phases: *descriptive phase*, *aggregation phase* and *inference phase* (Chiappero Martinetti 2005). The first phase concerns the selection of those variables which are representative of the phenomenon; the aggregation phase is a crucial step that requires to deal with technical aspects of aggregation, for each unit of analysis, across the dimensions or domains of globalization in order to make the implications in the underlying theoretical concepts explicit. The inference phase refers to the possibility of inferring a logical conclusion starting from the results of the previous steps.

In their earlier works the authors (Mattosco N., Castagna A. and Furia D. 2007, Furia D. and Castagna A. 2008) focused on the second phase, giving attention to the need to overcome some controversial problems linked with multidimensional approach, e.g. weight system definition. There is another focal point about indicators which has been underestimated by the authors: the choice of variables in the descriptive phase may have a *value judgment* which affects the measure. Trying to resolve this latter matter, this paper follows in the previous footsteps and focuses on the measurement of European countries integration in the global community. This goal will be achieved by providing an implementation of k-means Clustering Algorithm to classify 73 Countries into four groups

(*leaders, potential leaders, dynamic followers and marginalized*) taking into account a data set of 16 selected and distinctive variables in 2006.

The paper is structured as follows: the first section introduces the role of globalization in economic growth across countries and its measures proposed in the literature to provide appropriate criteria for the choice of variables. The second section presents the main results of the data analysis. Section three concludes.

1. Globalization: its dimensions and measurement.

In spite of its frequent use, globalization is an unclear term, and it is not easily distinguishable from *internalization*. Ravallion M. (2004) argues that the selection of indicators is a crucial point in the debate between globalization supporters and its discontents because the effects that globalization generates on inequality may be affected by inherent *value judgment* of measurements and each opposing thesis may be sustained by data evidence.

This paper will focus on this point, i.e. in the selection of indicators and their assessment, as a preliminary step in building a composite index.

Over the last few years, there have been globalization measures concerning economic indicators analysis which make a distinction between *prerequisites* and *outcomes*, i.e. reduction of transaction barriers and results of integration dynamics (Brahmbhatt M. 1998). The economic dimension, which was a crucial element of integration in the past centuries, becomes a means of diffusion of ideals able to affect growth dynamics followed by people's capabilities and improvement of their way of life. Economic integration has produced benefits to those countries which have expanded their commercial borders, especially where governments have played a central role in this process. The other face of the medal are the millions of people for whom globalization has been ran without control and whose living conditions are nowadays worsen off (Stiglitz J.E. 2002). The easy way by which people get in touch with other cultures, and the awareness of lifestyles and living conditions different from their own, shift the focus of debate about inequality and poverty from a local point of view to a global level analysis and the related issues begin to gain the same weight of national ones (Milanovic B. 2002). Studies about globalization effects on per capita income inequality between countries show a convergence evolution over the past two centuries attributable to complex mechanisms at various levels of income hierarchy of citizens all over the world. When *life expectancy at birth* has been taken into account to examine *lifelong income* inequality in order to explain this kind of dynamics the result is a current divergence in the living conditions which has reached levels like two centuries ago (Bouguignon F. and Morrison C. 2002). Ben-David D. (1993) provides evidence that income convergence among specific industrialized¹⁴⁶ countries may be related to movement toward free trade. Focusing on countries' comparative advantage and its implication for trade, Venables A. J. (2003) yields predictions about the formation of custom unions leading to the conclusion that initial income levels may be determinant in driving convergence between members. Starting point conditions are crucial in the ongoing debate whether poor countries are or not able to take up the opportunities provided by an expanding economy. In his work, Ravallion M. (2001) argues that there are lots of factors, like location, social exclusion, exposure to insured risk, and not just endowments of physical and human capital, which need more attention. Different long run growth paths, therefore, have produced a divergence between rich and poor countries because idiosyncratic characteristics

146 France, West Germany, Belgium, The Netherlands, Luxemburg and Italy during the transition period which lasted from 1959 until 1968 (Ben-David D. 1993, p. 654)

regarding not just their distance from the technological frontier but also desegregation of social and institutional milieu may conduce to an implosion of the system which may lose growth opportunities (Pritchett L. 1997). Olson M.J. (1996) has come to similar conclusions drawing on the fact that a subset of the lower income countries, those countries who have adopted relatively good economic policy along with solid institutions, are growing faster than higher income countries. Stiglitz J. E. (2002) sustains that the role of globalization in the development process is not clear and that a number of elements which are the basis of the democracy, such as poor people interest, environment preservation, free trade and human rights, has to be taken into account to reach its *beneficial potentials*.

From a methodological point of view, there are few studies dealing with multidimensional frameworks of globalization and most of them concern criticisms and improvements (Andersen M. 2003, Lockwood B. 2004) of a pioneer work about this argument, the *A.T. Kearney Foreign Policy Magazine Index* (Kearney A.T. 2001a, 2001b). This index is an assessment of globalization as a result of economic, technological and political integration. However, there are lots of international organizations that use synthetic indexes to monitor global and complex phenomena which represent some different expressions of integration, like human development, global competitiveness, human rights and environment preservation. In the present work the following five elementary globalization domains underlining its sustainable features are selected: economic integration¹⁴⁷, technological potential¹⁴⁸, social awareness¹⁴⁹, environment sustainability¹⁵⁰. The next section will present an original data application.

2. Integration level of European countries and the rest of the world.

This section presents some stylized facts concerning globalization as a main result of a cluster analysis based on k -means algorithm used to investigate the role of 16 variables¹⁵¹ in the description of integration level between European countries¹⁵² and the rest of the world. The aim of k -means algorithm (Hartigan J.A. 1975, Hartigan J. A. and Wong, M. A. 1979) is to divide the selected 73 countries in 16 domains into four (k) clusters so that the within-cluster sum of squares is minimized¹⁵³. The implementation yielded as distinct as possible clusters, which are shown in Fig 1. Fig 2 is useful in going over the differences in means between groups and their accomplishments.

147 The variables, all expressed as percentages of GDP, are: Trade, FDI (net outflows plus inflows), Income payments and receipts.

148 The selected variables are: Internet users (per 100 people), Secure Internet servers (per 1 million people), High-technology exports as % of manufactured exports, Ict expenditure as % of GDP, R&D expenditure as % of GDP.

149 The indicators are: International voice traffic out and in min pro capita, life expectancy at birth (years), international tourism (number of departures plus arrivals as % of population), workers' remittances and compensation of employees, received as % of GDP, international migration as % of population.

150 Indicators has been chosen with reference to MDGs: Marine and Nationally protected areas as % of surface area, CO2 emissions (metric tons per capita), forest as % of total land area.

151 Data source is WDI.

152 Lack of lots of data for Luxemburg and Netherlands has caused their exclusion from the analysis.

153 The general procedure is to search for a k -partition with locally optimal within-cluster sum of squares by moving the objects from a cluster to another, with the purpose to minimize the variance of elements within the cluster and to maximize the variance of elements outside the clusters.

Fig.1: Countries grouped in clusters

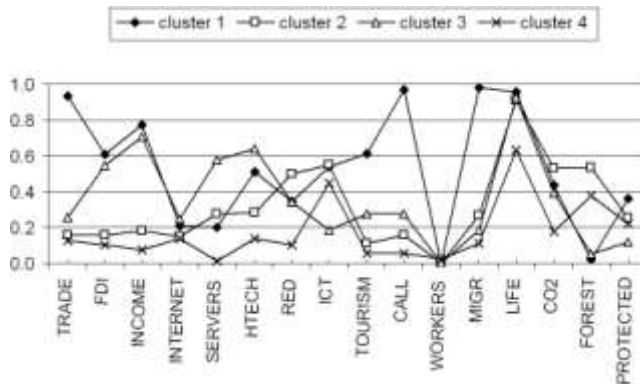
Cluster 1: Hong Kong, Singapore †
Cluster 2: Australia, Austria*, Belgium*, Canada, Czech Republic*, Denmark*, Estonia*, Finland*, France*, Germany*, Israel, Japan, Korea-Rep., Malaysia, New Zealand, Norway, Slovenia*, Spain*, Sweden*, Switzerland, United Kingdom*, United States. †
Cluster 3: Iceland, Ireland*, Malta* †
Cluster 4: Argentina, Bangladesh, Botswana, Brazil, Bulgaria*, Cyprus*, Chile, China, Colombia, Costa Rica, Croatia, Egypt Arab Rep., Ghana, Greece*, Hungary*, India, Indonesia, Italy*, Jordan, Kenya, Latvia*, Lithuania*, Mexico, Morocco, Nigeria, Pakistan, Panama, Peru, Philippines, Poland*, Portugal*, Romania*, Russian Federation, Saudi Arabia, Senegal, Slovak Rep.*, South Africa, Sri Lanka, Tanzania, Thailand, Tunisia, Turkey, Uganda, Ukraine, Venezuela, Vietnam □

† EU members †

Most of the analyzed European countries demonstrate good levels of global integration, as well as North America and Pacific high income countries do, accordingly these countries can be classified as *dynamic followers of leaders* in the process of global integration. Ireland and Malta, along with Iceland are better performing than other members being far away from the rest of EU with reference to *FDI* and *income*, internet indicators and *High-tech exports*, but they falls down for *Ict expenditure* (cfr. Fig.2). Moreover, this group is a good performer with reference to the domains considered as a whole and they may be named *potential leaders*. Bulgaria, Greece, Hungary, Italy, Latvia, Lithuania, Poland, Portugal, Romania and Slovak Rep. reveal poor achievements related to those of middle and low income countries. In this descriptive representation these countries may be referred to as a *marginalized group*.

There are no EU members in the first cluster, the *leaders*, which scores highly on economic integration with the main difference on *trade*. This indicator is not useful in distinguishing the remaining groups as the cluster means are very close. Hong Kong and Singapore present, however, good achievements with reference to *FDI* and *income*, similar to cluster 3. Group 4 is ranking below the other groups due to lower achievements in each dimension with the exception of *expenditure on Ict*, *forest land*, marine and national *protected areas*. The clusters perform differently in terms of technological dimension, which is a proxy of a country's ability to be up to global competitiveness. Marked divergence between cluster 4 and the competitors is recorded with respect to *R&D expenditure* as percentage of GDP.

Fig.2: means plot for clusters



Living condition means are very close for first three groups, while lower and middle income and development countries incidence in the last cluster puts its *expectancy life at birth* mean down as a consequence of starvation, illness, lack of freshwater and generalized poor standards of living. Social indicators may be considered good markers since they catch the variances among groups with the exception of workers' remittances that show very close means. Cluster 2 presents the highest level of CO2 emissions and is a good performer on the environment dimension. The two groups of leaders devote similar attention to environment preservation, and fall behind the marginalized group on percentage of land covered by *forest*. The interest in the *protection* of threatened marine and national areas seems not to be useful in distinguishing the clusters.

Economic integration is a crucial dimension of globalization. An exhaustive measure of this phenomenon has to include several other indicators. The analysis shows differences across countries in technological potential and the selected variables may be considered good indicators, as they are a fair representation of different achievements in global competitiveness. With reference to social awareness, workers' remittances could be eliminated from the selected variables due to analogous performances registered across countries. The group of variables representing environment sustainability may be expanded by adding other indicators, e.g. global ecological *overshoot*, depleting the very resources on which human life and biodiversity depend.

3. Concluding remarks

Policymakers and social activists are in agreement with scientists in claiming that globalization is not a result of explicit political choices, with a specific reference to poor economies. Western countries give the impression of being performers in a play where the market may produce different effects with respect to raw materials distribution, human capital characteristics and institutional performances. The role of European countries in the globalization process cannot be considered as a uniform block: most of them are good performers but some others need to improve their potential to meet the global challenge. From a methodological point of view, the analysis has been helpful in justifying the selection of relevant variables through a critical review of some of the most important studies on globalization and its effects on growth. In addition, the cluster application has allowed us to evaluate the suitability of data to understand the implications of the methodological choices during the *aggregation* phase. Next steps will concern the implementation of the second phase of a multidimensional framework, dealing with the aggregation of information across dimensions for each units of analysis. This is necessary to deepen the analysis of winners and losers from the process of global integration.

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THE WORLD ECONOMIC CRISIS REFLECTED IN THE COUNTRY RISK

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The dimensions of this global economic crisis, spread across all the variables of the global economy, develop and multiply in time and space. The effects of this quantitative and qualitative trends are found in the country risk, an indicator that summarizes the main global coordinations of the quality national business environment, of the credibility of its foreign relations. The development of the specific crisis phenomena, which in itself is a risk, the gravity and the severity, lead to the creation of the conditions to the growth of the country risk and thus decreasing the potential for interest to start or to develop business in the national environment.

Keywords: country risk, economic crisis, economic risk, political risk

JEL classification: F01, F43, G01, G24

1. Some theoretical aspects of the country risk

To maximize the benefits obtained, the deciders assume a wide range of risks, systemic¹⁵⁴ inter-conditioned, of which, the country risk is among most significant. The country risk¹⁵⁵ is the expression of a cumulation the economic indicators: GDP developments, the balance of foreign trade, the external debt levels, the unemployment rate, the foreign exchange reserves, the inflation index and some assessments of the political and social climate. In general, it refers to the risks associated with those factors that determine or affect the ability and the intention of a sovereign state to borrow from a certain country "to meet its obligations towards one or more foreign lenders and/or investors¹⁵⁶. The country risk was defined by Shapiro (1999) as the general level of the political and economic uncertainty in a country, affecting the loans or the investments in the country. According to the opinion of M.H. Bouchet¹⁵⁷, the country risk is all the elements of the economic, financial, socio-politics uncertainty specific to a country, relevant for a economic, commercial and financial activity, trans-border or for the socio-economic environment of the country's residents.

By the causes and the effects, the country risk is related to other two types of risk: the sovereign risk and the transfer risk¹⁵⁸. After some opinions¹⁵⁹, the country risk components, grouped by economic or socio-economic dimension are: the economic risk, the financial risk, the risk of transfer, the market risk and the socio-political risk, the risk derived from the cultural environment, the operational risk, the legal and contractual risk (corruption, confiscation, bribes, bureaucracy), the regional influences risk, the systemic risk (global crisis). The most authors and agencies specializing in the risk country assessment join all these types of risk categories into the economic risk and political risk, synthesing each of these risks - causes that determine the size and the dynamic of the country risk.

The economic risk has correspondent at all the companies, may be materializes in not paying claims, delays in the payment for various reasons, unreception the products delivered from differents motifs, but issues like as: relatively large distance from the beneficiary, insufficient

154 Danu, MC, The Business Risk, Plumb, Publishing House, Bacau, 2001.

155 Colson, G, Gestion du risque, EAA, Paris, 1995, p.202-203.

156 Nath, HK, "Country Risk Analysis: A Survey of the Quantitative Methods" in Journal of the Institute for International Economics, February 2009, p.69.

157 Bouchet, MH, Le Risque dans la Globalisation, MS-IEKM, Janvier 2008, sl.4.

158 Dudian, M, The Country Risk Assessment, Editura All Beck, Bucharest, 1999, p.5.

159 Bouchet, MH, Le Risque dans la Globalisation, MS-IEKM, Janvier 2008, sl.8.

knowledge of the environment, the product maladjustment to a local tastes and preferences, national image of the company, market strategy, national culture.

The political risk is associated, in many cases, the implant operation abroad, having regard to decisions relating to: customs regulations, restrictions on import-export operations, payment obligations thru compensation, rules regarding risks related products, currency unconvertibility, confiscation, nationalization, etc. In all these, plus obsolete practices of the supplier based on national traditions in trade, the legislative gaps, the political instability.

For the evaluation of the country risk are defined and detailed, to be used in the calculation score of the discriminated analysis or in the probabilistic models, the following variables¹⁶⁰: economic variables (GNP per capita, the economic growth, inflation, budget balance to GDP and current account balance to GDP); financial variables (the external debt, external debt to GDP, reserves in months of imports, exchange rate changes, the current account balance); political variables (democracy, autocracy, the duration of governance, political competition, political openness, political independence, competition participants, the regulation of participants).

2.The coordinations of the actual economic crisis

In the context of the global economic crisis, each of the economic environment coordinations, national or international, is affected by the consequences of that risk. The crisis itself is a risk and the dimensions and the effects of the dissemination on the national economies, the economic agents - firms and consumers, gives the global character risk. The risk - cause who determined this situation is, in fact, a plurality of risks previously products: the decline real estate market in U.S. caused by sub-prime crisis with reflection of the increasing indebtedness¹⁶¹.

The unfolding of the crisis as a financial crisis, of liquidity, has occurred in the III quarter of 2007 in which, the estimated costs for the financial system were \$ 59 billion; began in the U.S. mortgage lending crisis, whether being at the top, in the strong decreased of the credit. In the II phase of the financial crisis, with its expansion to other segments of the credit¹⁶², have become visible at the whole financial world and, first, to the integrated economies¹⁶³. Entry into the third phase of the global financial crisis occurred on 15 September 2008 when the company Lehman Brothers, with a past marked by global notoriety, went into bankruptcy and Bank of America has accepted to buy Merrill Lynch Bank to avoid widening crisis¹⁶⁴.

Against the background of these developments, increased the risk of reducing the level of disorderly global imbalances; it was manifested from the beginning, like as the risk of disorderly adjustment of current account; the debt the U.S. has continued to increase, the current account deficit recorded in the last decade placing the U.S. in the net external debtor position (in 2007 was approx. 25% of GDP).

The size of the current account deficit and the perception that the U.S. debt will be close to unsustainable levels were the major factors of depreciation over 35% of the U.S. dollar against other currencies (since 2002). The risk of dollar depreciation has determined the disorderly reducing of the level of the global imbalances and a high instability of the financial markets worldwide with effects on global growth.

The depreciation of the dollar has led to decreasing the demand for U.S. goods imported. Because many developing countries constituted the foreign currency reserves in dollars, the depreciation has resulted in default and losses for these countries. Between 2006 and 2007 under the conditions of significant economic growth, the employment of labor situation has improved in a

160 Boujedra, F, "Analyse et méthodologie du risque pays dans le pays en développement", Laboratoire d'Economie d'Orléans, 2007, p.3

161 www.imf.org/

162 Bouchet, MH, IE et Risque-Pays dans la Globalisation, Global Finance Center, MSIC, Dec.2008, sl.16

163 www.un.org/

164 www.wall-street.ro/

number of economies; in the developed countries and those in transition, the unemployment has fallen and in some cases, the level of wages. Instead, in 2008, due to the decreasing global growth, the risk of unemployment increased for all the world economies - the most in the developed countries, the least in the emerging countries.

Regarding the inflation, the macroeconomic risk, even if the energy and food prices have increased pressures on the inflation, have remained relatively low, estimating a deceleration in relation to the first peaks recorded in 2006, followed by a relaxation, after which a steep increase in 2008, for all countries, most affected countries being the emerging and least the developed. In the U.S. the inflation dropped to less than 2%, in the context marked by slowing U.S. economy. The euro's appreciation has allowed the mitigation of the inflationary pressures due to the high world prices for energy and food products. In the transition economies, the inflation reached 5.6% in 2007 compared to 5% in 2006. The high energy and food prices have put pressures on the aggregate prices and on the share of these goods in the consumption basket.

Even the estimates show that the evolution rate of oil and food prices will not lead to the sustainable growth in inflation, however, the current wage determine the demands causing widespread tension on prices. The risk who involving the wage-price spiral triggering is specific, mainly, the emerging countries, where the effects of the overheating economy were felt.

In Europe, the economic activity was hindered by the multiple shocks: the high level of the inputs rate damaged the real income of the consumers; the inflation has risen to the highest levels of the past 10 years; the euro strength and the compression demand to the trading partners have pressed on exports; the tensions which the financial markets were forced have exerted a negative effect on the advanced countries but and the emerging countries.

Although the central banks have implemented the measures to mitigate the situation, however, the background problem was not resolved. The risk, as the cumulative effect, is represented of failures in the financial world and beyond, in the relations of the global economy.

The effects of involving were propagated on the developed European economies and, initially, to a lesser extent on Japan and on the other developed countries. The growth prospects for the advanced economies are low, respective 0.8% in 2008 and between -3.5% and -3% in 2009 following the 2010 to reach between 0 and 0.5%. A relatively better situation, according to IMF estimates, is forecasted for the U.S. in 2008 an increase of 1.1%, in 2009 a negative increased of 2.6% and an increase of 0.2% in 2010. The euro area will register for the years 2008, 2009 and 2010, a weaker compared with the U.S. but considerably better than the average of the developed countries (0.9%; -3.2%; 0.1%) in contrast, Japan will support the strongest effects of the crisis (-0.7%; -5.8%; -0.2%). The growth in the developing economies still remained sustained, reaching 6.9% in 2007 and estimates for 2008, 2009, 2010 are also favorable, respectively 6.1%; between 1.5% and 2.5%; between 3.5% and 4.5%. In the transition economies the growth remained accelerated due to the increased volumes of the basic products and the domestic demand. The developing countries, including the transition economies are affected by the financial and economic crisis, in particular by the increasing of the volatility on the domestic movables markets and the increasing external debt. In the short term, in the most developed countries, economic activity will stagnate and the consumption and the asset prices will fall. In the most emerging countries is projected the strong slowdown of the growth. Towards the end of 2009, economic activity will renewal at moderate rates.

3. The country risk on the crisis conditions

The global economy system marked by the globalization of the markets and the complexity of the phenomena which accompanies the rise, multiply the effects of the crisis is characterized at

present by the establishment and the systemic evolution of the following situations of uncertainty and the types of risk¹⁶⁵:

-the restriction of the credit markets, the falling stock market, the important variations of the exchange rate and prices of raw materials;

-if the direct-effects of the crisis on the economy will be smaller, the flexible monetary policy and the fiscal measures for revival may lead to a return in 2010;

-the decision from the developed countries but also the developing must be prepared for a potentially catastrophic scenario such as a weak economic growth which could lead to lower the world GDP at the lowest level after the Second World War;

-are facing at present with the systemic financial risks, the world economy must focus, at least in the short term, on the effective management of crisis and the mitigation the risks and the reactions to the rapid development; the main risks are: the monetary crisis and the crisis of the balance payments;

-the risks as the currency to be exposed to the pressure are dependent on the duration of the crisis;

-on the perspective, the issues and the effects crisis are differently understood and treated from country to country, therefore the logical details of various national media.

Given the methodology of calculation of COFACE Country Risk¹⁶⁶, that are reviewed and quantified the variables: the economic and political prospects of the country, the experience for the payment of COFACE (as insurer of commercial loans) and the business climate, 155 countries world are evaluated, with 7 classes for the risk: A1, A2, A3, A4, B, C, D.

Beginning to the trigger the first oil crisis in the years 1972-1973, marked by a steep decrease on the economic growth worldwide 1974 and 1975, the international development environment (with economic, political, etc. variables) was marked by an another oil crisis, then an economic recession in the U.S. (1991-1993), the Internet bubble in 2000 and the present sub-prime crisis.

In terms of temporal and spatial, the credit crisis, triggered in January 2008 in the U.S. and Spain, took the following route: March 2008 - UK and Ireland and then Canada, Mexico, Italy, Japan; June 2008 - South Africa, Vietnam; September 2008 - Iceland, France; January 2009 - Germany, Belgium, Ecuador, Chile, Ukraine, Slovenia, Romania, Hungary, Croatia, UAE, Singapore, Russia, China, etc.

Component of the country risk, the growth property prices has been, in 2000-2007, higher values in the UK, Spain, France and Italy, and negative values in Japan and Germany; another component - the debt/income individuals had the highest values in the UK, Spain, USA and Japan. The bank credit to private sector relative to GDP (%) followed, over the period 2001-2008, a constant evolution in the U.S., increasing slightly in the UK, sustained growth in Spain. In the emerging European countries, as regards the loans development, have decreased in 2008 compared to 2007, however, remained at large values in Romania and Bulgaria, and lower in Hungary and the Czech Republic; the share of the foreign currency loans in total loans reached the highest rates in the Baltics and Bulgaria, the lower in Poland and the Czech Republic. Another indicator for the country risk evaluation is the external debt of companies which has followed an upward trend during 2006-2008 in all the countries of emerging Europe, but differentiated; the highest absolute values of the indicator were recorded in Poland and Turkey, reaching 2008 in each of these countries, at over \$ 120 billion and the lowest in Bulgaria and the Baltics.

Regarding the evolution of the index of payment incidents in 2008, for the first 11 months, Spain has reached the record of 131% followed by Ireland 70%, U.S. 66% UK 64% France 42% Japan 40%, Italy 36 %, Germany 25% (world average is 47%). This negative trend has resulted in the increased risk related to certain sectors of economic activity, as follows (tab.1):

165 <http://web.worldbank.org/>, Perspectives pour l'économie mondiale 2009: Risques et incertitudes.

166 www.coface.ro, C.Ionescu, Coface Country Risk Conference, 21.01.2009.

It is noted that the U.S. auto industry, textiles and clothing from all the countries are most affected by the crisis, being listed with the highest risks; the least affected by the crisis in telecommunications are all the countries, primarily in Japan, then chemical industries, steel, paper from the U.S. and Japan and the U.S. pharmaceutical industry. Even if the situation is as follows, by the propagation effects in the relational systems developed by companies in upstream and downstream, and due to the transnationalization of business, the degree of integration of these, the risks are transmitted over all the variables global economic and non-economic systems.

Tab.1

Country/ Rating	US	UK	Spain	Irland	Japon	Germany	France	Italy
A+	-	-	-	-	Telecom.	-	-	-
A	Telecom. Steel Paper Farma. Chemical	Telecom.	Telecom.	Telecom.	Chemical Steel Paper	Telecom.	Telecom.	Telecom.
A-	Telecom. equip. Equip.ind. Electron. comp.	Steel Farm. Chemical	Steel Farm. Chemical	Steel Farm. Chemical	Retail Equip.ind. Auto	Steel Farm. Chemical	Steel Farm. Chemical	Steel Farm. Chemical
B+	Retail	Retail Equip.ind. Telecom. equip.	Retail Equip.ind. Telecom. equip.	Retail Equip.ind. Telecom. equip.	Farm. Electron. comp. Telecom. equip.	Retail Equip.ind. Telecom. equip.	Retail Equip.ind. Telecom. equip.	Retail Equip.ind. Telecom. equip.
B	-	Electron. comp. Air transport	Electron. comp. Air transport	Electron. comp. Air transport	-	-	-	-
B-	IT	Paper IT	Paper IT	Paper IT	Textiles	Electron. equip. Air transport	Electron. equip. Air transport	Electron. equip. Air transport
C+	Building Air transport	Auto Building	Auto Building	Auto Building	Air transport IT Building	Paper IT	Paper IT	Paper IT
C	-	-	-	-	-	Auto Building	Auto Building	Auto Building
C-	Textiles	Textiles	Textiles	Textiles	-	Textiles Clothing	Textiles Clothing	Textiles Clothing
D	Auto	-	-	-	Clothing	-	-	-

According ONDD agency in the calculation of the country risk, are considered two sectors of activity: export operations and direct investment, reflected by the following types of risk, each of them, except for the commercial risk (scoring from A to C) assessed on scale 1-7: export operations (political risks in the short-term, political risks on long-term, risks related to political affairs, the commercial risk); direct investment (the risk of war, the risks of expropriation and due to government decisions, transfers risks).

Given the political risks on the short term, maximum (7) conferred some countries such as North Korea, Erythree, Guinea, Liberia, Maldives, Somalia, etc., 6 risk level is related to countries like Iraq, Afghanistan, Pakistan, etc.. On the opposite side are the most developed countries of the world and the developing countries with relatively stable political systems, with a high degree of predictability in the short term decision. The political risks on the medium or long term record different risks compared to the previous, so if for example, Colombia is assessed with a political risk of short-term for 2, medium term or long it is 4, as for the case of Albania (from 3 to 6), Argentina (from 4 to 7), Bolivia (from 3 to 7), Croatia (from 3 to 5), Indonesia (from 2 to 5), Kyrgyzstan (from 3 to 7), Latvia (from 1 to 4), Moldova (from 4 to 7), Romania (from 1 to 4), etc.. The political risks related to the specific business reach values close to the political risks on the short term. The commercial risks presents maximum (C grade) in countries such as: South Africa, Albania, Iraq, etc. but also in Argentina, Spain, Estonia, Iceland, Romania, etc.. On the opposite side in A group placed few countries in the world, including Singapore, Slovakia,

Switzerland, Taiwan. The risks related to the direct investments, selecting some of the world, the situation is as follows (tab.2):

Tab.2

Country	Germany	Saudi Arabia	Bangladesh	Bosnia-Herzegovin	Bulgaria	China	Nord Korea	US	Ungaria	India	Israel	Japon	Moldova	Romania	Rusia	Somalia
Risk of war	1	3	4	3	1	2	6	1	1	2	4	2	3	1	3	7
Risks of expropr. and due to gov. decisions	1	3	5	4	1	4	6	1	1	3	2	1	3	1	4	7
Risk of transfer	1	2	4	6	3	2	7	1	2	3	3	1	6	3	3	7

In the relatively stable national averages in terms of political and economic, these types of risks are minimal; they provide the security of the business development on profitable long term; if, however, are matters of legislative or institutional risk of transfer can be achieved. The most affected by these area risks are the countries with outbreaks of war or political convulsions and the least are the developed countries with market economy. Analyzing the evolution of the country risk in the January-March 2009, according to estimates COFACE for a few selected countries, see (tab.3):

Tab.3

Country	Rating developm in developed great country G-20	Country	Rating developm in developed - medium and small size country	Country	Rating developm in developing great country G-20	Country	Rating developm in european emerging country
Australia	A1-A2	Netherlands	A1-A1	Argentina	B-C	Bulgaria	A4-B
Canada	A1-A2	Swiss	A1-A1	Brazil	A4-A4	Poland	A3-A3
France	A1-A2	Belgium	A1-A2	China	B-A3	Estonia	A2-A4
Germany	A1-A2	Danmark	A1-A2	India	A4-A3	Hungary	A2-A4
Italy	A2-A3	Greece	A2-A3	Indonesia	C-B	Romania	A4-B
Japon	A1-A2	Ireland	A1-A3	Mexico	A4-A4	Slovenia	A2-A2
UK	A1-A3	Iceland	A1-A4	Rusia	B-C	Czech R.	A2-A2
US	A1-A2	Portugal	A2-A3	Saudi Arabia	B-A4	Slovakia	A2-A3
		Spain	A1-A3	South Africa	A3-A3	Lithuania	A3-A4
		Norway	A1-A2	South Korea	A2-A2	Latvia	A3-B
		Sweden	A1-A1	Turkey	A4-B		

According to these evaluations, all the developed great countries have made in the first quarter of an impairment rating of the country, the most powerful UK; the U.S. is on the list of attention for a new depreciation. This situation was predictable taking into account the moment and the place of the outbreak triggered the crisis. The propagation has occurred in other medium and small size developed countries, of which Iceland is the most heavily affected, followed by Spain and Ireland. On the large group of developing countries members of the G-20, there are three situations: stationary or regress to the American countries Argentina, Brazil, Mexico; the improvement of the risk country for the Asian countries China, India, Indonesia, Saudi Arabia; the regression for the European country - Russia and Turkey. The increasing confidence in the business environment of the 4 major Asian countries takes place against the backdrop of the sustained economic growth for the two first and dues by the natural potential for the last; in fact, most of the Gulf has been a reduction of the country risk, given the initial crisis context, to increase the prices of the raw materials. The emerging European countries have seen the most, the depreciation of the country risk, most on Estonia and Hungary; Poland, Slovenia and Czech Republic have maintained over the period.

This paper emphasizes only a small portion of the dimensions and the forms of the phenomenon economic crisis reflected in the evolution of the country risk. In this context, it is significant that in an international environment marked by crisis, particularly and in the first on the developed countries, the psychological impact of the country risk is minimized but, the dynamics of the global economy is based on his knowledge.

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COORDINATES OF SOCIAL RISK CONCERNING THE COMPANY, IN THE CONTEMPORARY ECONOMY

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The actual global context marked by the economic crisis and the specific manifestation of the economic recession settlement, put in a new light the risks system which accompanies and influences the systemic society evolution. The actual economic crisis, itself a great global economic risk has economic causes (mainly) identified, but its consequences are inter-conditionary economic, social, political, psychological, etc.; varied and complex are also their associated gravities last but not least, the effects of propagation in time and space. Even if the impact of the actual crisis on the world community is significant in all the system variables, social risk, present in different proportions and sizes in the functionality of firms, is among the most significant.

Keywords: social risk, human capital, relationships, irritant factors

JEL classification: L25, L26, M12, M21

The world-wide economic crisis has consequences on the entire world economy system; the prospects for the economic growth of the developed countries and the developing countries are eroded, creating the conditions of entry into the global economic recession¹⁶⁷.

The economic growth has declined in all the countries since the second quarter of 2008. In the developing countries, the GDP growth was still significant in the first half of 2008 but decreased levels of growth in the rich countries, the depletion of the capital flows and the losses came against the background of the increasing prices of raw materials, involved a decrease of the industrial production, the investment, the international trade, starting with the third quarter of 2008.

Also, the price increases and the restrictions of the capacity in a number of countries, led to accelerating the inflation, mainly in the developing countries.

The GDP reached 1.3% in 2008 in the countries with high income and approx. 6.3% in the developing countries. According to the forecasts, the economic growth will maintain its downward trend in 2009. The world GDP growth will suffer a decline to 0.9%, while the developing economies will register a 4.5% expansion, however, decreased from 2007 (7.9%). The world trade with goods will diminish, reducing the volume of the world exports for the first time since the year 1982.

The decrease the rate of growth will impact the level of employment¹⁶⁸. The effects have already been felt in the developed countries in the fields of finance, construction, automotive, tourism, services, etc., the first and foremost to the strongest integrated global activities.

The International Labor Organization estimated that the number of unemployed will reach 210 million people by the end of 2009, the number of people living below \$ 1 a day will increase by 40 million and those who subsist on less than \$ 2 per day will increase by over 100 million.

The effects of job loss are inter-conditionary, economic, social, psychological nature, with spatial and temporal extension. In the industrial countries the wages will decline by 0,5% while growing by about 1% globally. As shown the earlier experiences, the economic crisis differentiated affects the social groups, most felt the younger segment of the population. On the other hand, the crisis is more felt on the female population than the male.

167 www.worldbank.org/

168 www.worldbank.org/, Commission for Social development, World Summit for Social Development "The global crises and their impact on social development", 4-13 February 2009, p.6-11

On the background of the complex issues specific to that portion of economic reality of the first decade of the millennium III, no economic agent can't remain passive to the already foreseeable changes in the national and the global economic system. The company in crisis, searching the "economic survival" is submitted to many types of risk, of which the social risk assumed in its capacity as employer of the human resources attracted, is among the notable.

At the level of company, the social risk is represented by all the factors internal and/or outside thereof, of human, social, economic, legislative, political nature, likely to affect temporarily or permanently the sustainable operation.

Among the types of social risk faced by the companies, count¹⁶⁹:

- the social conflicts;
- the strikes;
- bad social climate;
- the defective communication;
- the loss of confidence of the employees in the company management;
- low crisis management;
- the alteration of the company image;
- deficiencies on the working conditions;
- the worsening of the relations with the customers and other business partners.

The fact that the individual and the relations established between it and others give tone and strength of the movement economy, make responsible the business managers of organizations producing tangible goods and/or intangible goods to create and to deliver the desired value by the consumer; for it is necessary to optimize the relational established by the company as a prerequisite to optimizing the relational system developed between the economic entity and other economic entities, social - customers, suppliers, etc..

Based on a comprehensive vision compatible the behavior on firms, employees, consumers and the relationships established between these variables, the social risk management can be achieved using different models for analysis, among which is the reference model M@RS.

To make relevant assessments to the social risk is required the identification of the "irritant factors" that contribute to the degradation of the social environment and to the appearance and the development of the social tensions. The "irritant factors" are different types of problems, sources of anxiety, frustration, which can pollute the environment of the firms; for example, if in case of service based on personnel, such as legal consulting services, - the policy of motivation is not based on clear criteria, accurate, representative of those types of services, the main principles of the quality service – the competence, the responsibility and the care for the customer, the professionalism, etc..¹⁷⁰ will not be achieved at the best levels, in which case the social risk will transform from the potential form to the effective form. Similarly, may happen in the area of the tangibles where, even if the human involvement is not always the interface with the consumer or the relationship has a much smaller share compared to the other inputs of the firm, the perceived effects to the employees level and their propagation into production quality assurance lead to unachievement of the desired level of the consumer satisfaction and, possibly, their loss.

According to the authors of the M@RS model, the research quality of the social environment of a company should consider a reference composed of the 32 factors defined in 5 distinct families; based on surveys conducted in-depth it was found that these factors are the most often, the origin of significant damage working relationships.

Based on¹⁷¹ assumption that the risks are not independent from each other but inter-conditionary in the global dynamics and that, under this system which at one time in a given context is a generated factor of risk to another realized risk, and so forth, that, in reality, the potential for risk

169 Landier H., B. Merck, Detection, analyse and quantification du risque social: le modèle M@RS

170 Danu M., The Marketing Services, University of Bacău, 2008, p.72-86

171 Danu M., The Business Risk, Plumb Publishing House, Bacău, 2001, p.63

is in all the situations - which is different is the expression form and the severity. Therefore, under the system of risks, some are risks - causes other risks – effects; and some others are transformed and propagated in time and space. On this basis are distinguish the following families of the social risks¹⁷²:

I. A first family of risks - causes are placed at the top-managers level. From this perspective, the risks that may generate risks - effects are: the decision centers lenght; the absence of the recognition of the real work value; the incapacity of the projects presentation; the lack of the coherence of decision; the absence of sufficient visibility of the policy applied.

The decision centers lenght and lack of coherence have an unfavorable impact on the production process, with adverse effects, both on the personnel and on the intermediaries, the consumers, etc..; if the competition is strong, the consumer will not resume the experience with such a firm where, typically, the degree of flexibility and adaptability of preferences is reduced and the risks assumed - financial risk, the risk of lost time, the risk of image, etc.. - inherent.

The absence of the recognition of the real work value has effects on long-term the employees on and on, the consumer; in case of the services the contact personnel will receive this behavior and it will send (via attitudes, behaviors, overall dissatisfaction) to the consumer; the personnel in the area of the internal organization's system, largely invisible to the consumer will send the dissatisfaction by propagation effects in the services system, helping to reduce the overall quality of the promised service.

The absence of sufficient visibility of the applied policy is conditioned, for the most part, from the weak management of the internal communication and may be as long-term effects on the company's the risk of image.

In the conditions of the economic crisis, the struggle between firms becomes aggressive, the consumer bears welfare losses and is more sensitive to the financial risk so, not to be receptive to the need to take the quick decisions, coherent and visible to the internal public, means immediate losses for firm and maybe the bankruptcy.

II. The risks - causes from the middle and inferior management, on the direct employees have the impact and the gravity able to cause large failures. Among these risks - causes, are notable: the lack of respect for employees; the authoritative; the overlapping decisions; no clear information; defining an insufficient job; no response to questions raised, etc..

Some of these risks are related or associated with those derived from the top – managers; for example, the disrespectful behavior and the authoritative creates conditions for depriving an employee – executive, to the possibility of free speech and event, individualized, personalized relationship with client, so adapting to the different needs and demands of it. The activities in the company who use the contact personnel in the relation to consumer – the kindness, the serviceable, verbal and non-verbal behavior thereof are determined largely by the quality of the internal relational environment; the sensible consumer will perceive the vices of the relational established between employees, between employees and managers.

An excessively authoritarian only limited the freedom of movement of the employee in the relationship with the client, the inventiveness, the imagination, the talent, etc.. - searched, requested and expected by the client. Does the phrase well known in services, whereby, one slogan of companies worldwide notoriety "we do not offer products and services, we provide relationships"¹⁷³ would call obsolete in such an environment "limits creator"?

The current economic crisis bring on a higher the importance of the information in economy; to adapt better to the market signals in the crisis conditions, the companies must focus more than before, to optimize the system of information both at the company and in the outside relations. The behaviors authoritarian, inflexible, are not only acute a potential conflict.

172 Landier H., B. Merck, Detection, analyse and quantification du risque social: le modèle M@RS

173 Kotler Ph., Management Marketing, Teora, Publishing House, Bucharest, 1997, p.72-84

III. A family of risks - causes placed at a level of the identification employees elements, namely, the sociological composition of company personnel, have special meanings in the national cross-stage transition, economically, socially, politically, mentally. Of these social risks, are significant:

- the dispute between "old and new";
- the social discrimination - on an ethnic, social, professional criterion;
- low staff representation at decision – making level;
- the competition between the trade union organisations;

If in the developed economies, each of these risks are manifested at the firms in different weights in assessing the overall social climate, released recently in the economies of transition, as is the Romanian the dispute between "old and new" is still among the most visible and most serious risks to the companies. In this case, the dispute goes, for the most part, the mental level, mainly on:

- the arrangements for addressability on the external public company;
- the complete and current significance of the concept of total quality offered to consumers;
- the necessity to create and to develop the stable and sustainable connections with the consumers to fidelize them.

The strategies, the tactics, the tools used in managing the relationship with the customers are dynamic; the client is dynamic and differentiated compared with the another but also with self-himself, in time and space. If the perpetuation of an old mentality, inflexible, quartered in previous experiments and not in need of adaptability - the kindness, the fundamental dimension in assessing the overall quality of the tangible or the intangible, can't become an unique and even the dominant attitude of the company; may be a practical approach applied by some employees, but just so. Then put the question: to what measure we are ready and willing to truly accept the adoption and generalisation of an attitude on the new? On the other hand, can not be ignored some valences of the old experiences in the production process; they can be assimilated and used in the new context, provided rapid adaptation to this.

In these types of risk, the management is difficult in a crisis conditions because, the disputes old - new, any type of discrimination, etc. can be potential achieved as risk of conflict from the employee, as risk of dismissal from the company .

IV. Another criterion for separating the risk – causes on the company is the applied methods management. From this point of view there are the following social risks:

- the failure of general information;
- the misunderstanding of the mode of operation the company and the specific skills;
- negligence in relation to the new employees;
- unjustified wage differentiation;
- insufficient opportunities for the development employee or the incorrect formulation of the rules relating to, or their lack of transparency, each situation can lead to feelings of injustice or inequity.

These social risks injure the interests of the company both short term and in perspective; the gravity of these risks are dependent on the type of activity, stage of the life cycle of the company, the marketing environment and its degree of interaction with other types of risk. For example, the deficiencies in promoted policy of wage have effects, primarily in the short term; the policy of recruitment, the employee selection, have effects in the short term but may involve serious effects in the medium term and even long; a key employee of a very well positioned company by the consumers at a market reference, once demotivated, treated the same as other employees involved in the less efficient relationship with the consumer and, in achieving the performance, will be moving towards competition, becoming from an performing employee, an exponent of the competition interests. Moreover, the fidelized customer will accompanies to the new company, so the company will see in the situation not only to be stripped of the valuable human capital but the

fidelized customer further. The result: other risks assumed and realized by the firm: the financial risks and, perhaps most importantly in terms of remanence and the spread, the risk of image.

The economic crisis brings attention to fair establishing the wages; as the company bears some losses, the wage reductions and the dismissal are inherent but is important an objective assessment of the employees to prevent the discrimination.

V. Incorrect perception on the future business and on the relationships with an environment has a large potential for social tension and social climate of poor quality. Among the types of risks - causes of the register are:

- the anxiety concerning the future of the company/employees;
- the uncertainty regarding the intentions of the company;
- a negative development lifecycle of the company's job/professions;
- the fear for the downgrading of the skills related the posts;
- difficult relationships with users or customers;
- the unwanted evolution of the relationships with business partners;
- changes in the legislative and the institutional environment.

Each of these types of social risk is evident in the economic crisis, the probability of achieving being very high. Again, the information management is the most important tool to minimize the effects of the crisis at the company.

Some of these variables are largely exogenous the decision-making system of the company so the position of the employees is submitted, on the one hand, to the social risk generated by the firm, on the other hand, to the social risk at the macroeconomic level. For example, the negative evolution in the relations with business partners is due mostly the managerial vision of the company in question on long-term; but is not excluded, nor the magnitude of changes in the law which make under the risk of survival a business partner, possibly where tradition, or even ceasing temporary or interruption of relations with it.

The social risks - causes able to deteriorate the social climate of a firm can not be identified, analyzed and measured without taking into account the impact of "social history of the company and its stability" by coordinates such as:

- the personnel attachment to the company values;
- the discipline at work;
- the social continuity;
- the traditions in the salary negotiations, etc..

The relatively recent history of some of the companies in Romania and the changes that have occurred in the design of the specific competitive environment of different types of activity, gives a different meaning in part the impact of social history of the company but does not minimize the importance of such variables on long-term in appreciation the quality of social climate of that company.

The reality reflects that more and more types of activities are developing and growing its market competitors that can find and exploit opportunities, identifies and takes calculated and aware risks. But, in this equation, they understood that in order to provide high quality products, strategic approach should be based on optimizing the employment, preparation, grounds the personnel, applying the vision of the internal marketing. The performing firms, focusing on marketing have realized long ago that classical structure for organizing a business as a pyramid, must shattered placing on the top the consumers, followed by the "first people in line" – the contact personnel, who serve customers and satisfy their demands. Follows the leadership of the executive staff must support the contact personnel and on the base – the top management must support the executive leadership to help the contact personnel and further to ensure the consumer satisfaction.

The identification of the social risks concerning a company is followed by assessing their cost (estimating the probability and the frequency of occurrence of the risks, forecasting the

economic, social, etc.) and establishing the procedures for the treatment and control. It is important that risk management in general, social risk, in particular, should not be considered like as the company's effort, an expense but an investment; in the present conditions, the investment in human capital is fundamental.

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FROM CONTRACTUAL APPROACH OF FIRM TO THEORIES OF KNOWLEDGE

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The object of contractual theories is describing exchange relation between agents, considering institutional and informational restriction in which they evolve.

From trials of removing insufficiency in contractual theories new representations gradually appeared, of enterprise organizational order, which take exception to neoclassical model and surpass the contractual paradigm, without rejecting it. Common elements of these new types of organization are: using new informational and communication technologies, trial of respecting higher consumer demand, mobile and recreational structures in which individuals must adapt permanently to unpredictable events and market uncertainty. Far from converging to a unique model, these new forms of organization are varied and often hybrid. The most popular in literature are network organization, virtual organization and learning organization.

Keywords: transaction cost theory, property right theory, positive theory of agency, network organization, virtual organization, learning organization

The article's JEL code: D23

1. Contractual approach of firm

The contractual approach of firm is based upon concepts and results of game theory and information economics, which analyse agents' behaviour in different strategic environments and in the conditions of asymmetry and information imperfection.

In the contractual model firm appears as a coalition of actors which contributes at the well functioning of organization in exchange of a satisfying retribution. Management art consist in maintaining coalition and capacity of serving clients efficiently (which means better than competition). J. G. March and H. A. Simon (1958) insist in management role, and R. M. Cyert and J. G. March (1963) emphasize certain general organization practice (sequence and secret treatment of matters, preference for short deadline, preference for already experimented solution etc.).

Contractual paradigm takes into account the human functioning of productive organization which is the enterprise. Its object is describing exchange relation between agents, considering institutional and informational restriction in which they evolve.

We can distinguish more families of models in the frame of contract theory, sending to different economic preoccupation. The most known are: transaction cost theory, property right theory and positive theory of agency.

1.1. Transaction cost theory

Transaction cost theory offers a useful frame of decision internalization or externalization analysis of transaction. Based upon two hypotheses (limited rationality and individual opportunism), this theory identifies a connection between the nature of transaction (the degree of incertitude of transaction, frequency of transaction and active specificity) and institutional arrangements which will be chosen by individuals: market hierarchy or hybrid form (cooperation between firms). Most efficient organization manners are those which minimize costs of transaction owed to exchange, costs connected to negotiation, surveillance and contract control. There are three ways of coordination: complementary activities (corresponding to different

phases of production process) and similar (which need same knowledge, experience and capacity) will be coordinated through firm, and strictly complementary activities, though un-similar will be coordinated ex-ante by cooperation agreements and ex-post by market transaction. Despite an un-contestable empirical balance sheet, the transactional cost theory made the object of numerous critiques. A first critique consists in the fact that the role of opportunism, considered a central variable of the theory, is overestimated. In this concern, L. Donaldson (1995) brings three arguments:

- Opportunism is a regressive concept concerning human behaviour. This concept reminds the X theory of Mac Gregor, in which the individual is selfish, lazy, untrustworthy, always following own interest and must be checked (through rewards and punishments).
- Opportunism does not reflect variability of management behaviour. As for L. Donaldson, opportunism is not just one of the possible behaviours of a manager, which is generally privileged on short term. The game theory demonstrates that on long term the cooperation strategies are more profitable. The author ascertains that between all academic research connected with transactional cost theory and practice there is an obvious gap.
- Opportunism raises inevitable issues of empirical order. Information concerning a “deviant” behaviour of managers is hard to obtain.

Another author which considers the role of opportunism as being overestimated in O. Williamson theory is C. Perrow (1986). He disputes the diminishing of transaction costs in the case of vertical integration, showing that in the case of merging of two firms some costs (like the one connected with losing organization flexibility) increase, such a fact is not due to actors' opportunism.

Some recent analysis suggest that trust plays an important part in the majority of transactions and certain signals, visible or not, allow the maintaining of trust and diminishing risk probability associated with exchange (B. Baudry, 1994).

R. Coase himself, the founder of transaction cost theory, contradicts O. Williamson's thesis, by questioning two central arguments of transactional cost theory: opportunism and active specificity, as explicative factors of the vertical integration decision in the detriment of choosing market. R. Coase estimates that the individual predisposition to opportunism is limited in the manner in which the behaviour will affect future transactions as a consequence of bad reputation obtained. As well as rationality, opportunism becomes thus limited, for not being profitable on long term.

Another critique upon basic concepts of transactional costs theory belongs to M. Granovetter (1985) and to S. Goshal and P. Moran (1996), which tries to demonstrate that applying theory is dangerous to managers for the hypotheses and logic of their fundament. He criticizes O. Williamson for he does not make the distinction between opportunism as an inclination (attitude) and opportunism as behaviour manifestation. Psychology and organization theory show that the two concepts (attitude and behaviour) are different and influenced by individual and contextual mood.

Another critique belongs to S. Wolff (1996) who suggests including the manners of network organization in a historical time dimension. This approach emphasizes dynamic factors which allow analyzing agreements between enterprises from a perspective of creating values and not minimizing costs. *Id est*, agreements between enterprises represent a solution in the case of new and risky activities, allowing the eventual cease of alliance after reaching its purpose. This flexibility allows obviating an irreversible decision (e.g. a merger – acquisition) to the time of uncertainty decrease.

Another author who critiques transactional cost is A. Bienaymé (1998). He states that the level of costs in structural exchange, of disinvestment, of decentralization is very high, and the passage from a manner of organization to another is not made rapidly. Thus, the marginal reasoning which included choice of market, hierarchy or a hybrid organizational manner for developing transactions seem inadequate. The author underlines that the passage from a hierarchy

coordination manner to a manner of coordination by transaction market is more difficult with the development of professionalism in the exercise of productive activity and with the existence of a productivity dynamic connected with the integration of a worker inside firm and his knowledge. The enterprise elaborates and takes decision at a more efficient level than an unorganized assembly, for it “dissolves complexity”.

The enterprise seems less susceptible of mobility and flexibility than the individual producer of pure and perfect competition on a walrasian market.

Despite critiques brought to it, the transactional cost theory offers a useful frame of decision analysis of internalisation or externalisation of transaction. Also, it allowed the reconsideration of a great number of problems, such as: choosing financing methods for firms; work organization, internal organization structure of enterprise; industrial politics.

1.2. Property right theory

The best known founders of property right theory are: R. Coase (1960), A. Alchian (1959, 1961, 1965), H. Demsetz (1966, 1967), H. Manne (1965), S. Cheung (1969), E. Furubotn and S. Pejovich (1972, 1974) and L. De Alessi (1983). Having different professions (economists, jurists) these developed a pluridisciplinary analysis of property rights.

Property right theory has an important part in understanding firm. It is based on the idea that any relation between the economic agents can be considered an exchange of property rights upon some goods. Adepts of this theory consider the existence of well determined property rights is an essential condition of individual initiative. Maximising each individual utility must develop a growth of collective efficacy, and the diverse ways of motivation are influenced by property rights structures (E. Furubotn, S. Pejovich, 1974).

There are some gaps in property rights theory, the most important consists in the actual defining of these rights, which is based on the existence of free contractual relations which lead, necessarily, to choosing the most efficient system. Strictly founded on methodological individualism, the property rights theory aims only the interindividual relations, contractual relations between agents, excluding the analysis of power reports between several actors of enterprise. This limit of property rights is partially compensated by its integration in agency theory, moreover in its present development.

1.3. Positive theory of agency

The essential component of positive theory of agency are present in founding articles of M. Jensen and W. Meckling (1976), M. Jensen (1983) and E. Fama and M. Jensen (1983a, 1983b).

Positive theory of agency represents an integrated theory of organizations, which aim to reuniting two different research trends: research base on market functioning and the one associated with psychology domain, sociology, organizational behaviour, anthropology, biology, having as an objective explaining human behaviour, as well as individually and socially.

The central spot which the manager occupies in the positive theory of agency, made this theory play a determinant part in management branches development. If at the beginning the positive theory of agency seemed a financial theory, it rapidly extended to other domains, for proposing new accountancy analysis, management control, and human resources management, management of production or marketing. Positive theory of agency is at the origin of many new theoretical domains such as “corporatist governing”. Along with transaction cost theory, positive theory of agency became one of the main “grammars” used in management sciences.

Present research in positive theory of agency aims for four main axis (M. Jensen, W. Meckling, 1980):

a. Shaping the nature of human behaviour. The objective is of building a human behaviour model which integrates the work results of economists, psychologists, neurosciences specialists with the purpose of understanding rational behaviour (calculated) and irrational. This concern to undertake at the level of individual same effort undertook at the level of organization.

b. Studying systems of performance measurement, of remuneration and promotion. M. Jensen and K. Murphy (1988) and M. Jensen and K.J. Murphy (1990) papers this axis has as a purpose providing human resources management theories which the managers can base on for conceiving and putting in practice system to allow a better use of human resources in the frame of organization. The effort of theorizing is integrator, considering as well as the problems of labour economy and human resources, and in the human behaviour sciences or from traditional research trends in management control.

c. Connections between tasks structure, organizational barriers and the technology process nature. Studying these has as a purpose understanding the manner in which diverse systems connect to organization and markets allow a better use of opportunities offered by different technologies. In other terms, is to analyse relations between the nature of technological process and the organizational structure. This axis relatively new in the frame of contractual perspective allows solving a problem emphasized often by these theories, that of neglecting production phenomena.

d. Connections between systems of governing, enterprise finances and organization performance. The objective of this study is to understand the way in which firm relation with providers of capital influence the strategy, manners of taking decisions and creating and distribution of value. This axis includes especially the papers concerning society governance, focused upon organizational rules of game which restrict manager decision (e.g. administrative board). Papers concerning enterprise governance are in direct connection with research of firm finances, especially with those concerning financing and property structures.

Focused initially on an external view of organization, papers from this last axis, especially those used in enterprise finances, based on evaluation, had the tendency to neglect internal aspects, which are though the most important for understanding creation of value. Present research tries to integrate internal governing aspects, such as formulating strategy or distributing of decisional power in hierarchy. These problems must allow understanding the manner to take decision of investment, subject neglected paradoxically by financial research, as underlined by M. Jensen (1993). Beyond the investment decision, research themes also concerns restructuring or new forms of property structures, as LBO or employees-shareholders.

The main part of positive theory of agency is attributed to specific knowledge, as well as to evolution known by rationality shaping, on which it is based, tend to approach, especially the most recent development, by the evolutionist theory or strategic theory, which attributes a main spot to resources and competence. Positive theory of agency could be such considered from a point of view a first attempt of compromise between theories founded on opportunism and the ones based on knowledge.

2. Theories based on knowledge

Theories based on knowledge suggest new organizational models based on global competitiveness, on trust between partners and on collective cognitive apparatus. The most known of these are the network organization, the virtual organization and the learning organization.

2.1. The network enterprise

Firms are experiencing substantial transformations related to the rapid advance of information technology and economic environment. We can see today the emergence of networks of small and medium firms; subcontracting and outsourcing between large and small companies; decentralize the units of large corporations, particularly multinational corporations. The trend is not only towards the desegregation of business activities, but towards the cooperation between units. What emerges from this trend is a new organization form: the network enterprise. This not mean a network of enterprises, but the actual unit of business operation, made up of different companies or segments of companies, as well as of consultants and temporary workers attached to specific projects.

The network enterprise concentrates only on activities which can very well achieve and which profit on partners' competence for externalizing the other activities. Acting as such, firm diminishes costs, gains flexibility, has access to varied resources, reduces risk associated with its projects and simplifies internal structure.

2.2. *The virtual organization*

The virtual organization appeared as a consequence to product demand growth and specific services, named virtual.

The virtual enterprise can be defined as a temporary alliance of partners who work together for sharing competence and resources for market satisfaction, using computer networks and calculus informational technologies.

Virtual organizations have a high capacity of adjustments. They are characterized through fast and international deliveries, responding to a diverse request, by rolling services of great quality, small prices, and a great speed of traded values circulation.

2.3. *The learning enterprise*

The learning enterprise is the organization which has the aptitude of creating, acquisitioning and transfer knowledge. Thus is the enterprise which "learns" and adapt in consequence. The experience and adaptation can bring the firm various advantages to its competitors.

The attributes of as learning organization are flexibility, adaptability, autonomy, integration capacity etc.

In practice, more often the three models interpenetrate, and organization can have in the same time characteristics of all three models.

3. Conclusions

In contractual theories the firm is considered a network of contracts, of policy and agreements between individuals who constitute it (employees, managers, clients, providers, investors etc.). The starting point of this type of approach is different. Thus, transaction cost theory is based on the notion of transaction; positive theory of agency starts from the divergences of interest between partners of collaboration and the cost of these conflicts, while property right theory emphasizes the structure of property rights. Though, considering the conflicts concerning property rights are most which can appear between agents and any collaboration agreement implies a transaction over these rights, there are meeting points of these three theories. On scientific point of view, the three approaches have in common choosing methodological individualism and retaining the hypothesis of individual rationality.

Contractual theories suppose sophisticated maximising behaviours which lead to signing complex contracts which do not correspond to practice. Majority of results is obtained considering that individuals sign complete contracts which take into account all possibilities of achievement of random events. Except insurance domain, contracts met in real economic life are not as sophisticated as the theory suggests. They do not solve ex ante all problems which may appear between parts and are neither perfectly incentive, nor optimal.

Theories based on knowledge overpass contractual paradigm without rejecting it. They emphasize collective cognitive apparatus, on global competitiveness, on trust between partners and suggest organizational models based on mobile and reactive structures, in which decisions are distributed in various parts. Relations on long term with employees, providers and clients are current and essential for developing systems in the frame of which the price is no longer the engine of individual behaviour. Based on these long term relations and on constant evolution of technology, strategic decision aims achieving systems and alliances able to respond in a supple and coherent manner to difficulties an uncertain future presents.

In spite success registered by new organizational models, for enterprises, more important than imitating them, remain mastering evolution processes and strategic adaptation. Considering each

enterprise has a history and characteristics of own organizational configuration, future seems to be that of a plurality of organization ways and hybrid forms.

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CONSIDERATIONS ABOUT EVOLUTION, DENSITY AND SPECIALIZATION PERSPECTIVES OF SMALL-AND MEDIUM-SIZED ENTERPRISES SECTOR IN THE WESTERN PART OF ROMANIA

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Starting from the role of small-and medium-sized enterprises (SMEs) sector that is widely recognized at European level in generating economic growth, regional development and work places, the present paper aims to investigate the evolution and density of SMEs sector from 6 counties (Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş) from Western part of Romania, regarding the quantitative evolution, structural, and demographical particularities comparative to the rest of Romania, in order to detect an eventual specialization of those. Also, in order to orient the SMEs sector from the investigated counties to these initiatives that correspond to their nature, exploiting the possibilities offered by local and regional potential, the paper determines and analyzes the localization (specialization) coefficient, as the ratio between the share of employment in a sector in total employment of a region and share of employment in that sector in total employment in the country, for investigated counties. The work represents preliminary research results from the project called "The Entrepreneurship and the Equality of Chances. An Inter-Regional Model of Entrepreneurial School for Women" financed through the European Social Fund, "Be enterprising!". The statistical data used have been offered by virtue of accords of collaboration in the mentioned project from the Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş County Directorates of Statistics.

Key words: SMEs sector, SMEs density, specialization coefficient, regional development

Introduction

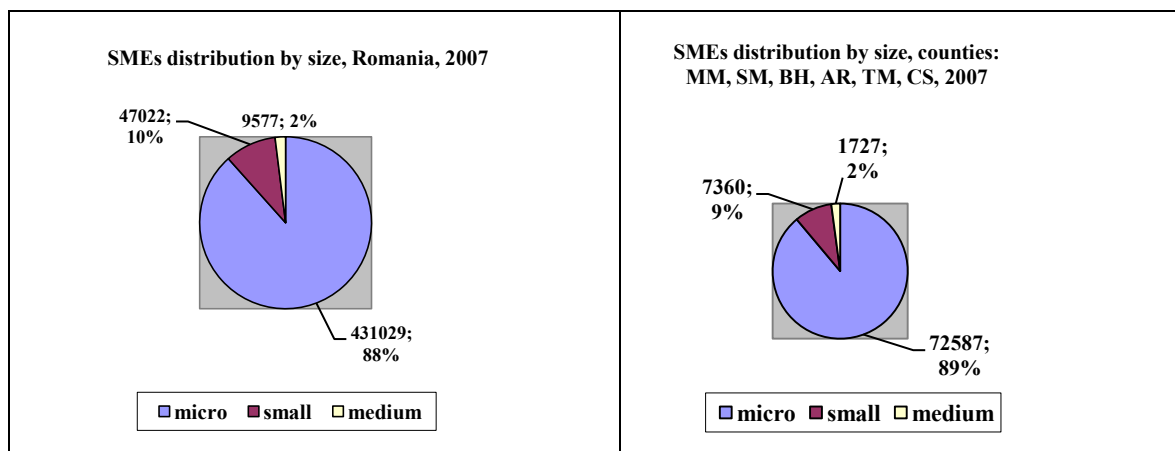
The present paper is the result of the first research stage developed by a inter-regional team of researchers in the field of the particularities of the small-and medium-sized enterprises (SMEs) sector from the Western part of Romania, more exactly in the next 6 counties: Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş, on the purpose of evaluating, as well at national, regional and inter-regional level, the integration chances of the SMEs sector from the Western part of Romania in the European competition process. The paper represents preliminary research results from the project called "The Entrepreneurship and the Equality of Chances. An Inter-Regional Model of Entrepreneurial School for Women (AntrES)" financed through the European Social Fund. The statistical data used have been offered by virtue of accords of collaboration in the mentioned project from the Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş County Directorates of Statistics. What we intend through this article it is a concise "radiography" of the SMEs sector from the six counties, in the perspective of the quantitative evolution and of the density evolution, as well as to identify some specialization perspectives of those, that could lead, after that, towards political recommendations and national strategies recommendations for increasing the integration chances of SMEs from the West of Romania in the competition European process.

Quantitative evolutions of the SMEs in the Western Part of Romania

The SMEs sector represents, as well at European and national level, an extremely dynamic and flexible one, the spearhead of the economic growth and development, and the most important job supplier. More exactly, 99% of the European Union businesses are SMEs, providing 2/3 of the workplaces in the private sector. We speak about 23 million enterprises and over 100 million jobs: 99% of the European Union's enterprises, 67% of the number of the workplaces (and even over 75% of the workplaces in certain industrial sectors, such as the textile industry, building

industry and furniture industry), respective 58% from the turnover (*Eurostat and the European Observatory for SMEs*). The importance of the SMEs sector and of the role of the entrepreneur in the economy based on knowledge, is that the essential mechanisms for creating workplaces and the economic growth, are very clearly debated from a theoretical point of view as well (Hashi, Iraj and Krasniqi, Wenekers and Thurik, 1999; Schmitz, 1989; Nooteboom, 1994; Audretsch and Thurik, 2001; Pagano and Schivardi, 2003; Schuh and Triest, 2000). Behind the theoretical polemics, there is a large common consensus between the specialists in the field; they all recognise the importance of impulsion the dynamism of the SMEs sector. An important cause of the SMEs dynamism is developing some new activities in the sector of services, suitable for companies of this dimension, processing information and the elaboration of informatics programmes, market researches, juridical services, banking and insurance activities, of distribution and promotion of the selling-off, recreational and sport activities and so on (M. Dinu, 2002). Regarding the emergent economies, the role of those is bigger when we consider their flexibility and the capacity of fast reaction and adaptation, as well the capacity of absorption the workforce reduced from the big companies. SMEs played a crucial role in the development of the private sector in these economies, and represented an active vector of technological and organisational innovation. In the same time, systemic changes from these economies meant opportunities for the entrepreneurs to get on the market. In Romania, one of the most important characteristics of the structural change with impact over the entrepreneurship and over the liberalisation of the economy it was the apparition of SMEs. As a result of the Law no. 31/1990 and of the Law-Decrets no. 66 and 67/1990, there has been a veritable “explosion” of new enterprises, because of the reduced role of SMEs during the transitional period of time, result of the over industrialisation and discouragement of the private initiative (M. Dinu, 2002). As a result of those initial impulses and afterwards development, SMEs sector grew permanently in Romania, during 2000-2007, reaching at the beginning of 2008 almost 500.000 enterprises. As the following figures show, in 2007, the same ascendant dynamic of SMEs was registered at the level of the six counties from the West of Romania and were the subject of analyse. At the end of the year 2007, the number of active SMEs from the six counties was up to about 82.000, representing 16.75% of the total number of active SMEs at national level. The majority is hold by microenterprises (88% at national level, 89% at the level of the counties analysed). It is interesting to notice that, because of the fiscal incentives practiced in Romania in the case of microenterprises on one side and, on the other side, because of the implementation stage of entrepreneurship and also because of the increasing number of enterprises, the percentage of microenterprises in the total number of SMEs is much higher in Romania than the European average, about 50%.

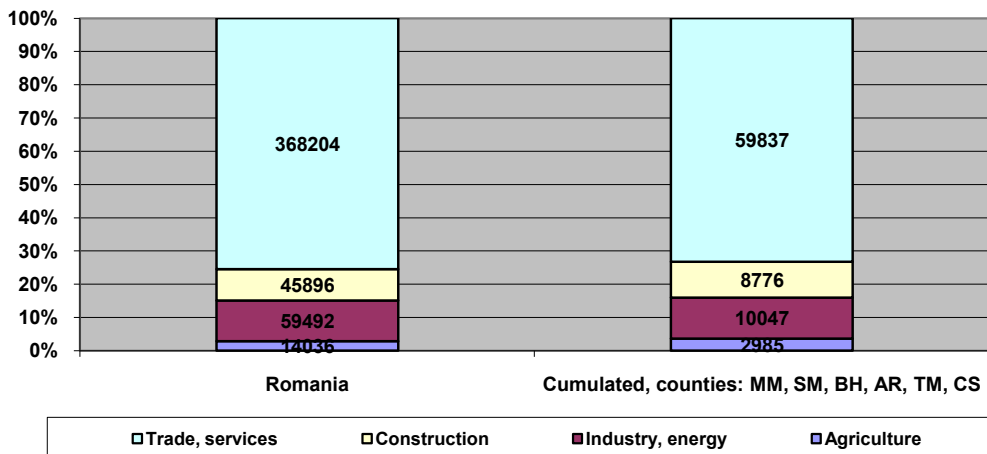
Chart 1. SMEs distribution by size, Romania and selected counties, 2007



Source: *Statistical Yearbook Romania, 2007 and authors' calculations, based on statistical data, Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiș County Directorates of Statistics, 2007*

The structure of SMEs sector reflects a series of interesting data. As the following figure shows, in 2007, at national level, 75.57% of the active SMEs operate in commerce and services, 12.2% in industry and energy, 9.41% in construction and only 2.88% in agriculture and forestry. However, in the last few years, we can observe significant growths in the agriculture and construction sectors. Regarding the six counties from the West of Romania that are subject of the present analyse, we can observe the same general tendencies, with some variations: commerce and service sector integrates 73.29% of the total number of active SMEs, industry and energy - 12.31%, construction sector - 10.75% and agriculture sector - 3.66%. Their geographical range, generally in the plain field, explains the higher average of agriculture. We can therefore speak of some specialisation tendencies at the level of the region analysed, services and commerce remain the major sector; this sector integrates, in case of some counties, even over 75% (Timiș, Bihor), while construction are better represented in Maramureş and Satu Mare counties, and the industry sector is better represented in Caraş-Severin.

Chart 2. Active SMEs's distribution, by sector, Romania / West of Romania, 2007 (no. of SMEs)



Source: *Statistical Yearbook Romania, 2007 and authors' calculations, based on statistical data, Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiș County Directorates of Statistics, 2007*

The density of SMEs from the Western Part of Romania

The most suggestive and wide indicator regarding the entrepreneurial dynamic is the density of SMEs at 1000 inhabitants. In the year 2006, before EU accession, the density of SMEs in Romania was up to 26 SMEs/1000 inhabitants, under the EU average that is over 50 SMEs/1000 inhabitants. The SMEs density analysed at one thousand inhabitants on development regions shows that the highest values, after Bucureşti-Ilfov (with a density of 48.56 SMEs/1000 inhabitants, comparable with the EU countries), are registered in the North – West and West regions, subject of our analyse. At the opposite poll, with very low density - fewer than 18 SMEs/1000 inhabitants are the North – East and South – East regions. As the following table shows, in 2007, towards the national average of 22.6 SMEs/1000 inhabitants, entrepreneurial spirit is more developed in the six counties from West and North/West regions, subject of our analyse, that register an average of 27.9 SMEs/1000 inhabitants, with higher values for the

counties: Timiș (33.9%) and Bihor (30.3%) more attractive for investors, while counties like Arad (26.8%), Caraș-Severin (24.9%), Maramureș (24.5%), Satu Mare (22.1%) present comparative lower investing interest. Satu Mare County registered, as it can be noticed, the lowest density of SMEs at one thousand inhabitants. Remarkable, besides, is that the density of SMEs, both at national level and at the level of the analysed counties, is situated much under the European average which is 40 SMEs at one thousand inhabitants.

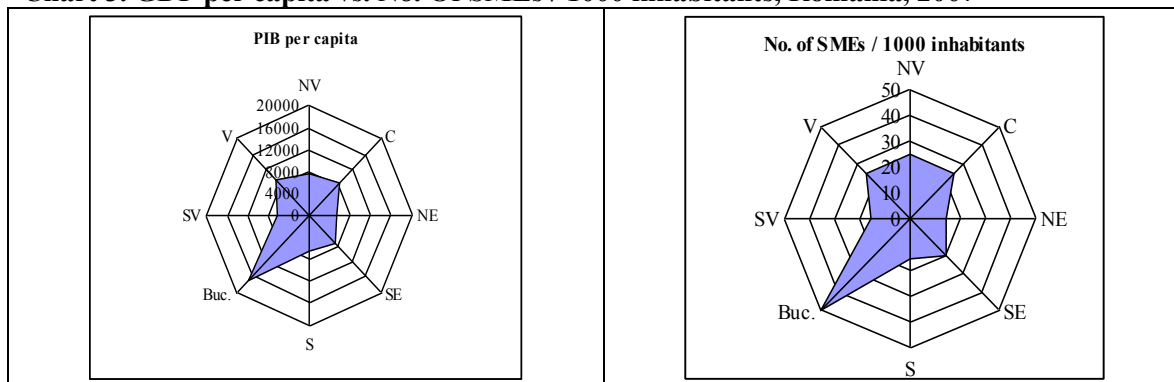
Table 1. Density of SMEs – Western Part of Romania, 2007

	No. of SMEs. (2007)	No. of inhabitants (1st July, 2006)	Density: no. of SMEs to 1000 inhabitants
MM	12628	515313	24.5
SM	8129	367677	22.1
BH	18010	594982	30.3
AR	12274	458487	26.8
TM	22394	660966	33.9
CS	8239	330517	24.9
Overall 6 counties	81674	2927942	27.9
Romania	487628	21584365	22.6

Source: *Statistical Yearbook Romania, 2007 and authors' calculations, based on statistical data, Maramureș, Satu Mare, Bihor, Arad, Caraș-Severin, Timiș County Directorates of Statistics, 2007*

As it is unanimous accepted, data prove at European level that there is a clear correlation between the density of SMEs and the level of economic growth reflected through GDP per capita. Analysing the development regions of Romania, this correlation can be enhanced like this: for Bucharest region, the emphasised entrepreneurial dynamic (49.9 SMEs at one thousand inhabitants) is correlated with a high level of GDP per capita (16760 euro), while for the North – West region the correspondivise values are 25.3 density SMEs at one thousand inhabitants and 7542 euros - GDP per capita, and for the West region: 24 density SMEs at one thousand inhabitants and 8917 euros GDP per capita. Practically, “the maps” of the two indicators are almost incumbent:

Chart 3. GDP per capita vs. No. Of SMEs / 1000 inhabitants, Romania, 2007



Source: *Statistical Yearbook Romania, 2007*

Specialisation perspectives of the SME sector from the Western Part of Romania

In order to determinate the tendencies or the perspectives of specialisation in the six counties analysed, we calculated, for each county and then as a whole for the six counties cumulated, the coefficient of localisation (specialisation), as ratio between the percentage of the employed population in a specific area in the total of the employed population at the country’s level. A

value of the ratio bigger than 1 indicates the fact that the respective industry exports production outside the region; like this, an industry with a coefficient of localisation equal to 2 in case of a particular region, it is estimated to retain half of its production for internal consumption of the region and to export the remained half.

Table 2. Primary data on employed population, absolute and per cent values – Western Part of Romania, 2007

Employed population 2007	Employed population in Romania		Employed population in Arad		Employed population in Bihor		Employed population in Caraş-Severin		Employed population in Maramures		Employed population in Satu Mare		Employed population in Timis		Employed population in the six counties	
	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)	Total	Percentage (%)
Agriculture, forestry	2466	28,26	47,5	22,45	87	31,28	42	34,26	73,8	37,16	56,1	37,25	74,1	22,09	381	29,34
Industry, energy	1958	22,44	68,6	32,42	71,6	25,75	27,4	22,35	46,2	23,26	38,6	25,63	92,8	27,66	345	26,62
Construction	594,5	6,81	10	4,73	14,5	5,21	7,1	5,79	8,5	4,28	7,9	5,25	20,9	6,23	68,9	5,31
Commerce	1200	13,75	32,4	15,31	37,6	13,52	12,5	10,2	22,5	11,33	16,5	10,96	47,5	14,16	169	13,03
Hotels - restaurants	155,5	1,78	2,7	1,28	5,4	1,94	2,6	2,12	2,7	1,36	1,6	1,06	6,4	1,91	21,4	1,65
Other services	2352	26,95	50,4	23,82	62	22,29	31	25,29	44,9	22,61	29,9	19,85	93,8	27,96	312	24,06
TOTAL	8726	100	212	100	278	100	123	100	199	100	151	100	336	100	1297	100

Source: Statistical Yearbook Romania, 2007 and authors' calculations, based on statistical data, Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş County Directorates of Statistics, 2007

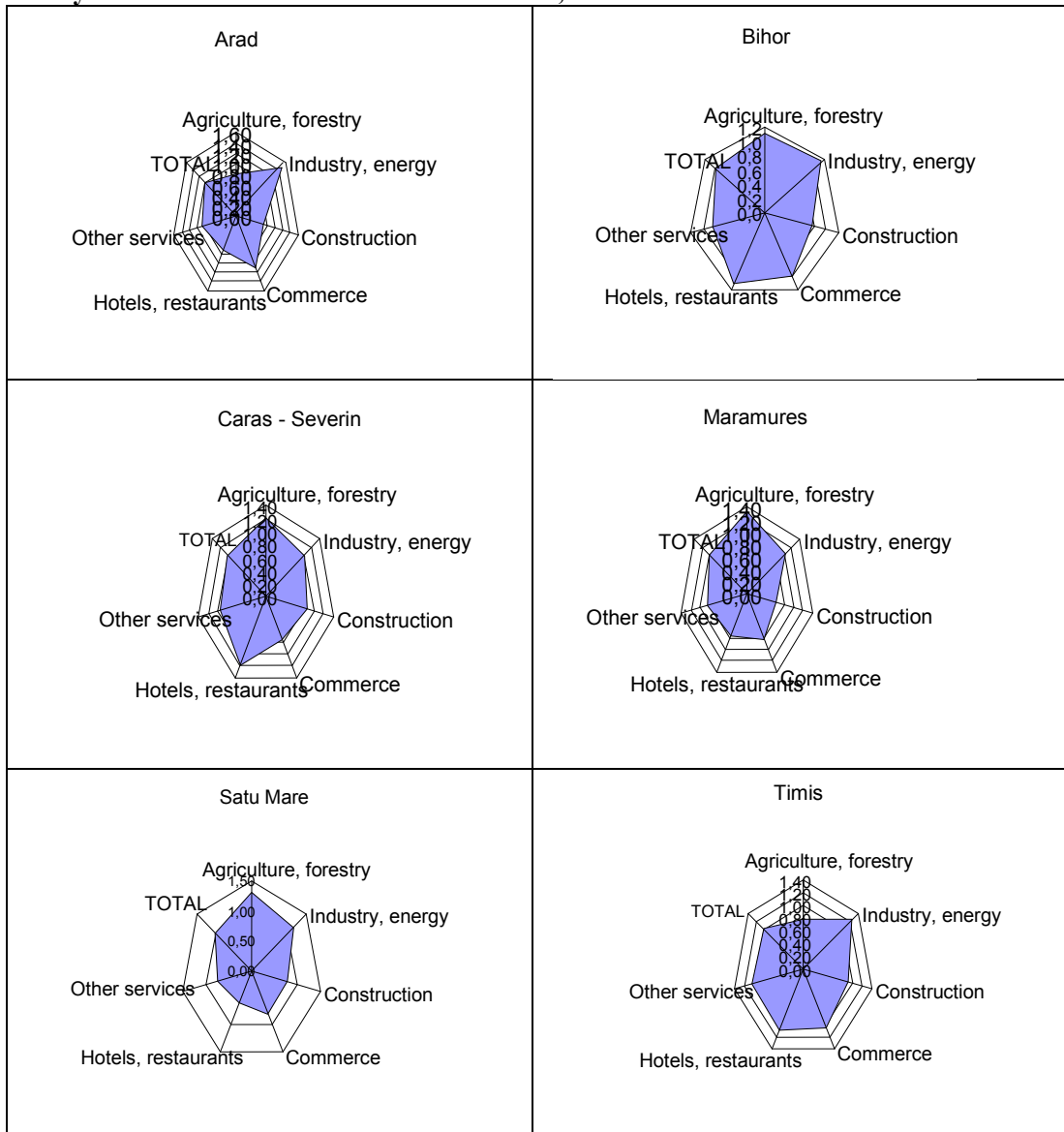
Table 3. Specialisation coefficients for the six counties analysed, separate and cumulated – Western Part of Romania, 2007

Specialisation coefficients for the six counties, separate and cumulated 2007	AR/RO	BH/RO	CS/RO	MM/RO	SM/RO	TM/RO	6 COUNTIES/RO
	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)	Percentage (%)
Agriculture, forestry	0,79	1,11	1,21	1,32	1,32	0,78	1,04
Industry, energy	1,44	1,15	1	1,04	1,14	1,23	1,19
Construction	0,69	0,77	0,85	0,63	0,77	0,91	0,78
Commerce	1,11	0,98	0,74	0,82	0,8	1,03	0,95
Hotels - restaurants	0,72	1,09	1,19	0,76	0,6	1,07	0,93
Other services	0,88	0,83	0,94	0,84	0,74	1,04	0,89
TOTAL	1	1	1	1	1	1	1

Source: authors' calculations, based on statistical data, Maramureş, Satu Mare, Bihor, Arad, Caraş-Severin, Timiş County Directorates of Statistics, 2007

“The maps” of the coefficient of localisation (specialisation), as ratio between the percentage of the employed population in a specific area in the total of the employed population at the country’s level, for the six counties analysed from the Western Part of Romania, look as we can see below:

Chart 4. “The maps” of the coefficient of localisation (specialisation), for the six counties analysed from the Western Part of Romania, 2007



As it can be easily noticed, the specialisation tendencies enhanced by the over unitary specialisation coefficients, indicate the following situation on counties: Arad: industry-energy (1.44), commerce (1.11); Bihor: industry-energy (1.15), agriculture-forestry (1.11), hotels-restaurants (1.09); Caraş-Severin: agriculture -forestry (1.21), hotels - restaurants (1.19); Maramureş: agriculture – forestry (1.32), industry-energy (1.04); Satu Mare: agriculture - forestry (1.32), industry-energy (1.14); Timiş: industry-energy (1.23), hotels-restaurants (1.07),

commerce (1.04), other services (1.94); cumulated the 6 counties: industry-energy (1.19), agriculture-forestry (1.04). The great majority of the specialisation coefficients above are closer to value 1 than to value 2, with one exception: other services (1.94) for Timiș County, indicating that Timis County exports services outside the county. Values slightly higher than 1 – for Arad - industry-energy (1.44), Satu Mare and Maramureș: agriculture-forestry (1.32), Timiș: industry-energy (1.23), Caraș-Severin: agriculture-forestry (1.21) show too, clear specialisation tendencies that must be known and stimulated. The lowest values of this indicator are met for Bihor county, fact that reveals an unsatisfying exploitation of this county's potential, and the necessity of stimulation a specialisation tendency here, by empowering the agriculture – forestry sector, respective hotels-restaurants sector.

Which are the particularities of the SMEs sector from the Western Part of Romania concerning the evolution, density and specialisation tendencies?

The above concise “radiography” of the SMEs sector from the six counties analysed from the West of Romania, leads us to the forthcoming preliminary conclusions:

1. From the quantitative perspective, ***the SMEs sector from the Western Part of Romania register the same general tendencies as the rest of Romania, with slight variations, in the good direction – of developing the sector, from a structural point of view.*** More exactly, in the West of Romania, it is registered an ascendant evolution between 2000 and 2007, according with the general evolution of the SMEs sector in Romania , the number of active SMEs from the 6 counties is up to 82,000. Among those, at the end of the year 2007, 89% are microenterprises 1% greater than the percentage of the microenterprises in the total number of SMEs at national level, alarmingly much, but over the percentage given at European level, of about 50%. Some variations towards the general existing tendencies at national level are registered at the structure of SMEs sector, with a slight percentage, but happily bigger, of agriculture-forestry – 3.66%, towards the national level – 2.88%, a sensitive predilection, but happily lower for commerce – services - 73.29%, towards 75.57% the national average, while construction sector is slightly better represented - 10.75% towards 9.41%, the same - industry and energy 12.31%, towards 12.2%.

2. ***From the perspective of SMEs density,*** at the end of the year 2007, towards the national average of 22.6 SMEs at 1000 inhabitants, the average density of the six counties analysed is with 5.3 SMEs at 1000 inhabitants bigger, the only county beyond the national average is Satu Mare, while Timiș and Bihor register values over 30, a ***positive signal concerning the entrepreneurial spirit that is more developed in the Western Part of Romania.***

3. ***From the perspective of the specialisation of the SMEs sector from the Western Part of Romania,*** the values of the coefficients of specialisation cumulated on the six counties are: industry-energy (1.19), agriculture-forestry (1.04) lead us to the happy conclusion that we do not find the commerce sector with a coefficient over 1 and therefore we conclude that there are ***shy specialisation tendencies of the SMEs sector from the Western Part of Romania in industry-energy and agriculture-forestry,*** trends that must be encouraged/increased through policies and specific national strategies at regional level, including the field of women entrepreneurship, regarding whom we will try to bring our contribution in our future researches.

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CHARACTERISTICS OF THE ROMANIAN CONVENIENCE MARKET

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Consumers find convenience – understood as a quick and effortless shopping and consuming processes – anywhere where providers make life easy for them, and not just in a few selected convenience channels. Seen this way, the concept of “convenience” clearly extends far beyond the food industry. Nevertheless, the present study (having both qualitative and quantitative research components) regarding the Romanian market, has concentrated on consuming processes of on-the-go consumption with food and drinks for immediate use. Findings showed that there is an obvious behavioural difference due to the social status, age, education, work place that reflects directly on the way Romanian consumers perceive the market of food and drinks on the go.

Key words: convenience, on-the-go products, consumer behaviour, convenience channels

JEL Classification: D03, D12

Convenience – an emerging complex concept

There are important driving forces impacting consumption. According to scientists in the field of economy globalization, economic situation, work models or employment along with complex social changes (demographics' dynamic, the networking phenomenon, new life styles and values, higher mobility and flexibility) are major variables influencing consumers' habits. In the same direction are acting technological progress (New Products, E-shopping) and legal aspects (like regulation, taxes etc.) or the environmental challenges (Climate, Pollution, Sustainability). Society, relations, businesses are shifting toward a new direction difficult to forecast. Researchers are trying to build possible scenarios in order to “light” the future for all domains of activities, including businesses.

The convenience mega-trend reflects the increased time pressures, stresses and work-life balance problems that consumers increasingly experience. A desire to overcome the pressures of a hectic lifestyle and free up time for leisure activities or relaxation are the main drivers for sales of goods that provide consumers with convenient solutions. Convenience is anything that is intended to save time, energy or frustration. A convenience store at a petrol station, for example, sells items that have nothing to do with gasoline/petrol, but it saves the consumer from having to go to a grocery store. "Convenience" is a very relative term and its meaning tends to change over time. What was once a convenience (*e.g.* an automobile) is today regarded as a normal part of life. Likewise today's luxuries may be perceived in the same way in the future. The convenience store is usually a small shop that typically sells drinks, magazines, and pre-packaged foods such as rice balls and lunchboxes. Also, many stores sell toiletries and cigarettes. Often, they stock daily necessities and miscellaneous goods.

Operating multiple channels, in store as well as non-store, allows a retailer to cater to the different shopping motives of its customers. Specialists in the field (Schröder, H.; Zaharia, S, 2008) revealed that most customers use only one channel within a buying process, selecting the channel that best satisfies their shopping motives (divided in five categories: “recreational orientation”, “convenience orientation”, “independence orientation”, “delivery-related risk aversion” and “product- and payment-related risk aversion” in each situation). In the majority of the store channels examined in this study (chain stores and bakeries), single-channel users primarily look to satisfy emotional and social needs. Single-channel users of non-store channels

(catalogue and online-shop) look for convenience and strive for independence. Multi-channel users, who obtain their information from the online-shop and then make their purchase in the chain store, are combining the independence of online-shop information with the reduction of risks associated with buying products in the chain store.

An interesting approach exploring the impact on convenience (Steimuller, 2008) is transition from a “Post-Modern Times” to a “Post-Post-Modern Times” characterized by: changing values (plurality of value systems in a multiethnic society), loss of tradition, crisis of traditional institutions; networking replaces hierarchies; acceleration of all aspects of life and flexible lifestyles (plurality of lifestyles, multiple temporary relations, post-materialistic life styles, permanent search for oneself, high mobility (in work and leisure – travel, moving, Surplus of options), changing gender roles, high impacts of technology. The elderly people become Master consumers, diversity in family’s types (multi-generational patchwork families, multi-parent children etc.) are also variables to take into consideration. If the old, “modern” consumption lied on unsaturated markets, mass consumption, stratification according to social status or brand loyalty, the present, “post-modern” consumption should deal with: saturated markets; individualized consumption; consumer sovereignty.

Convenience in Romania: research objectives and methodology

In order to identify convenience main features on the Romanian market a complex research was carried out. It was integrated in a cross-country survey initiated by professor Sabine Moeller (International University Schloss Reichartshausen/Germany) and included Germany and Netherland too. The research aimed at: outlining the way the concept of Convenience is perceived both by consumers and providers; identifying motives for on-the-go consumption and potential of new costumer groups. The study answers three fundamental questions: who consumes on-the-go? Where does the on-the-go consumption take place? Why does the on-the-go consumption take place?

The study on Romanian convenience Market took place in a three-stage procedure, in the form of qualitative study sections – expert interviews and focus groups – and the consumer survey as the quantitative study section. This kind of approach is always recommended when a field of research, as convenience is, is still comparatively undeveloped. The qualitative preliminary study was also used in this study to attain a deeper understanding of the subject area and thus to prepare the quantitative study section.

The interviewees were experts with a relationship to the subject of convenience and on-the-go consumption. The goal of the discussion was to bring together background knowledge from various areas and reflect this in the consumer survey. The basis of the conversations was a standardised interview guide. Questions posed included those of the understanding of convenience, the reasons for the convenience trend, and the description of a typical convenience product consumer.

The second study section of the survey consisted of focus group interviews. Questions on attitudes and buying patterns in on-the-go consumption were asked with the help of a standardised interview guide. In choosing participants, care was taken to include people from all age groups and with as varied backgrounds as possible. Following the views of experts, the aim of these talks was to observe consumers’ opinions. In addition there was the opportunity to direct questions back to the participants and in this way to carry out a detailed analysis. The transcripts of the expert interviews and focus groups were screened and served as the source for the material orientation of determinants of propensity for the on-the-go consumption.

Finally, a large consumer survey represented the third study section of the survey. On the basis of a scarce literature analysis and both qualitative preliminary studies a structural equation model to account for the determinants of the propensity for on-the-go consumption was conceived and operationalised. The propensity for on-the-go consumption represented the dependent variable.

The individual variables such as propensity for on-the-go consumption or time pressure were each measured through several questions. The tool used to collect the data was the questionnaire based on the model. Most questions were measured on a 5-points Likert scale. The universe of survey was formed by all consumers of 16 years and above in Romania. The sample was compiled representative of the population with regard to age, sex and employment. The survey was carried out via „paper and pencil” method. As the number of valid returns is less predictable with this method, the city population sample is somewhat over-represented. Data collection took place during June 25th – July 25th 2008, in both urban and rural areas. During the mentioned period 570 questionnaires were available but only 402 of them were filled-out in a valid form. Analysis was carried out by using the SPSS (version 15) software. SPSS files (with tables and graphs) were generated with each researched variable’ frequency of appearance and correlations has been tested among variables.

Convenience trends on the Romanian market: research findings

By correlating qualitative and quantitative information valuable results emerged regarding Romanian consumers’ preference for on-the-go consumption. Findings were grouped according to several relevant criteria: general attitude of Romanian consumer behavior related to food (time pressure for food buying and consumption and price sensitivity for food); nature of food (encompassing health orientation and enjoyment of food); planning of consumption referring to the extend of planning food consumption; premises for self-production reflecting the extend of cooking capability; nature of consumption process (encompassing the preference for social food consumption and traditional eating habits); nature of the offering (encompassing the perceived availability of products and their quality).

The concept of Convenience is rather unknown in Romania. The meaning of “on-the-go shopping and consumption” is interpreted more broadly by consumers than the providers. For Romanian consumers, convenience is anything which makes their life easier while shopping and consuming and which enables convenient on-the-go consumption. There is an enormous development potential of convenience market correlated with the country’s growth rate. Two third of questioned respondents displayed a *pronounced propensity for on-the-go consumption*. The respondents’ answers revealed that there is quite an equal distribution in the range that goes from the people who are always on the go to those who are not, with a slight predominance of the first category.

Due to the dynamic pace of life, people in Romania *feel the pressure of the time in their everyday living* (64.2%), more than half of the respondents confessing they rarely have time to eat their meals in peace, or at regular time lately. The stressed rhythm of Romanian working and living lives reflects also in their shopping behavior. Thus, 58% consider that in their daily shopping they avoid wasting time and energy. This can lead to the conclusion that, the decisional process of choosing one product or another has speeded up.

Romanian consumer *is quite informed about the prices* of the products and especially about the prices of the food and drinks on market. However, the price is still an important element, half of the respondents saying that they pay attention to the prices of the minor items and they compare them too. Even if attentive to price (including minor items) this does not appear to deter Romanian consumer from on-the-go consumption. When shopping for grocery products, Romanian consumers prefer in high percentage (80.1%) to acquire supplies for several days, the shopping for these products being generally made in quite hurry according to half of the respondents. Also, related to grocery products, many consumers say that they pay attention to the price (69.2%) and three quarters said that they are familiar with the prices of the groceries they usually purchase. The level of *prices is perceived as rather high* for convenience products. Thus, survey’s respondents usually consider snack and food worth their price.

Another important aspect brought into light by the research results is that most Romanian consumers' *are paying attention to the potential impact on their health* of the aliments they acquire. Another important aspect is that Romanian consumers' education in what regards the nutritional characteristics, labeling and health of the aliments they acquire. Thus, more than three quarters (76%) of the interviewed persons said that it is important that the food and drinks they buy on the go are healthy and only 7.9% said that they pay no importance to this aspect. Directly connected to the importance of having healthy food and drinks on the go, the results of the study revealed that there is almost the same proportion (74.9 %) in the number of the consumers who know quite well which on the go food and drinks are healthy and which are not. Hence, the consumers who consider health of the food on the go as critical are the consumers who are also informed. However, though informed and though health of food was declared as important, it is interesting to remark that there is a lower percentage of consumers (59%) that pay attention to a balanced diet when purchasing food and drinks on the go. In reality paying attention to the nutritional facts on the label is recognized by only 53.7% of the consumers. Looking over the results of the survey above presented it may be stated that the Romanian consumer is informed about the health of the food and drinks, but this education is not sustained entirely on the knowledge of the nutritional facts of the aliments and their effects in consume. It can be considered that Romanian consumers' food education is a rather general one, developed due to mass-media's actions. Thus, Romanian people know in general which food and drinks are healthy, they know that is important that they consume healthy aliments, but they are not so informed about the components the food and drinks contain and about the effects their combination has upon their health. It is a decrease from three quarters down to almost half in the number of the informed consumers that pay attention to a balanced diet and that read nutritional facts shown on the label. With regard to health awareness' of food and drink to go, Romanian consumers *seems to fear food poisoning* more from food on-the-go than when cooking at home. Being able to provide oneself with food anywhere he/she goes *is not perceived as increasing the sense of freedom*. Romanian consumers *do not experience jet a real joy in on-the-go consumption*. Consuming food and drinks on the go give the Romanian people a certain sense of feeling good, but still *they confess they are traditionalist*, in the sense that cooking done home is an important part of the culture in Romania (86%) and that in general, people in Romania are used to eating meals together at home (82.6%). More than that, only 9% totally agree that consuming food and drinks on the go is part of the Romanian lifestyle, while 40.5% disagree with this idea. Even though having meals at home is frequent habit, cultural acceptance of on-the-go consumption has a growing trend.

A similar phenomenon can be remarked when referring to the extent people feel *flexible in their life* because of the availability of food on the go. There are 43% who agree in a certain degree that food on the go brought flexibility in their lives, while 25.4% disagree. However, the feeling of flexibility given by food on the go seen in perspective is not as positive. Here also is registered a slight fall (-7.2%) in the number of those who perceive food on the go as opportunity to make their lives more flexible. In the survey, there are 3 queries that search for the current opinion the consumer have about food and drinks on the go, and further on search for their opinion in respect with the effects these products will have upon them in the future. The 3rd query referring to the taste of the snacks and food on the go consumers bought recently, a quite large number (62.7%) said that they tasted good, while only 12.5% disagreed this. Following the same trend as the other 2 above mentioned queries, when referring to their prediction about the taste of the future acquired on the go snacks and food, Romanian consumers tend to be less confident these products will be good. The results of the analysis show a drop from 62.7% consumers who consider that until now the food on the go tasted good, down to 45% consumers who stay positive in respect to this aspect for the future. Consequently, it has been registered a growth in the number of the consumers that feel pessimist about the taste of the future purchased food on the

go, from 12.5% up to almost 22%. Looking over the results of the three above presented queries similar reactions were monitored: although a quite large number of consumers appreciate as high their frequency of buying food and drinks on the go, the flexibility brought in their lives by the possibilities of having food and drinks available on the go and the good taste of those, however the vision of their future behavior in relation to food and drinks on the go is less positive. The drop off perspective for the future of on the go products, as perceived in present by the Romanian consumers, raises questions about other factors behind the motivation of their buying.

Overall, the *decision of buying food and drinks on the go is mostly a spontaneous decision*. According to the research, only 21.2 % has not agreed this affirmation. One of the reasons may be the lack of planning the food consumption in advance. Almost half of the respondents confessed they rarely manage to plan it. The lack of food consumption planning may be also attributed to the fact that more than half of the Romanian consumers know what kinds of food and snacks are available on the go (58.2%). Also, the study showed that is rather common for Romanian consumers to purchase food or drinks along the way, rather than taking them from home, more than 67% agreeing they usually do so. Directly connected to this observation, the survey indicated a slightly higher preference for taking the drinks from home (almost 50%), rather than food (37%). When referring to their future plans for consuming further on food and drinks on the go, Romanian consumers tend to be less positive, being observed a decrease with 10% in the number of those who say they will continue to buy food and drinks along the way in the future.

Having available food and drinks on the go is certainly a thing almost half of Romanian consumers care about. However, though considered practical, convenient in respect to the number of choices offered, having food and drinks on the go is not one of the life's pleasures for them. From the *offer's* perspective Romanian convenience scene is *less developed*, virtually two thirds of the total desire a greater selection of convenience products. The largest share of consumers prefers to buy in the supermarket and fast food restaurants. Regarding the benefits brought by the development of food and drinks on the go choosing opportunities, only 16.2% disagree that having so many possibilities to choose from is a practical and almost the same percent (16.4%) said that buying those products was not convenient. Though a wide selection of food and drinks on the go was admitted by 70.9% of the consumers, still a quite large number of consumers (63.2%) said that *they would like to have a larger selection of on the go food and drinks*. Referring to the purpose of food and drinks on the go, almost three quarters of the Romanian interviewed people considered that they are designed for easy immediate consumption. Still, considering their answers about the readiness and availability of the food on the go when they were out and about, we noticed a drop in the percentage of people who agreed that the food on the go was delivered fast and easy (58%). The conclusion is that still food and drinks on the go providers, do not offer them in the time desired and considered to be appropriate by consumers. *Satisfaction toward the taste of on-the-go snacks and food bought recently is rather high*.

When analyzing the distribution of the number of days when they are not at home, other than their commute to work, in correlation with their habits of buying drinks or food along the way, interesting distribution can be remarked. More than a half of the respondents said that they were out of home for about 1 day/week, other than their going to work. Another quarter of the interviewed persons declared that they went out in general 2 days/week. An insignificant percentage (0.04%) does not go out of home at all, other than to work. The interviewed persons that were gone from home in general 1 day/week had the lowest rate of acquisition food and drinks on the go(62%), followed surprisingly by those who are not at home almost non of the days of a week (66%). The highest percentage of food and drinks on the go buyers is that of 2days/week out of home respondents (76.6%). One may think that the 1 day/week out of home segment acquire food and drinks on the go more seldom than the other segments, since they are

out and about only one day, except for days for work. This is also the segment that buys in a higher rate grocery products for several days (84%), as compared to 2 days/week segment (74%), almost every day segment (75%), and also that tries to avoid in a higher number wasting time and energy for daily shopping. Another interesting finding is that when referring to the extent they feel the pressure of time in everyday life, 62.6 of the 1day/week out of home and 63% of 2 days/week out of home respondents declared they felt often this pressure in their everyday living. While, the largest number of those who confessed that they feel often the time stress in everyday life belongs to almost everyday out of home category (75%). People belonging to 1 day/week out of home category state, in the highest number, that their everyday working life follows a similar pattern (54.5%), while the most varying work belongs to 3-5 days/week out of home category, only 32% of them seeing their working days as following similar patterns. Also, regarding eating regular meals habit almost all days/week out of home category are those who disagree in the highest percentage this affirmation: 64.5%. *There is an obvious behavioural difference due to the social status, age, education, work place* that reflect directly on the way Romanian consumers perceive the market of food and drinks on the go. *Young people have a greater inclination for on-the-go consumption.* They are more often on the go and desire a greater selection. *Old people tend to plan more* their food consumption. They find cooking together in the family important. Old people tend to value more the style and tradition when snacking. There are both a lot of similarities (in inclination for on-the-go consumption; frequency of being on the go; food consumption planning etc.) and differences (men take less frequently something along to eat or drink from home, while women are more price-conscious) among Romanian consumers according to gender criteria. *Convenience is definitely more popular, in the city* than in the country. There are important differences in urban area compared with the rural one. In the urban areas there is a high pressure for time and eating spontaneously occur more frequently. The population in the urban area is more demanding and desires a larger selection, is more health conscious. On the contrary, people in the rural area have more time to eat in peace but, surprisingly are more satisfied with the on-the-go selection.

The study also points out that new customer groups and their main motives to buy on-the-go products. Providers can realize potential in this growing market if the needs of these new customers are fulfilled. Romanian customers form an extremely attractive target group which will certainly develop a greater taste for convenience in the course of further developments.

Conclusions

As a whole, the study is thus based on an extensive empirical procedure which uses qualitative and quantitative data collection methods. The study thus enables the capture of empirically grounded statements on consumer behaviour in Romania. There is an enormous development potential of convenience market correlated with the country's growth rate. Two third of questioned respondents displayed a pronounced propensity for on-the-go consumption. They also seem to value the possibility of consuming on-the-go. The study is also pointing out new customer groups and their main motives and demands for on-the-go consumption. Romanian consumer *has irregular daily routine and commute frequently, having little time to shop and cook. There is rather little planning of consumption.* Romanian customer *values on-the-go products' quality.* However there is clear potential for improving the present offer's quality. Also, there is a uniform distribution of the respondents in what regards their regular working hours and lunch breaks. However, almost half consider their working days follow a similar pattern in general.

Providers can realize potential in this growing market if the needs of these new customers are fulfilled. Romanian customers form an extremely attractive target group which will certainly develop a greater taste for convenience in the course of further evolutions.

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THE CORRELATION BETWEEN UNEMPLOYMENT AND REAL GDP GROWTH. A STUDY CASE ON ROMANIA

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A sustainable rate of real GDP growth is one of the best ways to promote the rise of living standards. From a neoclassical point of view the underlying factors that affect economic growth are saving, population growth and technological progress. Unemployment is also very important for obtaining a sustainable economic growth. If unemployment is below its natural level, economic growth will generate higher inflation. This paper emphasizes the link between real GDP growth and unemployment, as described by Okun's law. The empirical analysis shows that a rise of one percentage point of unemployment is associated with a decline of roughly half percentage point of real GDP growth.

Keywords: economic growth, natural rate of unemployment, Okun's law

JEL Classification: F43

I. Introduction

Economic growth is one of the key macroeconomic variables and is closely monitored by both policy makers and the public. Alongside with inflation, the exchange rate and the unemployment rate it helps to create an overview picture of a country's economy and its level of development. For the measurement of the economic growth, usually data regarding gross domestic product are used, because it quantifies the total income of everyone in the economy. Thus, differences in the growth rate of real GDP can explain the observed differences in the living standards across countries. It must be stated that even small differential in the growth rates can create important gaps between countries determined by the compounding effect. For example the average annual growth rate of the United States over the 1870-1990 periods was about 1.75 percents. If this rate would have been smaller by 1 percentage point the United States would have been as developed as Mexico and Hungary. In contrast if the growth rate would have been 1 percentage point higher, real GDP per capita would have been 3 times higher the current level.

II. Underlying factors of real GDP growth

From a neoclassical point of view the underlying factors that affect economic growth are saving, population growth and technological process.

The Solow model shows that the saving rate is one of the most important factors of the steady-state capital stock for an economy. The steady-state capital stock describes a point at which the amount of investments equals the amount of depreciation. At this level capital stock and output are constant over time. This point is important because it can be seen as long run equilibrium for the economy: no matter the level of capital that characterizes an economy at some moment in time; in the end the capital stock will reach its equilibrium value. This observation can explain large rates of economic growth observed in Japan and Germany after the Second World War. Even though, important parts of the capital stock were destroyed, if the saving rate – the fraction of output devoted to saving and investment- remain unchanged the economy will experience a period of high growth until it will reach the steady state. The output grows because more capital

is added than lost through depreciation. Thus, even if GDP initially falls as a result of the destruction of the capital stock, the economy will experience higher growth rates afterwards.

The saving rate is crucial for the determination of a country's steady-state capital stock. If the saving rate is high the country will have an important capital stock and as a consequence larger output. If, by contrast, the saving rate is low, the accumulation of capital will be a slow process and the output will be low. This finding of the Solow growth model suggests that persistent budget deficits are detrimental for economic growth in the long time because they reduce national saving and lower output.

As a conclusion, a higher saving rate induces a larger output on the long run. But there is only one value for the steady state capital stock that also maximizes consumption. This point is called The Golden Rule level of capital. The policy makers find this point as the most desirable but reaching here is a tradeoff of consumption of the present generation versus consumption of the future generation. An economy that already has a steady state, different than the one requested by the Golden Rule and disposes of too little capital has to increase its rate of saving and accept a period of lower consumption in order to increase its capital stock and maximize consumption on the long term.

Another underlying factor of real GDP per capita is population growth. It has been observed that there is a negative correlation between the rate of population growth and the level of income but this correlation not imply also causation. Population growth shed light of raising capital and total output at the steady-state even though capital per worker and output per worker are constant. If the population growth rate increases output per worker will fall and the steady state level of capital per worker will be reduced. Thus, in order to obtain or to maintain high standards of living, policy makers closely observe the population growth rate and interfere sometimes if the growth rate is considered unsustainable. It has been observed that, in the most cases, low population growth is associated with high levels of income. But there can be others factors that link low population growth to high levels of income: the degree of women employed the level of education, the availability of birth-control methods.

The last underlying factor that affects real GDP growth from the neoclassical point of view is technological progress. In fact, this factor is considered as essential in explaining persistently rising living standards. Technological progress is introduced in the model as a factor causing the efficiency of labor to rise by a fixed percent. Now, in the steady state the change in the capital stock equals investment minus break-even investment (depreciation, population growth and the growth rate induce by technological process). Thus, a rise in saving will cause a rise in the economic growth until the steady state is reached. After this point is reached, the growth rate depends only of the rate of technological progress.

The rate of unemployment is another key macroeconomic variable because it shows how well an economy is using its resources. Unemployment cannot be zero even if the economy it's operating at full capacity because of the frictional and structural unemployment. Frictional unemployment is determined by the time spent to match workers and jobs. This period can vary quite a lot because of imperfect information regarding job vacancies, relative geographic immobility of the workers and wage rigidity. Sectoral shifts appear quite often in an economy, because the demand for goods shifts over time. Thus, it will take time for the workers to adjust to this sectoral shift. The natural rate of unemployment is defined as the rate of unemployment at which the economy is operating at its full capacity. Thus, there is some unemployment but it is due to frictional unemployment. This natural rate of unemployment is sometimes associated with NAIRU- Non Accelerating Inflation Rate on Unemployment. If the actual unemployment falls below NAIRU, inflation will rise quickly as employers will pay higher wages to attract the workers. If the actual unemployment is higher than NAIRU inflation will be lower because salaries will be lower. Although, according to Trifan (2007) the output gap seemed to have a relative small impact over the inflation in Romania.

The GDP obtained when the economy is operating at full capacity is called natural or potential GDP. If the GDP is above its natural level, the output gap will be positive and the economy will experience inflationary pressures. The only way for GDP to rise without a higher inflation is either a larger capital stock or an improvement of the technological process which will determine an upward shift of the production function. The potential GDP is not observable and in order to calculate it we must determine the long term trend of real GDP. This can be done for example by using a Hodrick-Prescott filter.

The correlation between unemployment and real GDP growth should be a negative one. Intuitively, employed workers produce goods and services and unemployed workers do not. Arthur Okun (1962) was the first economist who studied the empirical relationship between unemployment and economic growth. He started his study with a scatterplot, using data on the United States, of the change in the unemployment rate on the horizontal axis and the percentage change in the real GDP on the vertical axis. The graph showed a negative correlation; thus increases in unemployment tend to be associated with lower than normal growth in real GDP.

The initial form of the Okun's law can be written as:

$$\omega(U^* - U) = (Y - Y^*) / Y^* \quad (1),$$

where U is the unemployment rate, Y is real GDP and an asterisk represents potential or natural rate levels of the variables. The above equation states that for every percentage point the unemployment is below the natural rate, GDP is $\omega\%$ above potential GDP. Okun empirically demonstrated that for the United States ω is approximately 2. Thus, GDP falls by 2 percent relating to its potential if the unemployment rate falls by 1 percentage point.

In order to empirically estimate Okun's law, giving the fact that U^* and Y^* are difficult to estimate we will use a reduced form of the previous equation.

To derive the growth rate version, we first expand equation 1:

$$\omega U^* - \omega U = Y / Y^* - Y^* / Y^* \quad (2)$$

Now, we differentiate equation 2 with respect to all variables. In order to simplify our analysis we will consider Y^* as a constant, stating the potential GDP is not changing on the short term. Thus:

$$\omega dU^* - \omega dU - dY / Y^* - dY^* / Y^* \quad (3)$$

Also, we shall assume that the change of the natural rate of unemployment $dU^* = 0$. Using this assumption and rearranging we obtain:

$$dY / Y^* = -\omega dU + dY^* / Y^* \quad (4)$$

The natural real GDP growth rate is usually close to the real growth rate. Therefore we can approximate dY^* / Y^* with dY / Y . This modification can be invalidated on the short run but on the long run it is consistent. Thus:

$$dY / Y = -\omega dU + dY^* / Y^* \quad (5).$$

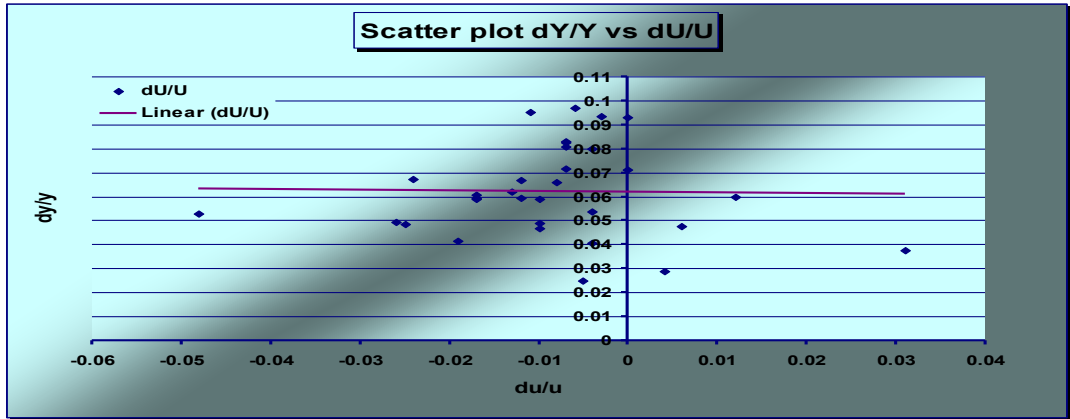
This equation states that the real GDP growth rate is equal to the potential GDP growth rate less the product of Okun's law coefficient and the change in unemployment rate. Using ordinary least squares Okun has obtained $\omega \cong 2$ and $dY^* / Y^* \cong 3$. Thus potential GDP growth rate is about 3 percentage points while a rise in unemployment by 1 percentage point will lower real GDP growth rate by 2 percentage points.

III. Testing the validity of Okun's law for Romania

In order to empirically test Okun's law for Romania, we have used data for real GDP growth and unemployment in the period 2000Q1-2008Q4. The source of the data is The National Institute of Statistics, the frequency is quarterly and all the series have been seasonally adjusted using TramoSeats.

The first step in analyzing Okun's law is to plot the data in a standard data plot:

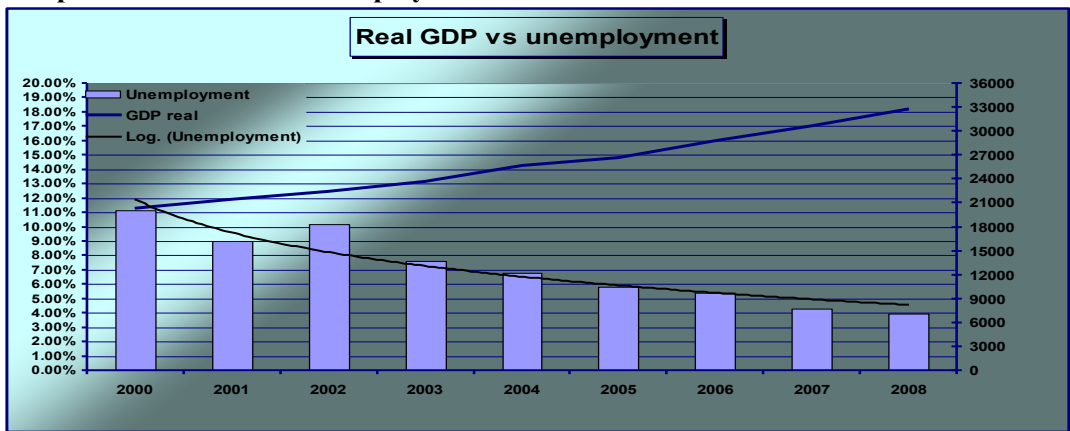
Graph 1: Scatter plot real GDP growth versus growth of unemployment



The graph suggests that higher values of economic growth can be associated with lower values of unemployment growth rate. Also, a downward trend can be identified.

The second step of the analysis is to create a graph using historical values for real GDP and the actual rate of unemployment

Graph 2: Real GDP vs. unemployment



It is obvious that, during this period of high growth, unemployment has fallen dramatically.

In order to test the relationship between the GDP growth and unemployment growth rate a series of preliminary tests were made in order to select the best regression model. First step was to test if the variables are stationary by running ADF and PP tests. The results are shown in the table below:

Table 1: Stationary tests for GDP growth rate (dy/y) and unemployment growth rate (du/u)

Variable	Test	t-statistic	p-value
dy/y	ADF	-3.896084	0.0059
	PP	-4.816665	0.0005
du/u	ADF	-5.732910	0.0001
	PP	-2.711391	0.0084

Both tests confirmed that the variables are stationary in level. Further it was observed that for the dependent variable (DY/Y) the partial autocorrelation function showed a dependence in the first two lags; as a consequence for better results we included in the regression the first two AR terms. After running several regression equations which included different lags for the unemployment growth rate it was choose the one which consider $du/u(-2)$ based on statistically significance criterion. Therefore the equation found to describe the best the relationship between the two variable on significance and information criteria was:

$$dy/y = c + \beta_1 ar(1) + \beta_2 ar(2) + \beta_3 du/u(-2) + \varepsilon$$

Table 2: The regression results

Dependent Variable: dy/y				
Method: Least Squares				
Sample (adjusted): 2002Q1 2008Q4				
Included observations: 28 after adjustments				
Convergence achieved after 6 iterations				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
C	0.057634	0.004384	13.14642	0.0000
du/u(-2)	-0.492784	0.215824	-2.283264	0.0316
AR(1)	1.002398	0.192709	5.201616	0.0000
AR(2)	-0.734719	0.201197	-3.651743	0.0013
R-squared	0.467900	Mean dependent var		0.063236
Adjusted R-squared	0.401388	S.D. dependent var		0.019665
S.E. of regression	0.015215	Akaike info criterion		-5.401504
Sum squared resid	0.005556	Schwarz criterion		-5.211189
Log likelihood	79.62106	F-statistic		7.034777
Durbin-Watson stat	2.053652	Prob(F-statistic)		0.001480

The coefficient of dU is around -0.49 and is statistically significant. A rise by one percentage point of unemployment will reduce real GDP growth by 0.49 percentage points with a delay of 2 lags. The intercept can be interpreted as potential GDP growth; so the level of economic growth which will not generate inflation is below 5.76 percentage points. Also we can observe a high value for R-squared which means that the explanatory variables describe well the variation in economic growth. The Durbin-Watson statistic is around 2 which means that there is no autocorrelation in the residuals. The correlogram of residuals confirmed the absence of autocorrelation while the White test showed that the errors are homoskedastic with a p-value of 96%.

IV. Conclusions

The correlation between real GDP growth and unemployment is very important for policy makers in order to obtain a sustainable rise in living standards. If GDP growth rate is below its natural rate it is indicated to promote employment because this rise in total income will not generate inflationary pressures. In contrast, if the GDP growth is above its natural level, policy makers will decide not to intensively promote the creation of new jobs in order to obtain a sustainable growth rate which will not generate inflation.

The slope of unemployment in Okun's law is around -0.5 and potential GDP growth is around 5.7 percentage points and the variables are negatively correlated as predicted by the theory. These values are particularly important for policy makers in order to obtain an optimal relation between

unemployment and real GDP growth. In the previous years, economic growth in Romania was above potential which has generated inflationary pressures.

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SULLA NECESSITÀ DI RICONSIDERARE A FONDO L'ECONOMIA QUALE SCIENZA SOCIALE

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Sul fatto che l'Economia sia una scienza sociale penso che non vi abbiano più ad essere contestazioni. Eppure sotto l'influenza del secolo dei lumi, ed altre ancora successivamente, si sono perpetuati pesanti disastri sul piano pratico. Vediamolo

Ciò che ci preme qui sottolineare è che l'approccio allo studio della nostra Scienza, così come l'utilizzo di alcuni strumenti di analisi, nonché l'utilizzazione dei risultati a cui perviene la nostra ricerca, molte volte, troppe volte oserei dire, finisce per trascurare i veri obiettivi che la nostra disciplina si prefigge, che sono poi quelli di una scienza sociale e non di una scienza naturale, che sono quelli di cercare di interpretare il comportamento dell'uomo e/o delle sue creazioni ed istituzioni nella “dimensione” economica.

Se ci allontaniamo da questi obiettivi, ci allontaniamo dalla vera missione scientifica stessa della scienza economica.

In altri termini vogliamo qui argomentare che gli economisti classici quali Smith, Ricardo e Marx avevano un approccio allo studio dei problemi economici del tutto diverso da quello che hanno avuto i propri successori dei secoli successivi. Gli economisti della prim'ora erano estremamente convinti che in economia non vi fosse una qualche armonia particolare che tutto comprendesse e tutto desse spiegazione in ogni sistema riguardato.

Ed in più, nessuno di questi mostri sacri ci è parso fermamente convinto di dimostrare l'esistenza di leggi economiche simili a quelle naturali, universalmente valide, nello spazio e nel tempo.

I classici della nostra scienza non hanno avuto paura di ricorrere ad una certa qual sorta di speculazione teorica come metodo di analisi, tuttavia la loro opera tese in ogni aspetto e momento a riguardare la soluzione di problemi pratici.

La scienza economica cosiddetta “Classica”, non si è limitata a prendere in considerazione i problemi strettamente economici, ma affrontava anche i temi più scottanti della politica economica e sociale. In altri termini gli argomenti con i quali si confrontavano gli studiosi e la disciplina stessa nella propria interezza, erano scelti in funzione alla loro rilevanza sul piano politico-sociale.

Dalla seconda metà del secolo XIX, l'economia è stata fortemente influenzata dalle grandi rivelazioni e conquiste delle scienze fisiche dette anche naturali.

Poiché queste scienze dovevano gran parte del loro successo alla matematica, quest'ultima è stata utilizzata anche dagli economisti.

Il modo di approcciare i problemi degli scienziati fisici, ha finito per invogliare gli economisti ad emularli, stanti i risultati fortemente positivi raggiunti dagli stessi.

Verso il 1870, in modo autonomo ed indipendente, William Stanley Jevons all'Università di Manchester e Leon Walras all'Università di Losanna, provenendo da approfonditi studi di fisica, introdussero nella scienza economica i metodi di analisi matematica che ancor oggi vengono studiati e stanno alla base – almeno di una parte – della teoria economica tradizionale.

Per buona parte, la scienza economica odierna è ancora il risultato della applicazione di metodi matematici, sempre più interessanti e sofisticati, ad una struttura metodologica creata dai due autori sopracitati e proseguita poi da molti altri.

Sebbene chi scrive ne reciterebbe volentieri un bel requiem, quello che viene definito “Equilibrio generale walrasiano” è a tutt'oggi considerato un modello importante della teoria economica ed insegnato ancora agli studenti di tutto il mondo.

L'approccio che soprattutto Walras diede allo studio della economia, approccio seguito da gran parte degli economisti successivi, fu per molti versi considerato di aperta rottura con l'opera di Smith e Ricardo.

Si è così passati da una scienza economica che assumeva in debito conto il ruolo giocato da fattori istituzionali, sociali, politici e storici, ad una formulazione della teoria economica considerata come valida in ogni tempo ed in ogni luogo.

Ahimè queste convinzioni, che stanno influenzando oggi il comportamento di istituzioni come la Banca Mondiale ed il Fondo Monetario Internazionale, hanno già gettato nello scompiglio economie di interi Paesi e gettato nella prostrazione più assoluta interi ceti sociali e produttivi, per non parlare dei ceti più umili e meno fortunati che in alcuni contesti rischiano posizioni disperate.

Io nulla ho contro lo studio della matematica e l'utilizzo degli approcci matematici per lo studio della nostra scienza.

Al contrario, lasciandoci andare a confessioni studentesche personali, posso in modo del tutto non sospetto, affermare che tutti gli esami di matematica applicata, anche quelli non strettamente fondamentali, sono stati da chi scrive scelti, sostenuti ed affrontati a livello universitario ed ancor oggi consiglieri ad ogni buon studente di economia e/o di ingegneria economica di puntare sull'utilizzo dello studio matematico per gli approcci di base allo studio stesso dell'economia.

Altra cosa però è la tentazione ossessiva di usare la matematica che ha ormai oggi invaso e pervaso gli economisti, in quanto la stessa pare conferisca maggiore autorevolezza, maggiore rigore scientifico.

Ed ancora aggiungerei, senza mezzi termini, pare conferisca maggiore opportunità di essere presi in considerazione negli ambienti accademici "che contano".

Il problema però non è la matematica ed i modelli matematici!

Ciò che ci interessa è l'uso che di questi viene fatto a livello accademico e scientifico con potenti tentativi di applicazione nella vita pratica di tutti i giorni, per dar corpo a delle spiegazioni di fenomeni che solo con l'impiego di tali strumenti non approda ad alcunchè anzi potrebbe procurare danni, rotti e guai.

La matematica ed i propri modelli, può contribuire ad aumentare in modo potente l'efficacia del pensiero.

Così come il linguaggio, pur tuttavia, è e deve restare un semplice strumento ausiliario del pensiero umano.

La visione del mondo economico che funziona quale una macchina però, alla stregua delle dottrine e brillanti sperimentazioni delle scienze naturali non può essere accettata.

I grandi economisti "Classici" non impiegavano la matematica o modelli dalla stessa derivati per dare spiegazioni plausibili ai fenomeni economici dagli stessi riguardati. Così come pure Keynes, seppur profondo conoscitore della matematica non si è mai permesso di usare più di qualche applicazione dell'algebra elementare per poter dar corpo alla sua imponente opera che tutti noi conosciamo.

Una delle sue allieve più importanti, Joan Robinson, salita alla cattedra di Cambridge negli anni '50 prendeva atto e se ne lamentava, che i propri colleghi economisti si trinceravano dietro *siepi di algebra* per coprire la fragilità di contenuto di alcune argomentazioni accademiche.

Interi pagine e pagine ricoperte esclusivamente da simboli matematici per spiegare fenomeni economici, fenomeni attinenti il comportamento dell'uomo in un comparto sociale specifico che è quello attinente la sfera economica del soggetto umano.

Noi, non abbiamo nostro malgrado, regole che valgono in ogni luogo ed in ogni tempo.

Ci siamo già occupati in un nostro precedente lavoro di queste convinzioni [E. Rangone 2000] e non è nelle nostre intenzioni continuare a tediarlo il lettore con delle argomentazioni che possono apparire sterili.

Ci piace tuttavia chiosare queste considerazioni preliminari sul carattere sociale della scienza economica mutuando la forza e l'espressività che una lucida mente – oggi in verità caduta nel dimenticatoio delle mode che cambiano – ha comunque saputo evidenziare:

“Il fatto cruciale è che i problemi di cui trattiamo sono di assai più difficile soluzione di quelli che si presentano nelle scienze naturali. E il carattere specifico delle difficoltà più serie in cui ci imbattiamo è nello stesso tempo tale, che le nostre risultanze appaiono e sono anche, meno scientifiche se misurate al metro che trova applicazione nelle scienze della natura.

A volte per spiegare il nostro ritardo si osserva che nelle scienze sociali di solito non ci è permesso di compiere esperimenti. Ma all'astronomia l'opportunità di compiere esperimenti sull'universo è ancora più negata che a noi sui nostri simili, mentre la ricerca medica deve lavorare, sotto questo aspetto, con inibizioni analoghe.

La differenza veramente importante tra noi e i nostri colleghi delle scienze naturali è illustrata dal fatto che noi non perveniamo mai a costanti, come la velocità della luce e del suono in un particolare medium, o come i pesi specifici degli atomi e delle molecole. Noi non abbiamo nulla di corrispondente alle misure universalmente valide dell'energia, i volt, gli ampère etc. Le costanti che noi troviamo non hanno la validità salda, generale e permanente delle leggi di natura.

Se noi economisti, per esempio, stabiliamo mediante osservazione il reddito o mettiamo l'elasticità del prezzo dello zucchero, le nostre risultanze sono valide solo per un gruppo specifico di consumatori di una singola comunità o regione in un particolare momento, per non parlare del fatto che lo stesso concetto di elasticità perde quella che io chiamo adeguatezza alla realtà, e quindi utilità analitica, nei paesi colpiti dal sottosviluppo, in cui non esistono mercati intesi nel senso che gli economisti danno al termine.

Anni fa certi economisti hanno creduto che il rapporto fra investimenti di capitale e crescita della produzione in un determinato paese, il cosiddetto rapporto Capitale/Produzione, si avvicinasse ad essere una vera costante del tipo scienze naturali. Ma studi approfonditi hanno ben presto rivelato che gli investimenti di capitale non possono neppure essere considerati la causa più importante della crescita economica. E noi siamo ancora ben lungi dal poter stabilire le caratteristiche e l'importanza quantitativa dei diversi elementi di cui si compone il residuo sino ad ora non specificato, che quindi rimane un residuo di ignoranza. Sappiamo però una cosa, che essi variano nel tempo e per i diversi Paesi.

La spiegazione di questa fondamentale diversità fra scienze sociali e scienze naturali vale a dire che noi scienziati sociali non perveniamo mai a costanti e leggi di natura universalmente valide è che il nostro studio dei fatti e dei rapporti tra i fatti in campo sociale riguarda questioni molto più complesse ed anche mobili e fluide, che i fatti e rapporti dell'universo fisico. In questo senso, gli scienziati naturali si trovano indubbiamente di fronte a problemi più semplici, e in merito ai quali si può raggiungere una conoscenza definita, intemporale, universalmente valida, quindi generalizzabile.

L'oggetto di tutte le scienze sociali, in ultima istanza è il comportamento umano. E il comportamento umano non è costante come il moto dei corpi celesti o delle molecole. Dipende, ed è determinato, dal complesso delle condizioni di vita e delle istituzioni in cui si trovano gli individui, e dai loro atteggiamenti così come quelle condizioni di vita e quelle istituzioni li hanno plasmati nell'atto stesso in cui vi reagivano.

Questi fenomeni sono sensibilmente diversi da luogo a luogo e da gruppo a gruppo. Né sono stabili nel tempo, anzi mostrano differenti e variabili combinazioni di mutevolezza e rigidità, essendo persino difficili da definire, osservare e misurare come fatti in un punto particolare del tempo e in una situazione specifica.” [G. Myrdal 1973]

Ci preme qui tornare a fare qualche ulteriore puntualizzazione.

Abbiamo digià osservato come da Jevons, Walras e Pareto in poi, la teoria economica dominante ha subito il fascino della introduzione dei modelli matematici nello studio della economia. Nulla di errato o di riprovevole.

Ciò che vi è di perverso in queste scelte è che hanno portato la scienza economica quasi a livello di scienza naturale quale la fisica, ingenerando delle convinzioni negli economisti, di occuparsi di una scienza in grado di dettare delle regole e dei comportamenti da utilizzare, universalmente validi, nello spazio e nel tempo.

Ci siamo allontanati quindi, a mio modestissimo avviso, dalla indagine di una scienza sociale che teneva in debito conto il ruolo giocato da fattori istituzionali, sociologici, politici, religiosi, storici ed anche geografici per imboccare la strada di una sedicente capacità di onnipotenza e onnipresenza, sputando sentenze, consigli e previsioni che all'apparir del vero, moltissimi dei quali sono stati smentiti o hanno quanto meno dimostrato una sensibile debolezza nella loro credibilità collettiva.

L'economia neoclassico-marginalista si è allontanata in modo sensibile dall'analisi degli autori classici.

Come tutti sappiamo, Smith ha sostenuto che un libero mercato possiede una caratteristica dalla quale si evince che chicchessia, compratore o venditore di merci o forza lavoro, perseguendo il proprio interesse individuale conduce a dei risultati che sono anche vantaggiosi per tutta la collettività.

Sono questi assunti che sono stati tradotti in matematica dalla economia marginalista, e con l'aiuto della stessa, sono state raffinate quelle assunzioni che hanno reso le analisi apparentemente più rigorose di quanto appariva fosse possibile, ricorrendo più semplicemente a delle argomentazioni verbali.

Così facendo, gran parte della ricchezza, della complessità e poliedricità che ci ha tramandato l'analisi classica, vale a dire, di Smith, Ricardo e Marx è stata ridimensionata quando non anche, per alcuni aspetti, andata perduta.

Come abbiamo digià sottolineato, il semplice fatto che Smith sottolineasse con insistenza la fondamentale importanza della struttura istituzionale e la poliedrica complessità di quei valori morali all'interno dei quali i liberi mercati si trovano a operare, venne dimenticato o per lo meno trascurato.

Ed è ovvio perché.

Concetti di questa natura sono difficilmente traducibili in linguaggio matematico.

Ed ancora, andando a quella parte della economia che più ci appassiona: quella dello sviluppo, possiamo con tranquillità affermare che mentre i classici hanno profuso un sensibile interesse per la crescita economica e per quei delicati meccanismi attraverso i quali alcuni Paesi si arricchiscono ed altri rimangono per così dire al palo, come abbiamo potuto appurare più sopra, la scuola neoclassico-marginalista di stampo tradizionale ha dato per scontato il problema della crescita.

Il problema centrale rimase quello di allocare le risorse generate dalla crescita e dallo sviluppo, nel modo più efficiente.

Altrettanta dispersione del patrimonio classico si è avuta a nostro modesto avviso con l'analisi dei consumi a rendimenti marginali decrescenti, cavallo di battaglia dell'analisi neoclassica tradizionale.

Non ritenendo di dover ritornare su concetti triti e ritriti, ci limitiamo qui ad osservare che almeno per alcuni casi, anche il consumo è spesso soggetto a rendimenti di scala crescenti e non decrescenti.

Idea guida rappresentata dal fatto che più si ha e più si vorrebbe avere, ritraendo maggiore soddisfazione nell'ottenerlo.

Ebbene, l'analisi smithiana ha sottolineato l'importanza non solo del meccanismo dei prezzi e dello scambio libero ma anche del contesto di natura sociologica ed istituzionale in cui questi si

trovano ad operare, in quanto per Smith l'analisi e la descrizione rappresentavano per lo stesso un inscindibile tutt'uno.

Questa seconda parte dell'analisi di Smith è stata completamente trascurata dalla teoria economica tradizionale, poiché la ferrea logica di una scienza che si avvicinava molto più ad una scienza naturale quale la fisica, rappresentava un fascino maggiore rispetto ad una mera scienza di carattere sociale.

Una delle prime e poche eccezioni che nella letteratura economica ha dato voce a tale filone di studi è rappresentata – che io sappia – in prima istanza dall'opera del Veblen: *The Theory of Leisure Class* [Veblen T. 1969] ma quest'ultima per certi versi, frettolosamente si è cercato di emarginarla dagli ambienti intellettuali dominanti, confinandola nello studio di una scienza differente : la Sociologia ovvero – come vedremo più oltre – nell' approccio istituzionalista della economia.

Così come sul versante delle imprese, mentre la teoria dei rendimenti marginali decrescenti, studiando un infinito numero di aziende caratterizzanti il mercato perfetto dell'economia neoclassica, prendeva piede nelle migliori università di tutto il mondo, negli Stati Uniti nascevano i colossi aziendali che si

apprestavano a conquistare economicamente il mondo, sfruttando la presenza di rendimenti crescenti di scala, grazie proprio al fatto di essere grandi.

Cosa che l'economia neoclassica tradizionale, con qualche lucida eccezione [tra altre, vedasi P. Baran e P. M. Sweezy 1968] sino a qualche decennio fa aveva rigorosamente escluso.

In altri termini se vogliamo esprimerci diversamente, sono stati i progressi della tecnologia a permettere il balzo in avanti delle imprese e dello sviluppo della crescita in generale, la quale a propria volta ha fornito le risorse finanziarie per supportare, in una spirale virtuosa, ulteriori investimenti in impianti e macchine ed in ulteriore attività di ricerca.

Se più ci piace a questo punto, possiamo anche sostenere che la teoria economica neoclassica tradizionale ha fondato i propri postulati teorici su comportamenti delle imprese e dei consumatori finali che falsavano nella più parte, la realtà delle cose concrete.

Ed allora a che cosa serve lo studio di una disciplina se quest'ultima non ci permette di dare credibili spiegazioni ai fenomeni che va a riguardare?

Per quali motivazioni ci ostiniamo a produrre della letteratura che non servirà a nulla ed a nessuno?

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THE IMPORTANCE OF THE KNOWLEDGE BASED ECONOMY

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The aim of this paper is to emphasize the importance of knowledge based economy, in this time characterized by fast changes and sometimes radical changes, it is impossible to resist without adapting, both people and the organizations too. The matter of the paper develops knowledge based economy concept: elements, definitions of the knowledge based economy, stages and the main knowledge codification. In the end of the paper, the author presents the importance of economy knowledge, in Romanian organizations.

Keywords: knowledge based economy, knowledge society, knowledge based organization, long life learning, learning organization

JEL classification: D83

1. Introduction

The phenomena of knowledge, considered “the miracle of the human universe” which has a long and complex history but a future just the same, it is of present interest. In the new society, the information society, the basically economic resource it is not anymore neither the capital, the land nor the physical labor, it is and it will be the knowledge.

Vision about management tends to become old. The knowledge is the new resource and all companies are information company based on knowledge, and all managers are knowledge managers. Management models are from the industry age. In these days, we step on post industrial or knowledge and information. In present, we are perhaps where from the half transition between old and new economy, so we can begin to see how our future is.

Many firms have come to understand that they require more than a casual (and even unconscious) approach to corporate knowledge if they are to succeed in today’s and tomorrow’s economies. A company truly is a collection of people organized to produce goods, services or some combination of the two. Their ability to produce depends on what they currently know and on the knowledge that has become embedded in the routines and machinery of production. The material assets of a firm are of limited worth unless people know what to do with them.

2. Elements of the knowledge based economy

Alan Burton Jones, in his paper “Knowledge Capitalism –Business, Work and Learning in New Economy”, considers that are three concepts about the economy based on knowledge - **data, information and knowledge**.

- Data is a set of discrete, objective facts about events. In an organizational context, data is most usefully described as structured records of transactions. Gather enough data, the argument goes, and objectively correct decisions will automatically suggest themselves. But gathering too much

data can make it harder to identify and make sense of the data that matters. Second, there is no inherent meaning in data. Data provides no judgment or interpretation or basis of action.

- Information is a message, usually in the form of a document or an audible or visible communication. It has a sender and a receiver. Information is meant to change the way the receiver perceives something. Information moves around organizations through hard and soft networks.

Unlike data, information has meaning. Data becomes information when its creator adds meaning, for example by contextualizing, condensing or categorizing it. It should be noted, though, that information (or knowledge) should not be confused with the technology that delivers it: The medium is not the message.

- The word knowledge is very difficult to define comprehensively, as one should first understand what it means to know something. Thus, Davenport and Prusak do not even try to give us a definition of knowledge but focus instead on a “working definition” more suitable for the purposes of their book- Knowledge is a fluid mix of framed experience, values, contextual information, and expert insight that provides a framework for evaluating and incorporating new experiences and information. It originates and is applied in the minds of knower. In organizations, it often becomes embedded not only in documents or repositories but also in organizational routines, processes, practices, and norms. Knowledge derives from information as information derives from data. The transformation happens for example through connecting, conversation or comparing information.

The knowledge based economy, can be defined differently from specialists:

- **Peter F. Drucker** says in his paper “The post- capitalistic society” that: “The new society – and it already exists – it is a post-capitalistic society, that this new society, ... will use the free market as a checked mechanism of economic integration. It will be an “anti – capitalistic society”...The basically economic resources, “the mean of production” it is not anymore the capital and nor the natural resources and nor the “labor”. It is and it will be the knowledge.”

- **The specialists from OECD** say that the “knowledge based on economy- economy which are directly based on production, distribution and use of knowledge and information”.

- **Daniela Archibugi and Bengt Ake Lundvall**, in paper “The Globalizing Learning Economy”, says that the new economy is dominate economy more global influence and the speed of communication and information, doesn't matter the distance”.

The new society, the specialists say, that will be an era of information and advanced technology, a world of the specialists, a knowledge worker – the one who own, disseminate, protect and use information and the knowledge absolutely necessary for the new society- the society based on knowledge. In this society is cumulated more and more knowledge, knowledge which represents one of the most important power sources.

In a society that is totally dependent on information but as well on the growth of the number of organizations, knowledge seems to be the only power which guarantees the social, economic and democratic progress, progress that does not eradicate in time.

In the present time, knowledge has gained new, complex meanings and significance in comparison to classical and modern philosophies of knowledge. It is not considered anymore just „a human mental process, but also a process of the artificial intelligence systems, of industrial, economical and social organizations, of organizations that include people who collaborate with software agents, intelligent robots and the internet, a process of intelligent and conscious intelligent artifacts” which manifests itself with or without human contribution.

In the past, wellness and power were determined by the capacity of controlling physical resources and the production factors were predominantly of physical nature. All these contributed to a reduced necessity of holding, developing and using knowledge. In the third millennium richness and power will be surely and mainly generated by intangible intellectual resources and by knowledge capital.

Specialists define knowledge as „cumulative stockpiles of information and abilities generated through the usage of information by the receptor. Knowledge always incorporates information that constitute the input for the development of knowledge, but also the form through which these circulate...”, and knowledge „as the power of understanding and getting the essence of the facts, evaluation of certitude and information, obtained under the form of experiences or teachings.”

Although the organizational theories have only been recently formulated, at this time these are very numerous. Some of the most frequently used by specialists refer to the issues as follows:

- **The theory of transactional costs** – formulated by Ronald Coase, in 1937, has brought a Nobel Prize for its author and stipulates that the main reason for the establishing of a company is that of avoiding the costs involved by using the market mechanisms in order to find the most profitable prices for the company products. Achieving of this objective requires a set of elements focusing upon costs diminishing, quality improvement and maximizing of the acquisition capacity of the organization.

- **The agents’ theory** – formulated during the eighth decade of the last century, considers the organization as a mechanism meant to combine and co-ordinate the inputs of a group of persons interested in achieving of a common economical goal. According to this theory, the organization is considered a contractual structure focusing on the legal aspects, a kind of “collection” of stakeholders’ contracts.

- **The theory of the resources based organization** – is considering the organization as a “summmum” of productive resources, either tangible or intangible. The growth and the performance of the organization are provided by proper use of the existent resources, the competitive advantage being the result of exploitation of resources unavailable to competitors.

The theory of the knowledge- based organization – recently formulated, the theory considers the previous theories, and especially the theory of the resources based organization as well as the knowledge revolution developing in the present. Specialists are developing the theory and it considers the premises as follows:

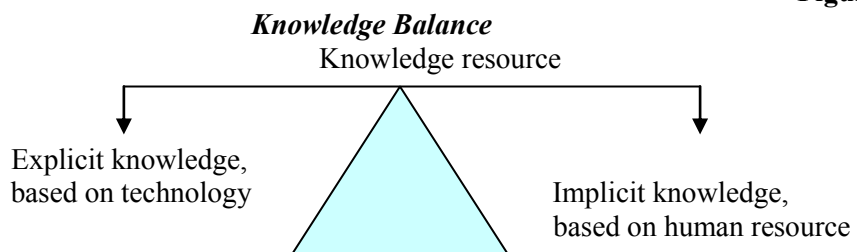
- knowledge is acquired by the members of the organization who also deposit implicit knowledge;

- due to the limited cognitive abilities as well as to the temporal limitations the members of the organization have to specialize in acquiring and use of certain knowledge;

- production is usually obtained by using numerous types of specialized knowledge.

Considering these as a starting point, the main role of the organization will be to protect and integrate specialized knowledge. In order to provide this, special mechanisms are to be developed, order to obtain, integrate and protect knowledge that will provide competitive force to the organization. The extent to what the organization will be able to use knowledge will depend on the relationship established between the organization and its products and processes. Explicit and implicit knowledge must be differently as well as complementary considered. The management will have the delicate task of integrating the two categories of knowledge. These distinct categories of knowledge have to be balanced as figure nr. 1 shows. It is generally considered that on the long run only implicit knowledge - either accompanied by explicit knowledge or not – can provide competitive advantage to the organization.

Figure nr. 1



3. Knowledge based organization and learning organization

To conclude it can be assigned that the theory of the knowledge-based organization considers the company as a market structure whose main resource is knowledge, the main activities of such a structure focusing on protection and integration of knowledge, in order to provide economic performance.

In order to define the knowledge-based organization it is required to highlight its main distinctive characteristics. According to Burton Jones, these main defining characteristics might be:

- diminishing of the organization in terms of tangible assets, activities to be performed and workforce as well as the development of the internal knowledge of the company and expanding relations – customers, suppliers and external workforce;
- external providing for the activities which are not vital for the company, while emphasizing on the intern use and development of the activities which are strongly complementary to the vital knowledge of the organization;
- altering the relationship with external workforce in order to use it mainly for bureaucratic and maintenance activities which are to be provided by small companies and individuals;
- strategic development of the organization is to be oriented towards deepening or/and enlarging of the organization knowledge which implies that the organization is able to develop its own knowledge and to recognize synergetic co-operation opportunities in this area;
- the internal model of organizing the knowledge-based unit is similar to the human cognitive model characterized by less structured networks, partially independent teams formed by members possessing adequate knowledge, organizational capabilities and individual ability for learning;
- maximizing of the efficiency is based on team structures characterized by minimum connections and maximum cohesion;
- diminishing in number and role of the middle management and gradual externalization of the peripheral activities while integrating of the specialized managers who frequently start their activity as agents or consultants for the changing process of the organization;
- reshaping of the managerial and economic capabilities of the organization in order to value knowledge by options, decisions and activities chosen;
- directing investments towards training while using external workforce for replacement of the own workforce which fails in progressing;
- diminishing of training resources and promoting policies for peripheral areas, which have own responsibilities in training and professional development;
- reconsidering of the motivational policies according to the principles as follows:
 - increasing of stimulants for the entire workforce of the organization, according to performance and achievements;
 - increasing the use of personnel awarding in the peripheral areas on an individual performance basis;
 - intensification of global stimulating for team-work as well as individual, for the main workforce of the organization;
 - expanding the promoting policies inside the company and outside the company.

These characteristics have been determined by the tendencies shown in the complex and dynamic process of transition from the traditional economics to the knowledge-based economics, such as:

- main functions of the organization become coordination, protection and integration of knowledge;
- transactions and activities involving high levels of specialization and implicit knowledge are internalized;
- transaction and activities involving explicit knowledge are externalized;
- ownership and management of the organization become convergent;
- links established between educational systems, economic activity and training of the workforce are re-defined.

Thus, the knowledge-based organization will become simpler, more flexible, will need less management levels the flexibility and intelligence provided by this new functional structure allowing the company better protection against risk. This does not mean that acquiring performance will become a simpler process. The knowledge-based organization will not be able to reach performance without the correct approach of knowledge and the development of a new system, which often proves to be difficult to implement. The adapting process required by the new model of knowledge-based organization cannot be directly accomplished, but only by means of dynamic stages: the necessity of re-evaluating and re-structuring of the entire system, prior to the change intended is vital. During this first stage viability of the next stages is provided, a correct founding of the knowledge-based development being followed by the development of the organization according to the principles of the new concept. Each stage will provide consolidation for the preceding stage – errors that might occur in a superior stage will have worst impact upon company performance as well as the achievement of the objectives of an initial preparing stage will prove better impact upon performance acquired in final stages. This is why periodic and careful evaluating, followed by prompt correction is required, in every aspect of the organizational contact. Team- work being very recommended, developing the “thinking groups” might result in better performance.

The “route” of the development stages reached by improving knowledge inside the organization is shown by *Appendix 1*. The study of the stage reached by leader organizations from powerful economies leads to conclusions referring to the evolution of the knowledge-based organizations. Thus, the most of these organizations have already reached stages of developing knowledge networks and of knowledge-based motivation. The most advanced of these organizations are the top companies in hi-tech and highest qualification professional services – consulting firms, law firms – some of these companies having already reached superior stages such as knowledge intensification or even the final stage of knowledge-based organizations.

Transformation is difficult, requires hard work and it is often cause of real problems - knowledge-based economy is inevitably the final destination, but knowing the final destinations does not ease the route, which is often risky, unpredictable. The intended final structure of a knowledge-based organization is, as previously shown, a simpler thus more flexible structure, more adaptable to the market volatility and the more dramatic competition, which provide better protection against major risks. Changes required in order to reach such a structure, completely different from the traditional organizational structure make the route towards the aimed structure to be itself a major source of risk, if not rigorously respected and correctly managed.

The result of this fundamental transformation is benefic, considering multiple aspects of the organization activity. This final structure will satisfy not only the competitiveness requirements but also the flexibility and adaptability of the company to the dynamic conditions of its evolution and a better risk protection. It will also comply with the needs of current operating such as modeling the abilities of the workforce, elaborating strategies for internalization or/and externalization of the organization activities, correct forecasts for investments in workforce, easier identification of weaknesses and strengths of the organization.

Extending the approach to a wider area, this model of increasing knowledge, at any of its levels, can offer valuable elements not only for benchmarking but also for focusing the support of central and local authorities in the area of human resources development.

As previously shown, the fundamental transforming of the traditional organization into the knowledge-based organization is the required route for adaptation. It is not only desirable, and it involves difficult transforming – even if it is gradual – requiring continuous training for the employees as for the organization, considered as an entity. The route illustrated by the six stages of the model of developing knowledge involves extremely laborious processes, not only managerial but also economical, technical and human. The process also involves vision in implementing and operation and a permanent training for all those who are part in the process.

All of these requirements cannot be achieved without transforming the company into a “*learning organization*” which obviously is not a spontaneous process. This transformation has to be decided by the organization management which will establish the reach of the stage of “learning organization” as a strategic objective for the organization and will define the set of required actions. Not only management involvement is a required premise for this difficult project, but also employees’ involvement will be necessary in providing success for this difficult project.

Organizational learning is not referring only to accumulating of knowledge but it also aims to using this knowledge in current operating of the organizational activities, thus generating new knowledge. Organizational learning is knowledge-centered not in the quantitative approach of raising intangible assets but in the productive approach of valuing the information and the abilities generated by use of this information. The foundation of the learning organization consists of the pragmatic finality of knowledge reported to information (the starting cognitive element).

Organizational learning can thus be considered a very complex process that must be conceived, starting even with its preliminary stages, as a complex entity. The classical training means still remain valuable, these do not have to be replaced so discursive methods and active methods such as case studies and simulations still have an important role that will have to be completed by innovative training methods of participative management such as delegation, managerial teams. The main source of personal development will remain participating in research-development activities either technical and economical or even managerial. The new learning techniques, such as *thinking groups* or *semi-autonomous creative teams* are specific for the knowledge-based organization, but any training methods used must aim to develop the interest for new information, for achieving knowledge, for communication, career development and result-centered co-operation.

According to these, the learning organization will finally be based on the people who are learning. Therefore, the main objective will be adapting the human capital to the requirements of thinking and acting focused on a learning process. This goal is not likely to be achieved without open, intensive communication between all the employees and superior motivation for obtaining, using, protecting and integrating knowledge inside the organization. The option for personal development by learning and employees’ motivation will never reach expected levels without relevant personal example of managers, especially top managers, and without their total involvement in this major project.

Individual learning effort is benefic but not sufficient due to the complexity of the process. A great utility prove the collective organizational learning processes referring to the company as a whole. Learning processes approaches refer to:

- ***Adaptive learning*** – refers to changing of the working environment of all the employees of the organization and it only considers knowledge required for the organization to adapt to the contextual evolutions.

- ***Transformation learning*** – is based on cognitive processes and it achieves a high information transfer between the organization and the economical environment, providing not only simple adaptation but essential transformation within structures and processes involved, knowledge and behavior included. This essential transformation is based on permanent interaction between organization and its economical environment.

- ***Learning how to learn*** – is the most evolved training system and it focuses on learning inside the system, by means of concentrating upon learning processes, generating and using new knowledge permanently and not only while certain changes are in course.

Learning processes cannot be properly conducted without providing certain favorable conditions. In order to provide adequate conditions for learning and transformation evolution of the favoring factors will be checked continuously. An adequate environment for developing by learning is strongly dependent of the inner organizational culture and the organizational structure. These are the areas requiring adaptation or even transformation in order to cope with this general learning

process. Organizational strategy and, most of all, the employees of the company are the key factors that can provide success of this fundamental transformation.

Appendix 1

THE KNOWLEDGE GROWTH STAGES

- Identification of essential knowledge resources - Knowledge auditing - Awareness of the role of knowledge as a production factor	- Re- drawing systems and processes - Internalizing of essential activities - Externalizing of secondary activities	- Development of collaboration within organization - Development of inter- department work- teams - Spreading of competences and decisional responsibilities	- Offering buying options to the associates - Promoting workforce, including also external workforce - Salary pays based on results	- Improvement of congruence of knowledge and organization products -Growth of investments in research and development -Increasing training for essential employees	-Management of integrated knowledge -Competitive strategies based on knowledge -Growth of the knowledge-based organization
Stage 1 Identifying reengineering	Stage 2 Knowledge reengineering	Stage 3 Knowledge networking	Stage 4 Knowledge based motivation	Stage 5 Knowledge intensification	Stage 6 Knowledge based organization

4. Conclusions

In such a world in continuous change we need organizations able to adapt rapidly, organizations which reinvent themselves, organizations which permanently renew themselves. In our country the transition toward a society based on knowledge supposes to develop a radical transformation of the institutions from the politic, economic, educational field. “The institutions of the society of knowledge have to become flexible structures, lead and served by high moral professionals who will place the public wellbeing before its own. The biggest need of change is demanded in the educational system.

In Romania, the importance of the concept of organization based on knowledge comes from the engagement made by our country to the informational society – the society of knowledge, the first condition of durable development and our European and Euro-Atlantic integration.

The Romanian organizational environment could not make any exception from the trends of orientation recorded at a world wide level towards knowledge, but, “having no strategy, it has been manifested unsystematically, being localized especially at the informal level; interpersonal informational mediation, the informal transactions with knowledge in and between organizations, professional assistance, local improvisations in the management of knowledge are examples which confirm such a finding”.

At the national level, to create the organization based on knowledge remains the first condition for the development of an economy of knowledge, important for the Romanian creativity as “the main source for competition and identity in an international environment with clear trends of globalization.”

In the third millennium, the organizations from our country has to emphasize and to encourage the staff to get involved, underlining the personal contributions inside the organization, the use of all means for growing the potential values of the human resources in an organization, the development of the modern forms of investment in education: training, professional and special qualification, the activities linked of knowledge and development of some skills linked to the development of some activities. Today it is sure that knowledge means power and profits.

Building a new kind of organization, the organization based on knowledge represents an institutional innovation characteristic for an emergent society of knowledge what gives a new relevance to the higher education and the scientific research.

Adopting a pro-active attitude, based on an approach of “leap” type it is able, say the specialists to favor the diminished differences which are found in Romanian to the present moment and in the developed countries and also to avoid the negative experiences recorded by those. It is also appreciated that for our country to fulfill the criteria established for the integration in the EU assures achieving some adequate level of potential and performance in essential fields of the society based on knowledge.

All this suppose the development of a vision which should define a Romanian pattern for the society based on knowledge and in the same time to allow to formulate solutions, priorities and ways of action for stimulating developments of type “leap” of the economy, education, science and for preparing the population for the evolution towards a society based on knowledge till 2010.

The govern, the governs' institutions and the public sector, has to have the decisive role in this action so through the adopted politics, to realize the frames of rules necessary for the society based on knowledge, the development of the informational national infrastructure and of communication, the un – discriminatory access at public information and to offer a pattern of efficient use of technology of information and communication in its own institutions and public services (health, education culture, transport, etc.)

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LEGAL IMPLICATIONS OF THE ECONOMICAL CRISIS NOWADAYS IN ROMANIA

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Financial crisis on international markets affects in a greater savings, which presents major imbalances.

Is the case of Romania, who faces a current account deficit, estimated at almost 14% of GDP.

If the anticipated problems that may lead to this issue and seek early legal assistance, there are legal means through which the dimensions of the damage can be reduced if the recovery of the trader is no longer possible.

Keywords: crisis, corrupt, production, balance, economy, global, consumption, expert, legal, accuracy, management

Cod JEL: K 0;

Without emotions and feelings, machine calculation gave shocking answers that have called that rather verdicts on black humanity, arguing that the human race is heading towards disaster. Considering that the population at that time was a huge growth rate in comparison with previous years, while industry recorded growth of up to 7%, modern civilization was likely to reach limits growth in most sectors, in the first decade of the 21st century.

If the evolution of industries should be increased at the same pace, mineral resources would be done, environmental pollution would have reached a record level, unknown ever and the situation would have degenerated in the acute problems that could threaten humanity.

Millions of people could die from other people, more out what's right and thirsty for sweet taste of power. No social revolution for economic reasons can not be denied. In times of food crisis is the price so low and life is not only induces blood in the population.

Although calls for a SF film screenplay, data processed by the group in Rome to pull out a possibility and confirm the accuracy of their results through the current crisis that we feel increasingly cold and deep budget in global, national, family, individual.

To prevent "economic and social apocalypse", the authors have provided a concept. It bears the name "zero growth" and aims to purchase new things just to replace the old ones.

For example a new car should be bought when the old no longer wants to work. The same concept should be applied over births, say those who wrote the report. No more than two children in a family and limiting consumption would restore the overall balance.

Undoubtedly the report was a kind of bullet that struck temple fundamentals of Western economies. The concept of zero growth comes in contradiction with elementary logic industrialized society which operates on the principle of demand and supply. At zero growth would not give the poor of the future non-capitalist.

To act in the production and puzzles to restore the economy corrupt hack problems encountered in every big state in the world, a sophisticated system of financial management would be needed as urgently as possible.

In an attempt to curb the problems of mankind, appeared in issue being the discovery of those gathered in Rome did not impress more people. More discontents aroused indignation and who report that turned into a dud.

Hope the sunny days and an earth that will not "finish" again, go through the financial crisis, global recession waiting, hoping that will happen and look how many lose their savings blast in front of the storm which plans Swallow billions.

Economists from the Ministry of Finance say that the global economic crisis will be felt in Romania, in all their, in the second quarter of next year, announces Newspapers. However, the economic scale will be lower than in the rest of the European Union.

Economic crisis will hit Romania 6-7 months after the contracts now in place, signed in good times, will be closed, said Dorin Măntescu Director assessment revenue budget of the Ministry of Finance, at a seminar organized the ministry, according to Daily.

"Usually, our economy reacts with a delay of six-seven months in what is happening in the Union. So by the second quarter we will feel the economic crisis in November. Now is relatively quiet due to contracts concluded before the outbreak of the crisis," says Măntescu.

Finance expert's opinion that the negative effects on business will be lower than in the EU. Reason: Romania has a kind of "reserve" in trade outside, which have increased by no less than 27% last year.

Another way to combat the crisis would be unusual structure of consumption, the food and goods must have a strict weight important.

"The share of food and goods of strict necessity occupy 65% of the Romanians. On the other hand, autoproducers, a part of supply and demand which is inflexible, is even higher in November than in Bulgaria," said John Ghizdeanu, president of the National Forecast.

However, 70% of Romania's trade balance with the European Union is, in other words "import" major economic crisis.

Meanwhile, Romania is at the end of a cycle of strong economic growth, says analyst.

"We are at the end of a cycle of sustained growth which began 8-9 years ago. I will be tested by this external situation. Fiscal policy is key in this period. Prepotency the wage policy because it is unlikely to increase fees where we have a slow growth," explained Măntescu.

On the other hand, the president of the National Prognosis Commission says that the first effects of the crisis were felt in the summer, affecting in particular the production. A period, this has been an advantage for the first affected by a decrease in production was the European Union so that Romania could be out of current production.

Problems began to show in recent months, the local automobile industry, furniture industry and the production of electric appliances.

Meanwhile, ministry officials are of the opinion that we have problems in Chapter foreign investment.

The cycle of foreign investment in Romania has started only in 2004. Since 2006 they started their profits. Very large. We had a rate of profits reinvested in the business of 2-3 billion euros per year. In 2008 are 2.5 billion Euro reinvested. In 2009 at least two billion will be foreign direct investment of reinvested profit," said Ghizdeanu.

Under it, no unemployment should not scare us. "Now we have an unemployment of 6.3%. Official figure is 4%, but there are at 2.3 percent unemployment unregistered. We estimate that total unemployment will reach next year from 6.5%. We will not have problems with unemployment. Quarterly, are at least 100,000 job vacancies," the source explained.

The evolution of this situation begun to be marked gradually of insolvencies and nationalizations. On 17th of February has been nationalized Northern Rock Bank, after wich, on 16th of March JPMorgan & Co Bank had had bought Bear Stearns Investment Bank, with help from Central American Bank, on a very low price.

Meanwhile, on 11th of March, Central Banks of America have made a new injection of liquidities on credit markets.

The effects of the crisis had begun to accentuate after the first half of 2008. On 7th of September, the biggest banks of annuity mortgage of United States of America were putted under federal surveillance.

On the 15th of September Lehman Brothers Investment Bank, the fourth in the world, failed and one of the biggest American banks, Bank of America, announced the take over of Merrill Lynch, the third world bank of investments.

Ten international banks had created a liquidity fund of 70 billion dollars, so they be able to face the most urgent necessity of liquidity while central banks have relaxed the creditation. Though, those measures could not block significant breaking of international capital market.

On the 16th of September, Federal Reserve Central Bank and the American government had nationalized the biggest insurance group in the world, American International Group (AIG), threatened with the insolvency and had given him an aid of 85 billion dollars in exchange of 79,9% of its stocks, but the second day the international capital market kept going down and Central Banks begun to take more and more measures in order to reduce the liquidity on financial market. The governments begun also more and more rescue operations for financial markets. On the 3rd of October, American Congress approved a plan of 700 billion euro in order to save the banking system but the second day, in Paris, took place a mini summit of the four most important European states which tried to find out new solutions for the enlarging crisis.

On the 8th of October, the UK government adopted a plan for saving the banking system, and the great central banks of the world took some decisions together in order to relax the monetary policies. Despite all this, on 10th of October, the great majority of world's market were facing significant losses.

On 12th October, the Eurogroup representatives reached an agreement of action, foreseeing guarantees for interbanking loans, recapitalizations for banks, and the second day Paris, Berlin, Madrid, Vienna and other European capitals presented their own plan of saving banking system.

Number of people who believe that Romania is in recession has increased significantly, from December 2008 until January 2009, from 30% to 41%. The Romanian people seem to be more aware of the existence of a crisis compared with the mood in December. Probably, it has already started to feel repercussions from the staff, but the legal assistance can solve some of the economic crisis.

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PRICE STABILITY FOR ROMANIA. RESPECT OF THE REFERENCE VALUE

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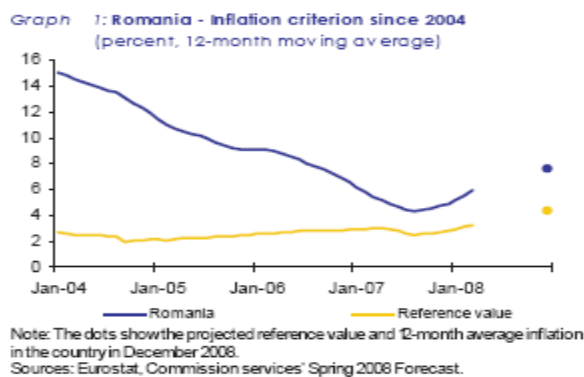
The Protocol on the convergence criteria not only requires Member States to have achieved a high degree of price stability but also calls for a price performance that is sustainable. The requirement of sustainability aims at ensuring that the degree of price stability and inflation convergence achieved in previous years will be maintained after adoption of the euro. This implies that the satisfactory inflation performance must essentially be due to the adequate behaviour of input costs and other factors influencing price developments in a structural manner, rather than reflecting the influence of temporary factors.

Keywords: stability, convergence, performance.

Cod JEL lucrare: F01, F15, O10, O20.

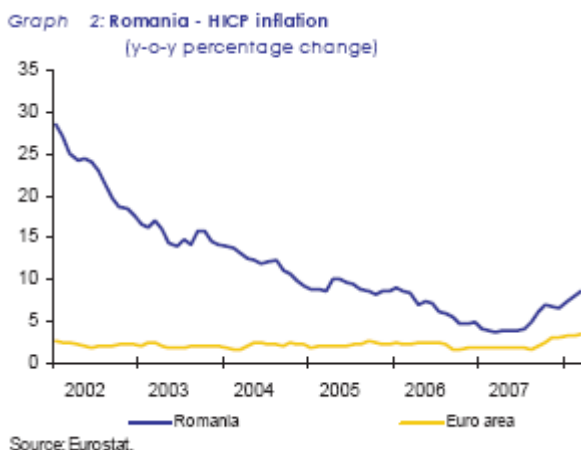
1. Recent inflation developments

The 12-month average inflation rate for Romania, which is used for the convergence assessment, has been above the reference value since EU accession. The difference between 12-month average inflation and the reference value initially decreased to 1.8 percentage point in June-September 2007, and it gradually increased again thereafter. In March 2008, the reference value was 3.2%, calculated as the average of the 12-month average inflation rates in the three best-performing Member States (Denmark, Malta and the Netherlands) plus 1.5 percentage points. The average inflation rate in Romania during the 12 months to March 2008 was 5.9%, well above the reference value of 3.2%, and it is likely to move further away from the reference value in the months ahead.



As a result of strong stabilisation policies since the beginning of the century Romania succeeded in achieving rapid disinflation. Inflation dropped to single-digit levels in 2005 and decreased further until the spring of 2007. The appreciation of the currency between end-2004 and mid-2007 was an important element behind this development. In Romania, the pass-through of the exchange rate is substantial and fast and thus contributed significantly to dampening price pressures.

Disinflation also reflected a broad range of other factors, including prudent monetary policies, relatively contained budget deficits until 2005, a favourable development of agricultural prices, relatively strong productivity gains, and lower inflation expectations. HICP inflation in Romania averaged 4.9% in 2007, from 6.6% in the preceding year. Headline HICP inflation reached a low point of 3.7% in March 2007. However, underlying inflationary trends, as measured by core inflation, remained higher with the economy increasingly showing signs of overheating.



From August 2007, headline HICP inflation accelerated sharply to 8.7% in March 2008. The marked pick-up in inflation initially largely reflected large upward supply shocks in agricultural prices. These were partly due to domestic factors – notably the severe summer drought which affected negatively domestic agricultural production – and partly followed from the sharp increases in agricultural commodity prices on the world market. The impact of the latter on final consumer prices for foodstuffs at the national level tends to be magnified for catching-up countries such as Romania, where the share of commodity input prices in total costs (including distribution and retail) is relatively high. The impact of the significant weakening of the leu and of the sharp increase in fuel prices (from the fourth quarter of 2007 onwards) added to the pick-up in inflation from the second half of last year onwards.

Core inflation – defined as year-on-year headline HICP inflation excluding energy and unprocessed food – has picked broadly up in tandem with headline inflation and stood at 8.2% in March 2008. Alternative measures of core inflation as used by the central bank – defined in terms of market prices and market prices excluding volatile prices – have also moved up sharply since the spring of 2007.

Persistently strong wage and domestic demand pressures added to supply-side price shocks, fuelling the uptrend in consumer prices. These reflected brisk credit growth, a buoyant real estate market, a loose fiscal stance, and strong gains in household disposable income. The most recent developments thus suggest that inflationary pressures have become more entrenched amidst signs of an upward adjustment in inflation expectations.

As regards subcomponents of the HICP, services prices have been an important driver of inflation.

Increases in energy and food prices also accounted for a substantial part of overall inflation in the past few years, with the sharp increase in food prices as of the summer of 2007 being a particularly large upward shock. By contrast, increases in nonenergy industrial goods remained more subdued helped by global price trends in a closer integrated world market and, for the first part of the assessment period, also by the strengthening of the effective exchange rate.

2. Underlying factors and sustainability of price performance

Real GDP growth has been very strong in the past few years, despite a temporary dip in 2005. Economic growth averaged around 6.5% between 2004 and 2007, largely buoyed by domestic demand. While the estimation of potential growth and output gaps is surrounded by large uncertainties for fast-changing economies such as Romania, Commission services' estimates suggest that buoyant growth led to a substantial positive output gap from 2004 onwards. For 2007, this positive output gap is estimated at 3% of GDP and is expected to only decrease slightly in 2008. A loose fiscal stance further contributed to demand pressures in the last few years. In 2006-7, the budgetary stance, as measured by the cyclically adjusted balance, deteriorated to a deficit of 3.4% of GDP. For 2008 and 2009, a further fiscal loosening is expected.

Progressive disinflation, coupled with the strengthening of the leu, allowed the National Bank of Romania (NBR) to cut official interest rates by from 21.25% at the beginning of 2004 to 7% by end-June 2007. The degree of monetary policy easing was mitigated by the tightening of other policy instruments at the disposal of the NBR. In 2006, measures included the rise in the reserve ratios for both leu-denominated liabilities (from 16 to 20%) and foreign exchange denominated liabilities (from 35 to 40%), along with closer supervision of non-bank financial institutions. Monetary conditions eased substantially from the summer of 2007 onwards due to the weakening of the leu coupled with lower real interest rates resulting from the pick-up in inflation. The NBR did respond by raising official interest rates by 250 basis points in four steps between November 2007 and March 2008. In addition, in February 2008 the NBR also announced additional prudential rules, including higher provisioning for foreign exchange denominated credits extended to unhedged borrowers. Rapid financial deepening facilitated by large inflows of funds to the financial sector, which is characterised by a high degree of foreign ownership, fuelled very rapid credit growth, adding substantially to demand pressures. The growth rate of domestic credit to the non-financial private sector reached 61% in 2007, a rate quite similar to 2006. Credit growth is skewed towards lending to households; the growth of household credit reached 82% in 2007, a growth rate that has remained fairly stable since 2006. A significant part of household borrowing is in the form of consumer credit, feeding directly into domestic demand.

Table 1

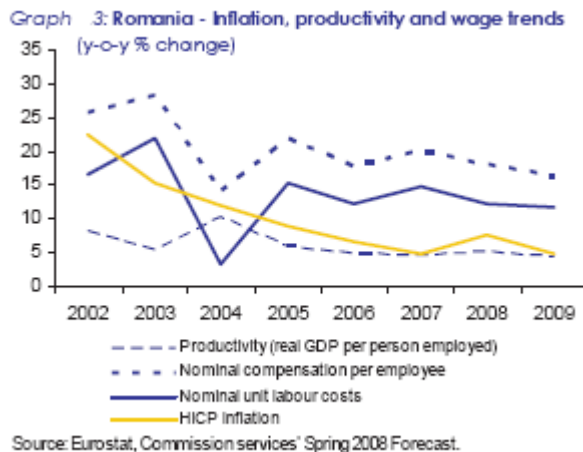
Romania - Other inflation and cost indicators	(annual percentage change)							
	2002	2003	2004	2005	2006	2007	2008	2009 ²⁾
HICP inflation								
Romania	22.5	15.3	11.9	9.1	6.6	4.9	7.6	4.8
Euro area	2.4	1.9	2.1	2.2	2.2	2.1	3.2	2.2
Private consumption deflator								
Romania	21.4	15.2	13.9	7.3	5.2	4.7	7.0	4.6
Euro area	1.9	2.1	2.1	2.1	2.2	2.0	2.8	2.1
Nominal compensation per employee								
Romania	25.9	28.3	13.9	22.1	17.8	20.2	18.1	16.4
Euro area	2.7	2.8	2.5	2.1	2.4	2.4	3.3	2.9
Labour productivity								
Romania	8.1	5.3	10.3	5.8	4.9	4.7	5.2	4.2
Euro area	0.5	0.9	1.8	1.1	1.5	0.9	0.9	1.0
Nominal unit labour costs								
Romania	16.5	21.9	3.3	15.4	12.3	14.8	12.3	11.6
Euro area	2.3	2.1	0.8	1.1	1.0	1.5	2.4	1.9
Imports of goods deflator								
Romania	15.8	15.4	8.7	-3.6	-1.0	-5.9	11.0	2.0
Euro area	-2.9	-2.2	1.3	3.7	4.2	1.2	2.5	1.6

Source: Eurostat

Moderation in wage increases had been an important factor in Romania's disinflation at the beginning of the century. But the growth of wages and unit labour costs has been rapid in recent years, reflecting buoyant economic activity and increasing tightness on the labour market, notably in the construction sector and for skilled labour.

Large-scale emigration contributed to shortages in key segments of the labour market. In the past three years, overall compensation gains remained well above the growth rate of labour productivity, which hovered around 5%, after having peaked at 10% in 2004. Despite strong labour productivity gains the growth rate of nominal unit labour costs (ULC) remained quite high, reaching some 15% in 2007, with only a slight moderation expected for 2008. Increases in unit labour costs are thus expected to continue feeding into domestically generated inflation in 2008.

Public sector wage discipline has been lacking, as in the last few years public sector wage gains even increased faster than those in the private sector. The flexibility of the decentralised wage setting process in Romania is hindered by certain institutional features of the wage-setting process, notably that wage agreements in the public sector appear to provide a signal to private sector settlements. With signs of overheating becoming apparent and inflation expectations increasing, there is a risk that wages may not adjust swiftly enough to avoid deterioration in competitiveness.



Falling import prices, as measured by the import of goods deflator in the national accounts expressed in national currency, supported disinflation into the first half of 2007. The effective appreciation of the leu was an important factor determining the prolonged fall in import prices between 2005 and the first part of 2007. Decreases in import prices for non-energy industrial durables were the most pronounced, related to increased global market integration.

The nominal effective exchange rate of the leu experienced a strong trend appreciation from 2004 to the summer of 2007. In effective terms the leu appreciated by around 30%, this being an import factor supporting the decline in inflation. From August 2007, however, the nominal effective exchange rate of the leu started to weaken considerably and had depreciated by nearly 15% in March 2008.

The dampening impact of import prices rapidly reversed from the second half of 2007 onwards, as the substantial effective weakening of the leu compounded the upward impact of rises in global commodity prices, inducing a sharp rise in Romanian import prices. The total contribution of energy prices to HICP inflation decreased from around 3.5% in 2005 to just above 1% in 2007, the decline mainly mirroring more subdued price increases charged by energy utilities. But in the

first months of 2008, a marked rise in gas and fuels prices led to a rise in the contribution of energy prices to overall inflation. In the area of services prices, international competitive pressures and the linking of tariffs to the exchange rate of the leu to the euro helped push down consumer prices for telecommunications. However, the reversal in the exchange rate induced a sharp pick-up in telecommunications prices from December 2007 onwards.

In Romania, adjustments in administered prices, which have a relatively high weight of around 25% in the HICP basket, added noticeably to headline HICP inflation in the past few years .

However, the contribution of administered prices to harmonised inflation decreased from above 3 percentage points in 2005 to around 1.5 percentage point in 2007. This falling contribution mainly reflected trends in administered utility prices. The impact of marked increases in the prices charged for gas, electricity and heating was mainly concentrated in 2005 and 2006. In 2008 likely further increases in utility prices, reflecting the lagged impact of higher energy prices on world markets and the exchange rate depreciation, are expected to add to inflation.

In addition, adjustments in excises have also been exerting an upward impact on HICP inflation, estimated. Increases in excises on petrol, diesel and tobacco products (which have to be implemented to reach the minimum level required in the EU) are estimated to contribute significantly to headline inflation in 2008 and 2009 as prevailing derogations expire on 1 January 2010.

Inflation performance in 2008 will reflect several factors, notably the lagged pass-through of exchange rate movements, the development of prices for agricultural products and commodities, and the impact of demand pressures reflecting buoyant wage and credit growth and a loose fiscal stance. Against this background, the Commission services' Spring 2008 Forecast expects average HICP inflation to increase significantly to 7.6% in 2008, compared to 4.9% in 2007.

Incipient overheating points to several upside risks to the inflation outlook. Timely adjustments in the labour, real estate and credit markets will be crucial in redressing them. The risk of a further loosening of fiscal and in particular public sector wage policy could pose additional pressures on inflation. Persistent inflation further risks adding to inflation expectations.

In 2006, the level of consumer prices in Romania was at some 57% of the EU average, with the relative price gap widest for services. This suggests potential for further price level convergence in the long term, as income levels (about 39% of the EU-27 average in PPS in 2006) increase gradually towards the EU average.

Medium-term inflation prospects will depend crucially on a robust policy framework that would help anchor inflation expectations at a lower level and avoid second-round effects of external price shocks. Fiscal discipline will be important to ensure a balanced policy mix and help ensure a sustainable inflation performance conducive to growth, in particular in terms of the public sector wage setting and the quality of public finances.

Aligning wage growth with productivity developments will be crucial to safeguard competitiveness and avoid wage-price spirals. Advancing structural reforms to improve the functioning of labour and product markets and enhance competition is warranted with a view to contain inflationary risks.

3. Conclusions

The average inflation rate in Romania during the 12 months to March 2008 was 5.9%, well above the reference value of 3.2%, and it is likely to move further away from the reference value in the months ahead.

Inflation in Romania recorded a sustained downward trend for a number of years until 2006, supported *inter alia* by an appreciation of the leu since 2004. Headline HICP inflation reached a minimum of slightly below 4% in early 2007 but increased markedly afterwards partly driven by a sharp upward movement in agricultural prices, which reflected both the severe drought in the summer of 2007 and trends in world market prices. Persistent wage and demand pressures,

increases in fuel prices and the significant weakening of the leu from the second half of 2007 added to the pick-up in inflation. HICP inflation averaged 4.9% in 2007 and is projected to increase markedly in 2008, to slightly below 8% on average, before decelerating in 2009 to close to 5% as the inflationary impact of commodity price increases fades.

The relatively low price level in Romania (57% of the EU average in 2006) suggests potential for price level convergence in the long term. Romania does not fulfil the criterion on price stability. In the light of its assessment on legal compatibility and on the fulfilment of the convergence criteria, and taking into account the additional factors, the Commission considers that Romania does not fulfil the conditions for the adoption of the euro.

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QUELQUES CONSIDERATIONS SUR LA RELATION ENTRE DIFFUSION DES TECHNOLOGIES ET RATTRAPAGE

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Last years an acceleration of the economic convergence and technological catch-up of developing countries arised, with higher manufactured production growth rates for these countries than for industrialized countries. A wide, although inequal, diffusion of old and recent technologies in developing countries explains this situation, while scientific innovation and inventions remain located in industrialized countries. This catch up process can be studied using agreggate models which determine the position of each countries on a world technological frontier. The models with homogeneous labor factor can evaluate the contributions of capital deepening, efficiency gains and technological progress, with a leading contribution of the former. Models with heterogeneous labor (qualified and unqualified) lead to more accurate results, regarding the choice of an appropriated technology for developing countries. Lastly endogenous growth models point out two different growth regimes, «investment based» or «innovation based», and study the condition of the transition between them. It allows mainly to explain in the same framework, «leapfrogging» as «growth trap» situations.

KEYWORDS: Development economics, Economics of innovation, Economics of knowledge, Technological Diffusion, Convergence and catch-up process .

Code JEL: O140 O47

I INTRODUCTION

Depuis les travaux de Gerschenkron (1962), l'étude du processus de rattrapage a abouti à un ensemble de résultats consensuels mais aussi à des interprétations divergentes. Elle décrit des processus de rattrapage qui sont accélérés par la mise en oeuvre d'investissement massifs et de dispositifs institutionnels considérés comme collusifs et non compétitifs. Mais elle insiste dans ses développements les plus récents sur la nécessité de l'ouverture de l'économie, sur sa perméabilité à l'investissement direct étranger et sur sa libéralisation (Keller, 2004). Elle étudie aussi des processus qui n'ont rien de passages obligés: un modèle de croissance initialement prometteur peut avorter et tomber dans des trappes, reposant sur des mauvaises spécialisations et une absence patente de compétitivité. Au contraire des pays suiveurs peuvent connaître des évolutions accélérées qui leur permettent de court-circuiter les étapes intermédiaires du développement (Brezis, Krugman et Tsiddon (1993)). De ce point de vue les évolutions récentes aboutissent à des résultats en apparence contradictoires: d'une part on observe un processus de rattrapage accéléré, qui concerne maintenant des pays-continent comme l'Inde et la Chine; d'autre part une nouvelle fracture semble se créer, entre les pays de frontière technologique, réputés maîtriser l'économie de la connaissance, et les pays immédiatement suiveurs, victimes d'un nouveau décrochage (Acemoglu D, Aghion P. et Zilibotti F, 2004). Alors que les pays les plus éloignés de la frontière technologique obtiennent les taux de croissance les plus élevés, ceux qui s'en approchent connaissent maintenant une décrochage vis à vis des pays qui se trouvent sur cette frontière elle-même. Cette frontière serait plutôt un horizon pour un grand nombre de pays, s'éloignant au moment où ils semblent l'atteindre.

L'objet de cet article est de mettre en perspective ces différents aspects du processus de rattrapage, en insistant sur la remise en question qu'apportent les technologies de l'information. Le schéma traditionnel, adopté encore massivement par les pays en développement, les voit adopter progressivement les technologies les plus banalisées, en suivant en cela une stratégie d'imitation et d'adoption. Cette stratégie leur permet de bénéficier d'un taux de croissance élevé de leur production et de leur productivité, sans assurer de dépenses de recherche développement

ni s'investir dans des activités innovantes. Si ce schéma reste toujours dominant, les technologies de l'information viennent le modifier: on voit notamment les technologies de l'information les plus récentes être adoptées par les pays en voie de développement dans des secteurs traditionnels comme la pêche ou l'agriculture et dans celui des services à haute valeur ajoutée, comme les services informatiques. Simultanément leurs exportations s'enrichissent de biens de haute technologie, qui concernent toutefois leurs dernières phases de montage. Cette situation s'explique par le rôle ambivalent des technologies de l'information et de la communication: leur coût d'appropriation est à la fois bas lorsqu'il s'agit d'en trouver des applications adaptées aux pays en développement et très élevé lorsqu'il faut maîtriser l'ensemble d'une technologie ou d'un bien système complet. Ainsi l'économie de la connaissance peut aboutir à un «digital divide» ou un «digital provide», sachant que ce «digital provide» ne peut apparaître que si un niveau minimum d'investissement en infrastructures et en capital humain est réalisé.

De manière plus précise, il s'agit ici de donner quelques éléments de réponse aux questions que pose le processus de convergence et de rattrapage technologique («catch up») actuel. Ces éléments de réponse proviennent de deux sources principales, qui feront les deux parties de l'article. Tout d'abord, l'étude du processus de diffusion des technologies s'est enrichi récemment d'un ensemble de travaux empiriques à partir de bases de l'ONUDI et de la Banque Mondiale (Keller, (2004), Comin et Hobjin, 2004, Banque Mondiale (2008)), qui constatent une accélération de la diffusion des technologies dans les pays en développement. Ces résultats seront présentés dans une première partie. Ensuite les liens entre croissance, innovation et diffusion technologique ont été renouvelés grâce au développement des modèles de croissance endogène et de frontière d'efficacité, qui ont été appliqués aux pays les plus avancés comme aux pays en développement. Ces travaux, qui seront présentés dans une deuxième partie, permettent de comprendre les situations de rattrapage accéléré comme de blocage de la croissance, tout en insistant sur la nécessité du choix d'une technologie appropriée.

La période récente a connu une croissance remarquable de la production des pays en développement, dont les causes ont été abondamment détaillées, dans le récent Rapport sur les Perspectives économiques mondiales (Banque Mondiale, 2008). Cette croissance concerne principalement la production manufacturière (Figure 1), et ne repose pas sur les seules contributions du capital et du travail: elle s'explique principalement par l'augmentation de leur productivité totale des facteurs (PTF) (Figure 1).

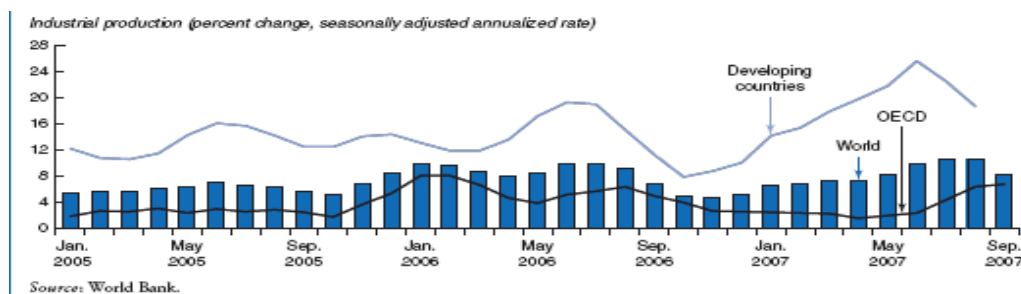


Figure 1 Production manufacturière, Pays de l'OCDE, et en développement, 2005-7

II. Des disparités encore considérables de niveau et de croissance de la productivité

L'accroissement observé de la production et de la productivité industrielles des pays en développement provient pour l'essentiel de l'adoption/adaptation de nouvelles technologies. Il faut noter toutefois que ces disparités entre les niveaux de Productivité totale des facteurs restent considérables, à la fois entre pays industrialisés et pays en développement, et à l'intérieur de ce

groupe de pays lui-même, comme on peut le voir sur le tableau 1: pour le groupe des pays à revenu intermédiaire, la productivité du travail se situe à un niveau

	TFP relative to that of the United States, 2005	Annual TFP growth, 1990-2005
	(index, U.S. = 100)	(annual percentage change)
Regions		
East Asia and the Pacific	8.4	5.1
Europe and Central Asia	21.7	2.2
Latin America and the Caribbean	19.3	0.2
Middle East and North Africa	13.3	0.5
South Asia	5.8	2.3
Sub-Saharan Africa	5.6	0.2
Income groups		
High-income OECD countries	77.1	1.3
High-income non-OECD countries	53.1	0.7
Upper-middle-income countries	23.7	1.2
Lower-middle-income countries	9.6	3.2
Low-income countries	5.2	1.7

Source: Poncet 2006.

Note: OECD = Organisation for Economic Co-operation and Development; TFP = total factor productivity.

Tableau 1 Niveau et taux de croissance de la productivité totale des facteurs, en proportion du niveau Productivité totale Productivité

compris entre 23,7% et 5% de celui de la productivité totale des Etats-Unis, pour respectivement les pays à revenu intermédiaires haut et bas. De plus le mouvement de rattrapage est concentré à fois sur géographiquement et en termes de revenu: il concerne d'abord massivement des pays d'Asie de l'Est et du Sud, et les pays à revenu intermédiaire bas, qui connaissent un taux de croissance de la PTF dépassant les 3%. Par contre les les pays à «revenu intermédiaire haut» comme les pays à bas revenu connaissent des taux de croissance de leur PTF comparables à ceux des pays à haut revenu.

Si on suit le point de vue optimiste de la Banque Mondiale, le processus de rattrapage devrait s'accélérer, comme le montrent les figures suivantes présentant des projections à l'horizon 2027. On y voit que les pays en développement (figure de droite) devraient maintenir un taux élevé de croissance, s'expliquant par les trois contributions du travail, du capital et d'une croissance toujours forte de la productivité totale des facteurs.

III. Quelques données récentes sur le processus de diffusion des technologies

Dans son survey sur la diffusion internationale des technologies, Keller (2004) établit que les caractéristiques de bien semi public de la connaissance militent pour un processus de convergence et de diffusion accélérée des technologies: ainsi pour la plupart des pays 90 % du potentiel de croissance économique provient de sources étrangères. Ce résultat est confirmé par les travaux récents menés grâce à la création de la base de données HCCTAD (Historical Cross Country Technological Adoption Dataset) par Comin et Hobjin (2003). L'exploitation de cette étude a abouti à une premier ensemble de résultats sur 20 technologies et 23 pays (Comin et

Hobjin, 2004), qui ont été généralisés à 100 technologies sur 157 pays (Banque Mondiale, 2008) sur la période allant de 1788 à 2001. Elle aboutit à un ensemble de résultats convergents.

Tout d'abord, le rythme d'adoption des techniques connaît une accélération continue, qui s'est accentuée depuis la seconde guerre mondiale (Tableau 2). Le temps d'adoption d'une technologie¹⁷⁴, initialement très long, a décru constamment sur les périodes les plus récentes: il a été de 180 ans pour la machine à vapeur dans le transport maritime, de 126 ans pour le transport de passager par chemin de fer, alors que sur la période 1975-2000 il baisse à 16 ans pour les téléphones mobiles. Cette accélération concerne principalement les technologies de l'information et de la communication, mais elle affecte aussi les autres domaines, comme le transport, les technologies industrielles ou les technologies médicales.

174 Ce temps d'adoption est défini comme le nombre d'années qu'une technologie met pour atteindre 80% des pays concernés par cette technologie. Le périmètre de ces pays, initialement restreint, s'est élargi progressivement avec le temps.

Technology	Period technology was initially discovered				Number of countries
	1750-1900	1900-50	1950-75	1975-2000	
	<i>(years following discovery until technology reached 80 percent of reporting countries)</i>				
Transportation					
Shipping (steam)	83				21
Shipping (steam motor)	180				57
Rail (passenger)	126				93
Rail (freight)	124				99
Vehicles (private)	96				153
Vehicles (commercial)	63				123
Aviation (passenger)		60			109
Aviation (freight)		60			103
Communications					
Telegram	91				77
Telephone	99				156
Radio		69			154
Television		59			156
Cable television		50			98
PC			24		134
Internet use			23		151
Mobile phone				16	150
Manufacturing					
Spindle (ring)	111				50
Steel (open hearth furnace)	125				50
Electrification	78				155
Steel (electric arc furnace)		92			91
Synthetic textiles		36			75
Medical (OECD only)					
Cataract surgery	251				19
X-ray		93			27
Dialysis		33			29
Mammography			33		18
Liver transplant			28		29
Heart transplant			28		27
Computerized axial tomography (CAT) scan			18		29
Lithotripter				15	26
Average (excluding medical)	106.9	60.9	23.5	16.0	
Average (including medical)	118.9	61.3	25.7	15.5	

Source: Calculations from CHAT database (Comin and Hobijn 2004).

Tableau 2 Temps d'adoption des technologies

Source: Banque Mondiale, 2008

Une deuxième caractéristique forte est que l'adoption des technologies est soumise à des effets de seuil particulièrement sensibles. Pour cela, l'étude menée pour la Banque Mondiale utilise la notion de seuil de pénétration, qui correspond au taux d'adoption d'une technologie en proportion du niveau moyen atteint par les 10 pays utilisant le plus intensivement une technologie. Si on prend l'ensemble des pays concernés par la base, il faut plus de temps pour atteindre un taux de pénétration de 5% que pour passer au seuil de 25%. Ainsi au début du siècle il fallait 52 ans pour qu'une technologie atteigne le seuil de 5% et seulement 13 ans supplémentaires pour rejoindre le seuil de 25%. Evidemment ces temps de dépassement de seuil se raccourcissent avec le temps, spécialement depuis 1975, puisqu'ils passent respectivement à 16 et 3 ans.

	1960-69		1970-79		1980-89		1990-2000	
	Threshold 5%	25%	Threshold 5%	25%	Threshold 5%	25%	Threshold 5%	25%
<i>(years from discovery until threshold reached)</i>								
Regions								
East Asia and the Pacific			60	69	23	28	18	21
Europe and Central Asia			47	57	25	30	18	21
Latin America and the Caribbean	71	105	54	72	30	35	18	21
Middle East and North Africa	97	118	58	67	25	29	18	21
South Asia			52	62	—	—	—	—
Sub-Saharan Africa	85	109	56	69	—	—	18	21
Income groups								
High-income OECD countries	63	91	46	60	20	24	13	17
Other high-income countries	95	112	57	65	20	25	15	18
Upper-middle income countries	83	110	51	64	26	31	18	21
Lower-middle-income countries	86	114	57	69	—	—	20	22
Low-income countries			56	68	—	—		
World								
Developing countries	76	102	52	65	22	26	16	19
	84	111	54	67	26	31	18	21

Source: World Bank calculations using the CHAT database (Comin and Hobijn 2004).

Note: The sample is restricted to only those 567 country-technology pairings where the 25 percent threshold was reached and that were below 10 percent when they appeared in the database; — = no data.

Tableau 3 Temps de diffusion des technologies

Enfin dans ce domaine on retrouve un des résultats obtenus au niveau des données agrégées, à savoir que la convergence n'a rien d'un processus obligé: beaucoup de nouvelles technologies ne parviennent pas à atteindre ces seuils dans les pays en développement. Ainsi sur les 102 couples pays/technologies recensés sur la période 1975-2000, seuls 56 ont atteint le seuil de 25%, dont 24 pays en développement (soit 36% de leur nombre total) et seulement 6 (soit 9% du total), le seuil de 50%.

IV. La situation des pays en développement en termes de réalisations technologiques.

L'accès à l'économie de la connaissance est un processus complexe, aux dimensions multiples. On peut le mesurer à partir des intrants, qui apparaissent sous la forme des dépenses de RD et d'enseignement supérieur, ou sous la forme de la production de connaissance, à partir de la production de brevets, de publications ou de réalisations technologiques. De nombreux indicateurs ont été proposés pour synthétiser toutes ces informations sous la forme d'un indice unique, comme le Summary Innovation Index du tableau de bord européen de l'innovation (European Innovation ScoreBoard, UNU-MERIT, 2008). La Banque Mondiale a fait de même en proposant un «Indice de Réalisations Technologiques» (Index of Technological Achievement) dont la composition est déterminée à partir d'une analyse en composante principales. Cet indicateur prend en compte trois aspects, à savoir les innovations scientifiques et les inventions, la pénétration des anciennes technologies et celle des technologies récentes, auquel on ajoute un indicateur mesurant l'ouverture de l'économie aux technologies importées.

Si on suit les résultats obtenus dans le Rapport de la Banque Mondiale, on aboutit à un résultat en demi-teinte: le niveau des réalisations technologiques a connu une croissance considérable, quelle que soit la catégorie des pays considérés, et ce sont les pays de l'OCDE qui ont connu le plus fort accroissement absolu de cet indice, mais les pays à revenu plus faible ont connu les accroissements relatifs les plus élevés.

L'examen du détail des composants de l'indicateur révèle sans surprise que les pays à revenu élevés dominent massivement les pays en développement en termes d'innovation scientifique et d'invention, alors que les pays en développement présentent des indicateurs de pénétration des anciennes et des nouvelles technologies beaucoup plus élevés (de 50 à 60% pour les pays à revenu intermédiaire «haut», autour de 23 % pour les pays à bas revenu) même s'ils restent

encore inférieurs à ceux des pays développés. Evidemment la valeur de ces indicateurs diminue avec le revenu, lorsqu'on passe des différents niveaux intermédiaires aux groupe des pays à bas revenu.

Par contre la variabilité de cet indicateur est très forte, et surtout elle a connu une croissance considérable sur la période qui va de 1990 au début des années 2000. Sur cette période la pénétration des anciennes technologies a été presque cinq fois plus importante dans les pays les plus pauvres, et quatre fois plus rapide pour la pénétration des anciennes technologies. Même dans le domaine de l'innovation scientifique, on trouve une forte croissance des innovations scientifiques et des inventions, atteignant presque le double pour les pays à revenu intermédiaire élevés. Mais évidemment ces accroissements considérables s'expliquent plutôt par le caractère très bas du point de départ des mesures réalisées.

En suivant le schéma habituel de la diffusion technologique, une hiérarchie très nette dans la

<i>(percent of level in high-income countries)</i>				<i>(index, percent increase in high-income countries = 100)</i>			
	Scientific innovation and invention	Penetration of older technologies	Penetration of recent technologies		Scientific innovation and invention	Penetration of older technologies	Penetration of recent technologies
High-income countries	100.0	100.0	100.0	High-income countries	100.0	100.0	100.0
Upper-middle-income countries	3.3	58.4	49.6	Upper-middle-income countries	191.6	220.8	162.3
Lower-middle-income countries	0.6	41.6	31.8	Lower-middle-income countries	157.1	251.8	145.8
Low-income countries	0.1	23.7	22.7	Low-income countries	63.7	480.4	411.3

Source: World Bank.

Tableau 4 Réalisations technologiques, en pourcentage du niveau de réalisation des pays à revenu élevé et en variation, 1990-2000.

situation des différents pays en termes de réalisations technologiques devrait apparaître, avec une domination des pays à revenu élevé dans le domaine de l'innovation scientifique et de l'innovation, s'atténuant lorsqu'on passe à la pénétration des anciennes et des nouvelles technologies.

Globalement les évolutions récentes confortent globalement ce schéma, mais il faut noter que les regroupements par niveau de revenu sont trompeurs: si on regarde la distribution des pays selon ces critères, on trouve en tête de chacune des classes de revenu des pays qui surpassent sur ces critères certains pays à revenu plus élevés: c'est le cas notamment dans le domaine des pénétration des anciennes comme des nouvelles technologies, où certains pays à revenu intermédiaires présentent des indicateurs supérieurs à ceux de pays à revenu élevés, et à l'intérieur de ce groupe des pays à revenu intermédiaire bas surpassent des pays à revenu intermédiaire haut. Le PIB par tête est de ce point de vue un indicateur très imparfait de la pénétration des technologies, les chevauchements observés provenant de l'influence des politiques et de la gouvernance sur cette dernière. Ainsi le groupe des pays à revenu intermédiaire réunit, entre autres, les pays d'Europe Orientale et d'Asie Centrale et d'Amérique Latine, dont les performances sont fortement divergentes du fait d'un investissement dans les infrastructures et dans l'éducation et la recherche beaucoup plus fort dans les premiers que dans les seconds.

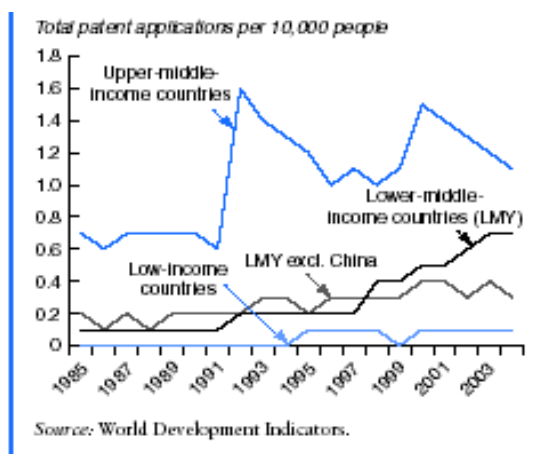


Figure 6 Dépôts de brevets, pour 10 000

Si on examine le détail des composants de l'indice, les innovations scientifiques et inventions sont massivement concentrées dans les pays industrialisés, mais on observe un fort accroissement de cet indicateur dans les pays à revenu intermédiaire, qui s'explique principalement par l'accroissement du nombre de brevets déposés, d'une part par les pays de l'ex-Union Soviétique dans les années 90, et d'autre part par la Chine (Figure 1).

Figure 1 Dépôts de Brevets pour 10000 habitants

En ce qui concerne la pénétration des anciennes technologies¹⁷⁵, celle-ci varie fortement entre pays, et est faiblement corrélée avec le PIB par tête à l'intérieur du groupe des pays en développement. Par contre les nouvelles technologies connaissent une diffusion accélérée dans ces pays. Ce résultat a plusieurs explications complémentaires. Tout d'abord certaines nouvelles technologies ont pu se substituer à des anciennes technologies, faiblement diffusées: c'est le cas de la téléphonie mobile, dont le taux de pénétration dépasse dans certains pays celui de la téléphonie fixe, et qui est source de gains d'efficacité dans le fonctionnement des marchés traditionnels de ces pays. Ensuite parmi les indicateurs de ces nouvelles technologies on trouve les exportations de produits de haute technologie, qui peuvent recouvrir des activités d'assemblage mettant en oeuvre de la main d'oeuvre non qualifiée, et qui sont assurés par les pays à bas revenu intermédiaire. Enfin même si une fracture numérique existe toujours entre les zones rurales et les zones urbaines, comme dans le cas de l'Inde, les pays en développement ont adopté des modèles d'utilisation de ces technologies qui permettent d'en pallier la faible diffusion: ainsi la diffusion des micro-ordinateurs reste encore très inégale et faible dans les pays en développement, confortant l'hypothèse de Caselli et Coleman (Caselli et Coleman, 2006) sur la complémentarité entre capital humain et diffusion des ordinateurs. Par contre l'utilisation d'Internet a connu une croissance beaucoup plus forte, avec en moyenne deux utilisateurs d'Internet par machine contre un dans les pays industrialisés, et même quatre utilisateurs dans le Moyen Orient, l'Afrique du Nord et l'Asie du Sud.

V. Conclusion

En guise de conclusion, il faut rappeler que les travaux menés récemment permettent d'établir que l'accélération du processus de diffusion des technologies semble durable, mais que ce processus nécessite encore et toujours une appropriation des techniques par les pays en développement.

¹⁷⁵ Ces techniques recouvrent l'électrification, les lignes fixes téléphoniques, les réseaux routier, ferré, et aérien, la mécanisation de l'agriculture et le recours à l'irrigation,

Cette appropriation se fait de manière naturelle pour les technologies anciennes et nouvelles déjà diffusées dans les pays industrialisés. Elle concerne aussi les inventions et innovations que les pays en développement les plus avancés tentent de développer. Ces pays doivent veiller à adopter les techniques les plus conformes à la qualification de leur main d'oeuvre, dont ils peuvent tirer des gains significatifs de productivité. Ils peuvent aussi utiliser les technologies de l'information et de la communication pour améliorer le fonctionnement de leurs secteurs traditionnels, comme l'attestent un certain nombre d'expériences récentes. Enfin leur stratégie de développement reste encore axée sur l'investissement, mais elle doit aussi viser à l'augmentation de la qualification de leur main d'oeuvre et à l'amélioration de leurs infrastructures. Ces deux dernières conditions sont garantes du succès de la diffusion des techniques, mais aussi du passage progressif à une stratégie axée sur l'innovation qui reste encore massivement l'apanage des pays les plus avancés. Ainsi les pays en développement doivent atteindre deux objectifs dont la conciliation est délicate: s'approprier les technologies leur permettant d'employer une main d'oeuvre nombreuse et non qualifiée, et accéder rapidement à l'économie de la connaissance au même titre que les pays industrialisés.

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FROM TRADITIONAL THEORY OF FIRM TO NEW MICROECONOMICS

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In the neoclassical model firm, identified with a perfectly rational entrepreneur, is reduced to the function of production and is mechanically adapted to its environment. Reconsidering some hypothesis of this model led to a contractual approach of firm, based upon concepts and results of game theory and information economics.

Contractual theories have as an objective to describe relations of exchange between agents, considering institutional and informational restrictions of their evolution background. The most known contractual theories are: transaction costs theory, which is based on the notion of transaction, positive theory of agency, which analyses divergences of interest between partners in the frame of collaboration and the cost of these conflicts, and theory of property rights which emphasizes the structure of property rights.

Keywords: neoclassical model, adverse selection, moral risk, contractual paradigm

The article's JEL code: D23

1. Firm in neoclassical model

A. Smith suggested since 1776 that following selfish interest of each individual should lead to establishing general interest. He argued that selfishness is not necessarily ill-fated, though the selfish individual is “led by an invisible hand toward an end which is not at all his intention. (...) Following his own interest, often he serves interest of society better than if he initially aimed for it”. (A. Smith, 1776).

An essential contribution of neoclassical economics theory is to exploit A. Smith intuition, in a formal frame, using mathematical instruments. This type of formalization has allowed defining hypothesis necessary for the exchange to be a more efficient resource allocation. Neoclassical microeconomics shows that individuals have the interest to participate to exchange and not to remain in a state of autarchy. It reaches the conclusion that only a particular organization of exchange allows maximum resource exploitation, which the society has. This organization is the perfect competition and constitutes, along with the principle of individual rationality, the reference frame of traditional microeconomics.

In neoclassical microeconomics firm is seen as and enterpriser: there is only one will distinguished, of the proprietor – entrepreneur, which will tend to maximize profit by putting forward a product for perfectly informed buyers.

This representation has many trumps and was for a long time pertinent. Small enterprises specific to industrial revolution and even big enterprises of 1930's, in which labour is standardized and hierarchal authority is distinguished, responded well enough to neoclassical model.

This model has the advantage to enable formalization. An essential contribution of neoclassic is to introduce, thanks to marginal calculus, the theoretical possibility of spotting optimal conditions. Through these, the neoclassical model is not only positive, but normative. The producer has to his disposal a powerful analysis instrument which allows him to find conditions of maximizing profit. A great number of management instruments resulted from this formalization: productivity, profitableness threshold, elasticity, outturn scale, experience curve etc.

More, neoclassic model is integrator and allows the passage from individual optimal and collective one.

Neoclassic economics theory has greatly influenced firm theory. To this matter we can bring two arguments. First of all, neoclassic economics theory and developed model on basis of its hypothesis constitutes pertinent points of reference for any development of enterprise concern. Second, more economics thinking schools were based upon this theory. To the purport we can exemplify through Classic School of Organization, represented by first authors who, at the beginning of XX century, developed the basis of organization science (F. W. Taylor, M. Weber, H. Fayol) and Neoclassic School of Organization, inspired by Classic School, though introducing new waves, especially psychosocial (A. P. Sloan, P. Drucker, O. Gelinier, T. Peters, R.H. Waterman etc.)

Neoclassic economic theory was often criticized. First was considered unrealistic, for rarely exists a forum in which all demands and offers to be centralized. In reality, economic agents meet individually, study if the exchange is advantageous and, which case, negotiate the exchange.

The neoclassic model was also criticized for raising the problem of market efficacy without considering the cost of its functioning. The cost of assuring correct information transmission, guaranteeing a good exchange proceeding and so on has two major implications. On one hand, as underlined by R. Coase (1937), economic agents can be interested of using other coordination mechanisms than the market. On the other hand, markets could not be considered perfect coordination instruments, for some desirable exchanges do not take place (when the utility increase is inferior to cost of change).

In spite of such critiques, the matter of a block rejection of neoclassic model is not to be considered. As long as only one of four key hypotheses is reconsidered, its explicatory and normative power remains important. When two or more of these hypotheses are rejected, the coherence and implicitly the operationally degree of neoclassic model have but to suffer from.

2. Contractual approach of firm

First hypothesis of neoclassic model which was reconsidered, without being totally removed, was that of product homogeneity. From the beginning of 1930, E. H. Chamberlin suggested and analysis of monopolist competition, underlining the advantage of differentiating products. Thanks to this, the producer (seen also as an individual) can maximize satisfaction by clientele fidelity and find such a possibility of acting above price and quantity: "each salesman has absolute monopole upon his product, though he is amenable to competition by products more or less substitutable." (E. Chamberlin, 1933).

The individuality hypothesis was also reanalyzed, first by financial approach. Since 1932, A. Berle and G. Means underlined separation of property by enterprise management. In spite of this precocious turn up of organization (governing, in present language) of enterprise, financial theory, which developed a great deal after 1970, remains neoclassic in essence: markets differentiating the portfolio by the aversion towards risk.

Neoclassic analysis is profoundly renewed by removing the hypothesis of perfect information, thanks to game theory. The actor, further an individual strategist and maximiser, decides his behaviour concerning a competition variable (price, enter or exist on or off market etc.) by the information had about future behaviour of others. He can adopt a cooperative or non-cooperative attitude, can fulfil commitments or can cheat. The game theory shows that, in some cases, optimal does not exist, which represents a crucial reconsideration of neoclassic model, because it can appear the case of not being normative.

Another component of neoclassic model which represented an issue is the principle of individuals' rationality. H. Simon (1955) suggests a new concept: that of limited or procedural rationality. This concept has two components. First, information can be imperfect: either has a high price, or is used in particular purposes, or it has an uncertain future that could not be

established probable. In this context, the relation between actors becomes more complicated, developing some cases more or less incorrect, which O. Williamson names in 1991 “unfair dealing”: adverse selection or contractual opportunism, after P. Milgrom and J. Roberts (1992) and moral risk or post-contractual opportunism, after same authors. An elementary prudence consists in trying to counteract such deviation of behaviour.

Second, H. Simon argues that the individual can choose a satisfying decision without looking for optimal one. The nuance, apparently secondary, is nevertheless essential. If the individual does not follow maximization, then marginal calculus becomes less adequate and the normative determination of decision becomes more and more difficult. The actor is not any longer considered an individual who determines through the behaviour calculus which brings the best profit, but is considered as opting for first acceptable solution.

On the basis of this new explicative frame, J. G. March and H. A. Simon (1958) and R. M. Cyert and J. H. March (1963) suggested a contractual and enterprise behaviour model as a productive organization. This appears as a coalition of actors which contributes at the well functioning of organization in exchange of a satisfying retribution. The contribution can be of capital, case in which the shareholder will maintain the investment as long as he will consider the profitability as satisfying. The analysis of R. Marris (1964), which does not explicitly refer to limited rationality, develops a convergent perspective: the shareholder will maintain investment as long as obtained remuneration exceeds the profitability threshold (under which he sells). Also, the contribution can be of competence (knowledge, know-how etc.). This perspective offers various recent developments: the contribution of stakeholders does not consist in competence per se, but in using it inside the firm. The analysis of contribution which can be brought by various participants at enterprise life can be extent to considering public power attitude, central or local, or economic partners, and clients, respectively.

Management art does not consist in combining on optimal manner the production factors, but to maintain coalition and its capacity of serving clients efficiently (which means better than competition). H. A. Simon and J. G. March insist in management role, and R. M. Cyert and J. G. March (1963) emphasize certain general organization practice (sequence and secret treatment of matters, preference for short deadline, preference for already experimented solution etc.).

This model considers the human functioning of productive organization which is the enterprise. The economists looked to integrate in a more general model, which takes into account the economic efficiency. This depicts what we could name contractual paradigm.

Even though a precise definition of domain covered by contractual theories is difficult, we can nevertheless state that their object is describing exchange relation between agents, considering institutional and informational restriction in which they evolve. Considering also the proportion of such task, the contract theory could not aim, at least in the present time, same degree of generality as general equilibrium theory, for example.

This model has as a basis the notion of contract, which can be explicit (when being the object of a signed document) or implicit, consisting a system of norms of behaviour. In first case, the contract is granted by a third party (e.g. a justice court), or simply by the agents' will of maintaining a good reputation, in the second case, it should perpetuate as a balance between interaction of parties.

We can distinguish more families of models in the frame of contract theory, sending to different economic preoccupation. The most known are: transaction cost theory, property right theory and positive theory of agency.

Transaction cost theory is based upon two hypotheses: limited rationality and individual opportunism. This theory identifies a connection between the nature of transaction (the degree of uncertainty of transaction, frequency of transaction and active specificity) and institutional arrangements which will be chosen by individuals: market hierarchy or hybrid form (cooperation between firms). Most efficient organization manners are those which minimize costs of

transaction owed to exchange, costs connected to negotiation, surveillance and contract control. There are three ways of coordination: complementary activities (corresponding to different phases of production process) and similar (which need same knowledge, experience and capacity) will be coordinated through firm, and strictly complementary activities, though un-similar will be coordinated ex-ante by cooperation agreements and ex-post by market transaction. *Property right theory* has an important part in understanding firm. It is based on the idea that any relation between the economic agents can be considered an exchange of property rights upon some goods. Adepts of this theory consider the existence of well determined property rights is an essential condition of individual initiative. Maximising each individual utility must develop a growth of collective efficacy, and the diverse ways of motivation are influenced by property rights structures (E. Furubotn, S. Pejovich, 1974).

Positive theory of agency represents an integrated theory of organizations, which aim to reuniting two different research trends: research base on market functioning and the one associated with psychology domain, sociology, organizational behaviour, anthropology, biology, having as an objective explaining human behaviour, as well as individually and socially.

If at the beginning the positive theory of agency seemed a financial theory, it rapidly extended to other domains, for proposing new accountancy analysis, management control, and human resources management, management of production or marketing. Positive theory of agency is at the origin of many new theoretical domains such as “corporatist governing”. Along with transaction cost theory, positive theory of agency became one of the main “grammars” used in management sciences.

3. Conclusions

For a long time the only economic representation of enterprise was provided by the neoclassic model.

Identified with a perfectly rational entrepreneur, the enterprise is reduced to a technical unity defined by a production function, which tries to efficiently transform the production factors in products and which adapt mechanically to its environment. Reconsidering the majority of hypotheses of this model led to appearance of a contractual approach of the enterprise, named also the new microeconomics.

The new microeconomics considers the perfect competence as an abstract reference, which could not have normative value, because the market operations are unavoidably the subject of transaction cost and imperfect coordination.

The analysis of agents' behaviour in different strategic environments and in the conditions of asymmetry and information imperfection allows understanding systematic sources of inefficacy of market transaction. Loss of resources can be classified in two categories. First results from the problem of coordination of individual decision took in an uncooperative environment (like the Paretian inefficacy of Nash equilibrium). Contrary to Adam Smith intuition, the game theory shows that selfish individual decisions are more often incompatible with collective interest. Second category of resources loss is due to information asymmetry, which raises problems of moral risk and antiselection.

In contractual theories the firm is considered a network of contracts, of policy and agreements between individuals who constitute it (employees, managers, clients, providers, investors etc.).

The results of contractual approach of firm made the object of numerous critiques. A most important critique consists in the fact that contractual theories suppose sophisticated maximising behaviours which lead to signing complex contracts which do not correspond to practice. Majority of results is obtained considering that individuals sign complete contracts which take into account all possibilities of achievement of random events. Except insurance domain, contracts met in real economic life are not as sophisticated as the theory suggests. They do not

solve ex ante all problems which may appear between parts and are neither perfectly incentive, nor optimal.

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THE COMPETITIVENESS OF DESTINATION ROMANIA

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The paper disseminates the results of National Research Project: STUDY REGARDING THE OPTIMIZATION OF THE NATIONAL TOURISTIC POTENTIAL DEVELOPMENT STRATEGY AND THE IMPROVEMENT OF ROMANIA'S IMAGE AS A TOURISTIC DESTINATION, PCE 375/2007 (CNCSIS), Research Manager - Assoc. Prof. Ph.D.Gruescu Ramona

The aim of our paper is to depict the state of affairs in the Romanian tourist industry as well as to point out the necessary steps and the effective strategies in order to capitalize on the huge tourist potential of our country. The biggest problems that the Romanian tourism is confronted with are: the lack of transparency in government decision-making, road infrastructure, positioning in government priorities, marketing efficiency, branding, quality services and poor access to improved drinking water. Thus, the tourism sector needs a restructuring, in order to articulate the valuable potential of the natural beauties with the tourists' needs and pretensions, in terms of comfort, relaxation, contentment with quality services, amusement. The studies on Romania's competitiveness show that if we managed to improve and sell better the image of our country, the tourism sector would become flourishing.

Key words: competitiveness, analysis, ranking, investments, strategies

JEL Classification: L83, L11

Romania before 1990 represented a very important destination for the European market, promoting mainly the seaside tourist offers, the SPA resorts, cultural programs and the monasteries from northern Moldavia and Bucovina. The Romanian tourist offer did not change over the time, becoming uncompetitive compared to the market of tourist offers of the other countries. Although the eight regions of the country, and especially those that fell behind with their development have a huge potential for tourism development, at this stage the contribution of tourism to the national economic growth is still reduced.

The engines of the Romanian tourist industry are in fact a few segments that work well: Agrotourism, SPA and mountain tourism, Circuit and event tourism. These regions have a high potential for tourism because of their natural cultural and historic background. The differences between regions regarding their development as well as the infrastructure of the country sometimes hindered the development of some very attractive areas but with a very low level of accessibility, and facilitated the development of other areas. A good example for this is the evolution of Prahova Valley compared to the Rucar - Bran corridor, as well as the superior part of the Buzau Valley.

Romania has a diversified tourist potential and distributed well, concentrated especially in the Carpathian Mountains (including the mountain resorts and SPA), Black Sea and areas with very old cultural traditions (Bucovina, Moldavia, Transylvania, Banat, Dobrogea). An important characteristic is given by the fact that undeveloped regions concentrate the most important tourist objectives and attractions. These areas can be revitalized by exploiting the value of their tourism natural and cultural potential. Two categories were identified for tourism potential: areas with complex and high value tourism potential (24% from the country's area), which include National

Parks and Biosphere Reservations, natural monuments, protected natural areas, SPA resources, museums and memorial homes, and areas with high potential for tourism (34% of the countries area), which includes at least one of the following categories: reservations and natures monuments of national interest, national treasures, cultural national treasures, SPA resources, museums and memorial homes.

Outside these areas, there are series of tourist attractions, natural and anthropic which offer opportunities for tourism development, even if they have a lower density. More than a third of Europe's mineral waters are in Romania. In any case, through the "Baile Herculane" resort, which has been attested since the Roman Empire (2nd Century AD), Romania can be considered in its right way the founder of SPA tourism. Around 160 SPA resorts - some of them well known in Europe, some known locally, represent as many possibilities to treat a series of affections (rheumatism, neurotic, etc). The infrastructure for tourism has known some major modifications after 1990, and the quality improved visibly, this aspect being highlighted by a study commissioned through a Phare17 program from which the Ministry of Development, of Public Works and Housing benefited. In 2007 the accommodation capacity showed that approximately 18% of Romania's accommodation capacity is found in sea side resorts (without Constanta), 29.7% is in Bucharest and county capitals (except Tulcea) 19.4% in SPA, 16.6% in mountain resorts, 0.96% in Danube's Delta (including Tulcea) and 15% in other tourist destinations.

The accommodation capacity on regions highlights significant differences between regions. The south-east region has the biggest capacity (47%) being followed by the Central Region (12.5%) and the North-West region (9.2%). It can be appreciated that in the following period the development of accommodation distribution capacity per regions will be balanced. Anyway it is expected that in the next period as well the sea side region of the Black Sea will develop along with the Danube Delta and the Carpathian and sub-Carpathian areas.

The structures for reception and especially the offer for fun activities are obsolete, uncompetitive, the tourist services are stereotypical and of low quality, and in price for quality wise is not non conclusive. That's why in the past 20 years a continuous drop in external demand for Romania's tourist offer. For this reasons it's necessary to modernize, relaunch and develop Romania's tourism and to create modern touring products that are competitive on the tourist market. It's important to develop the amusement offer of high grades, by creating theme and amusement parks, water parks, offers that are present in countries that have a long tradition in tourism around the globe. The most important tourism factors reflect inequalities at regional level, in number of tourists and the degree in which the accommodation capacity is used.

To identify the strong and weak points of the Romanian tourism, compared to other countries in the region the so called Analysis For Regional Competitiveness can be used, analysis which is based exclusively on the data offered by the World Travel and Trade Council (WTTC) included in the so called Monitor for Competitiveness elaborated in partnership with Christel de Hann Tourism and Travel Research Institute from Nottingham University-United Kingdom. This monitor for competitiveness is in fact an analytical framing which:

- Offers a recording of the political indicators and of the evolutions that had an impact on the tourism industry and travel.
- Compares national statistics, political and government engagements.
- Indicates the efficiency of national policies to attract direct foreign investments and the expenses of the tourists on a competitive market.
- Shows the importance of strategic planning and the need of the tourism and travel industry to be included in the politics and government decisions.

Another ranking worth mentioning is realized annually by the department of Aviation, Travel and Tourism of the World Economic Forum, organization which has it's headquarters in Geneva and that was founded in 1971. The criteria taken into consideration regard the regulations in this sector, the sustainability of the environment, safety and security, health and hygiene, the priority

of tourism in national programs, the infrastructure of motorway, railway and air transportation, the tourism and telecommunications infrastructure, the competitiveness of the prices, human capital and, the affinity for travel and tourism and natural and cultural resources. The competitiveness analysis in tourism is based on a series of 14 indicators that have values between 0 and 7 and that show the performance of every country compared to other countries. The 0 value represents the smallest value and 7 the highest.

In the analysis of competitiveness in tourism for Romania 8 countries close to Romania have been considered: Bulgaria, Croatia, Serbia and Montenegro, Hungary, Czech Republic, Slovakia, Poland and Ukraine. The global analysis makes reference to the comparison of the countries that are analyzed regarding the values of the 14 indicators. We offer this situation in the following table:

Table no. 1.

The competitiveness indicators for central European and South-eastern European countries

Indicator	Sector settlement indicator	Environment indicator	Safety and security indicator	Health and Hygiene indicator	Prioritarization of tourism indicator	Indicator for air transport	Highway and railway transport indicator
Bulgaria	4.0	4.4	4.6	6.6	4.3	2.4	3.4
Croatia	4.3	4.8	5.5	6.0	4.5	3.0	4.0
Serbia	4.4	3.3	4.9	5.5	3.3	2.5	3.1
Romania	4.6	4.7	4.9	3.8	3.6	2.6	3.4
Hungary	4.8	5.1	5.7	6.6	4.8	3.0	4.8
Czech Republic	4.8	5.1	5.5	6.8	4.8	3.4	5.1
Slovakia	5.0	5.1	5.7	6.5	3.3	2.4	4.6
Poland	4.3	4.6	4.6	5.0	4.2	2.6	4.0
Ukraine	3.7	4.2	4.5	6.4	3.8	2.4	3.2
Indicator	Tourist infrastructure indicator	Information and technology indicator	Human resources indicator	Price competitive indicator	Travel affinity indicator	Natural resources indicator	Cultural resources indicator
Bulgaria	5.4	3.4	5.0	4.6	5.7	3.2	4.0
Croatia	6.6	3.7	5.0	4.3	6.2	3.1	3.3
Serbia	3.9	2.8	5.1	4.4	4.4	2.3	2.7
Romania	4.4	3.2	5.0	4.1	4.4	2.7	3.1
Hungary	4.9	3.8	5.0	4.4	4.3	2.7	4.7
Czech Republic	5.0	4.2	5.4	4.1	4.8	2.9	5.0
Slovakia	4.9	3.5	5.4	4.4	4.7	4.0	2.7
Poland	3.6	3.6	5.2	4.4	4.1	3.7	4.7
Ukraine	3.5	3.1	4.9	3.9	4.8	2.4	1.9

Source: calculated by the author from the information found in The Travel & Tourism Competitiveness Report 2008, p11-17, World Economic Forum

If we make an average of the indicators presuming that all of them have the same importance we obtain a so called: "Global competitiveness indicator". According to this indicator Romania in the

field of competitiveness of tourism is clearly surpassed by the Czech Republic, with the highest score of 4.8, by Hungary and Croatia with a score of 4.6, and by Bulgaria (4.4), Slovakia (4.4) and Poland (4.2)., although our country retains an advantage over the neighboring countries Ukraine and Serbia. Romania is competitive compared to some of its rivals regarding prices, the environment, openness towards commerce and tourism, cultural and less for technology, human resources and infrastructure.

In conclusion, Romania's competitiveness compared to the other countries appears to be like this:

-Compared to Bulgaria is more competitive in legal regulations, environment (carbon dioxide emissions are lower than in Bulgaria, but population density is higher), and with safety and security for traveling (with values higher than Bulgaria).

-Compared to Serbia, the competitive analysis shows that Romania is more competitive in: Technology (Romania having a higher number of Internet users), Legal regulations, environment, travel safety, prioritizing of tourism, Transport and Infrastructure, and human and cultural resources.

-Compared to Hungary, Romania is no longer competitive regarding prices, in which it was more competitive until 2006 (regarding prices per room in hotels and level of taxation in tourism), remaining superior only in the affinity for travel.

-Compared to Slovakia, Romania is more competitive only in prioritizing of tourism, air travel and culture.

-Compared to the Czech Republic, Romania reaches the same level of competitiveness, in prices being surpassed in all the other areas.

-Compared to Poland, Romania is more competitive only when it comes to political regulations, the environment, safety and security, tourism infrastructure and culture.

-Compared to Ukraine, Romania is more competitive when it comes to prices (tariffs per room in 2007, the parity of the buying capacity, and the level of taxation in tourism), human resources (only regarding the involvement of the population in tourism), environment (carbon dioxide emissions are lower than in Ukraine, with a higher population density), Information and technology (Number of Internet users, mobile telephony, high tech exports), regulations, safety and security, and transport safety (air and land), Ukraine having higher scores than Romania regarding Health Hygiene and prioritizing of tourism.

Romania is ranked 69 out of 130 in the ranking for tourism competitiveness published by the World Economic Forum in 2008. The biggest problems of Romania's tourism are lack of transparency in government decision making, road quality, development sustainability, positioning in government priorities, marketing efficiency, branding and poor access to improved drinking water. In between the strong points we can find market presence of the big car lending companies, HIV infestation numbers, low number of countries that need an entry visa, low pollution levels with powders, and hospital bed numbers. In the first three spots of the ranking were Switzerland, Austria and Germany. Even with all this from the criteria that the study organizers took in to consideration, Romania ranked in the best place regarding "Business environment and infrastructure" - rank 66, and regarding "Human resources, culture and natural resources" was in the 73 position. And regarding the "Legal Regulations for Tourism" things were not better, Romania being positioned in the 72nd place. Regarding resources, the score is being pulled down by the Romanian's affinity for travel which placed us on the 101 spot. Not even the natural resources are much of a help being ranked only as low as 96, at the same time skilled labor for tourism was placing Romania in the 84 place.

A rank even better regarding business environment could have been obtained if Romania would have not been affected by the 109 place in which is placed in price competitiveness and in 88th place for air transport infrastructure.

Regarding ranking by points, Romania is in the best place for HIV infestation, having the lowest percent of the whole population, and the presence of big car rental companies. Also is in the 7th

place for the number of states that need an entry visa, and in the 8th place for fine dusts pollution. To obtain the rest of the results relevant for the other 130 countries included in the ranking public information are being used, data provided by experts and the results of an annual survey for the World Economic Forum.

The indicator for competitiveness in tourism and traveling is not an indicator for profitability of these fields. Each country has its own attractive areas, unique places which can attract millions of tourists. In which degree tourism can become the engine for economic growth depends on the Government policy. The World Forum Ranking confirms the conclusions of the experts, tourism in Romania has a big tourist potential that is still untapped. What the Government and the Private sector should do is to give priority to tourism and to develop the infrastructure and transportation, to create a business environment more favorable and better conditions to foreign investors.

Starting with the year 2000, approximately 95% of the influx of visitors has been interregional. From this 75% are represented by visitors from neighboring countries: Ukraine, Moldavia, Bulgaria, Hungary, Serbia and Montenegro. Analyzing the indicators provided by the accommodation capacities, we can see that a big number of these visitors either do not spend the night in Romania or they stay at friends or relatives places. In this case, it is difficult to appreciate the economic effect on tourism exports. From the EU-15 countries the biggest number of visitors comes from Germany, Italy, Austria and Great Britain.

Sadly though, starting with the year 2004 the number of arrivals in our country has dropped. This can be blamed on EU expansion by granting access to 12 new states, which attract foreign visitors through their policy of promoting the low-cost air companies.

Outside the European countries, Romania is visited by tourists from USA, which recorded a rise since 2000, with 110.000 arrivals in the year 2004, the American tourists discovering that Romania as a tourist destination is much more of a “Dracula” destination. Israel is another country of origin for visitors to Romania, although Israel's market stagnated in the past years.

China represents another source of visitors, and has a high potential which promises to send an ever higher number of tourists, especially because Romania received the “Approved destination state” (ADS) in June 2004. Although the number of arrivals from foreign countries is rising the earnings are much lower than those in the neighboring countries. This reflects in fact that once more Romania's visitors are more likely to transit or spend very low amounts of money during their stay in Romania.

The biggest part of foreign visitors to Romania arrives by road which states the importance of the neighboring countries in the incoming of tourists. Even so, air travel has recorded a dynamic stable and constant rise in the past years, at the same time with the rise in frequent air travel services, as well as the extension of charter flights to other cities in the country.

The only problem which could have some negative effects on the Romanian market refers to the national origin of transport providers, in the case in which the national companies would not be competitive. Using the train as means of access for foreign visitors recorded a fall in part because of the rise in air travel. The increase of arrivals in Danube's ports is the result of promoting on the tourist market, in junction with neighboring countries, of programs such as “Danube Cruises”. The accommodation sector is today 100% private, the majority of the 4000 hotels being ranked with one or two stars. In Bucharest there is still a lack of 4 & 5 star hotels, which has as a consequence a high rate of occupancy and high tariffs especially compared to Budapest or Prague. Holding into account the existing potential, but especially the joining of EU and the Euro zone, this sector will develop fast in the following years. The tendency of investment in hotels at this moment is to grow the number of 3 and 4 star hotels.

Although steps have been made to adopt the Q-Labels for hotels and classify them by stars, there is no real standardization of the accommodation facilities, not even when it comes to the segment that is targeting: Hotels, Motels, B&B, camping sites or resorts. The distribution of the

accommodation facilities across the country reflects the structure of the traditional classifier: The shoreline of the Black Sea for the summer holidays and the Carpathian Mountains for winter sports.

This position will leave its mark on the short term evolution of the tourist sector. At the same time we must underline the fact that Romania entered in 2007 on a new market in which will have to confront a fierce opposition, and at the current state of the utilities in the tourist industry it's hard to believe that it will benefit from the adhesion. Capital investment needs stimulation through improvement in the crediting system, to make it comparable to the systems in other countries in the European Union in order to promote low and medium investments in small and medium business. The idea that the efforts to train the workforce will create a migration of skilled labor to the neighboring countries where they would have a better working environment and better rates of pay is being formed. This would make the effort useless and unfortunately it is in much part true, but unfortunately this lack of skill is being reflected in the quality of the services.

The remedy would be that the companies and the state to adopt a joint program what would provide the qualification and the motivation of the workforce employed in tourism. Promoting the European identity of Romania can be realized through instruments provided at European level. The new Portal for European Tourism, which is being coordinated by the Commission for European Union, through which Europe is being presented as a single destination is sometimes very efficient in promoting all the images of the member states especially on the extra - European markets.

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SOME ASPECTS REGARDING THE POSITION OF ROMANIAN FEMALE INTO THE LABOUR MARKET

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The development of the market economy did not improve the conditions of life and work of women in Romania. The socialist system tried to build a new image of the woman as a mother and a worker. However, if many women go to the university, their professional integration is not easy. To choose between family and career is a reality in Romania. Few women have responsibility jobs in enterprises (managers) or in the political system (member of Parliament, mayor, etc.). Women Entrepreneurship tends to become worldwide a driving force both in terms of number and gross revenues, playing an increasing role in the process of wealth creation and innovation. The dynamic networking phenomenon is helping to strengthen female entrepreneurship's positive impact.

Keywords: female labor force , wages , entrepreneurs,gender gaps

JEL classification : J 01, J 7, J44.

In Romania, a country with low entrepreneurial culture, the small business sector had to be practically recreated after decades of centralized economy. It is beyond doubt that the small business sector is vitally important for Romania and can be the driving engine toward prosperity. The increasing number of SMEs, both men and female owned, reflects a favourable business environment in the country. The SMEs distribution by development regions is not homogenous and shows the highest concentration in the following regions: Bucharest- still having the highest weight, North-West and Centre. The concentration in the North –West area can be explained as a consequences of the permanent influence which the West countries had on it and on the other hand it was much more easier for investors to begin a business in this area.

Understanding and appreciating the social and economic impact of women entrepreneurs is a key to a more effective identification, preparation, and utilization of a most valued human resource sector of Romania which contributes to the vitality and well being of the economy. Women Entrepreneurship tends to become rapidly a force in the economic regional development.

Women's weight in the total population amounts to 51,2% and their presence in the total active population represents 47,6%. As a consequence, women represent a readily available pool of potential entrepreneurs that each Romanian region can leverage to improve its economy.

An inquiry of the Statistic National Institute outlines women presence in the small business sector: almost 38% of the total active SMEs were lead by women entrepreneurs in 2005. There are important regional differences as far as the weight of their enterprises in the total: higher in the North-West Region (42, 0%), West Region (38, 8%) and South-West Region (38, 6%). The South Region has the lowest weight (29%) of enterprises run by women. This situation is correlated not only with the overall distribution of SMEs but also with cultural features.

Men and women have in Romania, at least theoretically, equal opportunities to start their own businesses. In fact, entrepreneurship is viewed by many persons as more suitable for men than for females.

The conservative, traditional approach according to which women should stay at home, raise children and reinforce traditional family values on a day by day basis is still wide spread. Recent

findings revealed that such gender stereotype of women as main householder is still strong. Even though, the businesswomen phenomenon is rising continuously

A recent study revealed that, *in terms of personality*, businesswomen can fit, just like men, to a successful *profile* proving: high energy, courage, discipline, goal orientation, enthusiasm, innovation, persistence, passion, vision, client focus and wish to work hard.

The Romanian woman-entrepreneur is, in most of the cases, married with children, educated (high school or faculty), devoted to her business and able to overcome barriers but not interested in politics. However, in contrast to men, women tend to be more flexible, balanced and tolerant, more realistic. Romanian businesswomen are mainly motivated by the need of independence (81, 1%), comparing to men who tend to be driven by the desire to be in control, to make things happen. Other motivator factors are: professional achievement (62, 2%), higher income (45, 6%). Women's businesses tend to be smaller and less expensive to operate than those of men.

Even if, the largest share of women owned companies is in the service sector they tend to continuously expand into non-traditional industries. Anyway, Romanian women entrepreneurs are involved in a larger variety of economic sectors (other than retail, services) comparing to those of European Union or U.S.A., as a natural consequence of their active role played as employees in the former centralized economy. Factors in the start-up process of a business for male and female entrepreneurs are also different.

Women's decision to become self-employed is complex. Women are more likely than men to shoulder family-related obligations.

Romanian businesswomen do not feel discriminated comparing to men. They also face immediate competition and tend to bear the full cost of their businesses. The majority of women entrepreneurs provide all the required start-up capital themselves.

More and more business women consider joining a professional women's association to find a support network for their ideas and work. This trend indicates that Romanian businesswomen are beginning to understand the importance of membership in associations and how combining their efforts can have a great impact on local and central administration bodies.

Regarding the gender gap wage it is important to notice that even in the absence of any labor-market discrimination it is unlikely that the wage rates of women and men would be equal. Allowing for variation in the occupational distribution and the variations in wages resulting from differences in occupation, the result indicate that the size of the gender wage gap varies across sectors and the occupational wage gap is relatively higher between women and men. It should be given more support to all organization that support women's promotion in the Romanian male-dominated society.

European Commission declared 2007 "*European year of equal opportunities for all*". In Romania the institution in charge of implementing the principle of equal opportunity between men and women and the policies required by this issue is the National Agency for Equal Opportunities between Women and Men. The institution was founded in April 2005.

Within the EU, opportunity for equality between women and men was marked in 2006 by two major events: Commission adopted a framework for equality among 2006-2010 and the revision of an agreement for opportunity equality between women and men by European Committee.

In December 2006 was passed the Statute for founding up the European **Institute for Gender equality**. The main purpose of the institute was and is to bring important technical support for the development of policies aimed at creating opportunities for equality between women and men.

After Euro barometer of the European Commission¹ made in July 2006 it was reached the conclusion that discrimination is widespread in Europe. The most often forms of discrimination are: ethnicity (64%), disability (53%), sexual orientation (50%), age (46%), religion (44%) and sex (40%).

Relagarding the salary gender gaps recorded the following evolution during year 1991-2006 .

Tabel 1. Wages diferential between men and women

Years	Wage differential	Years	Wage differential
1991	28,4%	1999	10,6%
1992	29,3%	2000	16,4%
1993	27,8%	2001	10,9%
1994	26,8%	2002	10,2%
1995	24,2%	2003	10,9%
1996	24,6%	2004	8%
1997	24,1%	2005	7,5%
1998	12,1%	2006	9,9%

Source : INSSE, www.insse.ro

As it can be noticed from the tabel above , the highest percentage was recorded in 1992 , which can be explained as a consequences of am uncertain economic enviroment.

Women entrepreneurship is becoming an important development factor both at national and regional level.

Women's businesses low weight in the total number of SMEs compared to women's weight in the total active population reveals an important unexplored pull of potential entrepreneurs. Networks development is one of the most effective options that can raise women's involvement in new venture creation. Findings suggest that the networking process in Romania, even if at its beginning, is surprisingly dynamic and wide and counts 20 associations. Their regional distribution homogenous (except for Bucharest) is reflecting the efforts to enhance women's potential in each region.

Implementing specific programs along with achieving a higher visibility of the existing associations can raise women's awareness about entrepreneurship and provide them with role models and networking possibilities.

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Ronald Coase article from 1937, *The Nature of the Firm*, meant a new way of thinking and conceiving of the world, especially of economic organisations. Coase argued that the firm and the market represent two alternative ways to organise the same transactions and he aimed to explain what exactly foregrounds the choice between the two alternatives. Basically, Coase starts from the hypothesis that markets do not operate without costs; their operation supposes a cost of the use of price mechanism, identified as transaction cost. The latter, in its turn, explains the emergence of the firm as an alternative form to coordinate transactions because, by internalising activities in its hierarchical structures, it can eliminate, partially or totally, costs associated with transactions. Beginning with the 1970s–1980s, neoinstitutionalist economists took over Coase’s message, developed it and started to explain the emergence of firms and other business practices as reaction to the existence of these costs.

Keywords: transaction costs, bounded rationality, opportunism, asset specificity, governance.

JEL Classification: B52, D23, L22.

Introduction

Neoinstitutional Economics literature claims Ronald Coase as the groundbreaking initiator of what we call today transaction costs theory. Through *The Nature of the Firm*, his article from 1937, Coase aimed to develop a new theory of the firm, starting from the observation that most economists consider “the economic system as being co-ordinated by the price mechanism”¹⁷⁶. He raises the issue of the existence of firms as “islands of conscious power in this ocean of unconscious co-operation”¹⁷⁷. According to him, they emerge because “within a firm, the market transactions are eliminated and in place of the complicated market structure with exchange transactions is substituted the entrepreneur-co-ordinator, who directs production”¹⁷⁸. This cost refers to “discovering what the relevant prices are” as well as to “costs of negotiating and concluding a separate contract for each exchange transaction which takes place on a market”¹⁷⁹, which Coase includes in the category of *transaction costs*.

Thus, resorting to the market supposes a process of information-gathering and procedures to coordinate transactions that can be very costly and complex. Under such circumstances, the firm emerges as a viable alternative supplying, through its hierarchical structures, market structures in resource allocation.

Coase did not intend to change the profile of economic theory. His self-declared goal was to introduce transaction costs to explain how firms came about. That was all. He did not mean to over-emphasise the concept.

Dimensions of the concept

As we have shown above, the origin of transaction costs lies in Ronald Coase’s conceptual innovation, according to which market functioning implies certain specific costs called

176 R. Coase, “The Nature of the Firm”, *Economica*, Vol.4, Issue 16, 1937, p. 387, published online 19 February 2007, <http://www3.interscience.wiley.com/cgi-bin/fulltext/119896448/PDFSTART>.

177 Ibidem, p. 388.

178 Idem.

179 Ibidem, pp. 390-391.

transaction costs. In a broad understanding of the term, they are considered “the costs of running the economic system”¹⁸⁰.

However, in the specialty literature, there is no consensus over what transaction costs are. In general, specialised literature delimits them according to their components. Hence, a plethora of interpretations which share a common ground but have shades of meanings that differ from one author to another.

One of the existing classifications highlights two acceptations of transaction costs¹⁸¹. The **former** associates them with involvement in an exchange on the market, and it is indebted to Ronald Coase. The emphasis is on exchange activities and, especially, on gathering information about the exchange. This vision equates transaction costs and information-gathering costs. Yet, the two concepts are not identical. Information costs are only a component of transaction costs. Thrainn Eggertsson explains this aspect by the fact that “a lonely person on a desert island will encounter information costs as he goes about his «home production» but an isolated individual does not engage in exchange and therefore will have no transaction costs”¹⁸².

In the **latter** acceptance, transaction costs emerge “whenever any property right is established or requires protection”¹⁸³. In this vision, transaction costs correspond to contracting costs and they can be subdivided into *ex-ante* and *ex-post* costs, *vis à vis* contracts. The former category refers to activities associated with information and negotiation, whereas the latter results from monitoring and enforcing contracts.

Economic organisation seen as contracting problem is the theoretical contribution of Oliver Williamson. He acknowledged Ronald Coase’s merits and made the concept of transaction costs operational, while transforming Coase’s explanatory model into a genuine paradigm.

In Williamson’s analysis emphasis is laid on the concepts of *bounded rationality*, *opportunism*, *asset specificity*, *transaction frequency*, *uncertainty*. Briefly, human and environmental factors determine the existence of transaction costs, and their variation is accounted for by the characteristic features of each transaction. For Williamson, transaction cost is the main reference point when looking for the best contractual arrangement, be it firm, market or hybrid. Within such a judgement register, the rationality of economic organisation and of the existence of various contractual arrangements is none other but economizing on transaction costs.

How high are transaction costs?

Although there have been numerous attempts to quantify transaction costs, they remain a category that is hard to identify and, consequently, much harder to measure.

A first attempt to quantify transaction costs at macroeconomic level was made by John Wallis and Douglass North in 1986 in the article *Measuring the transaction sector in the American Economy, 1870–1970*. In this study, the two economists measure the dimension of what they call *transaction sector*, starting from the division of the whole economy in two parts: transformation (or production) and transaction. By measuring the total value of the resources used in the sector of transactions, they obtained the aggregated value of transaction costs in the economy. Wallis and North showed that the whole sector of transactions represented 25% in 1870 and over 45% from the USA GDP in 1970. The methodology proposed by the two American economists has

180 Kenneth Arrow, *The Organization of Economic Activity: Issues Pertinent to the Choice of Market versus Non Market Allocation*, 91st Congress, Washington, 1969, p.48 quoted in P.K.Rao, *The Economics of Transaction Costs*, Palgrave MacMillan, 2003, p. 7.

181 D.W. Allen, *Transaction Costs*, in *Encyclopedia of Laws and Economics*, section 0740, <http://encyclo.findlaw.com/0740book.pdf>, pp. 912–913.

182 Th. Eggertsson, *Economic behaviour and institutions*, Cambridge University Press, 1990, p. 15.

183 D.W. Allen, *Op. Cit.*, p.913.

inspired many other attempts to measure the transaction costs¹⁸⁴. For instance, from 1996 to 2002, transaction costs in Polish economy increased from 49.7% to 67.5% of the GDP¹⁸⁵. At microeconomic level, transaction costs are considered a waste in economy. Transaction costs represent “the difference between what a consumer pays and what a seller gets”¹⁸⁶, a difference which is always positive. This is why, it is these costs should be as low as possible. Hernando de Soto’s pioneering study has led to the identification of some transaction costs that Wallis and North had overlooked. They are expenses caused by waiting in line, obtaining authorisations to set up and develop a business, bribes, etc. He exemplifies with the following fact: 289 days were needed in the bureaucratic process to obtain the necessary authorisations from the State in order to set up a clothing company in Peru, in the first half of the 20th century. The same study conducted by de Soto in Tampa, Florida, showed that only two hours are necessary there to receive the same type of authorisation¹⁸⁷. We believe that the explanation lies in the quality of the institutions necessary for the enterpriser’s unhindered activity and, ultimately, in economic development. Efficient institutions are the ones that diminish uncertainty in inter-human relations or, in the terms of neoinstitutional analysis, they diminish transaction costs. This is the reason why cost transaction theory at microeconomic level can be understood only in the context of the general theory of institutions at macroeconomic level.

Determinant factors

Bounded rationality and opportunism

The theory of transaction costs in neoinstitutionalism is built on two essential behavioural hypotheses: *bounded rationality* and *opportunism*.

Bounded rationality is a cognitive hypothesis according to which “human agents behaviour is intendedly rational, but only limitedly so”¹⁸⁸. Neoinstitutionalists concerned with issues of transaction costs claim Herbert Simon as their mentor when they adopt the hypothesis of individuals’ bounded rationality by explaining it through cognitive limits and incomplete information. Both with respect to information collection and information processing, man’s cognitive capacities are limited. He is incapable to shape a complete and exact imagine of all possibilities of choice. Simon extended these principles to the level of decision mechanisms and he proposed the replacement of the model to maximise individual utility with the satisfaction model. In his conception, rational behaviour is *satisficing* but not maximizing. Man can have no claim to optimisation or maximisation; he can at the most *satisfy his expectations*. In Simon’s vision, this type of economic behaviour excludes the possibility for individuals to make calculations.

Already inspired and influenced by Herbert Simon’s ideas, what matters for Williamson and for the theoreticians of transaction costs, is behaviour in an exchange relation in which individuals pursue their own interest. In this case, the individual proves to have bounded rationality but not naiveté. Under the circumstances where *ex-ante* judgements become relative (being limited rationally, man cannot anticipate all that will happen in the future in a contractual relationship – the ontological perspective of bounded rationality), individuals however have at hand a solution to satisfy personal interests: they are “allowed” to behave opportunistically. Opportunism refers

184 For a more detailed presentation, see Ning Wang, *Measuring Transaction Costs: An Incomplete Survey*, Ronald Coase Institute Working Papers No. 2, February 2003, p. 4.

185 Sulejewicz, A, Graca, P., *Measuring the Transaction Sector in the Polish Economy, 1996-2002*, ISNIE, Barcelona, 22–25 September 2005, http://www.isnie.org/ISNIE05/Papers05/Sulejewicz_Graca.pdf.

186 Ning Wang, *Op. Cit.*, p.5.

187 Hernando de Soto, *The Other Path: the Invisible Revolution in the Third World*, Harper & Row, New York, 1989.

188 H. Simon, *Administrative Behaviour*, Macmillan, New York, 1957, p.xxiv quoted in O. Williamson, “The Theory of the Firm as Governance Structure: From Choice to Contract”, *Journal of Economic Perspectives*, Vol. 16, No. 3, 2002, p.174.

to the “self-interest seeking with guile”, to the “incomplete or distorted disclosure of information, especially to calculated efforts to mislead, distort, disguise, obfuscate or otherwise confuse”¹⁸⁹.

Bounded rationality, opportunism and imperfect information find their solution in the *incomplete contract*, whose clauses are permanently adapted, depending on circumstances, on the succession of events that can unfold between the moment when the contract was signed and the moment when it is executed. Contracts are incomplete but, as Williamson mentions, they are also cautious in the sense that they must constitute *credible engagements* that should take into account issues that can emerge after the contract was signed. Thus, contract partners become aware of the risks that can emerge during the period covered by a contract and seek the best way to organise the transaction, by considering human and informational variables. And the best variant or, to put it differently, the best contractual arrangement is not an ideal one but one chosen in such a way that it allows “to economize on bounded rationality while simultaneously safeguarding the transactions in question against the hazards of opportunism”¹⁹⁰.

However, choice is not made solely on the basis of human nature factors. The latter do not fully explain the existence of transaction costs and the necessity to adapt contractual arrangements depending on the context of the transaction. For instance, the bounded rationality of economic agents is a problem only in the context of the uncertain environment in which they act. Thus, other variables are associated to behavioural factors, which concern the transaction as such. The interaction between the two categories of factors is the one underlying the comparative approach to economic organisation.

Transactions and their characteristics

Transaction costs economics place *transaction* in the centre of economic production and exchange activities. The idea is taken over from one of the representatives of the old institutionalism, namely John Commons, who argued that “the ultimate unit of activity (...) must contain in itself the three principles of conflict, mutuality and order. This unit is a transaction”¹⁹¹. Given the opportunism of the parties involved in the exchange, transactions do not automatically presuppose the harmonisation of interests. Most often conflicting situations occur. Consequently, transactions require the existence of an institutional framework. Williamson finds the solution in *governance* (through *governance structures*) seen as “the means by which to infuse order thereby to mitigate conflict and to realize (...) mutual gain from voluntary exchange”¹⁹².

In the attempt to explain why there are transactions that are not carried out through the market but suppose other ways of organisation (such as the hierarchical organisation), the transaction costs theory brings as its main argument the fact that transactions cost. They cost not only because the individual behaves rationally in a limited and opportunistic way (as previously shown), but also because transactions possess certain characteristic features.

Oliver Williamson identifies three main dimensions to describe transactions¹⁹³: *frequency* with which they recur; degree and type of *uncertainty* that they are subjected to; *assets specificity*. Each of these variables influences the level of transaction costs, which explains the preference for one particular modality of organisation or another.

Frequency, as an attribute of transaction, starts from the idea that certain transactions repeat themselves regularly. In Williamson’s initial conception, the higher the frequency, the more numerous are the possibilities that the contracting parties adopt an opportunistic behaviour. Thus,

189 O. Williamson, *The Economic Institutions of Capitalism*, The Free Press, New York, 1985, p.47.

190 O. Williamson, *The Logic of Economic Organization*, in O. Williamson, S. Winter (eds.), *The Nature of the Firm: Origins, Evolution, and Development*, Oxford University Press, 1993, p.93.

191 J. Commons, “The Problems of Correlating Law, Economics and Ethics”, *Wisconsin Law Review*, 8:1, p. 4 quoted in O. Williamson “The New Institutional Economics: Taking Stock, Looking Ahead”, *Journal of Economic Literature*, Vol. XXXVIII, 2000, p. 599.

192 O. Williamson, “The Theory of the Firm...”, p.180.

193 *Ibidem*, p. 175.

the frequency of carrying out a transaction is supposed to be directly proportional with the level of transaction costs. Subsequently, he nuances his explanations by admitting that the repetition of similar transactions can lead to the emergence of reputation effects and favours the development of certain routines in the contractual relation that reduce the need for formal coordination mechanisms and influence counter proportionally the level of transaction costs.

Uncertainty refers to the “disturbances to which transactions are subject”¹⁹⁴. Given that economic agents have limited cognitive abilities and manifest opportunistic behaviour, they cannot anticipate all situations that will emerge in the future. Consequently, they will have to adapt *ex-post* to unforeseen events (by renegotiating contract terms, for instance), which amounts to an increase in costs.

If the transaction is uncertain, subject to frequent and ample perturbations that are hard to anticipate, contract parties cannot determine *ex-ante*, exhaustively, how the transaction must be organised. This aspect does not pose major problems if the parties involved are not dependent one on the other. If, on the contrary, the parties are in a relation of bilateral, mutual dependency, it is more complicated to govern the contractual relation, and it is very costly to give it up. This is where *asset specificity* becomes relevant.

The argument of *asset specificity*, developed by Williamson, constitutes the basic “ingredient” of transaction costs theory. It refers to the “problem that is created when a part of the participants in a transaction make an investment in the physical and human capital and this investment cannot be recovered if the transaction is interrupted”¹⁹⁵.

Specific investment is, thus, limited to the satisfaction of the needs of the parties involved. A certain bilateral dependence emerges: a *lock-in* situation determined by the costs that a potential break of the relation could cause. This option does not seem convenient to any party because in this case it would lose the economic value induced by specific investment. Yet, this does not mean that the parties will not seek to exploit their interdependence. Opportunistic behaviour forces them to adopt such an attitude. The party of bigger negotiation power will seek to speculate the situation via an *ex-post* opportunity cost determined as the value of the best alternative use of the respective investment. The partner whose negotiation power is smaller has to choose between supporting specificity cost and obtaining certain smaller benefits than those stipulated initially, or to interrupt the contractual relation without obtaining anything. Opportunistic behaviour leads to the emergence of *quasi-rents*. “As assets become more specific and more appropriable, *quasi-rents* are created (and therefore the possible gains from opportunistic behaviour increase), the costs of contracting will generally increase more than the costs of vertical integration. Hence, *ceteris paribus*, we are more likely to observe vertical integration”¹⁹⁶.

The solution that neoinstitutionalists find to the problem of asset specificity that generate opportunistic behaviour and high transaction costs is the organisation of activities inside the firm by adopting forms of vertical integration, with a view to save on transaction costs.

Conclusions

Transaction costs theory brings about a change of perspective in economy, and it has imposed itself as a reply to neoclassicism and its simplifying hypotheses. It has developed its own methodological apparatus, built on its own notions and categories, and integrating its own working hypotheses that offer a fertile ground to evince the meaning, the significance and the relevance of the analysed concepts.

194 Idem.

195 A. Iancu, Bazele teoriei politicii economice, Ed. IRLI & All Beck, București, 1998, p. 586.

196 B. Klein, R Crawford, A. Alchian, “Vertical Integration, Appropriable Rents and Competitive Contracting Process”, Journal of Law and Economics, vol. 21, no. 2, October 1978, p. 298.

All in all, we agree with Williamson's opinion which says that "its best days lie ahead". And one major concern for whoever invests his or her energy in the field of new institutional economics remains to identify transaction costs in various contexts and resource allocation systems.

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ADAPTING THE THEORY TO REALITY. THE TRIAD GLOBALIZATION- PROTECTIONISM-ECONOMIC PATRIOTISM

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A science is adjusting and developing in time – on this trajectory the evolution of economic science is situated.

The emergence of new concepts, as well as re-theorizing of some traditional concepts comes to support this viewpoint. In order to demonstrate these statements I have relied on two theories, antagonistic at a first sight (protectionist and global), by comparing the manner in which they approach these well known concepts (national interest, labor productivity, international trade, inequity, ideological debates, state's role).

The conclusion is that, in the framework of globalization, the protectionist vision is not entirely disproved but reformulated, adjusted according to the dynamics and diversification of international flows.

Key-words: protectionism, globalization, economic patriotism.

Paper JEL code: A1

“Reality cannot be constrained to fit in the theory’s bed of Procrustes, therefore adapting the theories to reality is a must”. (Ivanciu Nicolae)

This is the trajectory on which the evolution of economic science is situated.

In order to prove the truthfulness of this statement, I shall analyze the evolution and correlations which can be established between the four antagonistic concepts, at least at first sight: protectionism, globalization, economic patriotism and country risk.

Taking into account the fact that protectionism represents an instrument of stimulating the domestic industry as major productive and defensive force against foreign competition, and the economic globalization, an irreversible and dynamic phenomenon is seen in the light of the free movement of capital, the viability of the protectionist theory in the new context is put into question.

I chose the theory of Mihail Manoilescu as a reference mark for the protectionist theory, as it offers solutions which are still applicable today. Manoilescu proposed a “re-theorizing” of protectionism based on the new realities, as he considered the 20th century to be “an era of transformation”.

Therefore, the protectionism promoted by Mihail Manoilescu is not autarchic; it does not build an obstacle in the path of globalization.

He supports the deepening of the international labor division, as well as the extension of international economic relations; still, he focuses on the nation, on the domestic productive forces and on the role of the state in the process of encouraging and protecting the national economy.

Under these circumstances, in order to harmonize the theory and the reality (also an objective to which Mihail Manoilescu subscribed), the intensification and diversification of the international economic flows, as well as the adaptation of the role of the state in this context has imposed the reformulation of the protectionist viewpoint.

Table 1. THEORIEI VERSUS REALITIES

Concept	Mihail MANOILESCU's approach	Present approach	
		The global level	The nation states' level
- <i>national interest</i>	<ul style="list-style-type: none"> ▶ obtaining the independence (<i>economic autonomy</i>) in an interdependent world ▶ the focus is on the <i>national economy</i> 	<ul style="list-style-type: none"> ▶ <i>integrating in the international economic flows</i> (highly diversified) ▶ the focus has transferred on the <i>regional and global level</i> (U.S.A., E.U., ASIA) 	<p>Integrating in the international economic flows, but in a new perspective, based on the slogan “we shall not sell our country”, which influences the economic strategies of the nation states.</p> <p>The focus is on the economic patriotism of the global economic agents.</p>
- <i>international labor division</i>	<ul style="list-style-type: none"> ▶ an objective which ensures the improvement of the national economies' efficiency 	<ul style="list-style-type: none"> ▶ an objective accomplished and valid to this day 	<p>An irreversible process in the global economic circuit, whatever the political orientation, the economic system or the development stage of the nation states</p>
- <i>labor productivity</i>	<ul style="list-style-type: none"> ▶ it is considered that increasing labor productivity must represent the main objective of all the national economies, especially of the agriculture-based one. Attaining this goal, made possible through the industrialization of the agriculture, would ensure to the agrarian countries the conditions of efficient exportations and, implicitly, the premise to cover the necessary importations. ▶ the increase of the labor productivity must be achieved based on <i>internal resources</i> (national, domestic) 	<ul style="list-style-type: none"> ▶ the increase of labor productivity remains the main objective, both on the micro economic level and on the macroeconomic level, thus creating the premise to improve all the macroeconomic results. However, the importance of <i>international capital</i> is acknowledged, as a major factor in bringing the less developed countries to an efficient state. 	<p>The contribution of external capital to the dynamics of this indicator cannot be denied. However, it is considered that the internal resources must represent the “strong pillar” (the “engine”) of the national economies.</p>

<p><i>- international trade</i></p>	<p>► is perceived as the main form of globalization: the exportation ensures the foreign currency necessary to cover the importations.</p>	<p>► The international flows have grown and diversified: the international trade remains highly extended; still it is the direct foreign investments that become the most complex form of globalization, with positive effects to the economic growth of the receptive economies.</p>	<p>The participation to the international economic flows is beyond doubt but it mainly aims at the capital outlet; for inlets, tariff or non-tariff barriers were established in order to protect the domestic economic agents, especially in strategic fields (see the example of the U.S.A. France and Romania).</p>
<p><i>- inequity (polarization)</i></p>	<p>► The inequity of the exchanges between the industrialized and the agrarian countries. The industrialized countries were favored because they would export processed economic goods at high prices, while receiving in exchange raw products at small prices. It was considered that the production obtained by an employee in an industrialized country was the equivalent of the production of 10-20 workers in an agrarian country.</p>	<p>► The inequity of the international economic flows which mostly occur between the developed countries (see the Triad), the poor and developing countries being marginalized.</p>	<p>The discrimination generated by the strategy based on the “economic patriotism”, through the obstacles built in the path of free competition. The developed countries have a preferential position thus they are engaged in a double game: they are open to the economic globalization, mainly in the direction of the capital outlet and less open concerning the inlets. On the contrary, the poor and developing countries cannot afford this practice as their economic growth also depends on the foreign capital inlets.</p>
<p><i>- ideological debate</i></p>	<p>► the conflict between the protectionist theory and the theory of the free exchange</p>	<p>► the conflict between the pro-globalization and the anti-globalization parties</p>	<p>The conflict between free competition and economic patriotism.</p>

<p><i>- the state's role in protecting the national economic agents</i></p>	<ul style="list-style-type: none"> ▶ it supports the market economy, but considers the state must become a permanent presence in its mechanism, not only an interventionist force in case of dysfunctions ▶ the protection of the economic agents against external competition is the state's responsibility 	<ul style="list-style-type: none"> ▶ the market economy is dominant again, the state's role is reformulated (the globalization has diminished, but not annulled the operation margins of governmental policies) ▶ the protection of the economic agents against global competition is their own responsibility, in function of their access to information and their capacity to adapt. As a consequence, the country risk indicator has been established to offer the information necessary to adapt the globalization strategy to the specific of the recipient economies. 	<p>There is a general tendency to adopt a protectionist attitude (U.S.A., France, and Spain). On the European Union's level, the European Commission is trying to limit these practices. Thus, the protectionism, although blamed in the international business environment has become a fashionable attitude of the national governments, especially in the developed countries which tend to protect their domestic companies from external takeovers and from the powerful competition abroad. France is the best example in this respect. Spain was also accused of protectionism by the European Commission concerning the public utilities. The first matriculation tax introduced in Romania starting from January, 1st, 2007, can be included in the same category. Taking into account that progress is associated to competition, the slogan "We shall not sell our country (well-known to the Romanian people) will have negative effects not only from an economic viewpoint, but also from the angle of the relations between the nation states.</p>
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In conclusion, in the context of open economies, the protectionist theory is not totally denied, but its objectives and applicability field must be adjusted to the new conditions.

As a result, in order to be harmonized with the real life, the traditional concepts have adapted, also leaving space for new concepts to emerge, expressing the present social and economic situation of the recipient economies, both on the quality and on the quantity level.

A good example in this respect is represented by the “economic patriotism” of the global economic agents, a notion that also derives from the protectionist practice.

Taking into account the theoretical and practical evolution of these well-known and highly-disputed concepts (protectionism, globalization, economic patriotism and country risk), once again we have proved the validity of the principle stating that an economic science adapts and develops in time.

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THE ADVANTAGES AND THE LIMITS OF COUNTRY RISK

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The risk represents a permanence of human activity in general.

In the economic activity, the prognosis factors and the degree of risk allow the adaptation of action strategy in a timely manner so that business profitability is not affected.

Regarding the risks for the international business, the country risk is one that reflects the overall situation and the cumulative effects of other risks associated. Although the utility of country risk seen as a prospective indicator regarding the chances toward a successful international business have been proven in practice, there are also constraints, shortcomings regarding its use.

Key words: country risk, international affaires, facilities, constraints.

Paper JEL code: F0

It is widely accepted the idea that risk is a permanent human activity in general.

Regarding the economic activity, the experts considered that, for success in business, a significant role is represented by the ability to adapt to the environment so much easier to achieve when the risks to which the business can be exposed are known. The prognosis of the factors and of the risk degree allows the modification of action strategy in a timely manner so that business profitability is not affected.

In this context, given the trajectory that has entered irreversibly in the economic environment and the fact that the results of the economic activity have a direct impact on the social and political environment, the analysts, and also the directly involved subjects in the international economic flows, confer a great importance to the concept of country risk.

Country risk is the one that gives in a general manner the international business risks, reflecting the overall situation and the cumulative effects of other associated risks. This is why it is considered to be a diagnosis of the socio-economic potential of the country that receives international economic flows.

The usefulness of country risk as a "label", as a prospective indicator of the chances of a successful international business has proven in practice, that however, it presents drawbacks.

Both issues could be summarized as follows:

- **informing the economical agents**, interested in the internalization of their activity, regarding the opportunities available, but mostly regarding the assumed risks, in real terms.

Thus their **flexibility** will **increase**, considering that they can develop strategies pre and post internationalization, for situations where the risk materializes, so that they can adapt in a timely manner and they are able defend their interests. Thus it becomes a **shield against** the vicious effects of globalization.

Of course, all of these have as a result the **increase of the effectiveness of the international economic activities**.

However a set of indicators on which a **complete and accurate** commensuration can be made regarding the country risk **does not exist**. For example, when quantifying, a series of indicators could be overlooked by analysis, and later proven to be essential.

Suggestive in this case is that geopolitical risk assessment, although it was used previously, to which a great importance has been assigned after the terrorist attempt on 11 September 2001, in the United States.

- provides a broader investment universe and ensures the selectivity.

Unitary criteria used by rating agencies in awarding the grades allow the investors to draw up a "risk map".

Based on grouped classes of risk the potential investors can make comparisons between the countries and between different default internationalization opportunities that have arisen.

But the **evaluation companies use the same assessment shares for the country risk components, without customizing them, according to the specificity of each country.**

For example, in countries in transition a greater importance should be given to the institutional and legal risk.

Or, because emerging markets have a political and economical risk greater than mature markets, the analysis should focus on these types of risks.

- **The introduction of "thresholds" of risk**

Country risk is a useful criterion for the foreign affairs when establishing the optimal level of the investment, for the credit or for purchase of financial products, but the main disadvantage is represented by the relativity of the score assigned to quantitative factors and particularly to the political environment.

This is because future developments are expected and the anticipation accuracy depends on access to information sources, relevance of data used and the level of training of those involved.

- **Rating is used in setting prices for external loans and for speculative spreads titles.**¹⁹⁷

Because it **acts as a ceiling on the corporate rating**, indirectly it influences the ability of financing by external loans and implicitly, their profitability.

Thus, access to international financial markets is granted only to good rated entities (national governments or firms), whereas for others, the cost of indebtedness is very high¹⁹⁸.

Although metaphorical, highly suggestive seems in this sense the words "bankers give you the umbrella when the sun comes out and they take it back when it rains"¹⁹⁹.

Therefore, the rating is for the entities a real "passport" in obtaining loans.

- When the rating is favorable, due to the credibility of this indicator, the confidence of investors and creditors is maintained, even in the periods when on the receiving market failures occur.

But rankings are relative because they may indirectly reflect the interests of the evaluating institution or the position on the international scene of the country from which it originates.

For example, given that Africa receives aid from the government of France, a French assessor can interpret the risk of African countries as being less than a neutral evaluator would appreciate.

Moreover, government intervention, some indicators may seem better than they actually are.

Thus, imposing severe restrictions on imports and controlling the exchange rate may improve, but only on a short-term basis the trade balance situation. Facilitates the reduction of the costs by direct monitoring, and specialized agencies record high costs for evaluation. As a synthetic indicator, provides in a single symbol, generally recognized by the international business environment, information regarding the quality of governance and allows in-depth knowledge of the analyzed country.

197 Spreads are risk premium, that is to say they are amounts given to the investors additional speculative securities in order to compensate the potential assumed losses.

198 In this respect, a relevant example is the correlation between the interest rate paid by Romania in 2000 on capital markets and risk rankings by country. See Chapter IV, subheading 4.4.2.

199 Ionut Balan "risk country risk", Financial Week newspaper, no.28, 12.september 2005.

But because it is evaluated on the basis of some macroeconomic indicators, the situation analysis in the host country must be completed with aspects from the sectorial level, (the study of the market which covers the internationalization) and major risk assessment.

In short, we can say that is a "barometer" in terms of stability (safety) of business environment within the receiving country.

Although it shows some shortcomings, the usefulness of knowing the rankings of country risk cannot be disputable, evaluating agencies could be considered "a crucial global order nervous system"²⁰⁰.

In the globalization era, the rating has become a necessity. Everywhere in the world rating agencies appear and reveal new possibilities for use and cover the gaps in the market.

For example, in China, the first rating agency was set up in 1988, and currently there are over 50 companies.

An additional proof regarding the importance increase of risk ratings by country is given also by the large number of news appearing in the press on this subject, thousands of Internet pages devoted to rating and rating agencies. To summarize and reinforce the above information, I consider that the following statement illustrates in a very suggestively the role of rating agencies in the open economies context. "I can treat myself reading the works of medicine, but better go to the doctor."

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STRATÉGIES DE DÉVELOPPEMENT RÉALISTES – LA BASE DU FUTUR DÉVELOPPEMENT

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La création d'une stratégie de développement durable est considérée comme essentielle dans chaque pays du monde mais encore davantage en Roumanie puisqu'elle représente un facteur de soutien de la continuité, de la cohérence et de l'efficacité des processus économiques. La permanente prise de conscience de tous les participants à la vie économique et sociale de la Roumanie à l'égard de l'importance et de l'efficacité de la mise en œuvre et le suivi de l'obtention des résultats visés par la mise en pratique des stratégies de développement durable est prioritaire si l'on vise la réalisation des objectifs de développement.

Mots clé: stratégie, développement durable, croissance économique

Cod JEL: O10, O11

La Roumanie a évolué ces dernières années d'une économie planifiée et centralisée à une économie de marché, concurrentielle. Au moment du passage d'un système économique à l'autre, le choix du type de l'économie de marché a été marqué, entre autres, par la situation géopolitique de notre pays, et l'option a été évidemment l'économie de marché de type européen, puisque la Roumanie entretenait des relations traditionnelles avec les autres pays européens, qu'elle partage plusieurs éléments communs avec ces pays qu'avec des pays situés sur d'autres continents, sans oublier l'intention de notre pays de rejoindre l'Union européenne.

Certains spécialistes affirment que notre pays est soumis aux pressions plus grandes à cause de multiples transformations qu'il est obligé de faire au début du siècle et du millénaire²⁰¹.

En vue d'aborder les interdépendances macroéconomiques, on peut souligner et apprécier *les processus de croissance économique et de développement durable* au sein même de ces interdépendances. La clarification et l'appréciation de ces deux processus (croissance économique et développement durable) sont réalisées dans l'esprit de la théorie actuelle standard, théorie présentée comme une synthèse hétérodoxe des points de vue formulés par les grands spécialistes et adoptés par la plupart des gouvernants. En d'autres termes, on estime les problèmes en question sans excès idéologiques et politiques, bien que ces aspects exercent encore une importante influence sur la conception et la promotion des actions sociales et économiques.

Dans ce contexte, et aussi sur la base de la théorie standard, on est arrivés à la conclusion que le modèle actuel de croissance économique traverse une crise profonde qui se manifeste, paradoxalement, dans les pays du monde les plus avancés économiquement, en premier lieu.

Les spécialistes considèrent que les causes de la *crise naturellement humaine du développement et de la croissance* des derniers siècles « ne doivent pas être cherchées parmi les pauvres du monde, mais dans les pays qui établissent les standards mondiaux de l'extravagance prodigieuse... un système économique ne reste viable qu'autant que la société a des mécanismes pour contrecarrer les abus et la corrosion du capital naturel, social et humain... Le marché ne peut fonctionner de manière efficace en faveur du citoyen que s'il se trouve sous le contrôle des gouvernements démocratiques, puissants »²⁰².

201 Voir Dinu, Marin, Globalizarea si aproximarile ei, Ed. Economica, București, 2004.

202 Kortzen, David, Corporatiile conduc lumea, Ed. Antet, București, 1997, p.17 et 107.

En même temps, un tel nouveau trajet dans les rapports de l'homme avec la nature est devenu absolument nécessaire et urgent. Nous apprécions que c'est le développement intensif de l'économie mondiale, des économies des pays, la seule voie qui puisse répondre aux exigences montrées et assurer aussi bien l'augmentation des ressources nécessaires au standard élevé de vie des actuelles générations, que la conservation de la nature en bon état de santé pour les générations à venir.

L'humanité a enfin compris ces impératifs de l'époque actuelle et a commencé à concevoir des stratégies et des politiques de passage à un développement durable en perspective. De telles stratégies ont été adoptées aussi bien au niveau global, qu'aux niveaux national et régional. Malheureusement, les stratégies conçues n'ont pas bénéficié de soutien sur le plan de l'action à la mesure e l'urgence des problèmes.

Le recouvrement des décalages qui séparent la Roumanie des Etats développés de l'Union européenne peut trouver sa source dans la nouvelle vision sur le développement, présentée autour du monde, à savoir celle du développement durable. Les différences évidentes entre l'économie de la Roumanie et d'autres économies développés sont présentées dans le tableau suivant, qui met en relief le rapport du produit interne brut par habitant au pouvoir standard d'achat.

PIB par habitant en SPA

	2004	2005	2006	2007	2008
<i>UE (27)</i>	100	100	100	100	100
<i>Roumanie</i>	34,1	35	38,3	42,1*	44,8*
<i>Angleterre</i>	123,5	121,8	120,3	118,9	117,4*
<i>Allemane</i>	116,4	116,9	115,7	114,7	115,8*
<i>Japon</i>	113	112,9	112,5	112,1	110,4*
<i>Etats-Unis</i>	155	156,3	155,4	152,7	151,4*

Source: <http://epp.eurostat.ec.europa.eu> 2009 (* prévisions)

La Stratégie Nationale pour Développement Durable en Roumanie présente les objectifs essentiels à court, moyen et long terme. Ceux-ci visent divers horizons, tels :

- *Horizon 2013* : l'incorporation organique des principes et des pratiques du développement durable dans l'ensemble des programmes et des politiques publiques de la Roumanie en sa qualité d'Etat membre de l'Union européenne.

- *Horizon 2020* : l'arrivée au niveau moyen actuel des pays de l'Union européenne aux principaux indicateurs du développement durable.

- *Horizon 2030* : l'approchement significatif de la Roumanie nu niveau moyen à cette année des pays membres de l'Union européenne au point de vue des indicateurs du développement durable.

Ces objectifs stratégiques visent l'obtention d'une croissance économique soutenue, ainsi que la réduction des décalages soit atteinte dans un laps de temps aussi réduit que possible. La stratégie adoptée offre la possibilité que le produit interne brut par habitant rapporté au pouvoir standard d'achat soit supérieur à la moitié de la moyenne obtenue par l'Union européenne en 2013, qu'il

atteigne 80% de la moyenne de l'année 2020 et qu'il dépasse, en 2030, le niveau moyen atteint par les pays de l'Union.

Le problème n'est pas engendré par l'essence ou le contenu de la croissance économique, mais par les moyens utilisés à ce but, sans parler des effets secondaires à long terme qui à l'avenir puissent changer les données de la réalité telle que nous la concevons aujourd'hui et qui agiraient directement sur le développement.

Le présent démontre que le principe fondamental qui soutient le développement durable : « assurer l'égalité des chances aux générations à venir », reste le plus souvent au statut de la théorie, en pratique son observation étant négligée. Il est néanmoins vrai que ce principe est débattu, largement utilisé dans divers ouvrages en la matière, mais on l'oublie lors du déroulement des actions économiques. Le profit, le gain, les bénéfices, l'efficacité, voilà les éléments selon lesquels la société est orientée et qu'elle cible, bien qu'elle ne les reconnaisse pas toujours. La réalité économique nous a démontré, et même montré, que derrière n'importe quelle action il y a un intérêt économique.

Certains spécialistes (*Herman Daly et Marilyn Waring*) ont introduit la notion de croissance non économique. Abordée soit dans le contexte de l'économie de la prospérité, soit dans celui de la théorie du développement humain, la croissance non économique exprime le recul sur le plan du niveau de vie de la grande majorité de la population, par l'invasion de la croissance dans l'écosystème où elle se manifeste²⁰³.

L'intérêt économique engendre une modification de forces, en améliorant beaucoup le niveau de vie pour un nombre relativement réduit de personnes et en mettant l'accent sur la pauvreté et la misère pour les grandes masses de la population. Les conséquences de l'allocation irrationnelle des ressources actuelles, pour la satisfaction des besoins d'un nombre restreint de personnes seront observables dans l'avenir et elles sont visibles même aujourd'hui dans la plupart des pays. Ainsi, le syntagme « l'égalité des chances des générations à venir » n'aboutira plus à sa fin.

Si l'on compare le revenu obtenu par un cinquième de la population des pays les plus riches avec celui d'un cinquième de la population des pays les plus pauvres on constate une énorme différence. Ainsi, si en 1960 le rapport était 30 pour 1, en 1995 ce rapport s'est accru à 74 pour 1. En complément de toutes ces informations, une étude de l'Organisation des Nations Unies a précisé que moins d'une moitié du capital dépensé par les Etats-Unis pour la guerre en Iraq (montant estimé à plus de 87 milliards de dollars) suffisait pour assurer de l'eau potable, une alimentation adéquate, des services sanitaires et une éducation élémentaire pour chaque habitant de la planète. On prévoit que ce montant serait dépensé en plus par rapport aux sommes allouées à présent à ces destinations²⁰⁴.

Le creusement des différences entre les gens engendré par la croissance économique influe avec le temps sur la confiance de la population en théories qui prônent et bénissent la croissance économique à tout prix et les déterminent à changer de conduite dans l'essai de tirer profit des avantages de la croissance économique. Ce n'est pas uniquement dans les pays en développement ou dans ceux du tiers monde que l'on rencontre la situation présentée, comme on serait tenté de croire, mais elle existe tout aussi bien dans les pays développés qui se recommandent comme modèles de succès. Aux Etats-Unis, 12 millions de familles vivent au jour le jour. Ainsi, ce cercle vicieux (pauvreté – manque de confiance) s'agrandit et atteint une grande partie de la population puisque chacun cherche à réaliser les actions qui lui permettent la satisfaction d'un nombre de besoins aussi élevé que possible.

Les déséquilibres existants à présent entre l'environnement naturel et celui créé par l'homme s'accroissent de plus en plus et ils sont évidents tout autour de la planète, ils réduisent les chances d'avoir une vie normale pour les générations à venir. Pour changer le présent, la solution est le

203 Trifu, Alexandru, *Globalizare si dezvoltare*, Ed. Performantica, Iasi, 2006, p. 61-63.

204 Perkins, John, *Confesiunile unui asasin economic*, Ed. Litera International, Bucuresti, 2007, p. 17.

passage de la manière actuelle de production et de consommation à une manière fondée sur la croissance durable, une économie humaine et la réconciliation de l'homme avec la nature.

Au moment où l'on prend en considération le développement durable, la croissance économique est considérée le moyen par lequel on atteint les objectifs proposés et l'homme ne représente qu'un instrument par lequel sont réalisées les valeurs atteintes par les indicateurs macroéconomiques de résultats. Le détachement de l'homme des stratégies qui concernent le développement ne conduit qu'au creusement des déséquilibres déjà existants.

Les divers états du développement impliquent des conduites différentes²⁰⁵ selon l'étape où se trouvent les Etats, ainsi :

- Le poids de la consommation des ressources matérielles croît dans les pays qui passent à l'industrialisation.

- Une consommation modérée de ressources matérielles dans les pays qui passent à l'état tertiaire à cause de la croissance du poids des services.

Premièrement, le but d'une telle stratégie est de réussir à trouver des solutions et de répondre rapidement et de façon efficace aux différentes modifications qui apparaissent dans le milieu économique, engendrées soit par des facteurs internes, soit par des facteurs et conjonctures externes. La stratégie est un instrument qui transpose les choix en actions concrètes par des moyens réalistes, efficaces et durables.

Toute stratégie de développement durable doit accorder attention non seulement aux résultats purement économiques, mais aussi elle doit accentuer l'intérêt pour les indicateurs sociaux et ceux correspondant aux actions sur l'environnement. La période contemporaine suppose accorder une attention à part à l'homme, le mettant au centre de toutes les activités, tant lui en tant que personne, que ses actions entreprises en vue de satisfaire ses besoins en permanente croissance, dans les conditions des ressources limitées. L'homme et la nature sont ainsi des éléments essentiels de n'importe quelle politique ou stratégie de développement durable.

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205 Iancu, Aurel, Dezvoltarea intensiva si specializarea natiunilor, Ed. Economica, București, 2003, p. 54.

THE ECONOMIC AND SOCIAL DEVELOPMENT OF REGIONS OF ROMANIA IN THE CONTEXT OF THE OBJECTIVES OF THE LISBON STRATEGY

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Building a great infrastructure with strong policies and institutions for private sector development and social cohesion and inclusion means that waste large amounts of resources without achieving a sustainable economic growth and prosperity in the region. Improving infrastructure will be important to support economic growth and regional integration. The existence of infrastructure, transport, energy, telecommunications and water, is the key to growth.

Key words: economic development, social development, employment, integration.

The Objectives of the Lisbon Strategy

The objective of Lisbon on GDP is to maintain a GDP growth average of about 3%.

The objectives of the Lisbon strategy for employment, as specified in the European Employment Strategy, covering the three objectives of global full employment, improving quality and labour productivity and strengthening social cohesion. Projected targets by 2010 are as follows:

- An overall employment rate of 70% in 2010 (67% in 2005).
- An employment rate among women by 60% in 2010 (57% in 2005).
- An employment rate for older people (aged between 55 and 64 years) in 2010 to 50%.
- An increase by 2010 to 5 years the average age at which people leave the labour market (retirement effective medium to ensure the average of 65 years in the EU until 2010).
- The availability of childcare by 2010 for 90% of children aged 3 years and the age for compulsory school and 33% of children aged less than 3 years (target set by the European Council in Barcelona in 2002).

The educational objectives of the Lisbon 2010 (set in Barcelona in March 2002) are as follows:

- To reduce the number of those who leave school before the term by 50% (between 2000 and 2010).
- At least 85% of those aged 22 years and 80% of those aged 25 and 64 years of European Union studies have complete upper secondary education.
- Level of participation in continuing education in the European Union must be at least 12.5% of employed adults (25-64 age groups).
- Reducing the average rate of EU school abandons below 10%.
- An increase MSTE graduates (engineering and technology) at least 15% by 2010.

European Strategy for Employment in view:

- Public investment should focus on ensuring adequate access to those most in need, particularly people with low skills, disadvantaged groups and individuals engaged in small companies.
- Increase funding for mathematics, science, technology and engineering (MSTE) studies, increasing the number of graduates and reduce the imbalance between the sexes in these areas.
- Halving the proportion of those aged 15 years who have reduced capacity in the areas of reading, mathematics and scientific literature, to improve the basic skills of the workforce

The targets and goals of the Lisbon Strategy for Research and Development and Information Society are:

- Total expenditure for Research & Development to reach 3% of GDP by 2010 (1% supported by government spending and spending 2% of firms supported).
- Costs of undertaking the research and development to reach 67% of total expenditure by 2010.
- Connecting to the Internet houses to reach 30%.
- Governments to provide services 100% online 2010.

Unique System Management Information

An essential role in achieving these targets has *Unique System Management Information*.

The Unified Management Information (SMIS) is a national information system that supports internet all institutions in Romania that implement National Strategic Reference Framework (NSRF) and Operational Programs (OPs). The system addresses requirements that are found at all levels of management (Managing Authority, Intermediate Bodies, Certification Authority, etc.) and all phases of a cycle (programming, requests for proposals, contracting, monitoring, evaluation, payments, audit and control). SMIS main characteristic is that of offering its users a unique mechanism to assist them in performing their duties daily.

As a monitoring tool, SMIS is the leading provider of information on the implementation, both at project level and program, allowing monitoring reports to be generated automatically.

The Unified Management Information (SMIS) was developed under the coordination of ACIS closely with representatives of all the structures involved in the management of Structural Funds, and during the implementation, SMIS will be managed and developed by the Authority for Coordination of Structural Instruments.

The SMIS design follows three fundamental principles: data availability (data are available directly following a request from an authorized user), data confidentiality (data are provided only for authorized users to access certain information), data integrity (data processing should be executed only by authorized users through authorized). To implement the three principles above system supports multiple users classified into a number of user groups/roles. In this way access is easily organized and managed and access to information can be fully audited and accessed in a flexible manner.

To provide an effective tool of management, operational model of SMIS is based on a set of sub-systems, which together reflect the broad range of functionality that the system is, designed to carry as follows:

- **Programming**, which allows recording and alteration of the information in the NSRF broken down at lower levels on PO's, priority axes, key areas of intervention and operation;
- **Project management** (registration and modification of key project information, including the contracts);
- **Monitoring**, which allows assessment of progress in the implementation of Structural and Cohesion Funds and to target (where applicable). It also allows automated aggregation of bottom-up value of real primary data which are recorded at lower levels of the System;
- **Audit and Control**, which will record the results and checks out the audit and create audit reports;
- **Management of flow of funds**, which will record estimates of payment applications, with inputs of funds, projects revenues, suspensions and recoveries of funds.

Targets and goals of the Lisbon Strategy for Environment

Priorities identified in Goteborg have been translated into targets as follows:

- Combating the growth of volume and volume of traffic congestion, noise and pollution;
- Stopping the use of resources and waste generation;
- Responding to citizen concerns regarding the safety and food quality, use of chemicals, treatment of infectious diseases, resistance to antibiotics, etc.;

- Evolution to an indicative target of 22% by 2010 for electricity generated from renewable sources (the Member States have separate targets for renewable electricity);
- Reduce emissions (e.g. the Kyoto targets). The objective for 2008-2012 is to reduce emissions by 8% compared to 1989 and by 5% compared with 1990 levels;
- Halting the loss of biodiversity by 2010;
- Separation of GDP growth in transport, in particular by moving from road to other modes of transport and giving priority to infrastructure investments in protected environment.

The infrastructure to support economic development and regional integration in Europe

Improving infrastructure will be important to support economic growth and regional integration. The existence of infrastructure, transport, energy, telecommunications and water, is the key to growth. In addition, without adequate transport systems to law between countries, trade can not grow, without adequate communication facilities; citizens of different countries can not have a secure contact between them, which constrains the possibilities for trade. The existence of adequate infrastructure is essential for social cohesion in any region: the opportunity to travel, to interact, to meet to trade is required to create a multicultural society that respects each other is intolerant, appreciates and recognizes differences and values cultural.

It is important to stress that, while infrastructure is important, is not sufficient to promote growth, social inclusion and cohesion. Investments without the necessary reforms to strengthen institutions and promote trade and investment in the private sector will not be sustained and will generate benefits to their full potential

In addition, without an investment management policy and supporting social interaction and tolerance in the region will not be sufficient to promote social cohesion. Creation of democratic and open society that allows social and cultural diversity, including ethnic diversity is as important as investment in infrastructure to facilitate mobility, communication and cooperation.

Financial needs for infrastructure in the countries of area are high. Nearly half of public investment in the countries of the area is infrastructure. These levels of investments are aligned environments seen in other market economies that appear it is possible that they are low in light of special circumstances in the region, where infrastructure must be rehabilitated or rebuilt because of war or destruction of civil negligence, and the prospect of improved integration in the region and in Europe.

Also many countries of the area may not increase costs and/or public loans due to domestic macroeconomic considerations, may also be difficult to pick appropriate funds from traditional sources. For this reason, increasing competition and improving the overlap quality/price services will be very important for progress in the marketing utilities and private involvement in financing infrastructure development that are still at the top in the area. Experience of developing countries shows that it is very possible to attract private investment and particularly in telecommunications, energy and water.

The regional dimension is important. First, significant efficiency gains can be achieved by pursuing development infrastructure at the regional level and not nationally. Because most countries in the area are small, developing investment policies and infrastructure at national level does not allow exploitation of economies of scale, which are important in transport and energy. Second, because profits from regional projects are carried out outside national borders, fair financing mechanisms, and generally sharing the hardships of these regional projects will be established at regional level. Thirdly, development is constrained by infrastructure problems (weak institutional arrangements and needs major rehabilitation and reconstruction) that are shared by the countries of the area, this ensuring a coordinated approach, regional annul them.

Regional Operational Program for Romania

In accordance with the regulations, regions of Romania are eligible under Objective Convergence GDP whereas it is below 75% of EU GDP.

Regional Operational Program from 2007 to 2013 (POR) includes all the 8 development regions of Romania, established by Law no. 151/1998 of regional development, as amended by Law no. 315/2004, in compliance with Regulation EC Nr. 1059/2003 concerning the establishment of a common statistical classification of territorial units.

During the 2007-2013 programming period, Romania will receive 19,667 million from the Structural and Cohesion of the European Union. Of this amount 3726 million will be allocated to the Regional Operational Program (ROP).

Financial Plan of ROP - annual allocation of each fund in the operational program.

Operational Program (CCI number): 2007RO161PO001

Annually, the sources of funding in Euro:

THE YEARS	Structural Funds. (1)	Cohesion Fund. (2)	Total (3) = (1)+(2)
2007	330.168.339	-	330.168.339
2008	404.126.047	-	404.126.047
2009	441.135.485	-	441.135.485
2010	523.721.833	-	523.721.833
2011	556.767.943	-	556.767.943
2012	663.832.914	-	663.832.914
2013	806.269.201	-	806.269.201
General Total 2007-2013	3.726.021.762	-	3.726.021.762

Source: Regional Operational Program for Romania, 2007 – 2013

Development is the framework for developing, implementing, monitoring and evaluation of regional development strategies and programs of economic and social cohesion that these are implemented.

Territorial disparities in terms of economic and social development are in a process of growth throughout the country, although in some cases the pace of change was so fast that it is difficult to identify structural models. Obviously, however, that the Bucharest - Ilfov most developed region of the country and shows signs of congestion. Meanwhile, there is a slight upward trend which is concentrated in western regions (South, Central & Western) and less in the eastern regions (Northeast, Southeast, South and South-West), although the dynamics actually be better assessed at the sub, where they are very clear signs of decoupling economic marginal areas situated along the border including along the Danube, strengthening the old historical trends, and other local factors can be better evaluated.

Given those presented above is important to know that all these regional problems could be solved to a greater or lesser extent by the Regional Operational Program from 2007 to 2013 (POR) and respecting the objectives of the Lisbon Strategy.

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In the last years the humanity assists to the fundamental changes in economy no matter the level from which is regarded. These changes are so fast and intensive that many times the humanity is confronting also with adaptation difficulties and also with the collapses of some value systems which have proved themselves incompatible with new realities to the world level. So, we've become the witnesses of a world in which the commercial bounds and the capital fluxes between countries have grown so much that the globalization of the world economy is a reality. The globalization is a term used to describe a multi-causative process which has as result the fact that the events which takes place in some part of the globe have more and more wide repercussive on the societies and on the problems from other parts of the globe. There isn't any definition of the globalization in a universal accepted form and, probably, not even final. The reason consists in the fact that the globalization sub-includes a multitude of complex processes with a variable dynamic, touching diverse domains of one society. This can be a phenomena, an ideology, a strategy or all together.

Keywords: globalization, antiglobalization, mondialization, internationalization

JEL Clasification: E20, F23

1. Introduction

In the economical theory, the globalization concept is highly approached in the national and international debates, and the authors of these debates have tried and are trying to find a definition as adequate as possible, generating in this way a real dispute. In this work I will try to pass in review a few of the definitions given to the globalization concept, considering the fact that any dispute involves the two parts: the globalization adepts and the globalization opponents. The globalization term was entered for the first time in the Webster dictionary in the year 1951. Starting with the half of the 1989 year, the globalization concept is utilized more and more frequently, being joined to some terms like: market, institutions, ecology, finances, life stiles, communications, migration, laws, factories, wars, conferences, civil society, events, risks etc. (Scholt, 1998)

2. Modern approaches of the globalization

Trying to define the concept, the authors take into consideration a part of the characteristics of this phenomenon, but few of them succeed to agree. Further, I will present few of these approaches and I will also try to present an own approach.

An answer to the question “what is globalization” we find to Friedman, a passionate supporter of the globalization, whom state that “the globalization isn't a simple inclination or a fantasy, but is rather an international system. Is the system which now took the place of the Cold War system and, as same as this one, the globalization has its own laws and its own logic, in kind to influence today, directly or indirectly, the politics, the environment, the geopolitics and the economy of each country from the globe.” (Friedman, 2000)

On the other side, reporting on the international manifestation of the globalization process, Korten (1995) – known as being a vehement critic of this process – state that “The forces of a globalize financial system had transformed the corporations and the financial institutions,

someday suitable, in instruments of a market autocracy which is propagate an all the planet as a cancer, colonizing more and more vital spaces of Terra, destroying life styles, dislocating human beings, making powerless democratic institutions and swallowing life in the insatiable search for money” (Korten, 1995).

Regarding the used terminology, I specify that the Anglo-Saxon school utilizes, usually, the globalization term, while in the French literature we often meet the mundialization concept.

The Canadian A. Ayoub uses instead of the globalization term the mundialization notion: “mundialization is far away of being a novelty or a new phenomenon. On the layout of the concepts, the mundialization isn’t, as a matter of fact, but a new name of an old concept which, simply and solely, is the free-exchange” (Ayoub, 2001). Therefore, he thinks that the mundialization represents the free-exchange extended on the planetary scale: “the propagation process of the free circulation of the goods, services, capital, persons and ideas in all countries, leaving aside the political border which apart them.

The author states that at moment the evolution of the globalization phenomenon is much faster as succession of the technological progress, of the apparition of a new economy, of the knowledge and informatics. On the score of the analysis which realize it in a sociological and economical way, Ayoub figures that some analysts combine the thesis of F. Braudel on the “monde-economy” with the Marxist analysis on the evolution of the capitalism and I see in the actual mundialization another systematic cycle of accumulation of the capital that couldn’t be concluded but with a black crisis. It is, without doubt, a critique to the ones with apocalyptical vision on the contemporaneous mundialization. In opposition with them, other analysts find “the term of mundialization clearly exaggerated and premature compared with the economical realities of our days. They think that is rather to talk about the economical international integration, being content to see in mundialization rather an ideal to touch someday than a phenomenon already existent” (Ayoub, 2001). If we analyze these statements from the perspective of the events and the present realities, we can affirm the fact that we’ve entered in that “black crisis” foresighted by the author.

The political personalities of the world discuss also about the globalization process and is remarkable the opinion of the ex-president of Russia Mihai Gorbaciou: [...] we assist to the globalization of the economy and to the admission of the fact that the problems like environment can be solved only if we unify the efforts on all the meridians. We must understand that, even if the world is contradictory, it is still an integrated world, which disturbs the nations. These are afraid not to lose the culture, the language, the life stile. It is good or bad? I say that is noble. In the same time, we need global security and economy for the future. But the globalization mustn’t be seen as a roller which to create total uniformity in the world without defer of the culture diversity.” (Gardels, 2000) Here is therefore an opinion for globalization, but which sustain the conserving of the culture and national customs to avoid uniformity, or I could continue to avoid monotony.

The owner of the Nobel prize for economy in 2001, Joseph E. Stiglitz, being also a remarkable personality of the American academically environment and with international recognition, looks the globalization within the angle of an ex-employee of the two international organisms of the globalization of the International Monetary Fund and of the World Bank and outlines “the devastating effect which globalization has on the countries under way for development and especially on the poor population from these countries” (Stiglitz, 2003), aspects which should be a question mark in approaching the phenomenon of globalization. We mustn’t think that the author is against globalization, but he don’t agree how is developing this process, considering that is necessary the radical rethinking of the international commercial accords, which plays an essential role in eliminating the barriers assessed to the countries under way of development. Moreover, Stiglitz states: “the globalization had contributed to the improvement of the health state of the people, and also to the intensification of the fight taken by the civil society for

democracy and social justice. Not the globalization is the problem, but the way that she is developed until present.” (Stiglitz, 2003)

Zygmunt Bauman analysis the globalization from the perspective of the social effects, stating that „[...] the globalization represents the implacable destiny to which the world is pointing, an irreversible process that affects all of us in the same measure and in the same way.” (Bauman, 2002). I don't think that this statement is exactly realistic. I sustain that starting from the statement made by Koolhaas that says that “the globalization involves also the apparition of the differences”. We come to complete this statement with Michael Manley's explanation regarding the international economical system “each of us must find the place in the global economy and to pull us upper [...]”.

But, the most eloquent affirmation which came to sustain my opinion, that the globalization is understood as being an advantage of the elite, is the one made by Martin and Schumann (1996), whom assisted to the debates regarding evolution of the economy from the XXI century, which took place to San Francisco in September 1995 and to which participated “the world elite of the power formed by 500 politics, concern chiefs, science people, all of them being personalities of the fore-ground”: “20% from the population able for work would be enough in the next century to assure the liveliness of the world economy. There is no need for more work force”, is the opinion of the magnate which leads the Washington SyCip. A fifth from those whom are searching for work will be enough to produce all the goods and to provide high quality services which can afford the world society.” (Martin, Schumann, 1999)

In this new age of the globalization we have to reckon with an unquestionable reality: a wrongly international economical order which must be eliminated. Therefore, the countries of the third world don't have the possibility to compete with the countries which already have the monopole on the most advanced technologies and unlimited financial resources, which already mastered the majority of the markets. They will be gradually reduced to the simple zones producer of rough material and goods competitive from the point of view of the price, having the worst paid work hand.

Therefore, the globalization should be the only way that could take to the world reintegration, to the “equalization” of the “two worlds”, we could say. But, maybe the globalization passes this test? If we consider the society of only one fifth: 20% versus 80% (Martin, Schumann, 1999), according which only 20% from the population able to work is enough to assure the world economical liveliness, we can't be enough optimistic. The pores will remain poor and the reaches will be richer, and the precipice between the two worlds will be larger. By rights, the winner of the Nobel prize, Henry Kendyll, was affirming that “if we don't stabilize the population with justice, kindness and mercy, then the nature will do it for us”, this stabilization representing the biggest challenge of the globalization.

Into an interesting and controversial work published in 1995 in USA: : “When Corporations Rule the World”, its author, David C. Korten, analyzing a wide documentary material, arrives to the conclusion that “economical globalization is partly a modern vision of the imperialist phenomenon and it has approximately the same effects” (Korten, 1995). In the acceptance of the author, the globalization represents a modern imperialism, distinguishing by the classical concept of imperialism with the replacement of the world colonial states.

An interesting conception on the globalization we find also to the known North-American economist John Kenneth Galbraith. The globalization is approached by the author in its lasts works and is researched, especially, in his work ”The Good Society. The Human Agenda” (Galbraith, 1996). It must be kept in mind the fact that Galbraith categorically pushes back the globalization term, and in an interview in which is discussing about the defiance of the new millennium, he says: “I am consultant to *The dictionary of the American inheritance* regarding the usage of the language and I won't allow the word globalization. It is an ugly term.” He prefers instead of the term of globalization a series of other equivalent terms like: “international

relations tighten in these areas like: economy, culture, art, traveling and communication”; “the internationalization of the economical life, the associations between the states and its institutions”; “the partnership between states and nations”; “the external economical opening of the countries”. In other circumstances, he prefers the term of internationalism instead globalization: “The international action within conferences and within institutions like IMF, World Bank and WTO is an essential part of the internationalism to which I guide. Note that I use the word internationalism and not globalization” (Galbraith, 1996).

The French economist Jacques Percebois, is part of the camp of those whom prefer the mundialization term instead of the globalization term. Into a study that is noticeable with the logic of the argumentation and the statistical documentation about the defective evolution of the economical gaps between North and South and the faith of the nation-state, the author conceives its analysis with the conceptual definition of the mundialization. In its work *La mondialisation des activités énergétiques: quelles enjeux?* (Percebois, 2001) the author brings up and underlie with statistical data the gaps between North and South, evidencing the faith of the nation state in the context of the globalization process or actual mundialization.

Percebois, defines the mundialization as being “the process which in an context of growing internationalization of the activities, takes to the starting up of transnational networks for decision in the engine domains of the growth, like: information, research-development, finances, high technologies” (Percebois, 2001).

In the analysis of the mundialization/globalization, the author outlines the relation between the national state and the international financial organizations (IMF, World Bank), as being an destructive relation for a nation that is at a dead end: “The dictatorship of the international financial markets is in the way that any state, which takes measures considered inadequate by the internationals financiers, is punished with a decrease of its national currency value and with bigger difficulties of access to the capital markets”. We consider that the role of the international financial organism must be of sustaining of the economies situated in difficulty and not of degradation and exaggerate indebt of these. But, the reality demonstrates us the opposite.

The critical analysis of the author regarding the mundialization/globalization distinguishes the difficulties of the market and of the economical liberalism manifested also in the domain of coordinating the economical activities in the social domain, and also in the one of the international economical inequalities, and consider opportune “the necessity of a regulatory state” and even “the emergence of a state administrator of new risks”. Therefore, the author conceives the contemporary mundialization like a cooperation process between states, and the leadership of the mundialization processes represents the step that can be realized through intergovernmental bodies coordinators and not through creating bodies representative with functions over-states and over-national, which put to the issue the sovereignty and the borders of the nation-states.

The responsible with the elaboration of the “World development report 1999-2000: The entry in the first century” from the World Bank, Shahid Yusuf defines and analysis the globalization in direct relation with the localization, offering in this way an element of novelty in the big contemporary dialogue about globalization.

In its analysis, the author starts from the premise that “the scenery of the development from the beginning of the XXI century will be shaped by globalization and localization”, two phenomenon which unroll in the same time, but in opposite directions. Therefore, the globalization is approached by the author as being “the integration of the countries with the rest of the world”, which is manifested as unifying force on the world level, while the localization represents the tendency of “the local groups to more autonomy”, suggesting in this way an internal action of the countries to decentralize.

Shahid Yusuf appreciates that, thanks to the evolution which tend the two processes, the globalization and the localization, had become two strong forces that “offers to the poor countries unprecedented opportunities for growth, but which can prove and un-stabilizer political and

economical, when the institutional frame isn't strengthen. [...] the answer of the nation-states to these two forces will determine if the incomes of the poor countries converge with the ones from the industrial countries and if the efforts for eliminating the poorness are successful (Yusuf, 1999).

In fact, appreciating that by the reaction of the nation-states to these two processes depends the disposal of the poorness, he blames the international gaps and the difficulty of their disposal on the poor countries, as like the developed capitalist countries, a lot of them big colonial powers until 1960, wouldn't have any blame for the existence of these gaps and their deepness into the post-war period and, so, not even any moral and material responsibility for contributing to their elimination. The globalization and the localization are two forces which shape the development in the new millennium, but each of them has a distinct content and distinct influence on the development.

The globalization is appreciated by the author as being the process of integration of the countries at a world level, which has also positive and negative effects. The positive effects refers to the fact that "integrates the markets of the goods and of the production factors, and the main negative effect is the fact that affects, in the direction of degradation, the environment expose the countries to the external shocks which can precipitate the financial and economical crisis.

Using rarely the globalization term, Alvin Töffler refers often to this process, using terms with equivalent value: „global system”, „globally”, „global network”, „a new global order”, „world globalize system”, „international hyper-connected interdependences”, „the mundialization of the production” etc. He refers to the globalization with different aspects, but appreciates as being a phenomenon generated by the shock of the future and induced by the “third wave”, in other words, by the present informational revolution. Even if they have a fragmentary character in its works, these references have a high rate of relevance for understanding the globalization.

The first idea which brings up the globalization concept is the phrase: “the global system of the XXI century”. Therefore, the author states that: “fewer words are thrown today with bigger easiness than the globalization term. There doesn't exist any politics, UN official or press editorial, which isn't prepared to speak about the globalization system. But this principle isn't what imagines the big majority of the people. To understand it how it was yesterday, not the way he transforms with rapidity, even the best strategies can start the opposite. That's why, the strategically thinking of the XXI century has to start with a map of the global system of tomorrow” (Töffler, 1995).

Alvin Töffler critics the idea of the apparition of the new global system which coincides with the end of the Cold War: “The end of the cold war continues to matter on the global system. But, the changes generated by the decomposing of the Soviet Union are secondary and, actually, the global system would have been actually sized with revolutionary rummages even if the wall of the Berlin wouldn't have been fall down and the Soviet Union would have been further existed” (Töffler, 1995). The author considers that the forces which impose “the global system of the XXI century” have made felt the presence because of the informational revolution and as succession of the new system of creating the richness involved by this revolution, namely the third wave of change in the history of the humanity.

Into one correctly expression, using directly the globalization term, Alvin Töffler appreciates that this is facilitated by the informational revolution and asked by the new creating system of the richness: “once what the spreading means of the information circle the Earth facilitating the globalization asked by the new system of creating the richness, become more and more difficult to keep the concrete information in the limit of the national borders (Töffler, 1995).

If we make an analysis of the approach of the concept of globalization in the opinion of Alvin Töffler, we can consider that:

- the globalization is an objective process generated by the third wave, which has unequal the countries, the one developed being favored by this process;

- the globalization supposes the mundialization of the production and a new system of creating the richness;
- the globalization involves the deterioration of the national sovereignty, the permeability of the national borders and the dislocation of the nation, as succession of the competence transfer: one of them from the national to the international organisms and other from the national centre down, to the national sub-units: regional and local.

3. Conclusions

The economical and social transformations which have rapidly succeeded in the last 20 years have been so profound, that an economist or sociologist, who would have proposed himself the realization of a study about globalization, would have been forced to overtake the considerable obstacles. At present, this subject has the tendency to occupy the first place on the work agenda of the economist researchers, without saying that had become a commune fear. Interesting is the fact that, as same as post-modernism or post-industrialization represented the concepts that were in fashion in the 70's, the globalization seems to became the key concept of the 90's and of the beginning of the XXI century, which permits us to understand better the evolution and the coordinates of the humanity in the new millennium. Indeed, the controversies shown on this concept of globalization proved that, in this case, there isn't the problem of the adaptation of the old functionalist theories to the realities of the contemporary world, but it must be found reasons in the favor of this phenomenon find out in full development.

In my opinion, the globalization is an integrator process which manifests especially in economy, spreading then also in the other domains. The growing trend unprecedented of the modern technologies and of the communications permits to this process to manifest, with a different proportion, in all the corners of the world.

I consider that the globalization represents the present flow of economical thinking which, as the previous flows, has supporters and opponents. The transnational corporations, the fluxes of direct foreign investments, capital fluxes, commercial fluxes, and also the human capital mobility represents the ways of manifesting the globalization.

What upsets me the most regarding the present age of the globalization is the fact that this process generated, on short period of times, numerous crises, and these crises are manifesting with more and more profound intensity and affects all of us equally.

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SOCIAL LIMITS OF THE ROMANIAN ECONOMICAL GROWTH

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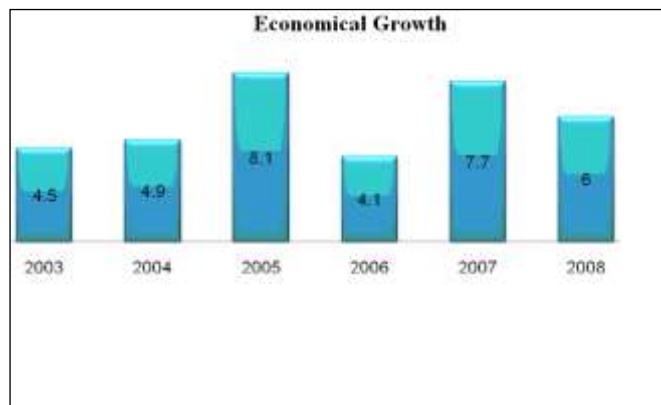
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The phenomena and processes from the economical life have evolved with intensity and different results, determining the necessity of knowing the way in which the national economy evolves, as well as its dynamic approach. The existence and the dynamics of a society cannot be apart from the central point of the economical system and its role in enlisting the economy of the growth and development trajectory.

Key words: Romania, economical growth, corruption index, poverty

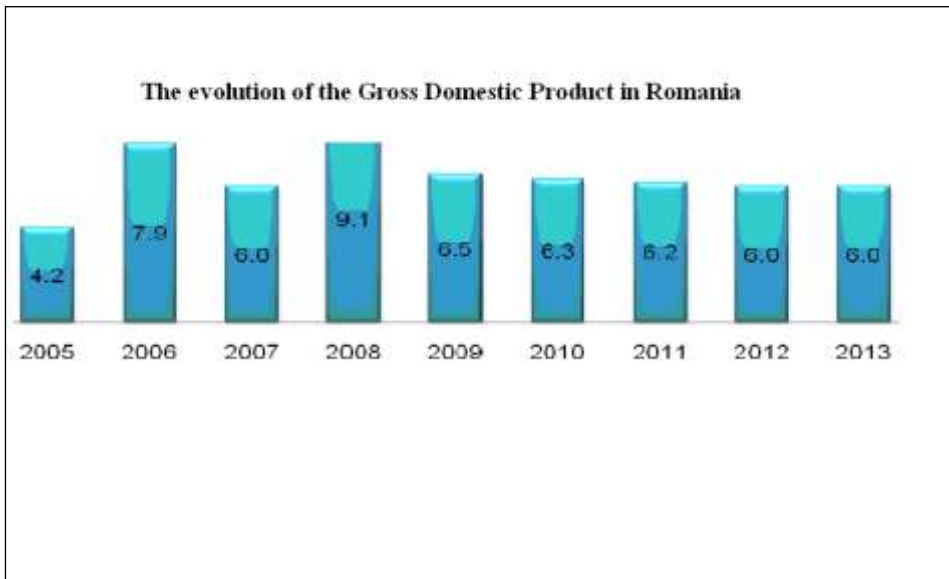
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Any social production has as finality the satisfaction of the society's need and of its members. Starting from this, presents importance the appreciation of the economic dimension of the activity's results and their quantification through the systems of indicators proper to different levels of macro economic aggregation, either on the material flows line, or on that of the monetary flows.



Source: [http://indexmundi.com/romania/gdp_per_capita_\(ppp\).html](http://indexmundi.com/romania/gdp_per_capita_(ppp).html) visited on the 25.04.09

According to statistics Romania should be registering in 2009 a growth of 6.5%. In reality, Romania will have an economical growth of 1% - 2% in 2009, in the conditions of the present economical crisis. The elements that determine these results beside the apparition of the number will try to illustrate in this paper.



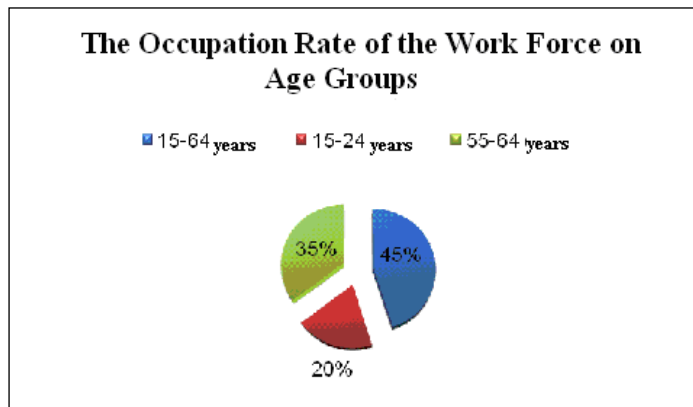
Source: http://www.cnp.ro/user/repository/prognoza_preliminara_de_toamna.pdf visited on the 30.04.09

Social aspects of the economical growth can be observed by double entendre in respect with the relationship between populations – economy. The society's work resources are connected to the population's size and its structure on age groups and, hereby, for the economical growth presents a major importance the dimension of the available active population that determines the economical growth's potential in respect with the work factor. In so far as the productive system has the capacity to use this segment of the work resources determines the quantity of the economic activity's results, and also of the occupation degree augmentation. The material aspect of the economical growth can influence the degree in which the possibility to invest in the productive system increases, meaning the creation of new jobs. The augmentation of the occupation degree also signifies larger incomes. In this manner it is reached another level of the population – economy relationship, that is the extent in which the economical growth it is capable in determining a certain living standard, a certain degree of satisfying the needs.²⁰⁶

Romania's active population was, at the end of the third trimester in 2006, of 10,386 millions of people. The occupation rate of the population able to work (15 – 64 years old) was of 60,9% in the third trimester of 2006, for men this being of 66,7%, and for women of 55,2%. Young people with ages between 15 and 24 hold a percentage of 26,4% from the occupied population, while older people (55 – 64 years old) hold a percentage of 47,7%.²⁰⁷

²⁰⁶ Alexandrina Duță, Nicoleta Sîrghi, Adina Popovici, "Creștere și eficiență la nivel macroeconomic" pag 93. <http://www.ectap.ro/articole/127.pdf> visited on the 26.04.09

²⁰⁷ <http://www.infonews.ro/article57991.html> visited on the 27.04.09

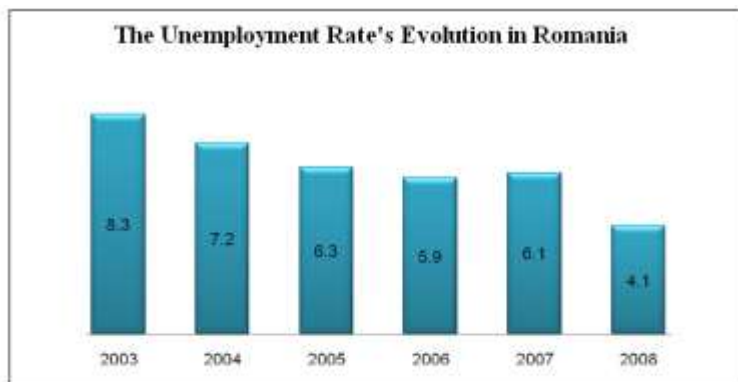


Source: <http://www.infonews.ro/article57991.html> visited on the 27.04.09

Employees continue to be in power of the largest weight, of 65,5% from the occupied population's total. Unremunerated freelancers and family workers represented, in the third trimester of 2006, 32,9% from the occupied population.²⁰⁸

Romania's demographical data follow the global tendency of ageing of the population, this thing being more pronounced in developed economies. In this manner, in our country, the weight of the old population is greater, in conditions in which the number of deceases is still greater than that of births. Since 2002 the country's population decreased with approximately 200.000 persons, at 21.658.000, in present.²⁰⁹

Romania lost a quarter of the country's active population in 2008, and this fact will affect the economy. The domains in which a massive migration of the workforce is manifested are health, education and research. The workforce's migration, associated with the abatement of births, will have a negative impact on the economy, on a long term, through the deceleration of the economical growth.²¹⁰



Source: http://indexmundi.com/romania/unemployment_rate.html visited on the 25.04.09

The absolute poverty rate in Romania is especially high in confront with the European context, being comparable with some countries from the former Soviet Union, this indicator reaching 22%

208 <http://www.infonews.ro/article57991.html> vizitat in data de 27.04.09

209 http://www.infonews.ro/art_8874_-Populatia_Romaniei_a_scazut_la_216_milioane.html

210 http://www.euractiv.ro/uniunea-europeana/articles%7CdisplayArticle/articleID_14894/

in the rural area in comparison with 7% of the urban population, and related to the regions, registering 35% in Moldova towards 10% in the Capital²¹¹.

Romania reached, in 2006, the point of three million persons in absolute poverty, towards eight million persons, in 2000. Thus, the studies reveal that the evolution of poverty rate in Romania increased with four percents, in the year 1989, at 20%, in 1993, for in the year 2000 to reach a level of 35,9% from the country's population.²¹²




Having in sight the economical growth between 2000 and 2006 (the increase of the net domestic product with five – six percents annually), the poverty rate abated, in 2006, at 13,8% from the country's population. However, the sociological data indicate an absolute poverty rate extremely high in the European context, comparable with some countries in the former Soviet Union.

According to the study that deals with the 1998 – 2007 period performed by Soros Foundation, the winners of the post – communist transformations are the younger people, with high education or with a qualification that is requested on the market. The losers, on the other hand, are especially the individuals with a low level of education, or with no qualifications, that especially reside in the rural area. Children, young people, gypsies, people with a low level of education, unemployed person and the occupied individuals from the informal sector have had over long periods of time and still have a significant risk for poverty.²¹³

The Corruption's Index of Perception TI was launched for the first time in 1995 and it is one of the most known and used instruments of Transparency International. It is a composite index, that is based on the data regarding corruption from the specialized surveys effectuated by several independent renowned institutions. It reflects the businessmen's opinion and that of the analysts from all around the world, including also that of the experts from evolved countries.

According to the Corruption's Index of Perception 2004, Romania is part of the 60 countries of whose corruption is perceived as generalized and that have obtained lower score than 3 points out of 10.

The score obtained by Romania this year is inferior to the average of annual score obtained from 1997 until 2004, which are 2.97. In order to offer a relevant comparison term for the European integration demarches of our country, we specify that, during the same period the medium attained by the EU member states was of 7,71, and the average achieved by the became member states (former candidate states) of EU is of 4,66.²¹⁴

Country \ Trend						
	2007	2008	2007	2008	2007	2008
Germany	7,8	7,9				
Ireland	7,5	7,7				
Belgium	7,1	7,3				
Slovenia	6,6	6,7				
Estonia	6,5	6,6				
Cyprus	5,3	6,4				
Slovakia	4,9	5,9				

211 <http://www.newschannel.ro/stiri/rata-saraciei-absolute-din-romania-este-comparabila-cu-cea-din-tarile-ex-sovietice> visited on the 05.05.09

212 <http://www.newschannel.ro/stiri/rata-saraciei-absolute-din-romania-este-comparabila-cu-cea-din-tarile-ex-sovietice> visited on the 05.05.09

213 <http://www.newschannel.ro/stiri/> visited on the 03.05.09

214 <http://www.transparency.org.ro/files/File/IPC%202004%20Comunicat%20TI-Ro.pdf> visited on the 25.04.09

Greece	4,6	4,7				
Poland	4,2	4,6				
Romania	3,7	3,8				
Bulgaria			4,1	3,6		
Lithuania			4,8	4,6		
Italy			5,2	4,8		
Hungary			5,3	5,1		
Portugal			6,5	6,1		
Spain			6,7	6,5		
France			7,3	6,9		
Great Britain			8,4	7,7		
Luxemburg			8,4	8,3		
Holland			9,	8,9		
Finland			9,4	9		
Denmark			9,4	9,3		
Sweden					9,3	9,3
Austria					8,1	8,1
Malta					5,8	5,8
Czech Republic					5,2	5,2

Source: http://www.transparency.org.ro/politici_si_studii/indici/ipc/2008/Evolutia%20state_lor%20UE%20in%20ultimul%20an%20de%20evaluare%20IPC.pdf visited on the 25.04.09

According to the Corruption Perception Index from September 2008, Romania acquired 3,8 points out of 10, a score with a tenth higher than the one from the previous year. Thus Romania was rising in the ranking of the member state of European Union, occupying this year the penultimate rank, and leaving the trailer rank to Bulgaria, that registers and abatement of 0,5 points towards 2007. This index attained by Romania is not at all a matter of pride or satisfaction considering that this increase is of only 0,1 and represents an inertial trend.

Although apparently hopeful, this accession is insufficient and insignificant in order to be competitive in the European Union, and having in sight the fact that the average of the other member states is of 6,62. For assuring the sustainability of this Index and to augment the credibility of the anticorruption reforms for the foreign investors and also for the Romanian citizens it is necessary a concrete implementation of the measures taken in the legislative area, at institutional level, as well as the point of view of creating models of well practices.²¹⁵

Working without legal forms is a spread phenomenon in Romania, being encouraged by the system's corruption and the lack of laws.

In Romania illegal working represents, above all else, the expression of the absence of trust in the public institutions, of the negative perception of the state's role and the deficient understanding of the benefits that derive from the social contributions. More than half of the jobs in Romania are not included in the working legislation. Employees often don't have access to social protection and other benefits, and untaxed payment, at envelope, is a common practice. This means much lower sums resulted from taxes, thing that offers fewer opportunities for assuring the necessary

²¹⁵http://www.transparency.org.ro/politici_si_studii/indici/ipc/2008/Comunicat%20de%20presa%20TI%20Romania.p
d visited on the 25.04.09

infrastructure and public services. Insufficient security measures from which the illegal labor sector has determined a vulnerability of the population at economical shocks and poverty.²¹⁶

The illegal work value in Romania stands between 16 and 21% of the Gross Domestic Product, and Romania is the EU state with the highest proportion of citizens (23%) of whose incomes and bonuses are not totally declared to the competent authorities.

The amplitude of illegal working in the EU states from central and Eastern Europe is the highest in comparison with the level of the old member states. Romania is placed on the fifth rank concerning the proportion represented by the illegal working – 16 – 21% from the Gross Domestic Product, according with some data available from 2006. Romania is outrun by Bulgaria (35% in 2004), Hungary (18% in 1998), Latvia (18% in 2000) and Lithuania (18,9% in 2002).²¹⁷

A conclusion of some studies realized by NEWSINN is that the persons that think that they risk very little by working illegally are more susceptible in not declaring their incomes. The persons that appeal to illegal working have the tendency in accepting behaviors that don't conform to social standards. These behaviors refer to services realized in a house holding without declaring this activity and the afferent incomes, and as far as in using means of transportation without paying the ticket. In a surprising manner, individuals with a high level of education and that belong to superior remunerated social categories and over the average are much more inclined in acquiring goods and services in an illegal way.²¹⁸

The underground economy in Romania, Estonia, Latvia, and Bulgaria has a weight between 36% and 39% from the Gross Domestic Product of these states, in the situation in which the black market is expending.

The highest weight in the underground economy is represented by the non-payment of the salaries' contributions and the payment of the wages 'in envelope' – 29,556 billions lei (approximately 5,8% from the Gross Domestic Product), followed by tax evasion as a consequence of the VAT (Value Added Tax) – 23,815 billions lei (4,6 from the Gross Domestic Product) and the informal sector – 4,745 billions lei (0,9% from the Gross Domestic Product).²¹⁹

The diminution of the VAT all over the 27 member states, the abatement of the monetary policy's interest of the European Central Bank (ECB) and the allocation of tens of billions of Euros for investments are the main measures the European Commission proposes.

Likewise, we consider that the measures proposed by the European Commission regarding taxes' reduction on the smallest incomes of the EU, with the hope that, in this manner, employments are going to be impelled, and also the support given to the automobiles industry through the reduction of the VAT and the rendering of loans from the European Bank of Investments for the big producers, can also be of help for the long expected revival.

In respect to the illegal working, underground economy, corruption, Romania must build on the basis of reformations and efficient regulations in order to reduce these undesired existing phenomena. Illegal working is present in numerous sectors, as constructions, services and agriculture. The main examples are represented by the unregistered companies, false self employments and not declaring the total amount of the incomes.

In a country affected by the financial crisis, that will have to support investments of billions of Euros for education, defense and infrastructure, with larger budgetary expenses and under the threat of strikes and social conflicts between the Government and almost all the budgetary categories the provisions are not at all optimistic.

216 http://www.standard.ro/articol_89206/euobserver_economia_subterana_din_romania_depaseste_36_din_pib.htm visited on the 26.04.09

217 <http://www.wall-street.ro/articol/Economie/34516/Munca-la-negru-reprezinta-16-21-din-PIB-ul-Romaniei.html> visited on the 26.04.09

218 http://www.standard.ro/articol_89206/euobserver_economia_subterana_din_romania_depaseste_36_din_pib.htm visited on the 26.04.09

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ROMANIA CAUGHT IN THE WEB OF THE GLOBAL ECONOMIC CRISIS

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The economic crisis is a cold-blooded murder against the people all over the world, on the way to lose the money they still own after they have lost their only income source, their job. The economic recession caused by the Stock Markets breakdown will inevitably affect the less developed countries. Our country is not a good place to make good investments, but speculative ones. Today, we can borrow money only at high costs. This economic crisis is different from the previous ones because it didn't have a sudden burst and didn't have the same effect.

Keywords: recession, crisis, poverty

Cod JEL lucrare: E65

The recession initially started in the USA . The U.S administration , run by the president George W. Bush , dominated by the supporters of the “free-market economy “, degraded the authority of the persons in charge with the regulation of the financial organizations and gave free hand to the financial “conjurers”. These kind of people actively involved in dubious “creative” activities. In the absence of some imposed limits sanctioned by the authorities , some banks, investment fund organizations and insurance companies ,without taking any safety measures, granted big loans to “clients” who couldn't afford paying the bank rates. Those bank rates, with considerable interests, have been “paired up” in complex quotes , toxic and apparently attractive , that , later on ,have been profitably sold as legal financial products to many local and foreign investors.

The excesses made by the predator creditors spread worldwide. The excessive availability of the trust funds created many high-flown “balloons” on the market of credits necessary for private homes, buildings, lands, cars, university studies and credit cards. The “ingenious” financial manipulations also became available for the loans taken out by the local and regional administrations , for the commercial and industrial credits , for the stock markets and for the natural resources markets. During banking crisis, there are more and more loans that are not being paid , the value of goods diminishes and many companies go bankrupt. Losing capital, the banks cannot grant loans anymore. In the USA , there can be losses of over 2 trillion dollars because of the loans that haven't been paid back.

The economic recession caused by the Stock Markets breakdown will inevitably affect the less developed countries. These countries will be affected by the sudden decrease in the number of credits , by the very low interest in foreign investments and by the low prices for the raw materials.

The European Commission and the International Monetary Fund delegations discussed with the Romanian officials and agreed upon the economic growth or decrease we can expect in 2009. In any case, it 's not supposed to be +2,5%. We already know we can talk about +1, we can talk about 0 or -1%. Every percent lost when we talk about economic

growth means a stroke in the fight against poverty and a catastrophe in the humanitarian terms.

These somber predictions come up the moment that the poor countries exhausted their financial resources an year ago in order to fight against the double impact of increasing prices for foods and oil.

The World Bank defines poverty by living with no more than 2 dollars a day ,and the absolute poverty by living by living with no more than 1 dollar a day.

Those people who manage to survive under poverty conditions continue to hope they will have a better future²²⁰. This is an extraordinary lesson about courage. But we don't have to hide the fact that poverty is mainly related to situations of crisis and violence. This year's acts of violence from some countries , caused by the hunger, are an important warning. The simple fact that the illegal immigrants are about to risk their lives in their attempt to reach the European shores is the reason for their extreme desperate situation of some people that have nothing to lose.

More than ever, the poorest countries depend on the official assistance for economic development. But this field of activity didn't prove to have positive evolutions either .When the financial constraints become important , the budgets intended for the help concerning the economic development , get vulnerable at the funding reductions .

The recession didn't go round Romania , but , on the contrary, we can feel its presence more and more. "No matter how many attempts we'll make to avoid using the word <crisis>, unfortunately, it is actually present in the Romanian economy".

The National Institute of Statistics(INS) officially confirms what the Romanians have started to feel like when they have to take money out of their wallet and at work since autumn. There is no other way round, as long as all the people and companies of any kind are going to suffer because of the financial crisis with effects such as the currency depreciation to euro , the lack of liquidities , the impossibility to take a credit, and if ,however, it becomes possible to take a loan from the bank, it has a huge interest rate.

After we registered smaller and smaller inflation rates in the last few years ,in 2008 the inflation began to grow again reaching 7.9%, especially because of the bigger prices for foods and services.

The data shows that the boom of the local economy slowed down all of a sudden in the last three months of the last year, a period of time that marks the beginning of the recession in Romania. After an economic growth of 9% in the first nine months ,the gross domestic product for the last semester had an increase of only 2,9%. Consequently, all the year 2008 round , the economic growth limited at 7,1%.

The services (2,6%) and the constructions sector (2,3%) made the biggest contribution to this economic advance. But , this year the constructions sector will not be able to support the economy anymore. In January, we have noticed a decrease of 64,9% to December. Comparing it with the data from January 2008, we can notice a steady growth , of 6%, much lower to the pace of economic growth of around 30% from "the good times".

Most of the unemployed that "contributed" a lot to statistics are coming from the constructions sector . Unemployment has constantly risen since August 2008, when it was 3,9%,reaching 5,3%. Another sector that was deeply affected by the recession was that of the economic trades. Thus, in December, the exports decreased with 15,6% and the imports with 23%, according to the same institution.

Even the European Union , which is the biggest international donor, covering half of the global official assistance, has encountered difficulties in respecting its terms. The countries members of the European Union are skeptical concerning the adoption of the European

220 Joseph E. Stiglitz - The mechanisms of globalization, Polirom, Bucharest, 2008, page 24;

Commission proposal to create a funding scheme of a billion euros in order to improve the food safety for the less well-developed countries. This attitude is symptomatic for this social context, but difficult to understand in a moment in which a billion people are starving, increasing in number with 100 millions only for the year 2008.

The economic crisis did nothing but emphasize the economic imbalance already existing in Romania, triggered and then supported by the excessive budget expenditures from the past years.

Our country is not a good place to make good investments, but speculative ones. Today, we can borrow money only at high costs.

Because of the lack of financing and a decrease in living standards in Romania, and also in the USA, even the product orders for the Romanian companies have sharply decreased and continue to go down. The new orders for the manufacturers went down, for the first month of 2009, with more than a third as compared to January last year. The least privileged is the metallurgical sector, where the orders have decreased in number with 75% in January.

It also happened with the turnover from the industry, that decreased with 15,9% in January 2009, as compared to the same month from 2008. In this context, the future is not brilliant. The businessmen, questioned by INS, predicted, for the next months, decreases for the manufacturers, for the constructions sector and the trading sector. Most of them consider that the number of employees will go down and, the prices will go up.

We got to a point in which we cannot get rid of the appeasing sensation that we are at the end of an era without being able to realize what and how it will be like in the future.

The financial crisis is also a murder against humankind, and the murderers are very well-known, have names and surnames, travel by limousines when they want to play golf and are so self-confident that cannot think about hiding.

This economic crisis is different from the previous ones because it didn't have a sudden burst and didn't have the same effect.

The downfall of the financial services deeply affected the economy, in different ways and at different moments of time. There are risks on any market and no position can be safe. In this economic environment characterized by rapid changes, every company must permanently evaluate the impact the market conditions would have on its operations.

The companies must consolidate their position, identifying and rapidly solving the critical aspects, in order to protect them against the value decrease or to be better positioned and to take profit of the possible opportunities. In order to manage the coming-up risks after the changes on the market, a company must necessarily make an overall analysis of its capacity to have access to liquidities, to manage and make the liquidities operational, and to control the costs. This analysis must be based not only on its activities but also on the economical situation of the customers and suppliers.

Any company should be updated on and consequently take measures according to the alarming signals received such as those related to profit, broken receivables banking contracts, important customers looking for alternatives for their present suppliers, unexpected departures of some administration members, problems in keeping the experienced staff in service or a dramatic increase in the staff fluctuation.

The Europeans are very concerned about the effects of the economic crisis. This concern, which is deeply felt in all the countries (between 80 and 90%), affects the economy at all levels, both for the present and for the future.

At the personal level, 58% of the Europeans are pessimistic as for the present situation and 56% for the future. The Romanians are among the most pessimistic people. About 79% of them are not confident about the crisis effects at the personal level. The adoption of some measures at the national level finds the necessary support in the UK (41%), Romania(36%), Denmark and Austria(33%).

As for the level at which one can fight against crisis in the most efficient way, 17% of the European citizens trust the European Union members, while only 14% take into consideration the national governments.

Most of them (25%) go for the G8 members, and 15% consider that the USA can fight against recession the best. Opinions are different from country to country. The UK(6%), Sweden(8%) and Denmark (9%) trust less in the European Union, unlike Greece(28%), Cyprus(27%) and Poland(26%), which consider that the European Union is the most capable organization to fight against the effects of crisis. The G8 got the fewest votes from Malta(10%), Romania (11%) and Ireland (12%) and the most from Holland (36%), Germany(35%) and Sweden(34%).

The national government is seen as the most efficient actor by the greatest number of respondents from Romania(32%), the UK(20%) and Ireland(20%). The smallest percentage are awarded to the Czech Republic(6%), Holland and Bulgaria(7%).

The Europeans don't trust too much in the currency (euro). To the question regarding the protecting role of the European currency, 44% of the Europeans told that the euro hadn't minimized the effects of the crisis, unlike 39% of them who told that this had already happened, and 17% of them told that they didn't have any idea. The results show that the perception on the European currency varies from a country to another.

The largest number of people that agree upon the positive role of the currency can be found in Slovakia (66%), Finland(61%) and Belgium(54%). The opinion that the currency didn't bring its contribution to the reduction of the negative effects of crisis is least shared by the Czech Republic(56% believe this), Germany and the UK (54%).

The strongest support in favour of speeding up the process of euro adoption is given by Hungary(47%) and Romania(35%). The desire to slow down the process is the biggest in Lithuania(50%) and Poland(41%).

The Romanians, in the top of the dissatisfied from the European Union, but optimistic that the private life and the country go in the right direction.

In the context of the global economic crisis, the Romanian companies can take into account some advice in order to survive. Among the most important advice we can mention:

- to make long-term investments in research and development in order to be able to set realistic business goals for the recession period (between 5% and 30% of the turnover according to the industrial sector);

- using the system of alliances at maximum (customers/suppliers) in order to set the business preconditions correctly- the security of the alliances by designing and watching out the performance indicators: quality, costs and delivery time. The permanent redesigning of the business operations after the correct value perceived by the customer;

- parallel improvement of a competitive managerial style and a future development project of the company in order to apply the innovation plans - rethinking the people's schedule for the ones who work, to allow themselves time to think and implement the improvements plans (between 8% and 15% from the time of all employees be allotted to improvement projects. The direct and constant observation of the business system and the rapid action are the keys for the present economic crisis;

- making big efforts concerning the improvement of the people's abilities of planning, of the salesmen and of engineers to develop strategic thinking and to plan the people's skills to acquire;

- analyzing and implementing steps to improve the organizational quality to ensure an organizational environment that automatically generate the medium and long-term goals (3C- new Competitors, new Collaborators and new internal decision Committees);

- developing a strong sense of emergencies in the marketing and engineering departments to apply the innovation plans;
- developing a management based exclusively on the customers' requests by the overall understanding of the term "customer value".
- Developing the management of the intellectual property and the cooperation with the consultants;
- Developing the management of processes/activities by identifying the areas with a plus value for the customer;
- Designing and permanently monitoring the performance indicators for: productivity, quality, cost, delivery time, safety, work health and environment.

We reached a point in which we can't get rid of the appeasing sensation that we are at the end of an era, without being able to realize what will happen and how.

The question that arises is: will Romania be able in 2009, an election year, to find the managers and resources necessary for getting the country out of the biggest economic crisis of the last century?

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WHY IS THE FISCAL POLICY IMPOSED BY IMF PRO-CYCLIC?

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The economies which appealed to the IMF loan faced difficulties related to financing the public and the private foreign debt. IMF imposed the promoting of a restrictive fiscal policy to the beneficiary countries, in order to decrease the budget deficit, even though they have already been in an economic recession and they would need to promote a new expansionary fiscal policy, which allows implementing the measures mentioned in the national anti-crisis plans. As a result, imposing new pro-cyclic fiscal policies will emphasize the recession within these economies, and this will contribute to decreasing the individuals' available incomes and, as a consequence, to the occurrence of social discontents (as in Latvia, Hungary, Ukraine and Serbia).

Keywords: fiscal policy stance, structural budget balance, IMF agreement, economic recession

JEL Classification: E32; H30; H50.

Fiscal policy stance

In order to catch the restrictive/expansionary character of a fiscal policy, the structural budget balance has to be calculated. This variable represents the current budget balance, out of which the cyclic component of the budget was eliminated (meaning, the cyclically adjusted current budget balance). The calculation of this variable is necessary because the budget balance reflects the influence of both some cyclic (transitory) factors, and of some structural (permanent) ones. The transitory component refers to the variations generated by the GDP's cyclic evolutions, and the structural component takes into consideration the modification of the budget balance, if the economy would produce at the level of the potential GDP. The cyclic part of the budget is determined depending on the budget balance's sensitivity to the economic cycle, because the returns from taxes are influenced by the evolution of the national revenue (within the Euro zone, approximately 90% of the budget revenues come from taxes). With regard to the public expenses, only those referring to the unemployment assistance are sensitive to the evolution of the GDP, and their share is only of 5%. The result is that the cyclic variation of the budget balance is mostly explained by the modifications of the budget returns.

The output gap is calculated as the difference between the current GDP (Y_a) and the potential GDP (Y_p): 

The current output is composed of the potential one to which a cyclic component is added. According to this relation, the decomposition of the current budget balance can be obtained as it follows:

$SBA = SBS + SBC$, where:

SBA – the current budget balance; SBS – the structural budget balance (at the level of Y_p)

SBC – the cyclic budget balance (which corresponds to the output gap).

SBA is obtained as the difference between the budget returns (from taxes T) and the budget expenses (including transfers), as it follows: $SBA = T - (G+TR)$. The function of the taxes takes into consideration both the taxes which are independent of the revenue level (the autonomous taxes – n), and those directly influenced by its evolution ($t \cdot Y$, where t represents the marginal rate of taxation).

~~$SBA = T - (G+TR)$, $SBS = T - (G+TR)$~~

If a restrictive fiscal policy is promoted (for example, the increase of taxation or the decrease of transfers), then the structural budget balance will get increased ($\Delta SBS > 0$). If it records a decrease, then the promoted fiscal policy becomes expansionary. It is considered *pro-cyclic* if it is restrictive under the terms of a recessionary output gap and expansionary in the case of an

inflationary output gap. An *anti-cyclic* fiscal policy is that which aims to stopping the recession or to impede the economic expansion.

Why Did IMF Intervene?

IMF Managing Director Dominique Strauss-Kahn considers that the solution to the global problems consists in promoting an expansionary fiscal policy and not a restrictive one, but not each economy can promote such expansionary measures. The economies facing difficulties in financing the budget deficit/the public debt service must promote a restrictive fiscal policy, even though it passes through a recession period.

IMF's main criterion to give the financial help is the situation of the public finances, but it also gives loans for financing the short-term payable debt (both public and private). According to IMF's logic, not only the state has to promote austerity, but also the private economic agents (companies, consumers). Under the terms of going through the economic recession, the states beneficiary of the IMF loan will record a decrease in the budget returns and they will have to decrease their budget deficit either by limiting the public expenses, or by increasing taxation, the both measures generating an emphasis of the economy's decline. These have been the evolutions in the European countries which benefited by the IMF loan – Latvia, Hungary, Serbia, Ukraine and Romania. The next sections I make analyses by comparing the macro-economical situations in Latvia and Hungary with Romania's macro-economical evolution.

Hungary's vulnerabilities. The constraints imposed by IMF

Hungary's current problems represent the consequence of the populist measures promoted in 2002, namely giving a supplementary pension to the retirees (the 13th pension), the increase with 50% of the wages for all the public employees and giving some advantages (exemptions from taxation) to the political clients. From a macro-economical point of view, in 2008 Hungary has been characterized by non-fulfilling any criterion of nominal convergence, while Romania fulfilled only the public debt criterion. The comparison with Romania (table 1) emphasizes the relatively faster adjustment of inflation and of the current account deficit.

Table 1. Comparison between Romania's and Hungary's macro-economical evolutions

Resemblances with Romania	Differences from Romania
Budget deficit over 3% in 2008 – <i>minus for Romania</i>	The public debt increased from 52% in 2001 to 67% in 2008, thus reflecting average annual budget deficits over 7% between 2002-2007; - <i>plus for Romania</i>
The average inflation rate was over 6% in 2008 (6.1% in the case of Hungary)	Hungary is going through a recession period (the 3rd and the 4th quarters recorded an economic decline) - <i>plus for Romania</i>
The vulnerability in the banking sector at the Hungarian forint's depreciation (more than half of the banking credits given to the private sector are in a foreign currency)	In January, the inflation rate decreased to 3.1% - <i>minus for Romania</i> (6.7%)
The approximately 15% depreciation of the national currency at present, compared to the beginning of 2008.	The foreign debt is approximately 100% of the GDP – <i>plus for Romania</i>
The average inflation rate was over 6% in 2008 (6.1% in the case of Hungary)	The current account deficit was 6.1% of the GDP in 2008 – <i>minus for Romania</i> (approx. 12.5%)
	Foreign currency reserves of approx. 16 billions Euro – <i>plus for Romania</i>

Hungary obtained almost 20 billions Euro (26.5 billions dollars) not to go into payment default, but the receiving of the installments is conditioned by promoting some restrictive and pro-cyclic fiscal policy measures, such as:

- decreasing the public expenses in order to improve the long-term fiscal sustainability;
- reduction the share of the public sector in economy (in 2008 it was 49%, a level which is superior to the EU-15 average of 46%);
- wage freezing in the budgetary sector in 2009;
- limiting the 13th pension to a level of 260 Euro (80,000 HUF) and eliminating it for those retired
- with anticipation.

Latvia's vulnerabilities. The constraints imposed by IMF

In 2008, Latvia was characterized by a unique cocktail of three factors of risk:

- the economy's overheating based on a crediting advance of approximately 70% of the GDP
- during the last 5 years;
- the monetary council, because of which the promoted monetary policy could not be anti-cyclic;
- a very high share of the short-term foreign debt (over 50%), the highest among the new EU
- member countries.

Latvia recorded a hard landing of economy, after which, during the 2003-2007 period, it recorded an economic growth average rate of 8% and an increase of the private crediting in the GDP with approximately 70 percents. Latvia fulfilled three of the nominal convergence criteria – the budget deficit, the public debt and the stability of the rate of exchange (under the terms of a fixed rate of exchange). The comparison with Romania emphasizes a relatively less favorable macro-economical situation, the resemblances mainly referring to the share in the GDP of the public debt and at the rate of unemployment level (table 2).

Table 2. Comparison between Romania's and Latvia's macro-economical evolutions

Resemblances with Romania	Differences from Romania
The decreasing of the demand was reflected in the current deficit's adjustment beginning with the 3rd quarter of 2008, approx. 12.5%, a level which is similar to that in Romania	The current account deficit recorded values over 12%, starting with 2004, reaching a maximum of 27% of the GDP during the 4th quarter of 2006 – <i>plus for Romania</i> (the deficit did not exceed 14% of the GDP)
A low share of the public debt in the GDP, near to 13% in 2008 (12.3% for Latvia and 13.5% for Romania)	The 25% decrease of the foreign currency reserves between October-December 2008, in order to maintain the rate of exchange to a fixed parity with Euro – <i>plus for Romania</i>
The biggest banks in Latvia ensured the Government that they would continue to guarantee the financing necessary for the economy's functioning (resemblance with Isărescu's statement).	Latvia is already going through a recession period, recording a 10% GDP decrease at the end of the 4th quarter of 2008 - <i>plus for Romania</i>
Almost a third of the employed population works in the public sector.	The confidence in the banking sector is low (withdrawals of deposits occurred): the Latvian state nationalized the country's second bank (Parex) – <i>plus for Romania</i>
The wages in the public sector were raised over the economic growth rate, and those from the private sector rose over the growth rate of labour productivity.	The foreign debt is 130% of the GDP at the end of 2008 – <i>plus for Romania</i>
The rate of unemployment was approximately 6.7-7%, according to the Eurostat methodology in 2008.	The inflation rate reached a maximum of 17.7% in May 2008 and it decreased to 11.8% in November – <i>plus for Romania</i>

Latvia obtained a loan from IMF of 7.5 billions EUR, approximately 45% of the GDP recorded in 2008. The fiscal objectives fixed by IMF for Latvia refer to:

- decreasing the wages in the public sector with 15%, as well as the decreasing of the budgetary
- personnel, eliminating the bonuses/incentives given to the public employees;
- decreasing the subsidies, except the social security benefits;
- introducing a 10% tax on dividends, interests, rent, starting with 2010;
- the three percents increase from 21% of the normal VAT rate and the increase from 5% to 10% of
- the decreased VAT rate which has a much more restraint basis of taxation (mainly the medicines);
- the increase of the fuel excise (achieving the communitarian acquis), as well as a partial compensation by decreasing the rate of taxation of the natural persons' revenues with 2 percents;
- freezing the pensions and their indexation on the inflation rate only starting with 2010.

Receiving the future installments is conditioned, first of all, by the compliance with the target of the budget deficit; even though the level settled for 2009 is 5%, the Government considered that the unfavorable evolution of the economy generates the deficit's automatic increase to a level which is superior to the value of 10%. As a consequence, the compliance with the established budgetary threshold will involve the emphasizing of the fiscal policy's and economic recession's restrictiveness.

The provisions in the IMF's agreement with Romania

The main objective of the loan consists of diminishing the effects of the strong decrease in the private capital entries and of properly financing the disequilibrium in the Romanian economy. *The intermediary objectives* refer to the medium-term promotion of a fiscal strengthening policy (by decreasing the public expenses) and of a restrictive monetary policy (in order to comply with the NBR's inflation target). The budget deficit which must be complied with by Romania in 2009 is inferior to that in 2008, under the terms in which the economy will record an approximate 11% decline compared to the previous year, and the budgetary returns will get decreased, this automatically leading to the increase of the budget deficit. As a consequence, Romania has to promote a restrictive and pro-cyclic fiscal policy, the main measures for decreasing the budgetary expenses aiming to:

- significantly decreasing the expenses with the wages in the public sector, by decreasing the bonuses and the other benefits;
- eliminating 137.000 vacant jobs;
- continuously decreasing the subsidies intended for the public entities;
- eliminating the increases in wages for the public sector (a total of 5%) planned for 2009 or the corresponding decreasing of the personnel number;
- unifying the wage grid in the budgetary sector, so that the bonuses could peg at 25% of the total expenses with the personnel;
- indexation of the public pensions at the prices index and not at the evolution of the revenues from the average gross wage in economy; also, there will occurs the raise of the retiring age (especially for women) according to the average expectation of life.

Conclusions

The agreement with the IMF does not automatically generate a decrease of the macro-economical risks for an economy, under the terms in which a restrictive fiscal policy is promoted. Thus:

- the national currency is not appreciating (the national currencies from Hungary, Ukraine, Serbia recorded depreciations even though these countries have signed agreements with the IMF);
- the country rating is not getting improved as a consequence of the agreements with the IMF (Ukraine's and Latvia's ratings were low);
- the domestic economic agents' confidence in the economy's evolution is not getting improved. According to the Economic Sentiment Index (ESI), calculated by the European Commission, ESI decreased in Latvia from 77 in November 2008 to 53.4 in February 2009, and ESI in Hungary decreased from 75 in October 2008 to 39 in February 2009.
- an agreement with the IMF is not increasing the stability of the banking system; on the contrary, the recession is getting deeper and the incapacity to repay the credits is getting increased through the promoted restrictive policy.

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THE VICIOUS CIRCLE OF FDI AND CONSUMPTION IN ROMANIA

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Significant inflows of foreign direct investment (FDI) in Romania's recent years have been accompanied by an excessive enthusiasm, originated in their association with an outstanding economic growth. The aim of this paper is to show the contribution of FDI to an unhealthy economic growth in Romania, due to the vicious circle between FDI and consumption. We found that these two variable self induce themselves. In a paradoxical way, the effects of the world economic crisis will disengage this vicious circle. Macroeconomic policies will have to address (i) the promotion of FDI which finance investment and not consumption, meant to contribute to an increase in aggregate output and to a sustainable economic growth; and (ii) the attraction of FDI inflows to deficient sectors, like industry and agriculture.

Key words: FDI, consumption, economic growth

JEL code: E21, F21, F43

1. Introduction

Taking into consideration the FDI inflows that penetrated into the Romanian economy and the evolution of the economic growth rate (see Table 1), we proceed with an interrogation: is it positive or not the fact that in 2004 the FDI inflows tripled and, in the same time, the country experienced an economic growth of 8%? Were the two evolutions correlated, and if so, was the FDI induced economic growth a healthy one?

Table 1: FDI inflows and real economic growth rate in Romania, 2000-2007

Romania	2000	2001	2002	2003	2004	2005	2006	2007
FDI inflows (mil USD)	1057	1158	1141	2196	6436	6483	11366	9774
Real ec. growth rate (%)	2	6	5	5	8	4	8	6

Source: UNCTAD

The enthusiasm associated with FDI inflows during transition period begins to fade, due to perverted effects, such as the absence of positive externalities, the bankruptcy of local producers, the adverse selection practiced by foreign investors which are oriented towards the most productive companies, repatriated profits and relocation. To these we can add a series of effects that may occur in a crisis context: domestic assets sold for under evaluated prices, reversible FDI, capital flows towards home countries. Therefore, a more cautious and subtle approach is needed. We will develop in this paper yet another argument, the fact that the demand and the supply as aggregates of promoting economic growth condition the FDI impact.

The production function approach shows the functional relationship between different production factors (namely labour, capital and technology) and aggregate output. This approach takes into consideration only the supply side (factor inputs and their productivity) and ignores the demand side (Gore C., 2007).

In particular the Solow growth model shows the impact of an increase in capital stock on national income and how it can affect productivity through technological change. A critique brought to

this model is that it assumes the returns to capital and labor to be equal to their marginal productivity. If earlier neoclassical growth models used assumptions of perfect competition and diminishing returns to scale, Romer (1986) and Lucas (1988) introduced externality effects of knowledge spillovers and have endogenised technical change.

According to these models, current consumption should be sacrificed for the purpose of increasing production capacities. Another source of capital should come from abroad (especially FDI). A lot of attention has been paid to the role of FDI in increasing the overall productivity of the host country, through technology transfer and productivity spillovers. In a supply oriented growth model, FDI appears as a main driving force behind the industrial restructuring and expanding of export capacity (Hunya G., 2003).

Nevertheless, the boost of consumption, the lack of domestic savings, external savings inflows, the structure of FDI inflows and the increasing current account deficit made us believe that a supply oriented growth model does no longer explain the economic growth experienced by Romania in recent years.

Although theoretically controversial, the demand-led growth theory seems to be better adapted than the growth model based on the production function to the situation of less developed countries (Gore C., 2007). According to this theory, the output capacity of an economy increases as a response to an increase in demand, in a totally opposite manner than in classical growth theories (Say's law). This alternative approach rejects the approach based on the production function which explains the growth only by the supply of production factors and their productivity, ignoring the role of the demand in this process. The theory of the demand-led economic growth has a starting point the assumption that, in any point in time, the use of the productive resources can vary according to demand conditions. Moreover, the cumuli of factors and technologic progress are ultimately influenced by demand. Among those preoccupied by the demand-led growth, we mention Setterfield in 2002 and Blecker in 2002, both quoted by Gore C. (2007). We identify two approaches: (1) the economic growth as a result of an increase in demand, development of production capacities through investment and their interaction: (2) economic growth explained by aggregate demand level and income distribution between salaries and profits²²¹. With this theoretical support, we accept the hypothesis of the demand-led economic growth.

The article is structured as follows: sections 2 and 3 argue the FDI contribution at an unhealthy economic growth in Romania (section 2 presents the first sequence of the vicious circle FDI-consumption and the section 3 refers to the second sequence). Section 4 concludes, also sketching some implications in terms of public policy.

2. FDI generating consumption and their impact on economic growth

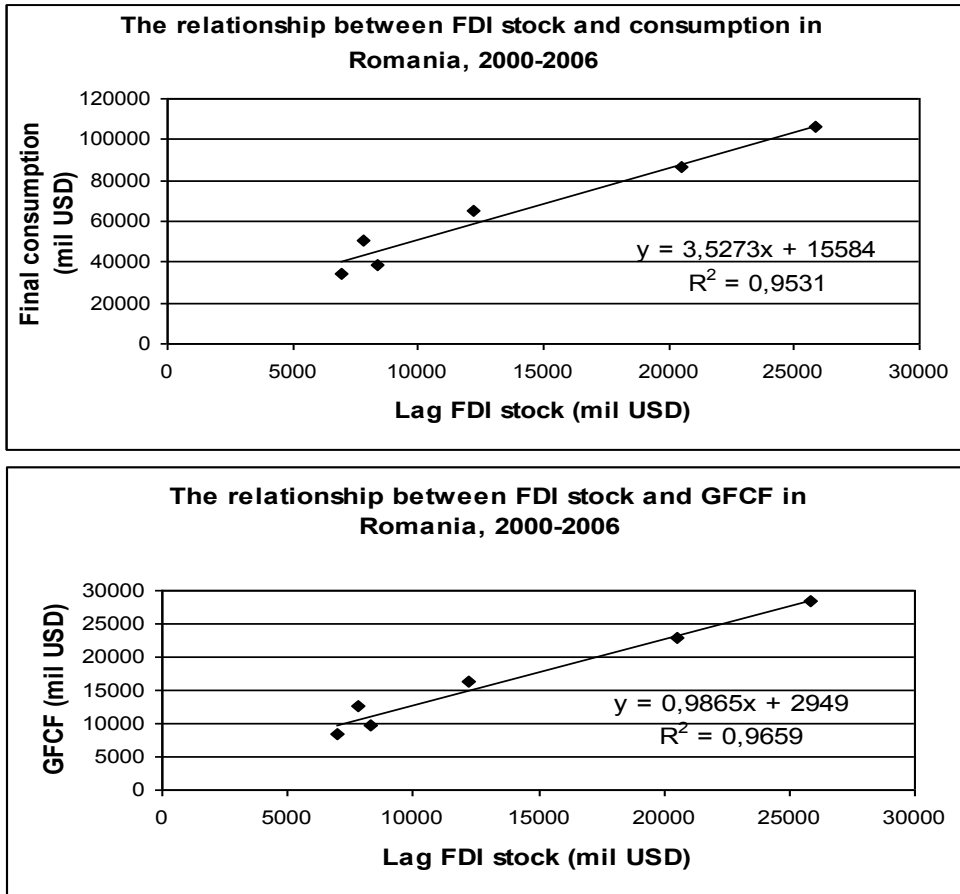
As follows, we will sustain the hypothesis of an unsustainable economic growth in Romania, based on an excessive consumption, supported by foreign investment inflows. In fact, we deal with a vicious circle that allows FDI and consumption to auto maintain themselves and generate unhealthy economic growth.

Even since 2005, EBRD noticed the economic growth in Romania as a result of increase in private consumption. In the same time, EBRD warned about the effects of consumption increase, such as import growth and the aggravation of current account deficit. To solve this situation, two solutions were claimed: 1. Improvement of competitiveness and 2. Attracting FDI destined to finance the excessive consumption (Veselin A., 2005). Unfortunately the second solution seems to be favored. In 2006, EBRD explains the FDI growth by reduced credit interests and by the forthcoming EU membership; in the same time, the credit policy, by the diversification of banking products, contributed to consumption growth (Banila I., 2006). The consumption growth

221 The economic growth is restraint by the low level of salaries and consumption. .

was mostly influenced by the increasing volume of retail sales, being more obvious to population level than to public administration (Davidescu L, 2006).

Figure 1: Correlation between FDI stock, final consumption and gross fixed capital formation in Romania, 2000-2006



Source: authors calculus based on UNCTAD Handbook of Statistics Database and FDI Database

Romanian authorities stay passive face to these warnings. Only in 2008, BNR (Romanian National Bank) sent signals that qualified the economic growth as being “overheated”, asking to pass from an economic growth based on consumption to one based on supply and productivity gains. We add opinions from other economic analysts that stress the GDP contribution of some sectors as constructions²²² – which are consumption generators, and less of industry and agriculture, which are sustaining supply (Serbanescu I., 2008).

We hereby try to verify the hypothesis that FDI contribute to economic growth by the consumption generated in Romania in the year that follows the FDI inflow (see Fig 1).

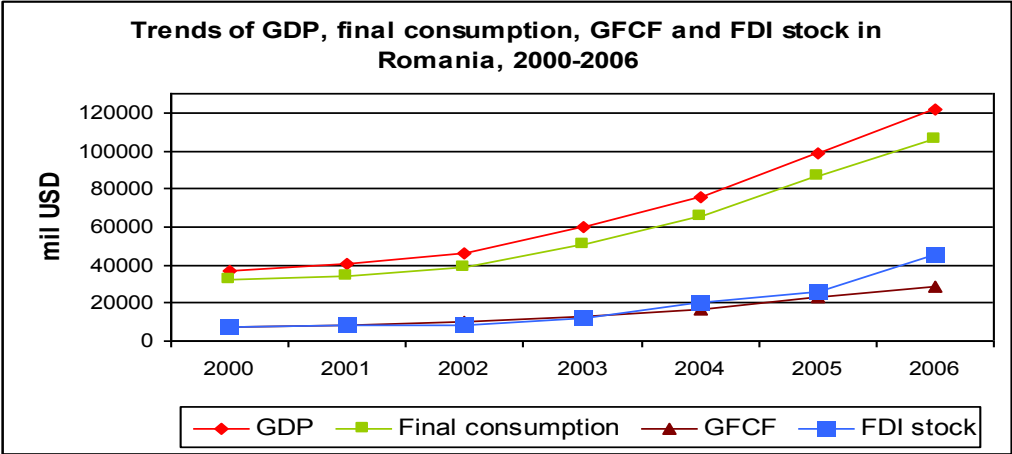
The correlation we obtained has a high explicative power ($R^2=0.95$), and the positive coefficient shows that at a 1% increase in FDI stock, the Romanian consumption increases by 3.5%. FDI’s impact on consumption is much more important that on gross fixed capital formation (GFCF): for a 1% growth of FDI stock, GFCF in the following year increases with only 0.98% ($R^2=0.96$). As a consequence, in Romania FDI changed their initial destination, that of financing the investment deficit, fueling in exchange the consumption.

222 Due to artificial price increase in real estate sector

According to the last BNR report on FDI, dating from 2007, the most attractive sector for foreign investors is financial intermediation and insurances, representing 23% from the total FDI, followed by retail (14%) and by constructions and real estate transactions (8%)²²³. The preferred sectors by foreign investors are those sectors destined to artificially and excessively grow consumption, by stimulating the demand of goods, of credits destined to finance goods' acquisition, or buildings.

In this matter, we must add the fact that consumption is the element that sustained economic growth, as we can see from Figure 2.

Figure 2: GDP, final consumption, gross fixed capital formation and FDI stock evolution in Romania, 2000-2006



Source: authors calculus, using data from UNCTAD Handbook of Statistics Database and FDI Database

Since 1990, consumption represented between 76% and 90% of GDP, while gross capital formation represents only 14 to 23% of GDP.

Therefore, the influence of FDI on economic growth in Romania has been accomplished in an unhealthy way, by supporting consumption, which has reached nowadays concerning rates.

3. Consumption as a catalyst of FDI inflows and the impact on economic growth

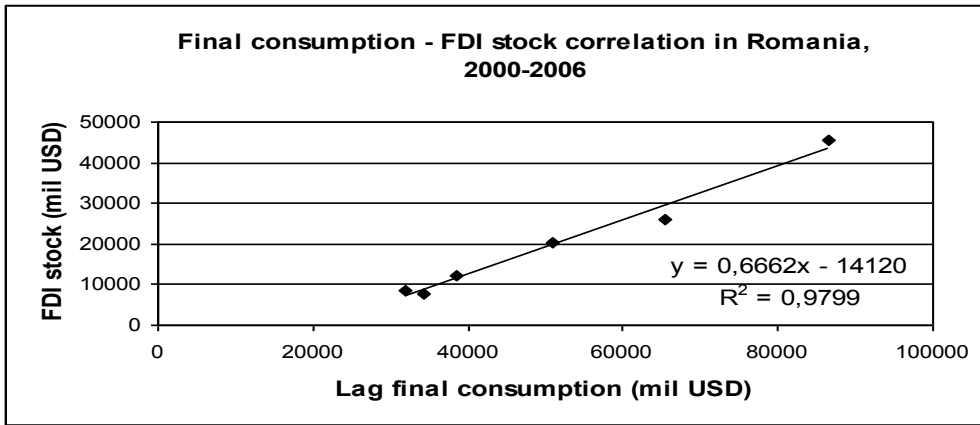
The relationship between the FDI and consumption is not unidirectional, but interdependent. Figure 3 is therefore suggestive.

An increase by 1% in final consumption leads to an increase of 0.66% of FDI stock in the following year. We found that FDI's influence on consumption is more noticeable than the reverse one, but the existence of this interdependence maintains a vicious circle.

Intuitively, the consumption growth is accompanied by an import increase, which will destabilize the commercial balance and therefore the current account. In order to finance the current account deficit FDI is needed. In this manner we may explain the relationship between final consumption and FDI. The evolution of all these variables is presented in figure 4.

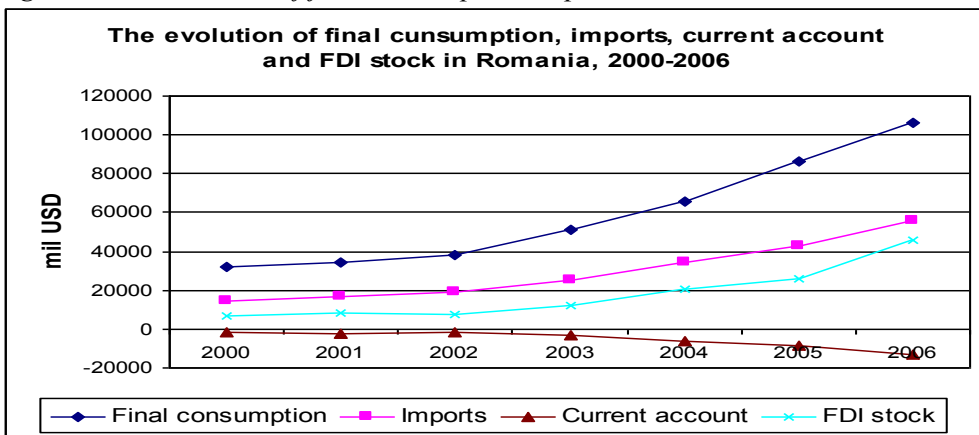
223 Even though manufacturing industry counts for 32% of FDI stock in Romania, investment in this sector splits into various branches, therefore none of them has more than 8% of the total FDI stock.

Figure 3: Final consumption – FDI stock correlation in Romania, 2000-2006



Source: authors' calculus based on UNCTAD Handbook of Statistics Database and FDI Database

Figure 4: The evolution of final consumption, imports, current account and FDI stock



Source: authors, using data from UNCTAD Handbook of Statistics Database and FDI Database

Therefore, a 1% increase in consumption is accompanied in Romania by a 0.53% increase in imports, under the conditions of an insufficient domestic supply; moreover, the 1% growth in imports generates the destabilization of the current account with 0.27%. The increase of the current account deficit with 1% leads to the growth of the FDI stock with 3.22%.

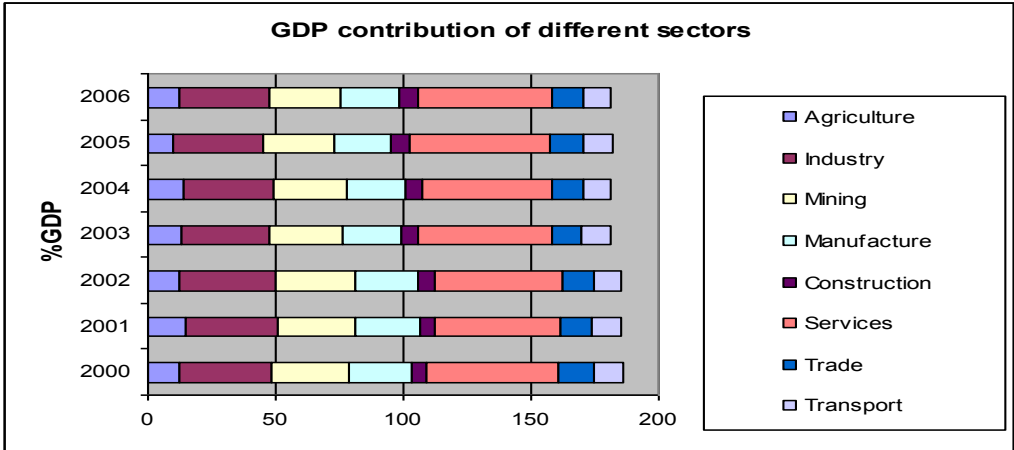
Therefore, we have reached the conclusion that FDI generates consumption; consumption at his turn generates FDI, which again encourages consumption etc. We can observe now the vicious circle that leads to an unhealthy economic growth based on consumption. Moreover, we assist in this way to a FDI, rather than investment, financed consumption. FDI adapts themselves in his way to the needs of financing the current account deficit, but in the same time, sustain consumption, destabilizing the payments balance.

Bresser-Pereira&Gala (2008) argue that, in medium income countries, with insufficient capitals, financing the current account deficit by external savings (FDI) leads to an increase in consumption, much more than the increase in gross capital formation or in aggregate demand²²⁴. Therefore, there is a problem of insuffience of agreggate demand for countries accepting to finance economic growth by external savings. These countries will accumulate debt in order to consume and not to invest and grow.

224 The cumulated demand for consumption goods and investment goods

Why an economic growth based on consumption in Romania? An economic growth based on demand/consumption was easier to put into place than a growth based on supply, due to an industry and agriculture sectors insufficiently developed, not capable of sustaining a supply that should respond to the demand in Romania. Analyzing the contribution to GDP of different sectors (see Figure 5) we notice the importance of Services. Industry and agriculture prove themselves much less important. While the contribution of industry and agriculture to GDP was in continuous descent, services faced ascension, bypassing 50% in GDP.

Figure 5: GDP contribution of different sectors



Source: authors, using data from UNCTAD Handbook of Statistics Database and FDI Database

4. Conclusions

Taking into consideration the present context of the world economic crisis, we are preoccupied by FDI and consumption perspectives, sources for the unhealthy economic growth in Romania. The crisis effects on FDI can be summarized as follows: (1) investors’ strategies will be affected by the turbulences on the world financial market and will reduce FDI in Romania; (2) investors may reoriented from developed markets confronted with recession towards countries less affected by the crisis, as Romania; (3) the restrictive credit policy now put into place in Romania discourages foreign investors.

As for the effects of the crisis over consumption, we can state that the reduction of the population’s income and the prudent credit policy of BNR (National Bank of Romania) and commercial banks will discourage consumption in Romania. The two effects put together, that of FDI and consumption in crisis context will disengage the vicious circle, stopping from alimending an unhealthy economic growth. In a paradoxical way, the crisis, by its effects, creates the premises for reconsidering the growth generating factors and the support for investment (domestic and foreign) as catalyst of economic progress in the long run.

Some sources anticipate a reduction of FDI inflows in Romania, reaching in 2013 the existent level of 2004. This assumption is not to be excluded, because that level of FDI is real one, since future years’ performances only artificially generated FDI inflows by an increased consumption.

Which would be the implications in terms of public policies? (1) Reconsidering the factors generating economic growth; (2) Shifting from a consumption-led growth to a growth based on supply and gains of productivity; (3) Reversing the ratio Industry&Agriculture/Services in favor of the first, in order to sustain the supply by domestic investment and to promote a healthy economic growth; (4) Increase of net export and maintaining under control the current account deficit; (5) Promoting FDI that finance investment and not consumption, in order to contribute the growth of the aggregate supply and to a sustainable economic growth; (6) Attracting FDI in

deficient sectors, as Industry and Agriculture; (7) Putting into place an active fiscal policy to restrict consumption and encourage investment (domestic and foreign).

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14. *** UNCTAD Handbook of Statistics Database and FDI Database

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Abstract

Health is one of the most important assets for human beings, since it allows people to fully use their capacity. Poor or compromised health reduces the well-being of individuals, by affecting their future incomes, wealth and consumption. For policy implications, it is notorious how health can affect not just the economic outcomes of a person, but of an entire country. Keeping this view in mind, the aim of the paper is to analyze clusters and distances among the EU's Member States in terms of health standards, by using the Self-Organizing Map (SOM) artificial neural network methodology.

Key words: Health, Human capital, Development

JEL codes: H1, I1, O1

1. Introduction

Less developed economies have generally shown to achieve poorer health standards than those in advanced countries. The effect of income differences on health performance is one of the most debated questions in literature. In order to investigate this further, one needs to assess the objective of policies aimed at increasing health levels of countries. In this respect, a number of programmes are designed to reduce morbidity and mortality of the population. In addition, a secondary goal of these policies is to increase the level of economic development by improving health standards. For example, the report of the WHO's Commission on Macroeconomics and Health (2001) states: «*Improving the health and longevity of the poor is an end in itself, a fundamental goal of economic development. But it is also a means to achieving the other development goals relating to poverty reduction. The linkages of health to poverty reduction and to long-term economic growth are powerful, much stronger than is generally understood. The burden of disease in some low-income regions [...] stands as a stark barrier to economic growth and therefore must be addressed frontally and centrally in any comprehensive development strategy*».

Economists have identified several channels by which health may impact on the output of an economy. To give an example, a healthier population is generally more productive, since people in good health may work harder, longer and be more concentrated. Furthermore, improvement in health standards is an indirect incentive for investing in education. Such an investment will be most likely amortized during a longer working life. Finally, healthy students tend to have lower rates of absenteeism and a better cognitive performance, thereby succeeding in achieving higher education standards, all else being equal.

In accordance with the prevailing literature, our hypothesis is that health represents one of the main factors of human development. The major objective of this work is to examine the existence of clusters and distances among the EU's Member States with respect to health services provided to people. In this regard, a brief overview of the relevant literature on the relation between health and economic outcomes is provided (see par. 2). In the second section, a data analysis is performed using a Self-Organizing Map (SOM) neural network methodology, in order to identify multidimensional similarities and gaps among the EU's Member States (see par. 3). Finally, brief concluding remarks are made on the main results achieved by the analysis (see par. 4).

2. Health and economic outcomes

Most studies examining the relation between health and economic outcomes – both at the micro and macroeconomic level – are based on two distinct typologies of indicators: input and output of national health services.

Inputs are usually considered to be both economic and non-economic factors affecting an individual's health during his entire life, such as health expenses, physicians and nurses density in population, beds availability in hospitals, etc. As far as outputs are concerned, scholars usually consider a number of different features that are related to inputs and personal genetic information (mortality, morbidity, life expectancy at birth, etc.).

A second strand of research has tried to the question whether, and to what extent, health disparities have an impact on income differences, by examining input and output data at the aggregate level rather than the individual. The first pioneering works on this subject (see, for example, World Bank 1980, Hicks 1979 and Wheeler 1980) drew some preliminary conclusions highlighting the importance of health in growth and development dynamics. More recently, Barro (1997), among others, showed how an increase in life expectancy is correlated with economic growth: using data relative to the period after the Second World War, he found that an increase of 10% in life expectancy may raise economic growth by an annual 0,4%. According to Fogel (1997), the growth of the amount of calories available on average per worker in the past two centuries has played a non-neglectable role in rising GDP growth rates in countries like the United Kingdom and France. Similar conclusions to the studies of Barro and Fogel were also reached in Bloom and Williamson (1998), Gallup and Sachs (2001), Arora (2001) and Bhargava *et al.* (2001). Though primarily focused on econometric estimations, all the works reviewed above show how health may impact strongly on economic trends.

3. Health standards in the UE: a non-linear clustering through SOM Neural Networks

In this paragraph, we discuss the results of a data analysis based on a SOM, used to better identify clusters and gaps among the EU's Member States in terms of health standards. A SOM is a type of artificial neural network that is trained using unsupervised learning to derive a low-dimensional (typically two-dimensional), discretized representation of the input space of training samples, called a map. This makes SOM useful for visualizing low-dimensional views of high-dimensional data, similarly to multidimensional scaling. The model was first described as an artificial neural network by Finnish professor Teuvo Kohonen (1995), after whom was named "Kohonen map". Like most artificial neural networks, SOMs operate in two modes: training and mapping. Training builds the map by using input examples. It is a competitive process, also called vector quantization. Mapping automatically classifies a new input vector. This spatial organizing process, used for important statistic features of input data, is also known as feature mapping. SOM creates feature mappings by means of an unsupervised learning technique.

For the aim of this paper, we considered a set of 21 variables for each of the 27 EU's Member States (see tab. 1). The observations refer to the most recent year available (mainly 2006). At any rate, the variables show a certain degree of stability in the last five years.

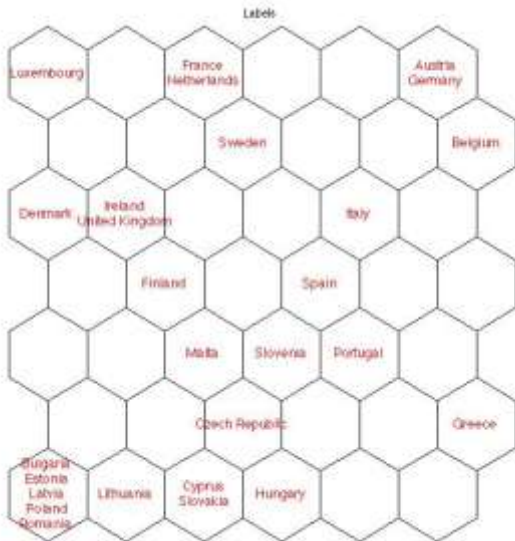
The positions found by the Kohonen map for the countries considered, with respect to the agglomerations produced by the SOM Neural Network, show two main results.

In connection with the variables used in this study, some well-defined groups are formed (see Fig. 1):

- Group 1, comprising Eastern European countries. In particular, Bulgaria, Estonia, Latvia, Poland and Romania belong to the same codebook, while Lithuania, Cyprus, Slovakia, Hungary and Czech Republic constitute a second subgroup. Slovenia, instead, is an outlier with respect to the other countries, and locates close to Mediterranean countries;
- Group 2, including some Mediterranean countries, such as Portugal, Malta, Spain and Greece. Italy represents an outlier and appears to be as an outpost between Mediterranean countries and Central and Northern European countries;
- Group 3, which comprises the main countries of Central Europe and is located in the top-right part of the Kohonen map;
- Group 4, including countries of continental and non-continental Europe as well as Scandinavia. This group is placed in the top-left part of the Kohonen map.

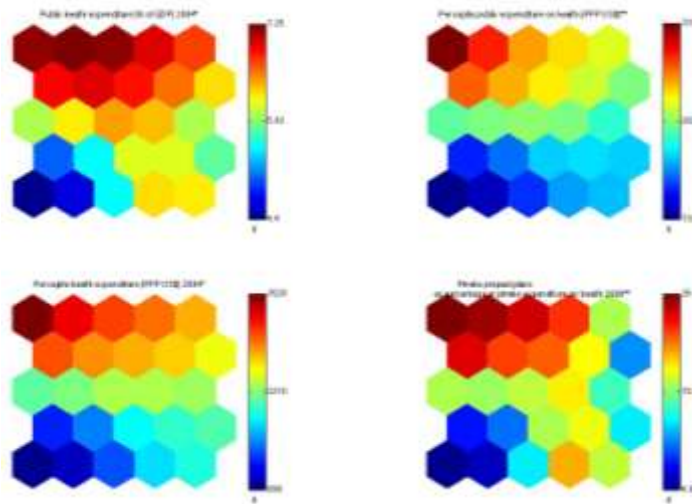
The location of countries along the directrix which goes from the top to the lower part of the map represents a clear correlation with the overall quality of national health services in the countries considered. However, it must be mentioned that, even within the well-performing countries located in the top part of the map, it is possible to identify two distinct profiles that split the group of continental Europe in two separate branches.

Fig. 1 – Kohonen Map



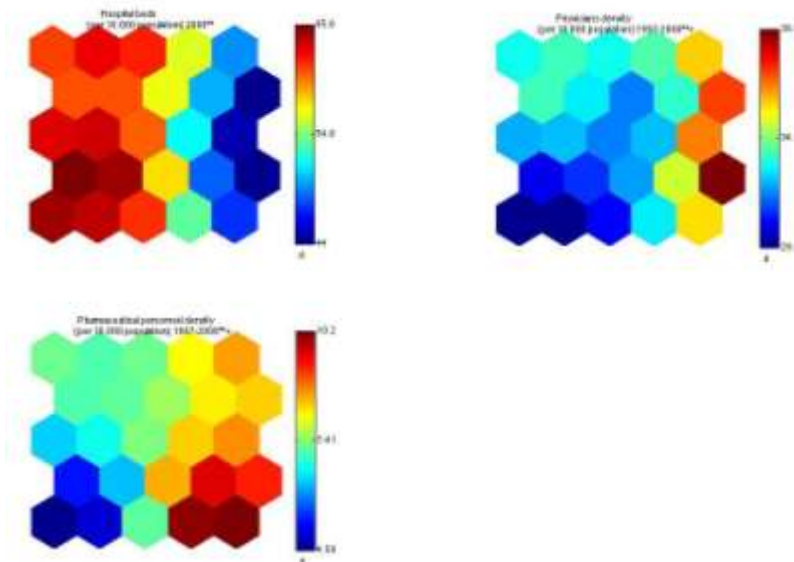
A close examination of the feature mapping highlights a second important aspect: the differences among countries, as evidenced by the identification of groups done before, is based on only a few variables of the whole set used in the analysis. The main distinction may be mainly summarized in terms of current expenses, rather than the provision of basic health care (see Fig. 2, where warm colours are associated with high values).

Fig. 2 –Expenditures on health



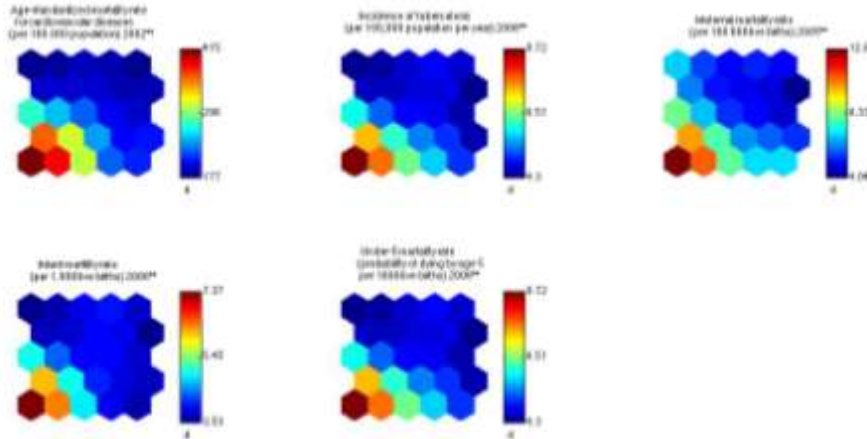
The stock variables, such as beds availability in hospitals or physicians and pharmaceutical personnel density in population (which represent a good proxy for measuring the provision of basic health care), do not allow to distinguish between Western European countries and Eastern European countries (see Fig. 3).

Fig. 3 – Health endowment



However, there are a few output variables, primarily associated with morbidity and mortality, that exhibit relatively high values with regard to countries of Eastern Europe (see Fig. 4).

Fig. 4 – Mobility and Mortality



Hence, in this case, the observed differences in output terms may be not due to the provision of basic health care, but rather to investments in health (these investments may actually affect the quality of the provision of basic health care and its effectiveness).

Concluding remarks

Health capital has a significant effect on economic development. For policy implications, it is notorious how health can affect not just the economic outcomes of a person, but of an entire nation. It is important to include investment in health as a macroeconomic policy tool, due to the fact that differences in economic development between countries have been significantly explained by health disparities. This shows that investments in health improve economic development and are among the few feasible options to be used for the elimination of poverty traps.

This paper was aimed at highlighting the distances among the EU's Member States, by focusing the attention on their health standards. By using SOM artificial neural networks, we showed that recently acceded EU countries should reduce the gaps from more advanced countries, especially in terms of health investments. Further investigation is required to better explore the dynamics of the above mentioned phenomena.

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Tab. 1 – Data base

	7.8	2729	2.5	3418	61	23	76	37	86	1.8	6	29.4	71	127	204	4	4	4	4
Kazakhstan	6.9	2264	2.8	3123	93.6	18.6	53	42	142	3.4	11	78.8	71	148	162	5	10.6	27.1	100
Belgium	4.6	443	3.4	671	67.8	0.9	65	36.6	46	18.3	1	97.3	85	125	154	13	5.9	37.9	99
Colombia	9.4	749	5.2	1118	0.3	17.1	55	31	49	0.1	2	59.0	68	64	354	4	11.5	31	100
Cyprus	6.3	1109	0.8	2412	89.4	1.8	84	56	89	2.5	6	75.9	68	177	313	4	11	33.4	100
Czech Republic	7.1	2812	1.5	2780	0	9.5	38	26	101	2.8	7	71.9	70	167	182	4	11.7	24.8	100
Denmark	4.0	794	1.3	752	84.8	4.1	56	33	70	2.1	7	71.2	64	150	425	6	9	28.1	100
Estonia	5.7	1940	1.7	2203	20.3	9.9	79	33	89	2.3	11	78.9	71	115	201	3	9.3	31.7	100
Finland	8.2	2832	2.3	3040	93.6	6.2	73	34	80	2.3	11	86.2	72	142	318	5	11.4	31.6	100
France	8.2	2548	2.4	3171	87.5	19.9	83	34	80	2.3	6	79.3	72	141	211	5	12	51.8	100
Germany	4.3	1317	3.7	3179	25	2.8	47	50	36	0.7	8	78.9	71	132	258	4	9	39.8	100
Greece	5.3	978	3.1	1368	90.3	4.1	79	50	93	3	5	73.9	65	261	364	1	13.6	26.3	100
Hungary	5.7	2413	1.5	2618	0.8	18.6	58	29	93	6.8	9	78.4	70	114	214	4	13.7	26.1	100
Iceland	6.5	2022	2.2	2434	0.3	4	40	37	72	2	8	86.3	73	134	174	4	8	39.4	100
Italy	6.0	615	3.1	872	96	7.7	76	31	56	1.8	6	71.0	63	156	482	9	8.6	33	59
Latvia	4.9	718	1.6	842	84.5	1.3	89	40	71	1.8	6	72.3	63	161	391	9	3.9	34.7	100
Lithuania	7.2	2253	0.8	3118	78.6	18.9	63	27	96	3.5	9	78.4	72	134	177	4	15.6	26.7	100
Austria	7.0	1419	2.3	1723	0	8.1	78	39	60	1.5	20	79.1	71	124	214	6	6	34.3	100
Bulgaria	5.7	2768	3.5	3092	95.1	23.1	50	37	146	5.8	2	75.2	71	129	371	5	9.7	32	100
Slovenia	4.3	636	1.9	834	83.9	1.9	52	20	52	2.6	6	75.2	66	180	324	7	8.1	35.6	100
Poland	7.0	1494	2.8	1897	1.1	7.2	37	34	47	1.0	17	71.9	63	140	208	4	11.5	35.8	99
Portugal	5.4	433	1.7	483	80.3	13.9	65	19	42	2.3	1	71.9	63	141	208	3	9.7	32.6	88
Romania	5.3	913	2.9	1061	85.5	0	68	31	66	2.1	5	74.2	66	170	371	8	10.4	30.9	100
Slovakia	6.6	1507	2.1	1815	91.9	48.6	48	24	80	3.3	5	77.4	69	160	218	8	6.7	26.5	100
Slovenia	5.3	1783	3.4	1069	6.6	37.8	34	33	76	3	9	88.3	73	131	173	4	11.7	33.7	100
Spain	7.1	2353	1.4	2828	0	1.6	59	33	109	3.3	7	86.3	73	116	176	4	4	32	100
Ireland	7.0	2424	1.1	2880	0	7.8	39	23	128	3.5	5	79.0	71	143	182	6	11.8	35.7	100
United Kingdom																			

* Source: OECD

** Source: WHO

→ Data refer to the most recent year available during the period specified

THE INFORMATIONAL SUPPORT CONCERNING THE CONCEPT OF FINANCIAL PERFORMANCE, EARNING POWER AND PROFITABLENESS WITHIN AN ENTERPRISE

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Within the conditions of free enterprise, achieving certain performances by the enterprises will determine the managers to take decisions as concerns the efficient managing of the material, human and financial resources, as well as assimilation of the systems and modern management methods in order to assure the economic viability of the products within competition conditions. The financial performance of an enterprise is measured mostly by means of the benefits and of their elements, which are achieved upon basis of the existing resources. Starting from a wide approach of this concept, the performance's parameters express the quality of managerial activity, including simultaneously all the other economical concepts of efficiency, productivity, increasing, steadiness, profitability, thus reflecting the past results that were achieved, as well as the future possibilities of developing an enterprise.

Keywords: financial performance, profit, earning power

JEL CODE: M4: Accounting.

Recognizing the increase of incidence's sphere related to an enterprise's activity to interests owners, including investors (within corporate stock, loans, other credits), customers, employees, with an extension over the communities, within the context of globalizing tendencies, assuming a complex approach of the analysis specific to its²²⁵ performance. The performance includes the ability of having an access to resources, of allocating and using them in an optimal way, in order to assure enough remuneration for covering the risk assumed and of justifying the interest, on the line of a future lasting development. The performance relies therefore, in the efficiency and efficacy with which the resources are consumed (the effort) and the results generated (the effect), able to assure and develop the sphere of interests. In order to express the performances of an enterprise, the concept of "competitiveness" will be also taken into consideration.

The performance can be defined as "a state of competitiveness of an enterprise, reached by a level of efficacy and productivity, assuring a lasting presence on the market". As noticed from the above mentioned definition, the performance requires the simultaneous and complementary presence of the two "ingredients" which represent necessary conditions, but not enough for the performance²²⁶. This thing is important, because a global vision over the performance might be possible only by correlating the dynamics of these two indicators.

Therefore, an enterprise showing performance is both efficient and productive, these being the effects (the results). In the same time, the effectiveness and productivity are causes that determine the performance. Among the main objectives of each accounting system, measuring the performances plays an essential part.

The performance can be defined as the manner of representing the increasing value of a business among two moments, the value for a business representing the increase of the selling price of the business between two elements, plus the earnings had by the investor for other utilisations. The value included within the selling final price is given by the net assets improved and existing in

²²⁵ Petcu, M. - *Analiza economico-financiară a întreprinderii*, Editura Economică, București, 2003. p. 311.

²²⁶ Andronic, B.C. - *Performanța firmei*, Editura Polirom, Iași, 2000, p. 25.

balance at that moment, as well as the goodwill elements achieved by the enterprise and that will generate the future benefits²²⁷.

Another vision of the performance can be expressed in the future, this being given by the difference between the amount of potential future earnings that might be accomplished within a time horizon, reasonable for the nature of business, plus the residual value of the business, less the initial investment.

Discussing the performance²²⁸ concept within accomplishing and presenting the financial situations, in accordance to IASB, it is assumed that the earnings meaning is actually the variation of the net asset during the reporting period of time, and on short and mean term, one might expect that both IASB and FASB to direct towards modifying the benefit and loss account, so that to offer the complete result. Nevertheless, the concepts of performance and measuring the revenue have been changed over the years, and the modality of current reporting is yet focusing over the revenue and expenses made. Both the reporting entities and the analysts go towards to identify within the reported earnings those elements which seem to continue in the future, as long as the price of stock holdings depends upon these.

The French author Didier Noye²²⁹ considered that performance consists on reaching the aims given in convergence with enterprise's directions, where performance is not a simple observation of a result, but contrariwise, the consequence of a comparison between the result and the objective.

Professor Stefan Bunea started, within the acceptance of performance concept, the following considerations²³⁰:

- *performance means success*. The performance doesn't exist by itself, being dependent upon the manner of representing the success accomplished by different categories of users, for the accounting information.

- *performance is the result of the activity*. Contrary to that previous, this concept doesn't keep the value analysis of the external users. Measuring the performances is understood as "the ex-post evaluation of the achieved results".

- the performance is activity. In this way, the performance is a process and not a result that appears at a certain moment of time.

Reported to these concepts, one might understand that performance is defined by the users of accounting information related to their own objectives.

Performance is not a state, but a process, its content becoming almost secondary by reporting to the own dynamic, where this attitude is also translated in practice by the financial analysts behaviour, which evaluate the titles by multiples of the net profit observed, but also of that anticipated. Two of the concepts that dominate the modern management of the organisations are the value and performance²³¹.

To measure the performance means to appreciate the value, and to now the causes of the value means to "translate" the performance. Performance cannot be expressed but an equilibrated assembly of complementary parameters, sometimes in contradiction, which describe the results and processes of reaching these results²³². The managers administrate the future and report

²²⁷ Diaconu, P. - Cum fac bani contabilii? Evaziune fiscală, paradisuri fiscale, Contabilitate creativă, Editura Economică, București, 2004, p. 18.

²²⁸ Epstein, B., J., Mirza, A., A. - IFRS 2005, Interpretarea și aplicarea Standardelor Internaționale de Contabilitate și Raportare financiară, Publishing House BMT, București, 2005, p. 55.

²²⁹ Didier, N. - Manager les performances, INSEP CONSULTING Editions, Paris, 2002, p. 6

²³⁰ Bunea, Șt. - Macroeconomie și polioeconomic în proiectarea politicilor contabile ale întreprinderii, Editura Economică, București, 2006, p. 146.

²³¹ Albu, N., Albu, C. - Instrumente de management al performanței, vol. II, Control de gestiune, Editura Economică, București, 2003, p. 96.

²³² Bourguignon, A. - *Revue française de gestion*, august, 1995, citat de Albu, N., Albu, C., *Instrumente de management al performanței, vol. II, Control de gestiune*, Editura Economică, București, 2003, p. 98.

constantly the present to it²³³. The process of management can be defined reporting to time: before the action, as directing, in the progress of the action, as adjusting and after the action, as evaluating the performances in order to achieve useful instructions.

The concept of performance (results) is marked by the economical and political system, and also by the ways of managing of an enterprise, and the dominating factor within a company wishes its measuring, depending upon its own interests. These elements represent the “subjective” aspects that influence the definition and measuring the result (the performances).

The accounting practice and theory have imposed certain conventions, principles and concepts that offer to the definition and measurement of the performance an objective basis, taking into consideration the economical and political context, specific to any accounting system²³⁴.

A result doesn't represent anything if is taken into consideration by its own, because it cannot be separated by means, activities and objectives: the performance represents the assembly of elementary logical steps of the activity, starting from intention to the effective result.

A total acceptance of performance is offered by IAS1, meaning that of global performance. Within this vision, the “boundaries” of the accounting result are over fulfilled, here being included the “differences” of re-evaluation, the differences of conversion, earnings or latent loss over the financial instruments, the earnings and actuarial loss related the allowances, the effect of changes as concerns the accounting methods and corrections of the fundamental²³⁵ errors.

The development of an enterprise is usually the resultant of factors mixing: the achieved financial resources, the products and their services, the conditions of the external environment, as well as the capacities of the managerial team. There are certain reasons within the managers' view that justify the development²³⁶, such as:

- a developing enterprise is a healthy enterprise;
- a developing enterprise offers the impression of an efficient management;
- a developing enterprise assures the perennality (deficiencies within a strategic field of activity cannot endanger the existence of the enterprise, the performances of the other fields counteracting the negative effects).

In this way, achieving of performances on enterprise level assumes, directly or indirectly, the re-evaluation of the competitiveness concepts, thus determining interdependency between performance and advantage, meaning competition-competitiveness-efficiency-effectiveness.

The main activity of an enterprise's management consists in increasing the competitiveness and efficiency of the enterprise, the management being the basic vector to the economical growth, and according to Peter Drucker's words, “the main way of economical development”.

The effectiveness designates reaching the aims, objectives and standards of an enterprise, establishing a measure where outputs respect the requirements of customers and citizens.

The effectiveness is directly influenced by the enterprise's environment, the efficiency is used during evaluating the enterprises' performances, and competitiveness of the enterprise and its success during time depend more upon the effectiveness rather than efficiency²³⁷.

The financial performance shows the level where the enterprise has accomplished the objective on the benefit's²³⁸ line realisation. The economic theory considers that for any enterprise, this objective assumes the maximisation of the benefit. Although, there are managers that wish to achieve only a satisfying benefit. Recognizing the maximal point of the benefit is an extremely

²³³ Bouquin, H. - *Contabilitate de gestiune*, traducere și studiu introductiv Neculai Tabără, Editura Moldova, Iași, 2004, p. 45

²³⁴ Minu, M. - *Contabilitatea ca instrument de putere*, Editura Economică, București, p. 96.

²³⁵ Ristea, M., Lungu, C., Jianu, I. - *Ghid pentru înțelegerea și aplicarea Standardelor Internaționale de Contabilitate, Prezentarea situațiilor financiare*, Editura CECCAR, București, 2004, p. 226-267.

²³⁶ Petcu, M. - *Creșterea întreprinderii și echilibrul financiar*, Revista Contabilitate și informatică de gestiune, nr. 9/2004, Editura ASE, București, p. 165.

²³⁷ Molodoveanu, G. - *Analiză și comportament organizațional*, Editura Economică, București, 2005, p. 268.

²³⁸ Malciu, L. - *Cererea și oferta de informații contabile*, Editura Economică, București, 1998, p. 50.

subjective operation. From this reason, it is assumed that an enterprise has accomplished the objectives on the line of creating the profit, when the stockholders are contented.

In order to evaluate the profitability, the users are using information from the benefit's account and loss. But, this information does not fully completely the needs. Therefore, certain digits, even referring to the past, have an estimative value. It's about the attenuations, commissions and evaluation of stocks.

The performance of an enterprise aims especially to the possibility of it on achieving the benefit. From here, it results the potential dimension of the resources that the enterprise will own and control in the future. If the variation of capital is had in view, the same indicator will compare the modifying of capital between the moment of starting and ending the financial exercise, taking into consideration the mark "+", the capital reimbursements and with mark "-" the potential capital's contributions.

The benefit is frequently used as a measure of performance or as basis of reference for other indicators, such as earning power of the investment or the action result.

The analysis directed towards the economical-financial performances study of an enterprise, the evolution and their perspectives provide information useful to managers, but also to the external partners interested by the future results of an enterprise.

The relationship between the performance's fields (the efficiency of the internal processes, satisfying the customers, growth and development) are leading to the financial improvement of an enterprise.

If in the past century, the financial performance searching was situated on the foreground, and nowadays, the enterprises have learned that this is not only a consequence – "the result of the travel", but the travel on its own, as well as the vector of future²³⁹ travels success.

The profit represents the most used measure of the performance in the view of enterprise's business. By evaluating the performance of decentralised units, by means of profitability indicators, the central management tries to promote the congruence between the decentralised units of the organisation, focusing them the attention towards the profitability²⁴⁰.

The concept of performance is not easily to be defines, because it is an ambiguous and integrating concept. The performance means success, competitiveness, successful outcome, action, continuous effort, meaning the optimisation of the present and the protection of the future. The performance is created by an enterprise by reporting to the environment, following the manner of creating the value. The global performance refers to the equilibrium and the causality relationship existing between the internal and external forces, being built by the continuous improvement of the internal processes, by innovation and forming of stuff, by satisfying the customers and the stockholders, by protecting the environment.

The performance is practically an unsteadfast balance between efficiency (as endogenous indicator of the enterprise) and effectiveness (that shows the relationship with the enterprise's partners). The result (performance seen as result, as "score") cannot be though separated by the action (the manner of achieving "the score"); as result, managing, the management of performance overpass as importance the measuring of the performance.

Survival on long term of an enterprise depends upon its capacity of generating a satisfying²⁴¹ benefit. Investors have become and remained stockholders within an enterprise for one reason: they estimate the dividends and other earnings of capital, of which they will beneficiate and that will be greater than the earnings of other investments with a similar level risk.

²³⁹ Albu, N., Albu, C. - *Instrumente de management al performanței*, vol. II, Control de gestiune, Editura Economică, București, 2003, p. 176.

²⁴⁰ Diaconu, P., etc. - *Contabilitate managerială aprofundată*, Editura Economică, București, 2003, p. 236.

²⁴¹ Ionescu, C. - *Informarea financiară în contextul internaționalizării contabilității*, Editura Economică, București, 2003, p. 229.

The benefit has remained the *premise* and *consequence* of any business. *The premise*, meaning the resource for the necessary investments of a business and *the consequence* (the estimated result), which, in case is greater than the effort done, form the source of financing investments for the new developments. The benefit represents *the revenue overplus*, over the costs carried out by the enterprise and one of the hypothesis (laws) that stands up to the basis of a company's evolution. The hypothesis "law that affirms the accumulation" has shown that investments made by the enterprisers in the view of increasing the productive potential of a company depends upon the benefit (upon the instalment or mass of the profit) and that capitals, the amounts of money of which enterprisers dispose are preferentially leaded towards the activities that assure the highest earning power (taking into consideration the associated risk), and the importance of the investment is connected by the perspectives of the benefit's accomplishment.

Within another approach, the benefit is considered to be a consequence of the risk, respectively a reward that can be achieved by an enterprise for risking its capital²⁴².

No matter the definition, the benefit has kept the two essential characteristics²⁴³:

- is a *random revenue*, meaning that its dimension cannot be certainly known in advance;
- is an *autonomous revenue*, meaning that it cannot be confound with the other forms of revenues (wages, rate of interest, etc.).

The concept of benefit, coming from the Latin word *proficere*, signifies the meaning of producing, of doing something in advance comparing to the other competitors that assure the progress. In the same time, the benefit is the result of the progress and its support.

The benefit is the result of a creative economical, inventing, of performance activity, managed in a high manner, with a result that comes from the way the price accepted on the market in capitalised within the effort included in that certain activity.

The earning power²⁴⁴ can be taken into consideration as viewing the following aspects:

- appears as deciding instrument within the mechanism of free enterprise towards directing the production by reporting to the consumers' requirements (productive or individuals);
- assumes the achievement of certain revenues higher than the outgoings after the selling and cashing the manufactured production;
- reflects the ability of an enterprise on producing benefit, therefore showing within a synthetic way the effectiveness of the entire economical activity of an enterprise.

As the benefit, the earning power – an economical category of high importance – has known diversified conceptual approaches. Therefore, the earning power is regarded as "an important qualitative and synthetic indicator that express the capacity of an economical unit of achieving net revenue, representing the optimal intersection point of all the other qualitative indicators".

The earning power can be defined as "an ability of the enterprises of producing an overplus over the outgoings²⁴⁵ level".

The concept of earning power – cannot be therefore separated by the concept of profit (the benefit), expressing the state of economical-financial credit worthiness of an enterprise, of the economical branches and of national economy within its assembly. It results that emphasized within absolute values, the earning power reflects the margin of revenues that surpasses the outgoings and in derived values (relative expressions), it has to appear always over-unit²⁴⁶.

This manner of approach defines the concept of positive earning power of the micro, mezo or macro-economic level, imperative that has to or should characterize all the economic activities, no matter the steps or fields.

²⁴² Heyne, P. - *Modul economic de gândire*, Editura Didactică și pedagogică, București, 1991, p. 207.

²⁴³ Bogdan, I. - *Management financiar*, Editura Universitară, București, 2004, p. 298.

²⁴⁴ Gheorghiu, A. - *Analiza economico-financiară la nivel microeconomic*, Editura Economică, București, 2004, p. 189.

²⁴⁵ Adochiței, M. - *Finanțele întreprinderii*, Universitatea Româno-americană, București, 2001, p. 174.

²⁴⁶ Ana, Gh. - *Profitul*, Editura Economică, București, 1998, p. 71

Conclusions

Information concerning the performance of an enterprise are useful in order to potentially evaluate the controllable economical resources in the future by it; in the view of estimating its ability of generating treasury flows and respectively for appreciating the manner of how an enterprise has used its resources and can use new resources in the future. Among the elements that can influence the performance of an enterprise, one might mention: the structure of the activity, the quality of human resources, the materials, the relationships between employees, the politics of their motivation, the quality of the products, the technological process, the capacity of using the fixed means, etc.

The performance is materialized into the economical-financial results of an enterprise, and the integration of the performance indicators into the economical-financial analysis of the results achieved into the production and managerial activity of the enterprise.

The benefit is a general accepted measure by the management on evaluating the performance, therefore allowing the merging of divisions' results both into space and time, from one time to another. The analysis of the economical-financial performance of an enterprise is conditioned by also the utilisation of a representative system of indicators, by which the economical part and the financial side of an activity have been materialised.

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THE IMPORTANCE OF SERVICE SECTOR FOR REGIONAL ECONOMIC SITUATION IN TIME OF CRISIS

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In majority of the countries, services contributes determinant to the development of national economies through the employment of labour force, creating an important share of the national gross product, in raising and diversification of the economic activities and not only. Due to this reality of the predominate importance of services, their development must be sustained by elaborating and using economic strategies. Approaching such an extremely important subject for understanding the actual dynamic of modern economies and societies, this article has as main objective the presentation of the services development at national and European level in the context of the world economic crisis.

Keywords: service sector, regional disparities, regional development, financial crisis

JEL Classification: L80, O10, R10

Introduction

Services development in Romania must be thought in perspective, seeing a regional development equilibrated, oriented through diminish of certain economic and social existing disparities. A strategic concept of an equilibrate regional development contains priorities regarding economic growth and improvement living conditions. The economic development is seen as a reunion of individual development of regions, sectors and economic industries, but their features are different in the present economy, and economic development seems to correlate more and more with tertiary sector.

In present and generalising for the future, the economic development premise is assured by services activities. A special attention must be given to the relation between the evolution of services and economic development, observing that developed economies explain their ascending evolution through intensive services production.

Analysing evolution of theory regarding services, we understand better their implications and complexity. Thus, historically speaking, the study is realised in a context of careful concept analysis, of different methods (theories, doctrines) in approaching the problematic of services. The notion of service was defined, in specialists conception, through different perspectives, being many times considerate like: activities (Jean Gadrey, Christian Gronroos), benefits or utilities which influences the persons or material objects condition (T.P.Hill), efforts and performances (Leonard L. Berry), and the service sector being appreciate representative in a modern society (Peter Drucker).

The concepts regarding services have evaluate in the same time with their development and growing their importance in economy. Thus, following services research, we can use nowadays concepts like post-industrial economy (Daniel Bell), knowledge economy, services economy (Orio Giarini), new-industrial economy, self-serving economy, (Jonathan Gershuny), “the third wave” (Alvin Toffler).

1. Services in the European Union

The beginning of 21st century was realised under the influences and impact of entering in a new stage of knowing services. The cause of this transformation is evolution of developed societies and science orientation through approaches in which become important creating informational societies, based on knowledge. Steps for knowing and diversification of services activities had

increased. In consequence, speciality literature has added practical steps materialized in official documents used in practice (General Agreement on trade and Services-GATS, 1995), regulations (Directive of Services of European Union, 2006), national strategies (Lisbon Strategy, 2000), national development strategies (their content underline the importance of certain services).

1.1. Employment rate in service sector

Over recent decades the European Union, like other highly industrialised economies, has experienced substantial structural change that has brought about a transition from an industry-dominated to a services-dominated production and employment structure. About three quarters of employees in the European Union are now working in services, half of them in the private sector. Reflecting the long-term trends in employment structure, net job creation is occurring almost exclusively in the service sector. The growth of existing service industries, the development of new services – not least in light of technological, demographic and other trends – and increased internationalisation suggest that the service sector will continue to increase in scope and intensity. In Europe, since 2000 there was a net movement of workers from agriculture and manufacturing activities towards construction and services. The EU27 saw a net decrease of 1.4 million persons working in agriculture and a reduction of 2.5 million persons in manufacturing (excluding construction), whereas there were net increases of 2.1 million persons in construction and 15.8 million in services. Those developments led to the following distribution of employment by activity in 2007: in the EU27, 68.9% of persons worked in service activities (+2.9 percentage points since 2000). However, those averages conceal significant differences in the distribution of employment by activities among Member States, which result from structural differences.

The following data shows the Member States reporting the highest and lowest share of employment in services, in 2007: EU27 average was 25.2%, Romania (16.7%) - the lowest value, Cyprus (35.6%) - the highest value. Agriculture, hunting, forestry and fishing accounted for a relatively high share of national value added in Romania (9.6 %) in 2006, while Lithuania, Greece, Poland, Hungary and Slovakia reported these activities generating at least 4 % of their value added. Upwards of 25 % of total value added was generated by public administration, health, education, other services in Malta, Sweden, Denmark, Portugal and France (2005), compared with an EU-27 average of 22.4 %. In contrast, less than 16 % of national value added was derived from these activities in Estonia, Lithuania, Slovakia, Bulgaria and Romania. In Luxembourg, financial, real estate, renting and business activities accounted 48.6 % of the total value added generated in 2006. The tourism-rich economies of Cyprus and Malta, as well as the Baltic States and Greece all reported relatively high shares of value added being generated in distribution, HORECA, communications and transport services.

2. The services development in the Romanian regions before crisis

Romania displayed a relatively high degree of specialisation in industrial and distribution activities²⁴⁷, with industry accounting for 27.3 % (compared with an EU-27 average of 20.3 %). With the exception of distribution activities, Romania had relatively small service sectors, in particular, the relative weight of public administration, health and education, which accounted for 15.1 % in 2006 (compared with an EU-27 average of 22.4 %).

The eight Romanian regions present particularities about their structural economy, this makes that certain sector to play a decisive role in their future development. Thus the region economy from the south of the country (SE, S, SW) is influenced by the evolution of agriculture sector, these having important shares over 15%, so in the years with rough conditions for agriculture, the GDP growth is negatively influenced. Also there are regions with important touristic potential

²⁴⁷ Eurostat regional yearbook 2008, General and regional statistics, Collection: Statistical books, European Communities, 2008

(Bucovina in the NE region, seaside and the Danube Delta in SE region), the economic evolution of these being influenced also by the level of this potential use. The NE region gives approximate 12% of total GDP. An important contribution in the regional GDP has trade, hotels and restaurants industry, having 10%. Regarding the foreign trade, the share in total economy was in 2006 decreasing from 2005 also at the goods export (from 8.3% to 7.3%), and at goods import (from 5.8% to 5.1%). The export and import volume from the region in 2006 has registered moderate growth of 3.2%, respective 5.9%. The SE region participates with approximate 12% in creating the GDP.

Regarding services sector, its share in the regional GDP (circa 42%) is situated under the national level (above 45%). In services is important to observe the shares of hotels and restaurants services with over 2.5% from regional GDP, this placing the SE region on the first place (with Centre region) in a top of regions, due to the touristic potential of the region – seaside and Danube Delta. The S region generates almost 13% of total GDP. Regarding services, with 38% from regional GDP (under the national level-over 45%), they place the S region on the last place in a top of regions. The SW region has a share in total GDP of almost 8%. The sector of agriculture represents one of the main occupations for the people, the share of agriculture employment being 42.1%, on the second place after the NE region. Services have 32%, and from these, trade services represent 18.9%. The W region gives over 10% from GDP in economy. In this region the services sector has an important share, giving 45% from GDP. On types of services is important to remark trade, hotels and restaurants with almost 10% from regional GDP. The NW region gives over 12% from the total GDP. In this region services play an important role, having over 45% in the regional GDP.

In services sector are important those from HORECA industry with almost 11%. Centre region produces over 12% from total GDP in economy. Regarding services, this sector contributes with circa 43% in the regional GDP. It is important to remark the high share they have, in this region, the hotels and restaurants services, over 2.5% in GDP, being well known the touristic potential of this region.

The Bucharest-Ilfov region has the highest contribution in creating the GDP in the economy, over 20%. This region presents a total different structure from those of the national and regional economy. Services have in this region a share over 60% in creating GDP, a lot over the national level and close to the European states model, where this sector plays an important role. The share of trade in GDP is approximate 13%, and the share of hotels and restaurants industry is 2.5%. Services have developed in a sustained way in the last years, and these sustain majority of activities developed in the primary and secondary sector.

In consequence, the role and contribution of services in development is due to the interdependencies from services and the other economic activity fields.

3. Europe economic situation in time of crisis

Economic activity in much of advanced Europe had begun to contract already before the September 2008 financial blowout, owing mainly to rising oil prices. Nonetheless, the initial perception was that advanced European economies would escape a full-blown recession²⁴⁸, while the emerging economies would continue to grow at a lower but still healthy pace, despite their vulnerabilities. Financial systems suffered a much larger and more sustained shock than expected, macroeconomic policies were slow to react, confidence plunged as households and firms drastically scaled back their expectations about future income, and global trade plummeted. In the advanced economies, fears about growing losses on U.S.-related assets at major European banks caused wholesale markets to freeze in September 2008, with a number of failing banks requiring state intervention. Initially, problems were concentrated in a few banks, and their

248 Felton, A.; Reinhart, C. - The First Global Financial Crisis of the 21st Century, VoxEU.org Publication, Center for Economic Policy Research, 2008

causes varied. The macroeconomic implications were generally not considered large, and thus fiscal and monetary policy responses were initially limited. But the problems quickly caused broad repercussions because of the close linkages between Europe's major financial institutions and their high leverage. With funding markets frozen, the financial crisis rapidly transformed into a crisis for the real economy during the fourth quarter of 2008. Remedial financial policies were put in place quickly but, as elsewhere, have not been (and still are not) sufficiently comprehensive and coordinated, undermining rather than reinforcing their cross-country effectiveness. Equity prices took a steep fall, and business investment has been slashed.

Real GDP fell at an annual rate of about 6 percent during the fourth quarter in the euro area and it is forecast to drop by more than 4 percent in the euro area in 2009, accelerating only gradually thereafter and continuing to fall for several more quarters, making this the worst recession since World War II²⁴⁹.

Growth is expected to contract by about ½ percent on an annual average basis in 2010; on a fourth quarter-to-fourth-quarter basis, the turnaround is more apparent, from a drop of more than 3½ percent in real GDP in 2009 to an increase of about ½ percent in 2010.

As a result of the broad-based fall in output, unemployment rates in the advanced economies are projected to reach more than 10 percent in late 2009 and climb further through 2011. Economic activity has taken a particularly sharp turn for the worse in many emerging European economies.

Hungary, Latvia, Serbia and Romania have received International Monetary Fund (IMF) support to sustain their balance of payments, and Turkey is discussing the issue with the IMF. However, there are also some upside risks: if EU countries manage to put in place a forceful, comprehensive, and coordinated response to the financial sector travails, confidence and risk taking might recover faster than expected.

Looking further ahead, the current crisis has underlined the importance of strengthening institutional mechanisms for economic policy coordination and integration across the European Union. A key lesson is that the EU financial stability framework needs to be revamped. Ultimately, what is needed is an institutional structure for regulation and supervision that is firmly grounded on the principle of joint responsibility and accountability for financial stability, including the sharing of crisis-related financial burdens. Otherwise, deleterious national reflexes will continue to prevail during crises.

3.1 Impact of economic crisis on service sector

World commercial services exports rose 11% in 2008, to \$3.7 trillion. Among the three major categories of services exports, the fastest growing one in the past year was transport (15% growth), followed by travel (10%), and other commercial services (10%). Other commercial services, which includes financial services, was just over half of the total (51%), while travel and transport each represented about a quarter (25% and 23%, respectively). (Table 1)

In 2008, Europe's exports of commercial services increased by 11%, to \$1.9 trillion, while imports grew 10%, to \$1.6 trillion. The impact of the financial crisis is evident in the case of Europe. According to available data, the region's exports of commercial services, which were growing by 19% in the first nine months of 2008, dropped to an 11% decline in the last quarter. It should be noted that exchange rate effects in the last quarter of 2008 are likely to have magnified the impact of the crisis, but they do not explain such a large drop on their own.

249 Rémond-Tiedrez, I. - Recession in the EU-27: output measures, Statistics in focus, 2009

Table 1: World exports of commercial services trade by major category, 2008 (\$billion and % change)

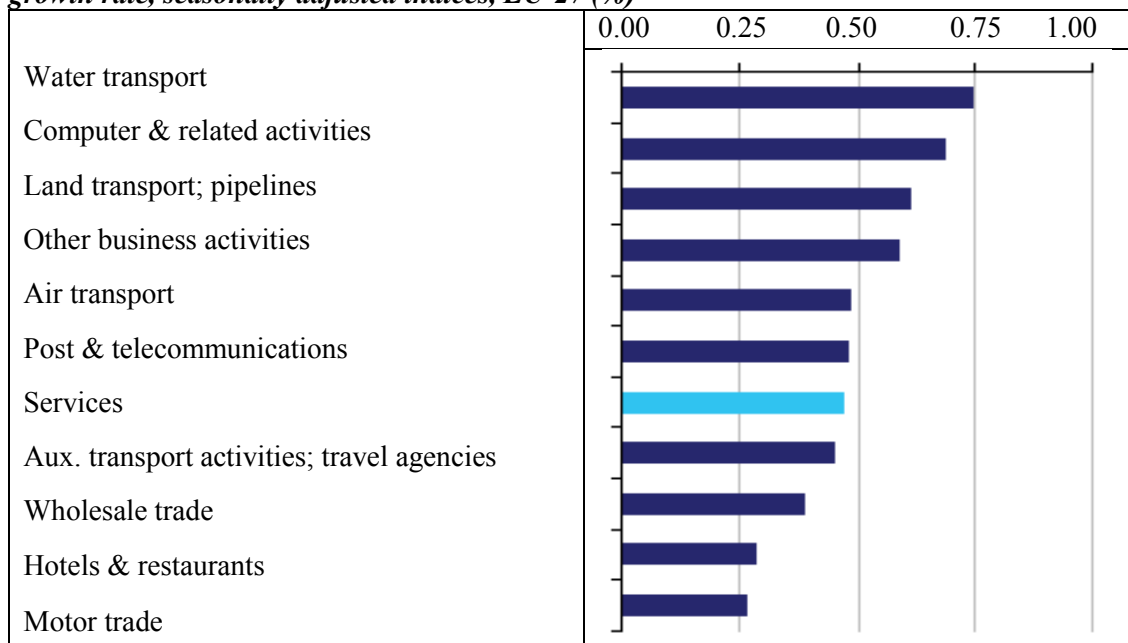
	Value	Annual % change			
	2008	2000-2008	2006	2007	2008
Commercial services	3730	12	13	19	11
Transport	875	12	10	20	15
Travel	945	9	10	15	10
Other commercial services	1910	14	16	22	10

Source: World Trade Organization

The contraction in activity observed in the EU-27 during 2008 was particularly severe in respect to industrial and construction activities. For example, the EU-27's seasonally adjusted index of production for total industry fell to 102.0 (2000=100) in December 2008, its lowest level since March 2004 (1). EU-27 industrial output was more than 10 % below its peak level recorded in January 2008. The index of production for construction fell by 6.1 % from a peak in February 2008 through to November 2008, while the volume of EU-27 retail sales stagnated. In contrast, the turnover index for services continued to grow. There was some evidence of a slowdown in EU-27 activity for retail trade (as measured by deflated sales), with a slight contraction over the last 12 months. In contrast, the value of turnover within services continued to expand (note again that these figures are not deflated, but in current prices). EU-27 sales of services rose by an average of 0.6 % during the 12 months to September 2008 (slightly faster than their average growth rate since 2000, 0.5 %), compared with an average month on month percentage change of 0.2 % for the all-items consumer price index over the same period.

Among the services activities, there was consistent, positive growth in current price terms during the period 2000 to 2008 (while the all-items index of consumer prices rose, on average, by 2.5 % each year during the same period). Sales growth was particularly high among transport-related activities (water, land, and supporting/auxiliary transport services, perhaps reflecting increased fuel charges), as well as other business activities and wholesale trade. (Figure 1)

Figure 1: Long-term evolution of turnover among service sectors average month on month growth rate, seasonally adjusted indices, EU-27 (%)



Source: Eurostat. Statistics in focus, 17/2009

A recession is often defined as two successive negative quarter on quarter changes in constant price GDP. As shown below, having remained unchanged in the second quarter of 2008, there was a 0.2 % quarter on quarter reduction in the EU-27's GDP in the third quarter of 2008, followed by a reduction of 1.5 % in the final quarter of the year. Information for a range of Member States showed that, at the time of writing, many of these had also slipped into recession.

Conclusion

The difficult and uncertain outlook argues for continued forceful action both on the financial and macroeconomic policy fronts to establish the conditions for a return to sustained growth. Whereas policies must be centered at the national level, greater international cooperation is needed to avoid exacerbating cross-border strains. Building on the positive momentum created by the April G20 summit in London, coordination and collaboration is particularly important with respect to financial policies to avoid adverse international spillovers from national actions. At the same time, international support, including the additional resources being made available to the IMF, can help countries buffer the impact of the financial crisis on real activity and limit the fallout on poverty, particularly in developing economies.

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COMPETITIVENESS AND UNIT LABOUR COSTS IN ROMANIA

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The present paper presents aspects related on Romanian competitiveness and its determination by unit labour cost (ULC). After reviewing the determinants of national competitiveness, it is taken into consideration the labour market as being an important determinant, one of the twelve pillars of competitiveness identified by World Economic Forum. Methodological aspects of determining the competitiveness through ULC are presented by considering the Kaldor's paradox. The analysis identifies methods of keeping low ULC, as options for Romanian competitiveness which is portrayed by the results of nominal and real ULC over the time, using OECD database.

Keywords: competitiveness, unit labour costs, labour market, Kaldor's paradox

JEL code: O11, J30, E0

Introduction

Competitiveness is understood as the ability to compete with rivals and in almost all economic analyses it is an essential element of success or failure of a policy. The concept has applicability to a firm, an industrial sector, an industry or even an economy. A competitive firm or economy is expected to out-compete its counterpart. However, competitiveness at firm level and that at macroeconomic level are markedly different from each other. For a region competitiveness is not like in a firm. A region may rise its competitiveness only by cooperation with other regions in order that when regions are more competitive, they all win. At the national level labour productivity and other economic indicators are frequently used for quantifying competitiveness. If long-term national competitiveness is associated with labour productivity, the argument can be further developed as follows: the vital variable for achieving the long-term competitiveness is growth in productivity in an economy.²⁵⁰ Another perspective regarding competitiveness is that national competitiveness should be determined by price competitiveness, which makes real effective exchange rate and ULC important measures of national competitiveness²⁵¹. When general statements of competitiveness are made, people commonly think of the latter, that is, the price competitiveness. For instance, when China is referred to as a competitive economy in the global market place, it is taken to mean that its currency is undervalued, the wages are lower than that of the neighboring economies and labour productivity is virtually the same or higher. This would help make the Chinese products competitive in the global market place and it would be able to out-compete the other Asian economies.

The latest report of the World Economic Forum defines competitiveness as “*the set of institutions, policies, and factors that determine the level of productivity of a country*”²⁵². The recent spectacular economic growth in the developed countries has provoked a debate on the role and remuneration of human capital in development. From the neoclassical point of view flexibility of any form should be introduced to help equalize marginal productivity with wages and thus increase investments. But from an evolutionary perspective objections are raised to the extent that flexibility, defined only through labour market regulation, can contribute to socially

250 Krugman P., Livas Elizondo R., Trade policy and the third world metropolis. *Journal of Development Economics* 49 (1), 1996, pp 137–150.

251 Golub, S.S., International Standards and International Trade, IMF Working paper WP/97/37, International Monetary Fund, Washington, DC, 1997.

252 Porter M. E. and Schwab K., Global Competitiveness Report, World Economic Forum, 2008.

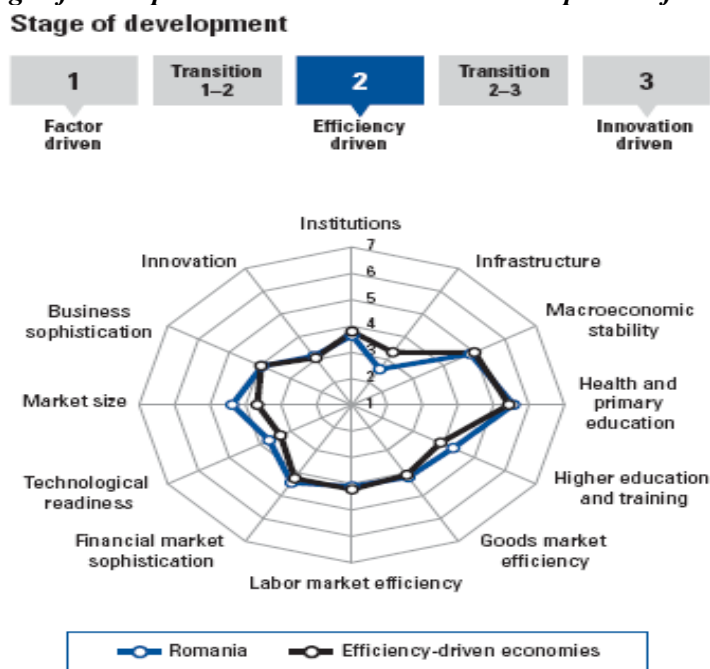
and economically sustainable development: it jeopardizes variety and selection and reduces innovativeness and competitiveness.

1. Labour market – one of the most important determinants of competitiveness

Economists asked themselves for many years what determines the wealth of nations. In fact, today's three buzzwords are globalization, technological progress and competitiveness.²⁵³ Any analysis of the current economic situation starts with reference to the first, and takes the latter two as policy-making variables. In time the concepts evolved and they spoke about growth determinants and then about competitiveness ones. According to World Economic Forum there are twelve pillars which drive competitiveness, being each of them very important (Figure 1).²⁵⁴ In the below part I present aspects that concern labour market efficiency in Romania as being relevant for the subject of this paper.

In Romania, efforts of adjusting the political, economic, social and legislative systems emerged into a buoyant and dynamic economic environment after 2000. The efficiency and flexibility of the labour market are critical for ensuring that workers are allocated to their most efficient use in the economy, and provided with incentives to give their best effort in their jobs. With all this known considerations that we tried to respect, still, with very few exceptions, the international classifications of the prosperity driving forces' performance push Romania to the European periphery. Labour markets must therefore have the flexibility to shift workers from one economic activity to another rapidly and at low cost, and to allow for wage fluctuations without much social disruption. Efficient labour markets must also ensure a clear relationship between worker incentives and their efforts, as well as the best use of available talent.

Figure 1 - Stage of development in Romania and the twelve pillars of competitiveness



Source: Porter M. E. and Schwab K., *Global Competitiveness Report*, World Economic Forum, 2008.

253 Felipe J., A note on Competitiveness, ULCs and Growth: Is “Kaldor’s paradox” a Figment of Interpretation?, CAMA Working Paper Series, 2005.

254 Porter M. E. and Schwab K., *ibidem*.

2. Methodological aspects of emphasizing competitiveness through ULC

In Romania, in the present, competitiveness still remains an essential parameter of Romanian economy capacity to face rivals pressures on European unique market.

Competitiveness is mainly analyzed through correlation from salaries and labour productivity. The concept of a *competitiveness index* has been an attractive and useful one and since 1979 the World Economic Forum began publishing an annual *Global Competitiveness Report*. Its methodology went on changing, evolving and improving from year to year, bringing in marginal improvements as it went along. The *Global Competitiveness Report* computes two sets of competitiveness indices: the growth competitiveness index (GCI) developed by Jeffrey D. Sachs of Columbia University and the business competitiveness index (BCI) developed by Michael Porter of Harvard University. The two indexes are based on hard data compiled by the World Economic Forum in its annual Executive Opinion Survey. One improvement that was brought about in 2003 and 2004 was increasing the number of country coverage from 80 to 102.

Quantification of national-level competitiveness with the help of above mentioned variables is not a simple and straightforward exercise. There are several problems with the computations of labour productivity, real effective exchange rate and ULC. For one, reliable data series on wages and productivity for constructing ULCs are difficult to come by *a fortiori* in the developing economies. Second, for making inter-country comparisons of ULCs one needs to translate the costs in individual countries into a common currency, which poses problems. Third, rise in ULC in an economy should lead to a logical decline in the competitiveness in the global market place, but empirical evidence paradoxically shows that market share of exports and their relative unit costs or prices of exports from industrial economies tended to move together. This is called the Kaldor paradox and was long analysed by Fagerberg in his papers. Fourth, the non-price factors play a significant role. It is possible for the real effective exchange rate or ULC to rise in tandem with strong economic performance. If firms in a country become more successful in terms of non-price competitiveness because they are innovative, flexible, produce high-quality goods, then the real effective exchange rate would logically strengthen.

Competitiveness may be analysed through ULC and real effective exchange rate. ULC become one of the most important indicators of evaluating the progress for achieving the objectives of Lisbon Strategy and in the same time one of the indicators forecasted by European Commission for all members states.

From this point of view there are two methodological and analytical approaches: on short term and on long term. The most common is periodic analysis of competitiveness (monthly and trimestrial). Because statistic data are not always available this type of analysis only deals with industrial activity and considers only the wages.

At national level (annually), the system of national accounts makes possible a more correct evaluation of the ULC for entire economy, by taking into consideration all the ULC. This kind of approach it is necessary especially having the situation of economies based more and more on services.

ULC compares the rise of all costs related to labour force with the rise of labour productivity. Standard indicator that is included in structural indicators system is calculated as a ratio between nominal wage rate (e.g. euros per worker) to labour productivity, the latter being defined as the quantity of output produced per worker (e.g. number of products per worker), that is:

$$ulc^Q = w_n \cdot \frac{Q}{L} \quad (1)$$

where w_n is the nominal wage rate, Q is the output (often gross domestic product when it is analysed national situation) and L is number of workers meaning employment. The classic argumentation is that the lower the ULC the more competitive the economy is, as we can observe

in (1), so ULCs are an important variable for policy-making. But in time this economists revised this theory, by concluding that the popular view of growth in ULCs determining competitiveness is at best too simplified, because the quantity of output, Q , must be proxied by deflated value added, as it is shown in (2):

$$ulc = \frac{w_n}{(VA_n / P) / L} = \left(\frac{w_n L}{VA_n} \right) P \quad (2)$$

where VA_n is nominal value added and P is the output deflator.²⁵⁵

An important implication of this short discussion is that calculating correctly ULC is a difficult task that requires good and comparable statistics across countries. Often we are tempt to be sloppy in calculating ULC taking two series of wages rates and labour productivity and divide them without checking if they are, at least, consistent with each other.

3. How to maintain competitiveness

How does a country can maintain low ULC in order to be competitive it is a problem that may be discussed looking and analyzing the components of formula (2).

A first option is by keeping nominal wages W_n low. Wages are part of gross added value and comprise total wages in cash or nature, that an employer pay for employees as a cost of labour done in a certain period of time and also the contribution of employer for social ensurance. Keeping nominal wages low can be made when in a country there is a surplus labour force but this is not a good long-term strategy.

A second option for being competitive is the most wanted one by countries, is that of increasing labour productivity VA/L where $VA = VA_n / P$. Labour productivity is also the ratio between gross domestic product and number of occupied population. For having a good comparison between the countries there are applied the same definitions and concepts established by European Union. Comparison problems between the countries may appear as a consequence of diferent structures and structural occupational changes (part time employment, labour opportunities on short time).

The third possibility is through nominal depreciations of the exchange rate. At the firm level nothing can be done in this area. At the national level, however, authorities can manipulate their exchange rates and intervene in the foreign exchange market. Again, the literature argues that this is not a desirable long-run strategy.

For all practical purposes, countries try to keep down ULCs through a combination of all these mechanisms. Nominal wages and labour productivity tend to move together since the latter is the most important determinant of the former; the question is which one does it faster. In this context, the key concern is how gains in labour productivity are passed on to wages in the labour-capital bargaining process.

4. Analysis of Romanian competitiveness described by ULC

The evaluation in real terms of wages induce aproximation because in the lack of a index price statistic determined, it is used by convention, another deflator. That is why the European Commission has chose to use gross domestic product in nominal and real terms. Function of evaluation mode of labour productivity - meaning based on nominal value of gross domestic product or on real real effective exchange rate - there are two indicators that explain ULC:

255 Fagerberg J., Technology and Competitiveness, Oxford Review of Economic Policy, vol. 12, no. 3, 1996, pp.39-51.

-nominal ULC, when wage for an employee is divided to real gross domestic product value on an occupied person; -real ULC, when wage for an employee is divided to nominal gross domestic product value on an occupied person. In Romania the second indicator is more used, because we have differences in the price categories and this second indicator is more real.

For seeing how these indicators vary in time, an analysis of Romanian ULC is presented bellow. From the nominal ULC perspective, we observe a decline until 2004, which is a good trend for being competitive and in accordance with European Union. In 2005 there is an increase but then the year 2006 brings again Romania on the trend that could bring its the competitiveness, with a ULC annual growth rate of 6.8 %. OECD annual nominal ULCs are calculated as the quotient of total labour costs and real output. Time series are presented in percentage form where the base year of real output is 2005 (table 1).

Table 1 – Romanian nominal ULCs, total economy, annual growth rate

Year	2000	2001	2002	2003	2004	2005	2006
ULC % annual growth rate	70.8	34.0	21.3	18.8	4.1	22.8	6.8

Source: OECD Statistical Database portal, <http://stats.oecd.org>

If in nominal terms, ULC, situated on a declining trend, still keeps its high value because of higher price indexes, in real terms competitiveness earnings come closer to the EU 24 level, surpassing countries like France and Italy.²⁵⁶ Variation in productivity caused by cyclical factors, or one off changes in the headline rate, should not cause an unsustainable shift in wage growth. In addition, relative wage developments that reflect local or sectoral labour market conditions help adaptability and counteract regional disparities. In this area, when assessing how countries fare and have made progress, it is necessary to examine wages and productivity developments, i.e. what this implies in terms of nominal ULCs and to assess whether the latter are in line with price stability and competitiveness. It is also useful to look at real ULCs (RULC) and how these relate to labour market developments. Moreover, to the extent that regional unemployment is a serious problem, wage developments and measures that improve the adaptability to local conditions is relevant. Overall, the absence of wage pressure in the euro area and EU27 during the economic rebound has been a positive feature over the last few years. Wage moderation in the euro area and EU27 as seen in nominal and real ULCs has generally continued to support price stability over the 2005-2007, despite a tightening labour market and the closing of output gaps.²⁵⁷ The annual labour income share is calculated for Romania as total labour costs divided by nominal output. In 2005 we observe again a discrepant value when speaking about year to year percentage changes: while these changes are negative for all other years in 2005 Romania registered a positive value of 9.1 % (table 2). The term labour income share is used as the total labour costs measure relates to compensation of employees adjusted for the self employed and thus essentially relates to labour income. The division of total labour costs by nominal output is sometimes also referred to as a real ULC - as it is equivalent to a deflated ULC where the deflator used is the gross domestic product implicit price deflator for the economic activity (i.e. sector) concerned. Labour income share (or real ULC), on total economy, index OECD use as base year, 2005=100.

256 Ghizdeanu I. and Tudorescu V., Unitar labor costs in Romania, Romanian Journal of economic Forecasting, vol. 1, 2007, pp 57-64.

257 Commission of the European Communities, Strategic report on the renewed Lisbon strategy for growth and jobs: launching the new cycle (2008-2010), 2007.

Table 2 – Romanian real ULCs, total economy and year on year changes

Year	2000	2001	2002	2003	2004	2005	2006
Real ULC	108.5	105.8	103.9	101.1	90.9	100.0	96.6
Year on year % changes	-	-2.7	-1.9	-2.8	-10.2	9.1	-3.4

Source: Data computed using OECD Statistical Database portal, <http://stats.oecd.org>

The difficulty of ULC forecast for the future period, based on a standard methodology comes mainly from statistical information of compensation of employees, data that are available with a two years gap towards the forecast period. Competitiveness is a multidimensional concept and in this context productivity exerts a crucial influence in determining growth and performance of an industry. There is increasing interest in analysing the competitiveness of the economy in general, from a sectoral perspective, reflecting the notion that the competitiveness of the economy at large cannot be properly understood without looking into the performance of individual sectors, and, what is even more important, at how these interrelate. An indicator to characterise the technology of sectors is capital intensity. Not only is it useful for descriptive purposes, but also as a determinant of industry conditions and behaviour. Modern economies are characterised by strong interrelation between industries; these interrelationships are central for the analysis of competitiveness. We must considering each industry as part of a complex set of interdependencies. Production is a combination of primary inputs (services of labour and capital), intermediate inputs (from other sectors of the economy), and technology. Input-output tables, which concern the web of intermediate inputs, encapsulate interrelations through which innovation and technology embedded in intermediate inputs diffuse throughout the economy. Input-output analysis shows that the competitiveness of the EU economy is not the result of merely aggregating individual industries' performance but the result of a complex network of relationships between them.

Conclusions

We used to say that Romania has important internal resources that could be considered factors of comparative advantage with real potential of transformation in factors of competitive advantage on European unique market. We must admit that these resources don't offer in present the guarantee of transforming them in factors of competitive advantages, even if theoretical they can be considered factors of comparative advantages. As a consequence we must pay attention to labour force market aspects that will occur in the future, taking into account that the economic and financial crisis bring with them problems like unemployment and migration of labour force. In the short-run, given that labour shares vary very little, growth rates in ULCs, as well as in relative ULCs, are mostly (and simply) the result of changes in the price adjustment effect. If this is all the information the notions of nominal and real ULCs bring and convey, their calculation, monitoring and use becomes questionable in the traditional framework.

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THE ASPECTS OF OCCUPATIONAL SYSTEM IN ROMANIA FROM DEVELOPMENT OF SERVICES PERSPECTIVE

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The objective of the paper is to underline the changes in occupational system in Romania, to present an empirical situation on occupied population on groups of occupations, revealing the importance of services sector. Based on this analyze, the study tries to offer possible solutions and strategies evolutions of occupational system.

Key words: occupations, occupational system, economy activities, services

JEL Code: J21, J23, J44, L80

Introduction

In last couple of years there have been created jobs in financial services sector but we must take into account that a crisis (such as the present one) or the maturation of financial system may conduct to a diminution of working places in this domain. The theoreticians comment the fact that economies based on services present inequalities being gave the dichotomies that have been developed regarding the production and services sectors and regarding the knowledge intensive services and labour intensive ones. Researchers demonstrated that employment in service sector and the dimension of financial sector have great impact on metropolitan areas. Dichotomies²⁵⁸ at services and commerce economy level generate high incomes when it is about superior echelons, especially from knowledge intensive services and those from production industry.

1. The implications of transfer from industry to services

Services sector can contribute in significant way to equilibration of labour force in conditions in which will be taking into account all implied factors in restructuring the economy. Labour force potential must be used without exaggerate in attempt to develop occupational structure because loss of effectiveness can take place. If society willingness for allocating financial resources in activities such as education, culture, health would be greater, their potential of creating new jobs would be rend profitable.

The existence of a young labour force in the services sector may be an advantage, this being more inclined in accepting of new occupations, new occupation forms and labour organization. The transfer of the labour force from industry towards services it is recommended to be done starting from the strategy that will be relatively adapted to the roll that the industry will have as part of the economic complex. The studies published in a series of developed countries shows that, under the impact of the new technologies, the weight of population occupied in the industry could diminish (over 10% of the occupied population), outgoing labour force being absorbed by the 3rd sector²⁵⁹. Although knowing these implications, the main evolutions of the occupational system

258 Moller Stephanie, Rubin Beth A., The contours of stratification in service-oriented economies, Social Science Research Journal, vol. 37, nr. 4, 2008

259 Petrescu Barbu Gh., Ocuparea forței de muncă în servicii, Raporturi de muncă (journal edited by Tribuna Economică), nr.10, pag. 19-24, 2007

in latest years indicate trends that are contrary to European's and worldwide, problems in allocating the labour force, which leads to a slow rhythm in developing the society of knowledge.

- the important reduction of labour force from the group of qualified workers, especially in branches with growth of work productivity potential and with value added;
- the group of specialists with intellectual occupations grew especially in nonproductive branches;
- the diminishing of employed population in the sector of agriculture has taken place due the fall of high-qualified labour force, fact that does not contribute to the modernization of this economic activity.

Regarding associated competences with changes in the work content, these are the usage of computer, solving occurred problems, resource management, and communication. Trans-competences²⁶⁰ like computer usage and the knowledge of a foreign language (particularly English) are and remain the most important. Behalf of this, due the extension of private sector and rapid changes generated by reorganization in some sectors and of extension/development activities, the channeling towards profit and "orientation towards the client" services in others sectors have made that some competences like solving problems, communication and resource management (especially time management) to become more and more valued to the level of all competences.

2. The analyze of occupational system in Romania

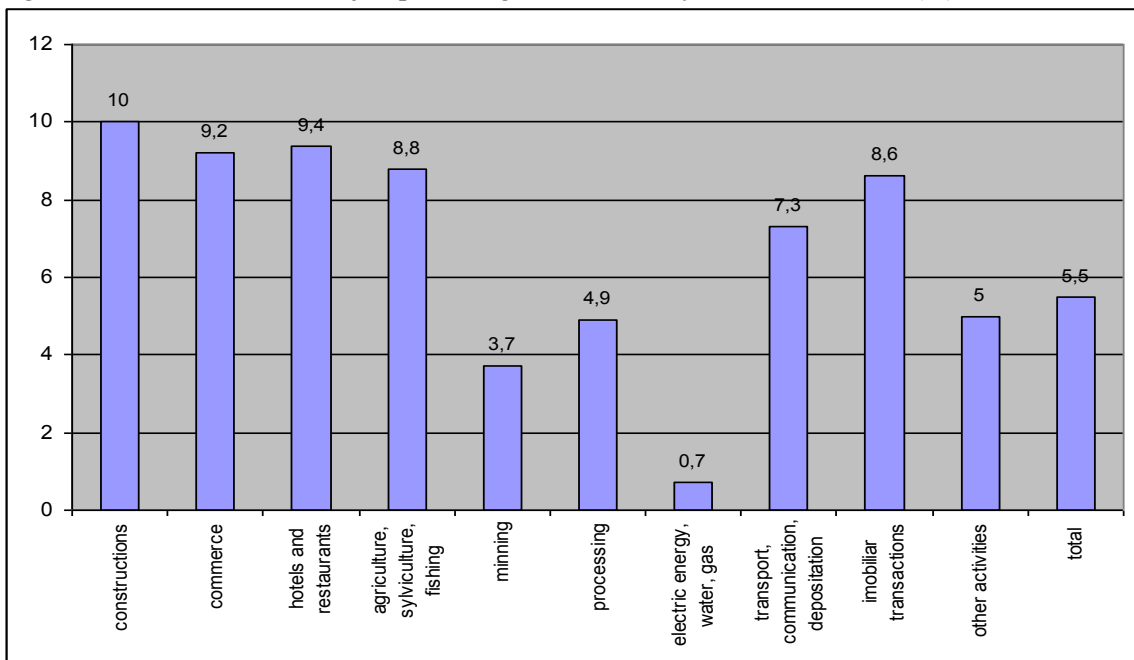
According the National Institute of Statistic, in Romania, in IV 2007 quarter, the vacant workplaces rate was 1.82%, falling with 0.35 percent points compared to last quarter, but growing with 0.22 percent points compared cu IV 2006 quarter. The largest offer of workplaces was recorded in captivities from public administration (6.31%) and in sanitary and social assistance (5.63%). On the other side, with the smallest values of vacant workplaces rate, were found activities from extractive industry (0.31%) and electrical energy, thermal, gas and water (0.43%). Major groups of occupations for that, employers presented the largest offer of workplaces were those of specialists with intellectual and scientific occupations (2.95%), technicians, masters and related (1.88%). The most reduced disponibility of jobs was found in the occupations of legislator, high functionary and leaders (1.19%) and of agriculture and qualified workers in agriculture, silviculture and fishing (1.40%)²⁶¹.

A survey made with the help of Ministry of Labour, Social solidarity and Family at level of some representative firms from Romania, shows that in 2005 the enterprises in which there have been created new jobs activated in constructions and services. These activities of national economy present the greatest differences between employed labour force and the outgoing one. These are the sectors whit the greatest economic development potential. In case of some occupations, which imply high level of education or qualification, there were the greatest fluctuations. It is about occupations such as unqualified workers, manufacturers, etc. of whom instability of job is been gave by wage insatisfaction in most of the cases. The percentage of job creation, used below is defined as the proportion between number of new jobs created in 2005 and the number of employed people at the end of 2005 and shows the situation from Romania regarding the national economy activities. By sectors, the higher percentage of creation of new jobs was registered in constructions (10% - almost double compared with an average of 5,5% at national level), hotels and restaurants (9,4% compared with national average of 5,5%) – both sectors containing in great measure seasonal activities – and commerce (9,2% compared with national average 5,5%). The lowest creation job percentages were in electric energy, gas, and water (0,7%) and mining (3,7%) (Figure 1). Last of them have are activities which have little rate of change and of development in the last 5 years, also.

260 Pîrciog Speranța, Ciucă Vasilica, *Evoluția ocupațiilor pe piața forței de muncă din România*, Bucharest, 2006

261 Labour force employment, Statistic National Institute, 2008

Figure 1: The creation of new job percentages, on economy activities in 2005 (%)



Source: *Pîrciog Speranța, Ciucă Vasilica, Evoluția ocupațiilor pe piața forței de muncă din România, Bucharest, 2006*

Analyzing the most recent data from Romanian Statistics National Institute, it can be observed that in the first trimester of 2008 the greatest rates in total of occupied population were held by agriculture qualified workers and (23,3%) and by handicraftsman (16,6%). This situation present in the same time the main groups of occupation, official structured by Romanian statistic system. From the point of view is difficult to identify commercial occupations because these can be found in any of these official groups of occupations (Table 1).

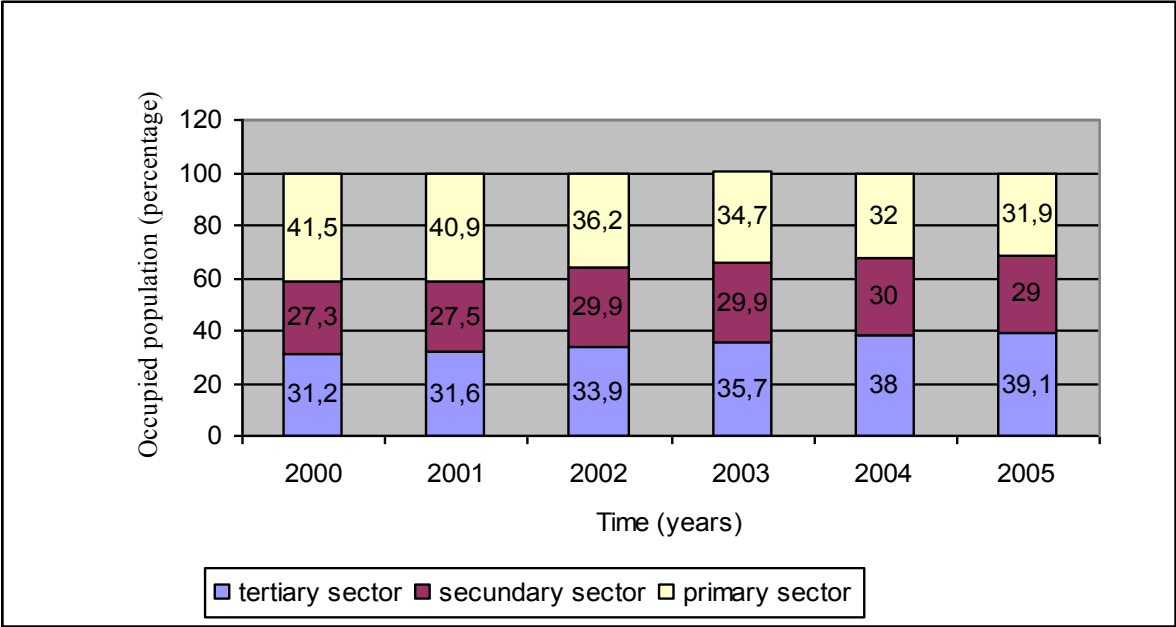
Table 1: The distribution of occupied population on occupational groups, in the first trimester of 2008

Occupied population (<i>thousands persons</i>)	Total
	9119
	% in total population
Managers and superior civil servants in public administration and in socio-economic unities	2,7
Specialists with intelectual and scientific occupations	10,1
Engineers, technicians and related	9,4
Administration servants	4,8
Operational employees in services, commerce and related	10,1
Agriculture workers and qualified employees in agriculture, sylviculture and fishing	23,3
Handicraftsmen and qualified employees in artisanal work	16,6
Other categories of occupations	23,0

Source: *Labour force employment, Statistic National Institute, 2008*

Complementary, for understanding in a better way the occupational structure from Romania it is necessary to present the results regarding the evolution of employed population in Romania by main activity sectors of national economy. Based on the analysis of data from Statistic Year Book it can be said that the evolution of occupied people in services between 2000 and 2005 was characterized by a slight rising from 31% in 2000 to 39% in 2005 (Figure 3). This increase represents an improvement of Romania situation. It is essential for any country that tries to develop, to have an important qualified labour force in services.

Figure 2: The evolution of occupied population structure in Romania in main sectors of activity of national economy in 2000-2005



Source: Data from Statistic Year Book of Romania, 2006

Well-trained personnel are essential both for the possibility of develop innovations and for adapting, to organizations needs the potential innovations from external sources. If we analyze the evolution of GDP structure is clear that in our country services have o great contribution but this is the image that described developing countries starting with 1980. Romania reached this step only now because the lack of assimilation of technological progress, but the trend is a good one, taking into account that in 2005 the contribution of services in GDP was of 49,4% comparatively with 46,3% in 2000²⁶². The growth was not an extraordinary one because is known that in Romania, the elasticity for final services is a considerable one and the demand for services depends on income per person.

Conclusions

Adapting and growing the capacity of education system and professional formation are necessary for improve the relevance of these in context of labour force, of sensitiveness of these to necessity of an economy and society based on knowledge as well as of those of efficiency. Communication and information technology may be used for improve the access to education, adjusting in a satisfying way to employees and employers needs. It is necessary also a greater mobility having as aim the employment and learning in order to permit the access to hiring

opportunities in EU especially. It should disappear the last barriers for mobility on European labour force, first those regarding to recognition and transparency of qualifications and competencies. The flexibility and security on labour force became very important in this way. Legislation and institutional reforms achieved in the field of professional formation in the last years and allocation of greater funds for education and professional forming shows the interest that Romania gives of national development strategy for continuous learning, in context of European Union.

It must be taking into account a strategy regarding different economic national activities at macroeconomic level. We can speak about the development of services sector only giving the necessary importance to productive one. The fact that financial services in Romania needed an important number of personnel with superior studies had as consequence the employment of young graduates of universities. The existence of a category formed by young people can be an advantage but also an obstacle. The youth present a greater mobility and can accept new forms on occupations and organization of work. As a result, it is imposing multiplying the correlations between economic activities, in such a way that the vulnerability of economic system, caused by overestimation of a single sector to be eliminated, regarding the creation of jobs.

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LUCRARE LIPSĂ - THE CURRENT FINANCIAL – ECONOMIC CRISIS – DEEP BREAK
THAT CHALLENGES AND IMPOSES A NEW PARADIGM

Negucioiu Aurel

MEASURES AND IMPACT OF FLEXISECURITY IN ROMANIA

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In Romania until 1989, employment policy, in line with planned socialist economy, was promoting a labor market controlled by the state, with traditional jobs, a strict timetable of work and employment contracts for an unlimited period. The transition to a market economy involved transforming the labor market and hence the need to modify the classical approach of employment. Dismantling the socialist economy had the effect of massive layoffs and professional obligation to reorient those without jobs. Initially, the state offered financial assistance to those without a job, only later (after 1995) approaching an active policy for employment.

Keywords: Flexicurity, employment, labour market

Cod JEL: J21,J24, J28,J81,J83

Flexisecurity may be defined as an integrated measure of simultaneous consolidation of flexibility and security on the labor market.

Flexibility refers to the successful changes ("transitions") during life: from school to work, from a job to another, between unemployment or inactivity and work, and from workplace to retirement.

This is not limited to a greater freedom of companies to hire or fire and do not involve caducity of contracts for an indefinite period. This refers to employees' progress toward better jobs.

Also, flexibility refers to the flexible organization of work, able to respond quickly and efficiently to new requirements and abilities of productivity and to facilitate reconciliation of professional life with responsibilities of privacy.

Security on the labor market is more than keeping the workplace: it concerns the development of abilities or access to skills that enable progress in the professional life and support in finding a new job. It also refers to the appropriate unemployment benefits to shift to socio-professional integration. Finally, it includes professional training opportunities for all workers, especially for the low skilled and older workers.

Thus, businesses and workers can both benefit from the flexibility and security, for example, as a consequence of a the better organization of work, of the upward mobility as a result of improved skills, the investment in training which produces results for companies helping the workers to adapt and accept change.

The definitions of the concept of flexibility of employment are very different. For this reason I use an operational definition explaining the term, taking into account three dimensions: time, space and contract conditions. In general, flexibility is the promotion of employment and acceptance of atypical employment: part-time jobs (reduced work program), jobs with variable work program, work at home, work on their own and so on.

Therefore, in Romania, as in other former communist countries, flexibility did not emerge as an end in itself, but as a result of the transition. At a first look at the labor laws of Romania, we may find a line of flexibility since the early'90. It was but only a phenomenon of a kind of work on the black market, the companies finding out that they can use a type of semi-legal contract to circumvent fees: contracts of cooperation or civil agreements. Individuals were in fact full-time

employees, but legally, they figured as they had worked only 3 hours a day and did not had all the rights of employees with employment contract (insurance and taxes).

Contractual provisions of flexibility and security

In 2003, the Labor Code was amended and thus, established a set of rules for flexible labor relations and instruments to reduce barriers to work, relaxation of restrictions concerning individual contract work on a determined period in order to eliminate the black labor; promotion of new forms of employment through employment contracts, both those with part-time, through temporary employment agent, and those relating to work at home, simplifying the procedures for employee records by entering the general ledger records of employees, streamlining procedures of individual and collective dismissals, as well as guaranteeing employees the rights, in case of these dismissals.

In 2006, there were completed the provisions of the Labor Code (GEO nr.55/2006 published nr.788/18.06.2006 MO) on the flexibility of procedures for collective dismissals, so that the operators be able to resize in an operational way their activity, depending on needs, ensuring, at the same time, protection of workers to be dismissed. Also, in the local agencies for employment (AJOFM) develops pre- dismissal services, for those who will be dismissed as a result of the restructuring operations carried out by employers. These services consist of information activities, placement on job vacancies and professional reorientation. As regards employment orientation towards the carrying out of economic activities, independently, as individuals (self-employed persons) or family associations, there were initiated a series of administrative simplification and effective accompaniment for the effective operational progress of enterprises, which consist in granting consultancy on business idea in the pre-establishment phase for setting up a company.

Another component of flexibility of labor market is supporting the training and obtaining management qualifications, to make from entrepreneurship a career option, this activity is provided with allocations in ESF for the period 2007-2013. It aims to encourage corporate responsibility by providing incentives to employees in order to develop companies and careers, but also the awareness of employers and employees on the need of continuous training. From this point of view, the Public Employment Service (SPO) grants financial allocations with no repayment to employers for the training programs for employees.

Simultaneously with the increase of labor market flexibility it is necessary to improve the protection of employees: through a system of employment **security**, able to provide safety to employees. Currently, at the level of government, it is aimed to resize the base reference for calculating the minimum wage on the economy as a basis for collective working contracts bargaining. Romania transposed in the national law most of the European regulations on labor law and is in the stage of its implementation.

The provision No. 1850 on 2006 on the Guarantee Fund of claims indicates that wage rate for this fund is applied to the total gross monthly salary of employees made by the employees of unit for all types of income that they get at work.

Law no. 467/2006 concerning the framework for consultation of employees applies to enterprises in Romania who have at least 20 employees.

Employers must inform and consult the representatives of employees, according to the laws in force, regarding:

- recent developments and likely development of activities and economic situations of the enterprise;
- situation, structure and probable development of employment within the enterprise, as well as concerning possible measures of anticipation, especially when there is a threat to jobs;
- decisions that may lead to important changes in work organization, contractual relationships or employment relationships, including those covered by the Romanian legislation on specific

information and consultation in the case of collective redundancies and protection of employees in the case of the company's transfer.

Law 319/2006 concerning the security and protection of employees. It states its responsibilities; the employer must take necessary measures to:

- insure the security and health protection of employees;
- prevent professional risks;
- inform and train the workers;
- insure the organizational framework and the necessary means for security and health within work.

Law no. 344 / 2006, Government Decision no. 104 / 2007); deploy employees in the transnational provision of services in Romania.

Law no. 67/2006 on the protection of employees' rights in case of the company's transfer, of the unit or some of its parts. The transfer of the company, of the unit or its parts, shall not constitute grounds for individual or collective dismissal of employees by the transferor or the transferee. If the transfer involves a substantial change in working conditions to the detriment of the employee, the employer is responsible for termination of individual labor contract. The transferee is required to respect the collective labor contract applicable to the date of transfer, until its expiration or termination.

Law no. 217/2005 regarding the establishment, organization and functioning of European Works Councils.

In terms of the flexibilisation conditions in addition to the contractual ones listed above are also found a number of measures relating to strategies for lifelong learning listed in the current legislation and their impact on the labor market.

The Education Law nr.84/1995, which establishes the beginning of the permanent system of education in Romania, the initiative came from civil society and met the interests of ministries of education, labor and youth. The bill resulted from the analysis of initiators did not enjoy the interest of legislators. As with educational reform, the main obstacle to the introduction of the new system was due to mentalities, on one hand, of those trained over many decades on the uniqueness of education, namely, "you qualify once in life and you have the security of employment until retirement, on the other hand, the feeling that a good theoretical training, "Olympic" type, allows the approach of any occupational segment.

Ordinance 129/2000 on the training of adults, and the normative act that officially introduced the continuous vocational training in Romania, ran through a long and hard way until it was put into practice in 2004, after the adoption of Law 375/2002 and the rules of application in 2003. The main **barriers** to participation in training courses are considered to be: cost (18.7%), program (14%), lack of supply (9.3%) period (8.7%) and programs (7, 3%).

In 2005, only 1.6% of adults in Romania, aged 25 and 64 years old, participated in continuous training programs, while the average EU-25 is around the percentage of 10.8%. The continual training problems that may be mentioned are: the system provides a lifetime opportunity for any active individual, provide opportunities for sustainable development of all societies and economies, and the sensibility factor is the market with its needs and competition. For these reasons, and many others, the FPC role should be rethought as a system by itself, but also in interaction with the initial training. **If the doors of initial education are trying to be open for the continual training, it should be also reversed as to recognize the initial vocational training skills and credits obtained in the continuous training so that changing careers should not be a nightmare for those looking for a job.**

Number of people falling through the implementation of the Employment of the NAE was in June 2007, 282,951 persons, 4.5% more than the same period last year (i.e. 270,769 persons).

In the light of the fact that part of policies to stimulate employment is addressed mainly too young people, it is remarked a quite low level among persons aged 25-34 years who were employed in the period June 2006-June 2007.

In the structure by age group, 35-45 years group has, nationally, the biggest share in the achievement of the program (27.7%), followed by the 25-35 years group (26.6%).

In order to stimulate active measures to prevent unemployment and to strengthen job growth through diversification and professional skills to employed persons, the Romanian state gives to employers, who organizes training programs for their own employees, out of the budget for unemployment insurance, an amount representing 50% of the cost with services organized for training a number of less than 20% of staff.

In order to have a sustainable labor market, disadvantaged people should first be backed with sufficient resources and be provided with social services and employment, personalized for improving their social skills and ensuring increased employability. The welfare of citizens involves ensuring a sustainable financial balance and this can be done by developing a social protection system of high quality. Thus, social benefits should be varied taking into account the real needs of individuals / groups / communities, while trying to avoid dependence on system through the development of "active" sides of social protection: employment, social services.

In 2007, only 12,901 of the adults in Romania, aged 25 to 64 years participated in **continual vocational training** (CVT), up from 2006, when they were 3508, and down from 2005 - 15,189 people. Among 2002 - 2005, Romania registered an increase of only 0.3 percentage points compared with the number of adults who participate in programs of CVT. In the same period, there were the first regulations to define the system, authorizing providers of vocational training and certification of their skills acquired in the formal and non-formal system.

In 2005, it was elaborated a strategy, horizon 2010, which proposed to increase the percentage of adults who were participating in continual training programs to 7.5%. Since 2002 till 2005, Romania didn't make significant progress on the participation of adults in continual training. Along with Bulgaria, Romania is still on the last places in Europe as regards the share of adults aged 25 - 64 years, participating in education and training. Expenditure for continual vocational training is being reduced. This is recorded in the funds allocated for training the unemployed as well as in the enterprise funds allocated for training their own employees.

The Law on professional training of adults (nr.375/2002), which approved Government Decision 129/2000, sets targets for lifelong learning, for specific vocational training:

- ensuring access to continual training, including this right into the collective bargaining agreements,
- encouraging employers to invest in human resources,
- recognition of skills acquired in the formal and non-formal system. The law focuses more on quality of supply, the accreditation of suppliers, conferring the quality of "authorized provider", the organization of final evaluation of programs and award of "certificates of national recognition".

Public expenditure on education as percentage of GDP oscillated around 3-3,5 percent during 2000-2005, increasing in 2006 compared to the previous year by about 1 pp, respectively to 4.52%. Through these proportions Romania managed in 2006 to be significantly closer to the average of EU countries in terms of public expenditure on education as% of GDP. It still remains a gap in terms of absolute value of the education budget of the EU Member States, generated by GDP reported to the number of inhabitants. If the EU 27 public expenditure on education accounted for about 5.1% of GDP, the values varied between countries 8.47% in Denmark and 3.93 in Luxembourg, Romania allocating the lowest percentage of GDP, 3.29% at the same time and 2004. The efforts to increase public expenditure on education in GDP in 2008-2013 aimed allocating a minimum of 6% (National Pact for Education, 2008).

Results recorded in the labor market

Rates of activity and employment for the working age (15 - 64 years) had a tendency to increase in 2002, reaching in 2006 the level of 63.7% and 63.0% in 2007 for the rate of activity. In 2007, employment rate recorded the same value compared to year 2006, namely 58.8%, but in an upward trend from 2002 -58%. However, there are areas such as construction, real estate, rental and service activities performed by businesses, health and welfare, public administration and defense, trade, hotels and restaurants, financial intermediation, where the employed population increased, sectors considered as having potential to develop in the following period. The total population will decrease the effect of reducing the population over 65 years, and the active population of 15-64 years will increase the rate of activity reaching about 67.6% in 2010. In 2007, **the rate of long-term unemployment on the ILO** was 3.2%, of which 3.6% for men and women 2.7%. The difference between urban and rural areas in terms of rate of long-term unemployment rises ILO in 2007 to 1.5 percentage points against the urban environment (3.9% in urban and 2.4% in rural areas).

Unemployment rate for very long-term has a downward trend reaching in 2007 a value of 1.5% (1.9% in urban and 1.1% in rural areas). Of the total number of households, 68.8% represents the households in which employed people live, in urban areas the share is higher than in rural areas (70.9% vs. 66%). In the households which are made up of employed people, most households have 2 persons employed (47.1% nationally and 51.1% in urban areas). In the households whose head of household is female, 49.1% have no person employed. The main challenges on the short and medium term of the labor market are: the effects of economic restructuring, low participation of young people and vulnerable groups in the labor market, the rate of significant employment in the agriculture sector and the quality of human resources.

As regards **the rate of long-term unemployment among young people** it had a oscillating evolution from 13.1% in 2005 to 14.2% in 2006 and decreased to 13.3% in 2007.

Regarding the **labor productivity relative to employed population**, this indicator had an upward trend from 23,477.4 in 2005 to 32,609.5 in 2007. According to data provided by the National Institute of Statistics, in 2007 approximately 18.5% of Romanian citizens are poor (18.3% among men and 18.8% among women). During 2004 - 2007 is noticed a stabilization of the relative poverty rate in the range of around 18% - 19%. From the point of view of **residence environment**, rural areas still confront with a higher incidence of poverty and severe poverty, poverty rates in rural areas had in 2006 the value of 29.6% versus 9.6% in urban . It can be found in the comparative analysis of 2007 with 2006 that the poverty rate in rural areas increased from 29.6% to 29.9% in 2007. Therefore approximately 70% of people at risk of poverty live in rural areas.

Labor market flexibility in general contributes to the increase in the motivation of employees at work, which is reflected in increasing labor productivity by putting the foundations of economic development on average and long-term. In order to achieve this strategic goal, so that by 2030 Romania will regain these currently existing gaps in comparison with old member countries of the European Union, it is necessary that government strategy, regardless of orientation, should propose as objective, a budget policy intended to ensure a continuous flexibility of the labor market, while ensuring security to the company's employees, regardless of where they would conduct their business.

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11. www.insse.ro

ROMANIAN EDUCATION IN EUROPEAN CONTEXT

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The education is helpful for society because it can offer a critical thinking of the contemporary world, being an instrument to disseminate knowledge, develop competences and create values. Recent studies show the fact that the adults professional excluding has the roots in their pre-school and primary education deficiencies and in their parents' social integration grade. The characteristic of the actual educational system from Romania is the fact that it reflects the uncertainty of the entire economical-social environment existent in present. What it is the most grave is the fact that we assist at an upsetting of the society values where the money and power have gone on the first place, irrespective of the methods used for their obtaining, and the honest work and even the persons with a high level of socio-professional training are marginalized by society many times. Here is one provocation to which the society has to cope with and this as soon as possible.

Keywords: The human capital, educational capital, functional illiteracy, social marginalization, school abandon, professional training, disseminate knowledge

Cod JEL lucrare: J24

The human capital consists in those skills of individuals which are characteristic for them and remain the same in any social environment, being possible their valorisation in exchange for any type of economical resources on the labour market. This is formed by educational capital (skills obtained by individuals inside and outside the school briefing process) and biological capital (individuals' physical skills synthesized the most often by the state of health). The human capital theory, whose remarkable exposition was made by Becker (1964), sustains that the individuals' incomes increase considerably, depending on their educational level. In the present days, Mincer and Becker have generally limited their approaches about the human capital to the analysis of the educational capital. Blaug (1976) shows that in fact, the education represents the essence of the human capital actually, its importance being superior to the associate components of the health. When a nation develops the educational system, it contributes at the equalization of the chances and favouring of the mobility for the ones considered as possible capable, contributing only marginally at the absolute equality. In the new models and approaches of the contemporary development, the secret of the future society is education; and no any type of education, but a permanent one, because the education itself gains new valences. In the context of the human development, it is underlined the education role as instrument capable to extend the choosing area, to allow the social changing and to facilitate the cohesion and social integration. A lot of researches show that for, any problem that appears in the development of a child, the earlier the intervention is, the bigger the remediation chance is. At the same time, the later the intervention is produced, the bigger the associated costs are and the prognostication can be unfavourable.

In this context, analysing the percentage of the non-promoted pupils in the primary education and the untimely leaving rate of the school (youths being 18-24 years old) in Romania in the last years, it is ascertained that these have high relative values in comparison with EU states. Last year, UNESCO made the counting: 774 millions of illiterate persons on the entire earth. When we say illiterate persons, we surely think to Sahara Africa, Arabian countries, Cuba or Argentina. But, even the countries that are proud because of their high level of civilization have their illiterate persons. About Romania, EU says that 53% of the teenagers do not understand what

they read. In full civilization, the phenomenon of the functional illiteracy takes amplex (it is not about the inability to read, but the inability to be understood what it is read). These persons become subjects of the social marginalization, present a bigger risk of being taken ill, stress and they have smaller incomes. At the same time, there is a correlation between crime and functional illiteracy: 70% of adult prisoners and 85% of juvenile delinquents that are in the American prisons were classified as functional illiterate persons in 2000, according to National Institute for Literacy. The yearly report - published by European Commission (EC) in July 2008 - regarding to the education community systems, place our country at the end of the list as far as concerned the book knowledge criterion. The conclusions were drawn on the basis of the following indicators: university education graduation, untimely giving up at school, understanding and interpretation level of the read texts, number of mathematics, sciences and technology graduates, as well as the participation of the adults at the learning activities during the entire life. In 2000, at Lisbon, EC proposed a reducing of illiteracy with at least 20% and 90% of the pupils not to abandon the school untimely (at 18-24 years old), respectively 85% of youths to graduate the high school till in 2010. After eight years from the concluding of the treaty, Romania is counted among the European Union (EU) countries that have to resit education. One of two Romanian teenagers being 15 years old have reading and understanding difficulties of a text, 53% of the Romanian teenagers are functional illiterate persons, this percentage being two times bigger than the EU average (24%). „It is a real problem. The capacity to read is a key-competence for the continuous learning”, declared the European commissary for Education, Jan Figel. Actually, the illiteracy trend from 41.3% in 2000 to 53.3% in 2008 is more alarming than this percentage. Excepting Bulgaria that is placed with 51% on the immediate next place, the rest of the states from the former communist block have better results than Romania, Czechia registering 24%, Hungary 20% and Poland 16%. The teenagers who have the best reading level are the Finns, only 4.8 % having reading problems, being followed by Irishmen and Estonia. At the level of the entire European Union, the population percentage with understanding problems increased from 21% in 2000 to 24% in 2008.²⁶³

One of five Romanian youths has only eight classes. The rate of the youths who interrupt the studies after the finishing of the gymnasium places Romania among the first five European states that are confronted with the untimely school abandonment. Regarding to the number of the ones who give up at school untimely, Malta and Portugal are on the first positions and most youths who are interested in the continuing of the studies are in Czechia, Poland and Slovakia. If 19% of the pupils leave the school untimely in our country, we can speak about a rate of 42% in Malta and a percentage of 39% recorded in Portugal. In 2006, about six millions of European youths left the educational system untimely, although the European Commission proposed itself to reduce this figure at only two million. In Romania, the rate of school abandonment was tripled in 2007 in comparison with 2000,²⁶⁴ and now more than 70,000 children have to work instead of study, according to a study made by “Safe the Children!” non-government organization. The works in which the children are involved transform them in an extremely vulnerable social category. In order to survive, they are obliged to beg, distribute drugs, wash the cars windows or to have sexual relations and risk to be physique and psychically abused daily. One third of the children obliged to work are illiterate persons, 40% have a reduced level of writing and reading abilities, one of five children like these were never at school and eight of ten children who do not go to school are gypsies. Only 1% of Romanians learn during all their life and no more than 11% of the Romanians being 25 - 64 years old can be proud with a university diploma, these representing half of the EU average. The percent is double for Bulgaria and three times bigger for Estonia. Even Croatia, which is not an EU member state, has a better result than Romania (16.3%). The participation at the learning programs during life places Bucharest on the last place

263 <http://ec.europa.eu/publications>.

264 www.salvaticopiii.ro.

in EU. Only 1.3 % of the Romanians being active age do not limit at the obtaining of a diploma, they attend different qualification stages and this percentage is equalized only by Bulgaria. For example, in Sweden, one of three adults has participated at the continuous training programs, Denmark records 29%, Great Britain – 29% and Holland – 15%. In EU, the average of adults who resort to active learning during life is increasing from 7.1% in 2000 to 9.7% in present. “Almost one third of the community manpower did not finish the high school studies and about a fourth of the European children being 15 years old cannot read. These millions of Europeans will meet with difficulties bigger and bigger regarding to the own development and the finding of a working place” has warned the European official, Jean Figel.

The national evaluations undertaken into consideration say the same thing in Romania. According to OECD International Program for Pupils Evaluation, Romania is on the position 34 of 42 participant countries. According to EDU CER evaluation from 2007, the Romanian education is come to a stop in the paradigm of the old mentalities. The SAR appreciation from 2007 is clear-cut in the same manner: the Romanian education is an autochthonous factory of mediocrity.²⁶⁵ If the school education is neglectful, “it can cause prejudices at least as bigger as corruption, but in very long term and very difficulty to be remedied” drawn the attention the former chief of European Commission delegation in Romania, Jonathan Scheele. Within 2004 – 2005, only about half of the youths being among 15 and 18 years old belonging to the poorest categories were entered a school. More than this, only 37% of the poor youths (of 15-24 years old) attended the school in 2006, while others were in a vulnerable situation on the labour market, being employed illegally (30%) or unemployed (15%). The social mobility has also increased further to the new economical processes that have been developed at the global level and which have caused the unprecedented opening of the western countries, especially to the assimilation of the manpower from the less developed countries. This phenomenon facilitated the appearance of some significant economical inequalities among the immigrations from the first or second generation which are in poverty and live in the districts of the poor towns, and natives. The poverty risk decreases substantially with a higher education level, reaching almost zero for the adults with university education. About 70% of the poor adults (being 15 years old or more) graduated eight classes or less. Obviously, the poverty risk is the highest for the persons who have not a formal education (59%).²⁶⁶

Education costs. The difference between the member states average of EU and Romania has decreased regarding to the public expenses for education, as % from Brut Intern Product (BIP).²⁶⁷ Romania has continued the increasing tendency of the funds allocated for education, succeeding in significant approaching by the member states average of EU regarding to the public expenses for education, as % from Brut Intern Product. Together with Bulgaria and Czech Republic, our country records a sensitive increase of the public investment in education, while states like Estonia, Lithuania, Italy, Slovakia or Spain record an opposite tendency. On the basis of the budget for education in 2008, % from Brut Intern Product has the approx. value of 6% this representing a level closed to the European average. After the situation in which it was firstly respected the minimum legal percentage of Brut Intern Product that has to be allocated to education in 2006, other premiere was recorded in 2007. Thus, according to the official data, the education has reached 5.5% of BIP further to the budget amendments, in increasing with more than one percentage point in comparison with the previous year. At the same time, the increasing of BIP value in comparison with the previous year had a positive effect on the budget for education. In this way, it was possible the initiation or extension of some main programs and projects coordinated by the Ministry of Education and Instruction, including the supplement of

265 www.educer.ro.

266 www.worldbank.org/ro/poverty evaluation report.

267 Ministry of Education, Research and Youth – Report about the status of national education system, Bucharest, 2008.

some funds for education infrastructure. Although the highest in the period after 1989, the BIP percentage allocated to education in 2007 is still inferior with half percentage point in comparison to the one stipulated in the new legislative package. The recent reports draw attention on the direct connection between the level of public investment in education and the level of participation to education and training of population, Romania continuing to be after the majority of EU members from this point of view. Romania allocated more than 17% of the total public expenses to education, being one of the highest financed public service. Denmark, Holland, Slovakia and Sweden registered the most important increasing of the education expenses percentages in public expenses. The lowest expenses percentages are in Greece, Italy, Germany, Czech Republic (less than 10%).²⁶⁸ Within 2000-2007, the school population decreased with 158.9 thousands of persons, the most drastic reducing being recorded at the level of the gymnasium education – 396.8 thousands of pupils. But, the school year 2007 / 2008 marks an increasing of the school population with almost 48 thousands of pupils and students in comparison with the school year 2006 / 2007.

Participation to education. The participation rate of the population being 5-29 years old to all the education levels (ISCED 1-6) continues to situate Romania on the last place in comparison with the other European countries, excepting Bulgaria. In 2006, the comparisons with the European countries show that Romania was on the penultimate place regarding to the participation of the population being 5-29 years old at all the education levels, only Bulgaria being after our country. The value of the rate recorded 50.5% in comparison with 63.8% – Lithuania, 60.2% - Poland, 62.0% - Slovenia etc., the average of EU-27 being 59.2%.²⁶⁹ The brut rate of school including in all the education levels (ISCED 1-6) points out a continuous ascendant tendency during the reference period of Report, the difference between its first and last year being of 10 percentage points. In school year 2007/2008, the indicator reaches the maximum value – 76.6%. The ascendant tendency is visible in case of both the feminine and masculine population, the differences on sexes being maintained in the favour of feminine population during the entire analyzed period. As a matter of fact, the participation rate of the feminine population to education is superior to the one registered by the masculine population in case of high school, after high school and university education. The differences on sexes tend to be emphasized to the end of the interval: from 2.5% in school year 2000/2001 to approx. 5% in the last school years. Nevertheless, Romania continues to be situated on an inferior place in comparison with other European countries regarding to the school life hope. The international comparisons have to be made cautiously under the circumstances of differences between the education systems from different countries regarding to the début age of schooling, education classes period, participants percentage to the programs with integral or partial time etc. Beyond these cautions, the school life hope in Romania is more reduced than in many countries from EU-27. The increase recorded a continuous ascendant tendency at the last year level of the reference period, having attained 16.3 years – including the pre-school education. Although the attending duration of education increased in the last years, Romania is still situated on an inferior place among the countries from European Union (EU-27).

At the OECD-PISA evaluation in 2006 (that is made every three years), Romanian pupils obtained smaller scores than in 2001, continuing to be under the medium scores of countries from both OECD and EU. The pupils' scores at reading situate Romania on the place 48 of 57 participant countries, preceding only 9 countries among which Montenegro, Azerbaijan or the Argentine are counted. Superior scores, but closed to the Romania's ones, were also obtained by the pupils from Serbia or Bulgaria. Romania is situated on the place 44 of 57 participant countries at mathematics, preceding only 12 countries, among which Bulgaria and Montenegro are counted. Romania is situated on the place 47 of 57 participant countries at sciences, being

268 www.oecd.org/reports.

269 www.edu.ro/reports.

preceded by countries like Hungary, Poland, Bulgaria, Greece, Slovakia or Turkey.²⁷⁰ At the OECD-PISA evaluation in 2006, Romania was situated on the place 47 of 57 participant countries with an average of 418 score points reported to the average of 500 of the European countries. Thus, it is established that the pupils from Romania obtained scores inferior to the ones from 2001 (when Romania was situated on the place 34 of 43 participant countries) at all the fields for which the evaluation was made. The biggest decreasing of performance is ascertained in case of European indicator referring to the rate of the ones who obtain low results at reading / interpretation. In this way, if more than 40% of the pupils included in children sample were situated at the level 1 (on a scale from 1 to 5, where 1 is the lowest level) or less in the reading / interpretation field in 2001, this percent reaches to 53.3 % in 2006. Regarding to the differences on gender, also in 2006, Romania is framed in the general model of all the participant countries according to which the girls reach better performances than the boys.

Results of education and professional training on labour market. Thought the occupation rate of population being 15-64 years old increased with half percentage point in 2007 as compared to the previous year, this continues to be at a distance of 12 percentage points compared to Lisbon target (70%). Recent estimations show that about 30% of the working places will ask for university education and almost 50 % will request at least high school education till in 2015.²⁷¹ At the same time, it is foreseen that the working places that ask for a reduced qualification level are to decrease significantly in this period. The unemployment phenomenon affects significantly the youths being 15-24 years old, including the ones with a superior level of education. Although a decreasing of the unemployment rate can be noticed abreast of youths in 2007 in comparison with the previous year, the problems of youths insertion on the labour market represent an important challenge for most member states of EU. Romania has a rate superior with three percentage points to the average of the member states. The youths being 15-24 years old continue to be confronted with the biggest difficulties regarding to the professional insertion. However, it has to be pointed out that the unemployment rate for these youths reaches 18.9% in 2007, this value being similar to the ones registered in the first reference years of report, when the indicator value knew the lowest levels – approx. 18%. On averages, the biggest differences can be observed for the persons having a reduced level of education (without studies, primary or gymnasium studies) – over 16 percentage points in the favour of the population from the rural environment. The differences on sexes have increased significantly in comparison with the previous year, the unemployment rate at men being with 8 percentage points higher in comparison with the one registered for women. The relative high level of this rate emphasizes the necessity of a closer connection between the education & training system and labour market. The finalization and application of the monitoring technologies for the insertion of the graduates from the different education forms (professional, high school or university education) is a priority, as well as the development of some more flexible and efficient organization systems of the pupils / students practice. Not on the last place, it is to be waited for a more attentive analysis of the competences considered mainly for their companies' success by the Romanian employers and adapting to the educational and training offer to this.

The brut rate of including the children being 3-6 years old in the pre-school education continued to increase with 1.4 percentage points in the school year 2007/2008 in comparison with the previous year, so that the registered increasing would be more than 11 percentage points. Concomitantly, the percentage of the pupils entered first time in the class I – pupils who attended continuously the kindergarten – continue to be over 90%. At the level of 2006, the average of EU-27 regarding to the participation to the pre-school education of the children being over 4

270 OECD International Program for Pupils evaluation - PISA 2006. Report of National Centre, CNCEIP, Bucharest, 2008.

271 CEDEFOP, 2008.

years old was 86.6%.²⁷² In countries like Belgium, Italy and France, the rate value was 100%. At the same time, Spain, Malta, Luxemburg and other 12 countries recorded values that exceed Barcelona's goal of 90%. In the last years, many countries recorded main increasings of the participation at the pre-school education of the children being over 4 years old. It is also Romania case: from 60.3% in 2000 to 75.8% in 2006 – value closed to the average of EU – 27. The average of the attending duration for the pre-school education registers an ascendant tendency (this value reaching 3 years in the last two years), being generated by the increasing of the including specific rate at all the ages. The including in the pre-school education of an approx. percentage of 86% of the population being 5 years old signifies the generalization of the school preparatory group on the whole. First time after the implementation of the measure for extension the compulsory education duration at 10 years, the school year 2007/2008 highlights positive signals regarding to the participation to education at this level. Under the continue increasing circumstances of the school abandon rate in primary and gymnasium education, the reaching of the target established in the offing of the year 2010 by EU – the reducing of the untimely leaving rate of the education system at less than 10% - still remains a problem. The comparative data regarding to the rate of early leaving of the education system by the youths being 18-24 years old show that Romania continues to be situated more under the level of most states or countries which adhered recently to EU. At the level of 2007, the value of the indicator for Romania recorded 19.2%, as distinct from countries like Slovenia – 4.3%, Poland – 5.0%, Czech Republic – 5.5%, EU-27 member states – 14.8%. However, Romania has an advantage in comparison with Spain (31.0%) and Portugal (36.3%) at the level of the same year. After a continuous descendant tendency, the school abandon rate increases both in the high school and professional education in the school years 2005/2006 and 2006/2007. The high rate of abandon registered in the professional education (8.2%) involves an important impact on the intern efficiency of this education system segment. At the level of school year 2006/2007, the percentage of the youths who finish the high school, with or without baccalaureate examination increases with more than 4 percentage points in comparison with the previous year, reaching the highest value during the entire reference period. The discrepancies on sexes are still kept at a high level, the girls who graduate the high school presenting an advantage of approx. 11 percentage points against the boys. The school leavers register and promote the baccalaureate examination in high constant percentages. On average, only 3% of the graduates from high school do not register at the baccalaureate examination, while approx. 6% of school leavers do not promote the exam. The participation rate of adults being 25-64 years old at the education and professional training is kept at a reduced level, this being 1.3% in 2007.

The education is helpful for society because it can offer a critical thinking of the contemporary world, being an instrument to disseminate knowledge, develop competences and create values. Recent studies show the fact that the adults professional excluding has the roots in their pre-school and primary education deficiencies and in their parents' social integration grade. The characteristic of the actual educational system from Romania is the fact that it reflects the uncertainty of the entire economical-social environment existent in present. What it is the most grave is the fact that we assist at an upsetting of the society values where the money and power have gone on the first place, irrespective of the methods used for their obtaining, and the honest work and even the persons with a high level of socio-professional training are marginalized by society many times. Here is one provocation to which the society has to cope with and this as soon as possible.

272 EUROSTAT/UOE data collection.

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THE NEW PARADIGM: SERVANT LEADERSHIP

On Angela

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Many researchers offered their thoughts on what they called a servant leadership, as a new emerged paradigm for a better understanding of leadership process. The servant leader's motive is not to direct the activities of followers. It is a characteristically unique method for stimulating and influencing the behavior of others. Servant leaders rely upon service to establish the purposes for meaningful work and to provide needed resources.

Service theory is a fairly young field in positive psychology and provides fruitful scope for understanding the potential success of servant leadership theory in a wide spectrum of organizational environments.

Keywords: leadership, service, agapao love, humility, servant leadership.

Cod JEL:

We learned that leadership is an acquired skill and is synonymous with influence; we learned that character is the moral maturity in action: doing the right thing regardless of the cost. Though a new approach on leadership had emerged, focused on kindness, sensitivity, love and humility, constructs that more and more are seen as essential for leader-follower relationship. I consider this a wonderful approach, being the response to many changes in human perceptions and understandings of labor environment. I also believe it can offer a more credible solution to

James Hunter (2004) is one of the authors that offers important lessons, which he has learned from successful organizations, including selecting workers very carefully, finding ways to make work more challenging, compensating people fairly, demanding excellence and accountability, training people well, and building community.

Hunter call a servant leader *a person of character who is skilled in influencing and inspiring others to enthusiastically contribute their hearts, minds and other resources toward goals identified as being for the common good*²⁷³. Referring to his religious faith, he consider that leadership is spiritual underpin.

According to Hunter, leadership means, exactly as love does, *patience, kindness, humility, respect, generosity, indulgence, honesty and commitment*. Surprisingly, the author discovered identities between the abilities list that most of the people consider fundamental for a leader and the list of those specific attributes of a love relationship.

A love relationship is described almost on every wedding ceremony and it hardly means romance, passion, flowers and candies. It rather means a lot of work and engagement, reinforcement of the feelings of the partners (married couple), a life time effort to develop a relationship and reach the maturity. When difficulties occur, the real value of feelings and the strength of the bond shows up.

Those eight virtues of love relationship are not just a splendid definition for love, but also the essence of leadership (Hunter).

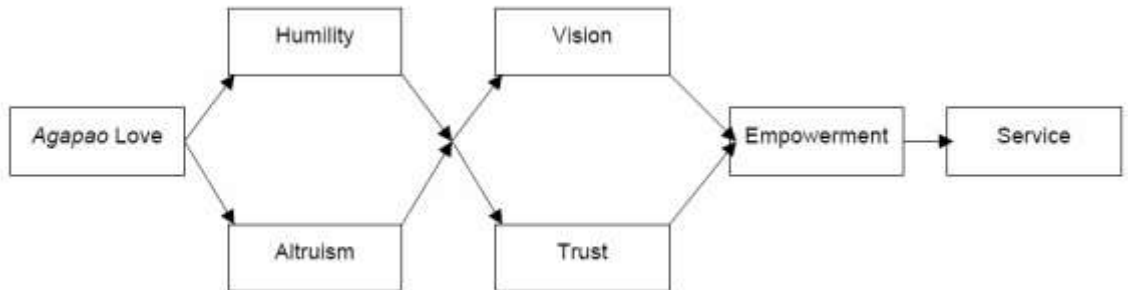
Patterson²⁷⁴ (2003) also shaped a model that suggests servant leaders are guided by seven virtuous constructs which define their attitudes, characteristics, and behavior. She define servant leaders as *those leaders who lead an organization by focusing on their followers, such that the*

273 Hunter C.J., Las claves de la paradoja (original version The World's Most Powerful Leadership Principle), Ediciones Urano, Barcelona 2005, p.79.

274 Patterson, K. A., Servant leadership: A theoretical model, Doctoral dissertation 2003, Regent University, cited in Waddell.

followers are the primary concern and the organizational concerns are peripheral. Her theory of servant leadership was presented as an extension of transformational leadership theory, defining and developing the component constructs underlying the practice of servant leadership. She suggests the servant leader : (1) demonstrates agapao love, (2) acts with humility, (3) is altruistic, (4) is visionary for the followers, (5) is trusting, (6) empowers followers, and (7) is serving. The cornerstone of Patterson’s construct is agapao love.

Figure 1: Patterson’s Model



Agapao love

The Greek word agapao means a moral love, doing the right thing at the right time for the right reason²⁷⁵ (Winston 2002). This kind of love is a social one, meaning the judgment and deliberate assent of the will are taken as a matter of principle, duty and propriety. The basis for agapao love is to consider each employee or follower as a total person with needs, wants and desires. According to Patterson, in demonstrating agapao love, the leader focuses on the employee first, the talents of the employee second and the benefit of the organization third.

Considering humility, altruism, trust and service as direct consequences of agapao love, some of the descriptions are as follows.

Humility

It has been defined as putting the needs of others above one’s own. The servant leader’s motive is not to direct the activities of followers. Instead, the servant leader’s behavior motivates, influences, inspires, and empowers followers to focus on ways to serve others better.

Hunter (2004) explains the paradox of humility in leadership by saying humble leaders realize they came into the world with nothing and will leave with nothing. People mistakenly associate being humble with being overly modest or passive. To the contrary, humble leaders can be very bold when it comes to their sense of values, morality, and doing the right thing. They view their leadership as a great responsibility to take care of the people entrusted to them. Humble leaders are very willing, even eager, to listen to the opinions of others, including those with contrary opinions.

Altruism

Wikipedia defines altruism as the practice of placing others before oneself. Altruism can be distinguished from a feeling of loyalty and duty because altruism focuses on a moral obligation toward all humanity while duty focuses on a moral obligation toward a specific individual or organization, or an abstract concept.

According to Kaplan (2000), altruism is helping others selflessly, just for the sake of helping, which involves personal sacrifice, although there is no personal gain to the person performing the act of service. Monroe (1994) defines altruism as behavior intended to benefit another, even when doing so may risk or entail some sacrifice to the welfare of the actor. Monroe adds there are

275 Winston B.E., Be a leader for God’s sake. (Workbook), Virginia Beach, VA: Regent University, School of Leadership Studies.

four critical components of altruism. Altruism must entail action, must further the welfare of another, does not diminish if well-intentioned efforts result in negative consequences for the recipient of the action, and must carry some possibility of diminution to the welfare of the person committing the sacrificial act.

Trust

Nyhan (2000) describes trust as the level of confidence one individual has in another person's competence and his or her willingness to act in a fair, ethical, and predictable manner. The servant-leader model is not an easy model to embrace, but it permits the greatest number of people to experience the greatest good as the leader provides optimal conditions for the growth, development, and self-improvement of all. The climate of trust in the organization facilitates cooperation and also results in better serving of others, from leader-to-follower and follower-to-leader. Bennis and Nanus (1997) also believe that the capacity to generate and sustain trust is the central ingredient of leadership.

Service

The core of the functional attributes of a servant leader is service. It is important that leaders understand one of their primary functions as a leader is to serve the needs of others. The servant-power is a category of influence outside the traditional kinds of power. Real servanthood is a leadership style that relies upon the influence of self-giving without self-glory.

Many researches based on Patterson's model have been conducted since, including more constructs (like *hope*), or widening the perspectives by inserting leader's *agapao* and follower's *agapao*. Still, more than one approaches to general leadership theory was based on *agapao* love.

Jane Waddell²⁷⁶ (2006) introduces the idea that there is a relationship between a servant leader's preference for introversion relative to his or her demonstration of the virtues of *agapao* love, humility and trust.

The propensity of individuals for extraversion is demonstrated by their preference for the outer world of people, places and things; They are typically more prone to talking and engaging than listening and reflecting. Waddell suggests that four of the Patterson's model constructs of servant leadership appear to be in opposition to the source of energy for extraverts; humility, altruism, service, and trust.

Extraversion and Introversion are two categories of the personality, which assesses an individual's preference for how he/she interact with the world. Waddell believe that authentic change happen only when it begin in the inner solitude of single individuals; she also believe this inner solitude of individuals is a critical component of servant leadership.

James Kouzes and Barry Posner²⁷⁷ also present some lessons of the past (*legacies*), which can guide new generations of leaders. Those legacies are:

- leadership belongs to all
- leadership is a relationship
- leadership starts with the action
- the leader is his own creator

The most harmful belief about leadership is the myth of the *chosen one*, or *the great man* or the idea that leadership is just for few, because of its negative impact on personal and organizational development. Investigations constantly demonstrated leadership is not about location, is a process, observable action, so leadership belongs to everybody.

A leader's success in business and in life depends on his /her capacity to work and cooperate with others. Every relationship is based on trust; the most effective leader spend o lot of efforts to create and develop relationships based upon respect and mutual consideration.

276 Waddell J., Servant Leadership Research Roundtable, Regent University, August 2006; www.regent.edu/acad/global/publications/sl_proceedings/2006

277 Kouzes M.J., Posner Z.B., El futuro del liderazgo, (original version, The Future of Leadership), Ediciones Deusto, 2002, Bilbao, p. 94;

A leader is the one who begins with an action, has the urgency feeling about something, cannot wait for a formal approval or authorization. Small actions normally conduct to small victories which finally result in gaining prestige and trust.

Being a leader means being yourself and knowing very well your potential and limits. The better you know yourself the more appropriate can be your answer to outer world challenges. Judging and constantly evaluating your life and work are critical for leadership.

Steve Farber is another author who pleaded for love in leadership relationships. He pointed out four essential typical actions of the *extreme (radical) leader*²⁷⁸:

- cultivate love
- generate energy
- inspire audacity
- provide proof

Love is the fundamental motivation of the *radical leader*, and it means loving someone or something, loving a cause, a principle, your work collaborators, your clients, your organization, loving the future image of yourself and others in this organization etc. Without an emotional engagement there's no valid motivation of the extreme leader for changing or improving the world.

Energy is not abstract or metaphysical; it's real, tangible, palpable. Energy is the inner power to act or to produce an effect and is generated by love, big ideas, noble principles, stimulating goals, interesting work, exciting challenges etc. The extreme leader's job is to define and redefine, day after day, what that higher purpose of organization is (or principles, or goals), in order to create an energetic work environment.

Audacity means deliberate disregard for normal constraints. Normal constraints are coming from limited believes about what a person can or cannot do. Love-inspired audacity is courageous then the extreme leader is courageously audacious in his or her actions and approach.

When the leader is convinced that he/she can change the organization, the family or the community for the better, he/she has to *prove* it through the radical courage of his/her own action.

According to **Chatterjee Debashis**, *leadership is not a science or an art, it is a state of consciousness* and the changing paradigms of *conscious leadership* is about self-mastery²⁷⁹.

Explaining what *conscious leadership* is, he uses wonderful metaphors and dedicates a great deal of attention to love and its importance for leadership. The Debashis changing paradigms are:

From	To
Capacity	Leadership capacity
Work enrichment	Self enrichment
Quality circle	Quality consciousness
Balanced personality	Integrated personality
Intellectual culture	Emotional consciousness
Strategie	Purpose
Leadership	Follower
Virtual reality	Virtuous reality

278 Farber S., Los cuatro fundamentos del liderazgo verdadero (original version: The Leadership Leap – A Personal Lesson in Extreme Leadership), Ediciones Urano, Barcelona 2005, p. 89; also available on <http://stevifarber.com/extremeleadership/>

279 Chatterjee D., Leading Consciously. A Pilgrimage Toward Self-Mastery, Ediciones Granica, Barcelona, 1998, p.186.

Tom Peters also consider love as central ingredient for effective leadership. *Love is passion, taste for life, engagement; great causes and the decision to make a difference; shared adventures; audacious fails; growth and a permanent need for change*²⁸⁰.

Conclusion

Servant leadership is actually a robust, revolutionary idea that can have significant impact on organization's performance. To lead is not to be the boss. Servant leadership turns bosses and managers into coaches and mentors. Many studies have built upon this model to explain the interactions between leaders and followers in *servant leadership relationships*.

I would propose that the leader who produces results by encouraging and teaching (by serving), has longer lasting results because he builds future leaders who learn to believe in themselves and their abilities and strengths.

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REGIONAL DISPARITIES CONCERNING THE OCCUPYING LEVEL IN ROMANIA

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The analysis for the rate of occupying the population underlines the important presence of the under-occupation phenomena for the whole economy. At a regional level, the rates of occupying over the national average are recorded in the regions that are less developed: North-East, South Muntenia and South-West Oltenia, which are caused by the high rates of occupying in agriculture and in the Bucharest Ilfov region, but in the last case due to the higher level of work force needed. There are obvious disparities between the developed regions and the less developed ones, the more rural regions (North – East, South – East, Muntenia South and South – West Oltenia) recording large amounts of occupied population with primary or no school graduated.

Key words: work force, occupied population, regional disparities

JEL Classification: R12

1. Introduction

The active population of a country is determined by the evolution of economic processes and phenomena, but also the complexity of demographic developments. As level and structure it accumulates the effects of technical and technological progress and is determined by material, human and financial resources available or potential, prices, wages, and traditions of the consumer and not last for economic policy. Conditioning demographic, though least visible, is extremely important through implications. Demographic structural changes made to the total population are found in both supply and demand of labor. Thus the numerical and structural change of the population and an aging demographic influencing the level and structure of the active population and its components: employed population and unemployment.

The most important component of the active population is employed population. It is actually producing goods and services necessary for the existence of the entire society. Meanwhile, the people give full measure demand for labor in the labor market. Demand for labor is determined both by the evolution of economic processes and phenomena related to the complexity of demographic development and the eventual pressures of any offer. Consumption needs of the population are reflected in the amount of work required to meet them, and this quantity finds its correspondence in the employed population. Employed population comprises of persons of 15 years and over who have conducted an economic or social activity producing goods or services at least one hour during the reference period (which is one week) in order to achieve revenues in the form of wages, payment kind or other benefits.

2. Dynamics of population employed in the main development regions

The privatization and restructuring of the Romanian economy had a significant effect on the labor market, causing significant release and the appearance of the phenomenon of unemployment. The involutions in economy have limited opportunities for employment.

Employed population in Romania and in the main development regions during 2000 - 2007 are presented in Table 1

Employed population during 2000-2007 **Table no.1**

Region	2000	2001	2002	2003	2004	2005	2006	2007
Romania	100,00	99,35	87,87	87,77	87,15	87,04	88,63	89,00
North-East	100,00	100,26	85,95	86,31	88,87	88,19	86,36	88,61
South-East	100,00	98,03	87,88	89,01	87,19	86,89	89,54	87,5
South-Muntenia	100,00	99,41	85,69	85,69	84,14	83,97	85,33	87,17
South-West Oltenia	100,00	101,09	84,48	83,93	81,04	81,36	81,05	80,19
West	100,00	97,80	88,24	87,91	87,14	86,59	89,56	91,76
North-West	100,00	101,97	88,38	87,62	84,66	84,88	86,94	87,09
Center	100,00	99,82	91,86	90,97	87,66	88,28	91,14	89,98
Bucharest-Ilfov	100,00	94,29	94,39	94,08	99,90	99,90	106,23	105,71

Source: The Statistical Yearbook of Romania 2007 and 2008;

It is noted from Table 1 that reducing employment was a phenomenon that has occurred in all regions of the country at a differentiated scale and depth from one region to another and was the main issue of industry restructuring. Many of the companies with majority state capital, which mobilized the largest number of employees, have made restructuring, which meant, with the waiver of a number of activities the dismissal of a large number of staff. However, it should be noted that the only region in which the employed population has undergone a significant recovery in 2004 is the Bucharest-Ilfov. Foreign capital was more concentrated in regions of Bucharest-Ilfov, West, North-West, Center, which had a positive effect on labor markets in these regions, creating permanent qualified work force and the development of services for businesses.

The main causes of this dynamic were the general economic decline, with diminishing volume production, especially industrial, in the conditions of the narrowing of the domestic market and the loss of large segments of foreign markets, the failure of programs of macro-stabilization and delay privatization, reducing investment and restructuring of unprofitable businesses, low mobility of labor in both territorial and professional plans, constraints caused by international economic environment.

3. Employment structure by main activities of the national economy

Disparities in levels of development of different regions are the result of differentiated endowment by their natural and human resources, and relatively specific frameworks of development (economic, technological, demographic, social, political, cultural) that have shaped their development throughout history. This led to the dominance of agriculture as an economic force in regions where climatic conditions were favorable, a heavy industry in areas that have found the resources of iron ore and coal industries and the concentration of the services sector in the administrative centers.

Employment structure by main activities of the national economy is presented in Table 2. It is noted that during 2000-2007, the population employed in agriculture had a decreasing trend in all regions of the country, while services registered an increase in the employment. The largest decrease in employment in agriculture is registered in the West region with 20.28%. In this region there is an increasing share of employment in services and industry. In the West, in 2007, the employed population was over 40% of the total share of the region with the most significant in the tertiary sector (39,29%).

Population employed in industry fell significantly after 1990, particularly in heavily industrialized counties (Hunedoara and Caras-Severin), mainly as a result of massive release of personal from Mining and Iron and Steel. Against this background of restructuring and dismissals of the population employed in the industrial sector, the population has mainly oriented towards the service sector.

Employment structure by main activities of the national economy Table no.2

Institutional Sectors	Agriculture			Industry and constructions			Services		
	2000	2007	2007 /2000	2000	2007	2007 /2000	2000	2007	2007 /2000
Romania	43,90	29,48	- 14,42	25,70	31,41	5,71	30,4	39,11	8,71
North-East	57,60	48,64	- 8,96	19,70	21,87	2,17	22,7	29,49	6,79
South-East	46,80	30,48	-16,32	21,00	30,73	9,73	32,2	38,79	6,59
South-Muntenia	49,20	33,38	-15,82	25,20	32,63	7,43	25,6	33,99	8,39
South-West Oltenia	59,00	43,97	-15,03	20,20	25,77	5,57	20,8	30,26	9,46
West	38,60	18,32	-20,28	27,10	42,39	15,29	34,3	39,29	4,99
North-West	42,00	27,11	-14,89	26,90	34,25	7,35	31,1	38,64	7,54
Center	31,20	16,10	-15,10	37,60	43,04	5,44	31,2	40,86	9,66
Bucharest-Ilfov	5,80	1,18	-4,62	35,00	28,29	-6,71	59,2	70,53	11,33

Source: The Statistical Yearbook of Romania 2007 and 2008;

The development region of Bucharest-Ilfov has a structure of employment, in the main economic sectors, similar tot that of EU Member States, with a low share of employment in the agricultural sector and having a decreasing evolution (representing 1.18% of the population employed in agriculture in 2007) and a high share in the service sector. However, it should be borne in mind that in the regions jurisdiction we are dealing with to completely different entities: the city of Bucharest and the county of Ilfov, which gives the region a very scratchy structure in terms of employment in the big sectors of activity. Characteristic of employment in the South-Muntenia region is that a substantial proportion of this work in agriculture (49.2% in 2000 and 33.38% in 2007), the difference being divided almost equally between the industry and construction sectors (25.2% in 2000, 32.63% in 2007) and commercial and social services (25.6% and 33.99%).

Over the period of 2000-2007, the employed population of the North-West region has entered a downward trend. The decline in the heavy sectors of the region, in which the vast majority of employees were among men and reductions in personal from the light and textile industry have led to a decrease in the employment of both women and men. On the other hand, however, the continuous development of the fields of constructions and services in the region led to the creation of new jobs for boh sexes. Since 2000, the employed population by sectors of activity had a tendency to increase in all sectors except agriculture, due to the attraction of a large number of investors and the development of the private economic sector (especially SMEs in the region). The population employed in industrial activities in the South-East region is in a secondary position. The „service” sector has the first position (38.79% in 2007), while the industrial activity together with the constructions gather 30.73% of total employment in the economic analysis. The effort of developing the „services” should be supported, being able to generate new jobs in the context of sustainable development, although we observe an increase in the employment in the „services” sector and a pronounced decrease of the population employed in agriculture.

Of the eight development regions of the country, half are based on agriculture, with its share of overall regional employment ranging between 30% and 48%. North-East is the poorest, contributing 15.2% of the total employment in the country, holding at the same time the highest participation in employment in agriculture, by 48.64%.

Industry and constructions hold 30% of total employment, the regions that are above this level being Center (43.04%), Western (42.39%), South Muntenia (32.63%) and North-West (34.25%). The region of Bucharest is the only region of the country in which services, which nationally have 38% of total employment, generates the most important jobs, reaching 70.53% of total

employment in the region. The average national level has been exceeded also by the West and Center regions with a share of employment in the area of 39.29%, 40.86% respectively.

According to forecasts made by the National Forecast Committee until 2013, the share of the population employed in agriculture will decrease by about 16 percentage points and that of the services will have an increase of 11.5 percentage points. Employment growth may be assessed as being in line with the dynamics of economic restructuring, changing the functional and productive basis structures of the economic and social system.

4. Employment rate of the population at regional level

Analysis of the employment rate of the population highlights the significant presence of the underemployment phenomenon throughout the economy.

Employment rate in the eight development regions in the period 2000-2007 are presented in Table. 3.

The rate of employment in the development regions of Romania during 2000-2007

Table no.3

Years	2000	2001	2002	2003	2004	2005	2006	2007
Romania	63,6	62,9	58,0	57,8	57,9	57,7	58,8	58,8
North-East Region	67,1	66,4	60,1	59,9	62,4	61,5	60,1	61,3
South-East Region	60,8	59,9	55,3	55,8	54,7	54,7	56,4	54,7
South Muntenia Region	64,7	64,0	58,2	58,1	58,1	58,1	59,6	60,5
South-West Oltenia Region	69,1	69,5	61,8	62,0	59,9	60,1	60,1	59,3
West Region	62,2	61,2	57,6	57,1	56,9	56,6	58,7	59,6
North-West Region	63,4	64,0	57,8	57,2	56,1	56,0	57,1	57,0
Center Region	59,8	59,6	55,9	55,2	53,9	54,2	56,0	55,1
Bucharest-Ilfov Region	60,0	56,7	56,9	56,5	59,7	59,4	62,9	62,4

Source: INSSE, Regional Statistics, www.inssee.ro;

According to the table, the rate of employment of the population in Romania has maintained at a relatively constant level during 2000-2007 (58%), marking a slightly downward trend, being situated at a low level compared to the average employment rate in EU-27 (63,4% in 2005). This decrease in employment is correlated with the decrease of jobs available, and with the phenomenon of temporary migration for work abroad.

At regional level, rates of employment over the national average are recorded in less developed regions: North-East, South and South-West, caused by high rates of employment in agriculture. The Bucharest-Ilfov and West regions also recorded rates of employment over the national average, but in this due to a much higher and varied labor supply.

A direct consequence of the process of industrial restructuring and increasing unemployment in the North-West is an unique phenomenon in Europe, consisting of population migration from urban to rural areas and an increase in the share of rural population in all counties of the region. In the case of the Bucharest-Ilfov region, the gradual industrial decline after 1990 resulted in loss of many jobs and the accelerated closure of many inefficient enterprises will increase the reduction of employment in the industry sector and cause its migration to the tertiary sector – services. Trade, from storage, distribution, administration – communal farm, constructions had a rapid evolution, so that the region, despite the unfavorable geographical position, is outrunning the other regions and their major cities as level of development.

Unemployment in the Bucharest-Ilfov region is low due to rapid growth of financial banking services and the development of the telecommunications sector, which have created new jobs, especially for people with high qualifications, whose share is highest in this region.

Uneven evolutions of the counties economies and large geo-economic areas of the country were reflected in the behavior of regional unemployment. Its unequal distribution over the national territory makes the unoccupation of a working factor one of the most tensed social problems of

the transition. Tensions are generated on one hand, by the high unemployment rate and on the other hand, by the material effort needed to ensure social protection for the unemployed.

Demographic sources of the quantitative growth of work resources will be limited and decreasing. The rate of employment of the population of working age will continue to increase from 58.8% in 2007 to 60.3% in 2013 due to fiscal policies, creation of sustainable and performant jobs and a balance between employment flexibility and security.

Accordingly, even if not at the same level, employment resources have diminished, and also the population of working age (15-64 years old). In this context of limited labor resources, it is possible to improve the employment status. The advantages of the economic growth process, reflected in the growth of the population employed in the private sector, will alleviate the pressures on the part of employment generated by the processes of privatization and restructuring, but also concern entrepreneurs to increase labor productivity as the main condition for improving competitiveness. In addition, they amplified the changed in the occupational structure which have already been visible in the last period, and reducing employment in agricultural and increase the construction and services. These processes have the effect of:

- reducing non-wage population in agriculture, particularly the elderly (over 64 years), including the exit from the labor market;
- increasing employment, especially for employees in services and especially in construction.

5. Employment structure by level of education

In the regions there are disparities regarding the level of training of the workforce. An important factor in investment location is the existence of superior qualifications. As the transfer of productive and creating activities is enhancing, the requirement for such skills is growing. Already there are difficulties in recruiting labor with appropriate qualifications for the market's requirements, in areas of technical, administrative, different jobs, in those regions that have attracted more significant foreign investments, regions such as West Romania, South, West, Bucharest-Ilfov and Center.

Employed population structure by development regions by the level of training is presented in the figure No.1.

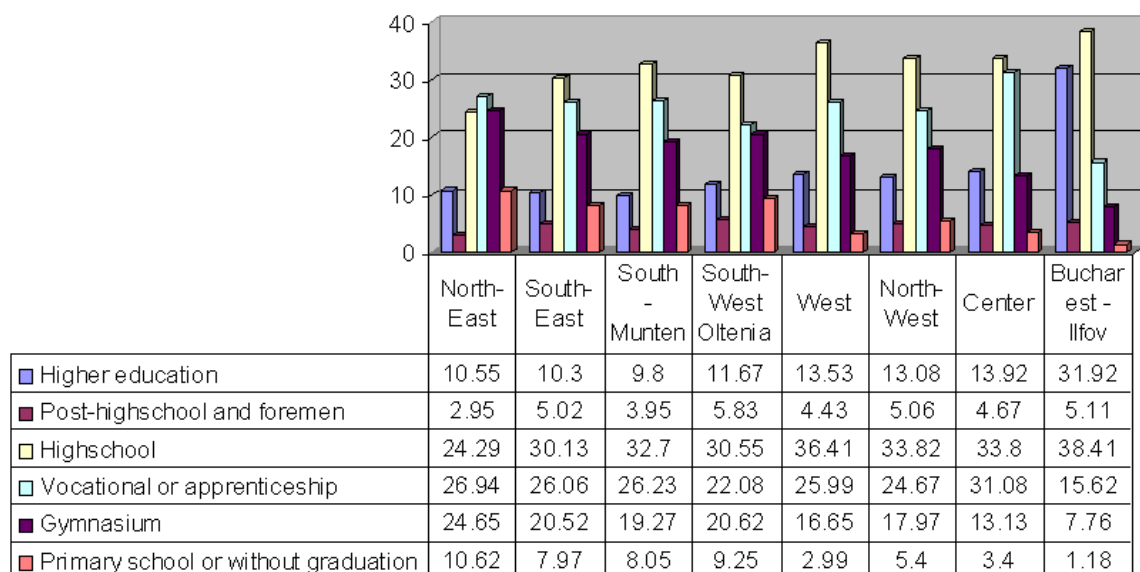


Figure No. 1. Employed population structure by development region by the level of education (2007)

There are obvious gaps between the developed and less developed regions, primarily rural regions, namely, North-East, South-East, South and South-West record high shares of employed population with primary school or no school graduated.

The Bucharest-Ilfov region emerges through the net share of staff with higher academic training (31.92%) and secondary (38.41%), followed by the West and Center regions. On the opposite side are the North-East, South-Muntenia and South-West Oltenia regions, where the education of employment is lower. In terms of distribution in both environments (rural and urban) of population employment, between the development regions of the country there are notable differences: the South-Muntenia and Bucharest-Ilfov have a preponderance of the population employed in the urban environment, and the South-West, West and North-West regions have small differences between the population employed in urban areas and employment in rural areas. This high rate of activity in rural areas is a result of the presence of agriculture as a predominant economic branch, with a low-level technicality. Although, reported to the economic activities carried out in rural areas, labor is sufficient in terms of quantity, it is unqualified. This is due, firstly, to the lacking of training and education, and that a large proportion of the rural population to not attend such a school.

6. Conclusions

The main issues identified in the period under review are: the share of high but declining population employed in agriculture, the increasing share of population employed in services and industry. The largest decrease in employment in agriculture is registered in the West.

Occupied population distribution by sector in the development regions is somewhat similar to the one at national level in the sense that employment in agriculture has a share of over one third of total employment, except the regions of Bucharest-Ilfov, Center and West.

Predominantly rural regions record large shares of employment with primary education or no school graduated.

The effort of development of the service sector must be supported, being capable of generating new jobs in the context of sustainable development, although an increase in employment in services and a regulated decrease of employment in agriculture can already be seen.

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THE DYNAMICS AND STRUCTURE OF THE FOREIGN DIRECT INVESTMENTS IN ROMANIA

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The need for capital investment, which amounts to a level well above current economic possibilities, imposes as an objective condition the use of foreign capital in the form attracting direct capital investments. Investments are an important driving force for economic development. Foreign investments in Romania have oriented themselves depending on the accessibility and the areas potential, as well as the business mentality and tradition in the field. Also, another important factor of the location of foreign direct investment is the availability of highly qualified and cheap workforce. In the analyzed period of 2003-2009 there has been an increase in the volume of foreign direct investments (FDI) in Romania. In terms of territory, they were directed mainly towards Bucharest-Ifov, other development regions benefiting from important flows being the Center, South, South-East and West regions.

Keywords: capital, foreign direct investment, regions of development

Classification JEL: R11

1. Introduction

The need for foreign capital lies in the inability of their national economies to meet the need of capital for economic recovery and boosting investments.

On the other hand, this need of foreign capital is amplified by the technological lag much behind of the industrial and production facilities in countries in transition. The enterprises technological renewal in these countries is placed in the foreground of short-term development strategies by all the Eastern-Central-European countries, without which competitiveness of these economies products become very precarious.

Foreign direct investment can be defined as a lasting investment relationship between a resident entity and a non-entity, usually involving the exercise by the investor of a significant management influence in the enterprise in which it has invested.

Foreign direct investments are considered: paid-up share capital and reserves that are incumbent to a non-resident investor holding at least 10% of the subscribed capital of an resident enterprise, the loans between this investor and the enterprise he invested in, as well as the profit reinvested by him.

The foreign direct investment regime and the movement of capital in the Romanian economy involves a sufficiently flexible framework, characterized by political incentives, normative and institutional that interfere and interact positively with the general economic policy.

Currently, Romania's policy on foreign direct investment is based on three coordinates, as follows:

- Equal treatment for Romanian and foreign investors;
- Free access to markets throughout the economy;
- Minimal government intervention in economic activities.

Foreign investors always seek that particular environment where domestic investments are successful. Romania still has natural resources, but it's most important resource is the qualified staff or easy to qualify staff it holds. There is however a lack of incentives to make people work

(eg. Low wages). By adopting suitable policies it is possible to improve the performance, labor productivity.

When Romania is taken into consideration as a possible location of their development, foreign investors take into account its offered advantages:

-One of the biggest outlets in Central and Eastern Europe (over 21 million inhabitants – the second after Poland);

-Attractive positioning: allows easy access to countries of former USSR, the Middle East and North Africa, and it is at the crossroads of three European transport corridors;

-Well-developed networks of mobile telecommunications systems GSM and NMT / LEMS;

-Cheap and well prepared workforce, having serious technological knowledge in IT and engineering;

-Rich natural resources, including extremely fertile agricultural land, oil and natural gas;

Important tourist potential.

Foreign investments in Romania have oriented themselves depending on the accessibility and the areas potential, as well as the business mentality and tradition in the field.

2. The dynamics of foreign direct investment in Romania

Investments are an important driving force for economic development. Foreign direct investment can bring a substantial increase in productivity by bringing not only its own technology, but also the best practice.

The fact that Romania joined the EU in 2007 has left companies more time to prepare. The business environment has become extremely competitive, and the Romanian companies have had to beat the big names in Europe. The good news is that Romanian big companies were more readily implanted in the Union, and the workforce had free movement.

Accession to the European Union has brought an improvement of the Romanian business environment, improvements which began to be felt already in terms of a stable legislative framework and the existence of more transparent business practices. The barriers of free movement of services and goods have already been eliminated or are in the process of elimination.

In terms of improving the business environment, Romania has already started to become an attractive target for foreign investment. Attracting more foreign investment will provide quick and direct access to efficient management, to modern technologies, and new market segments.

On the background of improving the investment climate, companies must induce massive shifts in production and export, with effects on competitiveness growth. Romanian industry must move from mass production, based mainly on quantitative criteria, cost and reliability, to a highly customizable production based on quality.

Lately there has been an increase in the volume of foreign direct investment (FDI) in Romania (Table no. 1), representing an increase of over 115% in 2005 compared to figures of 2003 and 320% in 2007 compared to the same period. Foreign capital was more concentrated in the regions of Bucharest-Ilfov, West, South East Center, which had a positive effect on labor markets in these regions, creating permanent qualified work force and business development services (for eg firms specialized in employment).

In 2003, 53.9% and in 2007 over 60% of total direct investments in Romania have been directed to the Bucharest-Ilfov region. The main recipient sectors are real estate transactions - business and housing - and financial intermediation (Bucharest) and food (Ilfov). However to be taken into account that some direct investment recorded in Bucharest correspond to physical investments located in other regions of Romania. For example, there was no connection found between the rate of growth of SMEs and FDI trends.

Table No 1

The structure of foreign direct investments until 2007 in Romania

Development Region	FDI balance at 31 December 2003		FDI balance at 31 December 2005		FDI balance at 31 December 2007	
	Value (mil. Euro)	Total %	Value (mil. Euro)	Total %	Value (mil. Euro)	Total %
North-East	300,8	3,0	292	1,3	672	1,6
South-East	1.107,7	10,9	1838	8,4	2.448	5,7
South Muntenia	846,1	8,3	1388	6,3	2.942	6,9
South-West Oltenia	360,5	3,5	745	3,4	1.379	3,2
West	751,9	7,4	1.491	6,8	2.365	5,5
North-West	676,9	6,7	1.257	5,8	1.907	4,5
Center	644,6	6,3	1.610	7,4	3.541	8,3
Bucharest-Ilfov	5.471,1	53,9	13.264	60,6	27.516	64,3
Romania	10.159,6	100,0	21.885	100,00	42.770	100,00

Source: NIS and NBR - Research statistics on foreign direct investment in Romania in 2003 and 2007;

Bucharest-Ilfov region attracted more than 60% of total realized FDI in Romania, since the capital city is the main pole of attraction of foreign investment, a fact confirmed by the large number of companies with foreign capital located here. Also, Constanta Port in turn acts as a pole of attraction for investors, most foreign investment in South East Region, focusing in the city of Constanta.

The relatively high degree of economic development of the region of Bucharest - Ilfov reflected on the significant share (64.3%) foreign direct investment in 2007 (Figure no. 1). South East Region which receive special attractiveness which is the port of Constanta and the Danube ports, Galati and Braila.

We observe the orientation of FDI mainly to Bucharest-Ilfov (64.3%), other development regions receiving significant FDI being the Center (8.3%), South (6.9%) South East (5.7%) and West (5.5%). In terms of value after the capital subscribed, the Bucharest Ilfov region is followed by less and later industrialized regions (South-Muntenia and South-East). The explanation lies in the fact that in these regions many investment projects were made "from scratch" because of the lack or insufficiency of infrastructure specific to the economic environment.

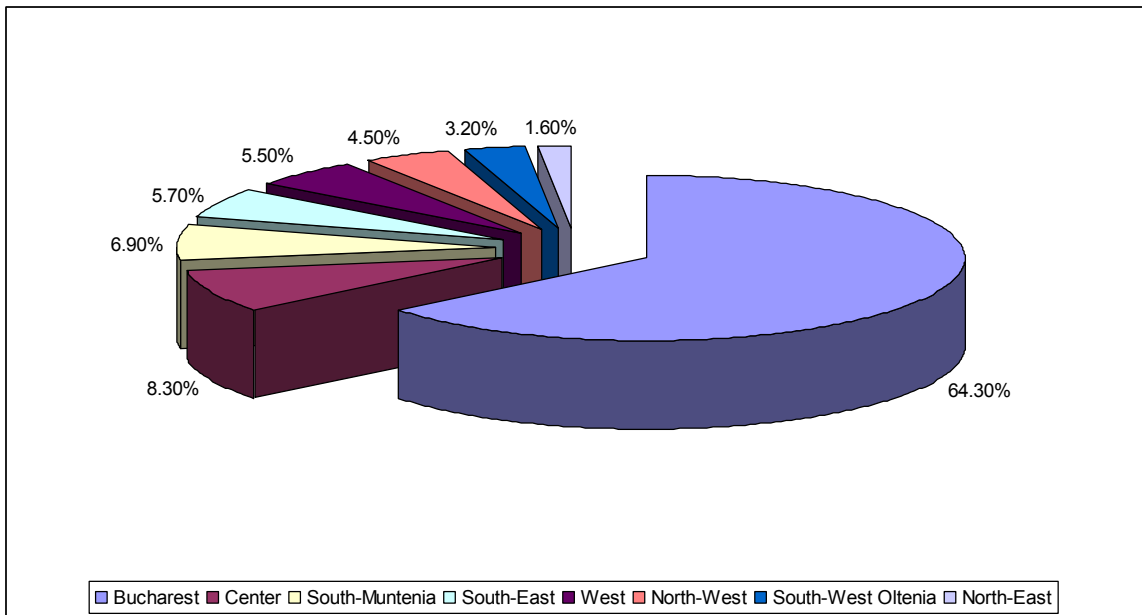


Figure No. 1. Division into regions of development of the foreign direct investments at 31 December 2007

The western and north-western area of the country enjoys a relatively high share of foreign participation in firms capital, against the continuing backdrop of traditional trade and a zonal behavior in continuous adaptation to the international business environment. Availability of highly qualified workforce is an important factor in investment location. As the transfer of productive and creative activities to Romania is increasing demand for highly qualified workforce will increase. Regions that have managed to attract a significant volume of investment, as Western Region, are already facing difficulties in finding highly qualified workforce on the work market, especially in the technical and administrative fields.

3. The structure of foreign direct investments on the main areas of activity and country of origin

Investments were located mainly in manufacturing (32.9%) (its most attractive being metallurgy, food, beverages and tobacco, oil processing, chemicals, rubber and plastics, automobile industry and cement, glass, ceramics). Also, banking and insurance has attracted investment representing 23.3% of the balance, retail and wholesale (14%), construction and real estate transactions (7.8%) and telecommunications (6.5%), other fields have percentages below 5% of total foreign direct investment. (Figure No 2) tangible and intangible assets with a balance at the end of 2007 of 21.39 billion euros, representing 50% of total direct foreign investments, inducing a significant degree of stability of direct foreign investment.

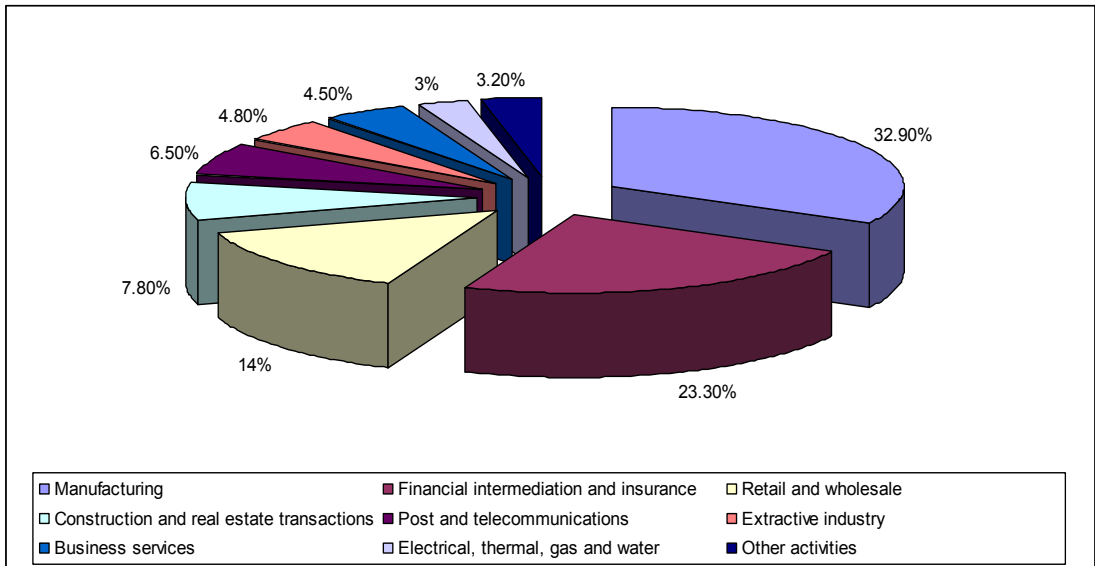


Figure No 2. The structure of FDI balance at 31 December 2007 on the main areas of activity

Orientation of foreign direct investment towards industry is due to advantages offered by Romania in this field such as lower land prices than in other countries in the region, developed infrastructure, skilled and cheap labor, the production capacity and tradition in this field. In the industry the foreign investments in the auto components industry had a great impetus. So several companies have completed or have expressed an intention to carry out investment projects in this area.

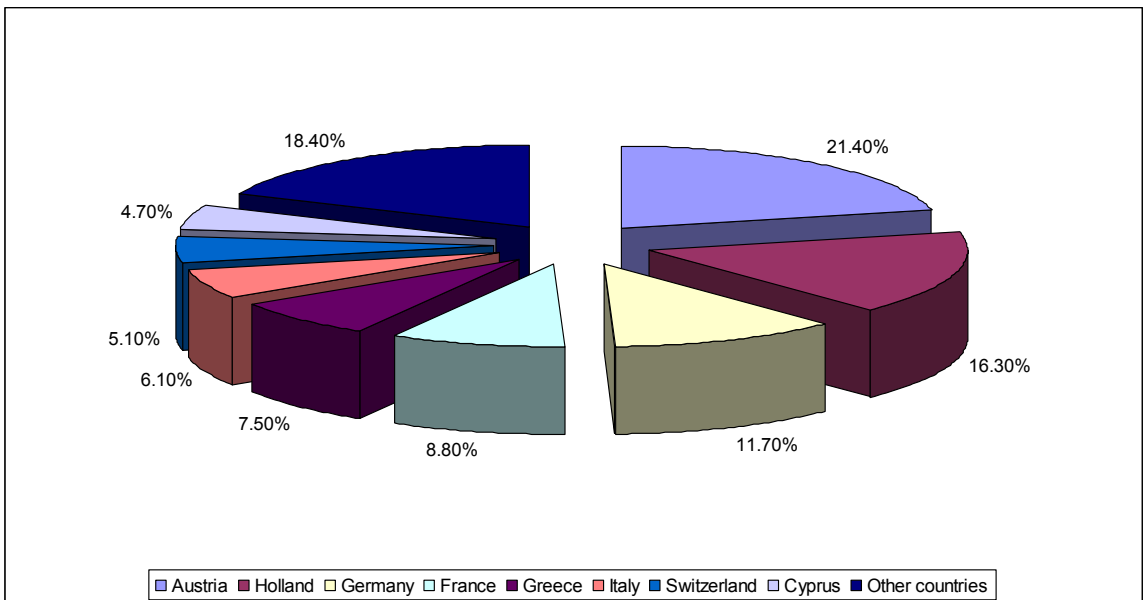


Figure No 3 Breakdown by country of origin of foreign direct investment

Top 5 countries ranked by the share of FDI held in balance in 2007 are Austria (21.4% of FDI balance at the end of 2007), the Netherlands 16.3%, Germany 11.7, France 8.8% and Greece (7.5%).

Years 2008 and 2009 led to increased flows of foreign direct investment attracted by Romania. In 2008, the flow of foreign direct investment attracted by Romania recorded a value of 9024

million Euro, increasing by 24.4% compared with the previous year. (7250 million Euro). Also according to the Romanian Agency of Foreign Investments (ARIS) in the first 2 months of this year foreign direct investment attracted by Romania recorded a value of 1374 million Euro, increasing by 38% compared with the similar period a year earlier. (995 million Euro).

4. Conclusions

Romania remains an attractive and profitable destination for foreign direct investment, foreign partners decisions being influenced by the calculations of economic efficiency, including the low cost of higher qualified labor compared to other states.

Location and extent of foreign investments in the development regions, as well as the loss of the competitive capacity from the enterprises in both domestic and external markets, due to moral and physical wear of the technologies (particularly in regions located in the eastern part of the country) and limited access to SMEs financing, is one of the major causes that led and lead to disparities between them.

Foreign investments in Romania have oriented themselves depending on the accessibility and the areas potential, as well as the business mentality and tradition in the field.

The western and north-western areas have enjoyed a relatively high share of foreign participation in firms capitals, against the continuing backdrop of traditional trade and a zonal behavior in continuous adaptation to the international business environment. The foreign capital was more concentrated in the regions of Bucharest-Ilfov, West, South-East, Center, which had a positive effect on labor markets in these regions, at creating permanent qualified work force and at the development of business services.

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TRENDS AND MARKETS IN THE DEVELOPMENT OF PRODUCTION AND TRADE WITH ROMANIAN PRODUCTS

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The current stage of retail trade development in Romania still shows an important capacity to absorb, both of large outlets as well as of small outlets, which lately have disappeared from the market and they hardly cope with the superstore competition.

A part of the market which has been yet insufficiently explored, with an important potential for development and which is represented by the stores selling traditional Romanian products, as well as the bio product stores, as long as these are made in Romania and are not imported.

Also, the paper is trying to analyse the importance of this type of trade and its trends, its lacks and the possibilities of development.

Key words: trade, retail trade, traditional products, bio products.

JEL Classification: M21, M10, O10.

The challenges of the Romanian small and middle size enterprises in producing, promoting and commercialising the Romanian products

After Romania's integration into the European Union, the merger of the Romanian economy with the European economy is systematically progressing together with the application of the association agreement whose main goal is the elimination of the commercial barriers. The removal of the commercial barriers between Romania and the European Union is today highly accomplished by disclosing the enterprises in our country, no matter the sector of activity, both the opportunities provided by an unparalleled larger and richer market and the threats of a much more severe competition and exigent clients.

The competition among the foreign trade firms and the multinationals got in more timidly and with more difficulty in Romania as compared to other member states, but it tends to become significant and to represent a real threat to the local entrepreneurs in the retail trade²⁸¹.

The Romanian small and middle size enterprises must face simultaneously several challenges²⁸², out of which we mention the necessity to reduce the costs so that they raise the level of performance to a level compatible to that of the member states of the European Union; assuming supplementary costs related to the alignment to the community aquis in a number of fields such as the security of food products and the ensurance of traceability of genetically modified bodies, the ensurance of the compliance with the technical regulations regarding other dangerous products, knowing the certification structures, understanding and assuming the responsibilities regarding the protection of the copyrights and the industrial property rights.

Another challenge is to succeed in providing competitive price levels, yet achieving a quite high capitalization so that it can provide the financial means to invest in the modernization of their

²⁸¹ Dumitru Patriche, Mihai Felea – *Comerț și globalizare*, Editura ASE, București, 2003, p 102

²⁸² Idem, p.102

own trade, keeping the pace with the requirements regarding the introduction of new technologies and the increase of the clients' exigency regarding the quality of services.

Apart from these challenges, we can also mention the difficulties in achieving high investments with own capital, the credit system for small and middle size enterprises not being very attractive; the lack of labour force trained in the commercial field as a direct result of the destruction of the professional education system in the trade field and not only, the existence of a lack of consumer culture meaning the education towards traditional consumption of Romanian products and maybe even a non-delineated or well delineated traditional trade model, the lack of a general strategy regarding the development and support of small and middle size enterprises in this field.

Growth and promotion strategies of the Romanian products consumption

Among the attempt to delineate a growth strategy of consumption and the loyalty of the consumers for the Romanian products we mention the programme for the support of Romanian products launched in 2001 under the name "Fabricat în România" ("Made in Romania"- NT). This programme was launched by the Association for Products and Services Promotion-Romania (APPSR), being the first non-governmental programme dedicated to the promotion and support of the Romanian products and services on the national and international market. The programme consists in using the logo "Fabricat în Romania" (Made in Romania"-NT), through which the Romanian firms would have promoted their trademarks, products and services unitarily, efficiently and on a long term, with minimum financial efforts. The concept "Made in Romania" referred to any creation, product or service made on the Romanian territory in a proportion of minimum half or which has suffered substantial transformations on the Romanian territory. Also, in order to join this programme, the firms had to comply with a quality standard and to contribute with 1%1000 of the turnover to the product bearing the trademark "Made in Romania".

The partners of the programme benefited from the entire media support and from the positive image generated by the intensive advertising campaign and the main goal was to educate the Romanian consumers to discover the local products and services, often at the same quality level as the similar imported products, and the producers take care, on their turn, that the products comply with high quality standards. Also, the average term objectives of the programme were: the re-conquer of the domestic market by the domestic products and producers, the reduction of the product stocks, the capitalization of the market value of the Romanian companies, the reduction of unemployment, the growth of the gross domestic product and of the budgetary incomes, the maintenance of the exchange rate and of the inflation rate within controllable and bearable limits. Even though this programme was stopped after four years²⁸³, it can be considered a good start for the promotion of Romanian products, unfortunately the only one. Yet, on the market there are to be seen some positive effects of the project, that is the maintenance of the logo "Made in Romania" by the companies entering this programme, but without consistency and support these examples do not always have the expected effect.

Development fields and solutions to encourage the Romanian product consumption

Some inland products have the chances to win over those similar from import but there are different factors influencing the client's decision to purchase and the latter's orientation towards an inland product or an imported product.

Approximately 600,000 employees working in the consumer goods production, together with a few thousands working in the medicine production and approximately 400,000 employees in the

²⁸³ <http://www.ziaruldeiasi.ro/economic/apps-r-a-lansat-oficial-programul-quot-fabricat-in-romania>, 15 April 2009-05-29

horizontal industry (retail, transport), that is over one million people would have the certainty of a job if we used mainly Romanian products. Only in the food industry, in full tax war against the merchants and suffering from the lack of product quality, there are more than 100,000 employees; and more than 500,000 employees depend on the food industry if we take into consideration the retail trade, the distribution etc. This thing can mean that a civilised proximity trade, the reduction of the shelf taxes and of that VAT would determine the producers to head towards quality products competitive with the imported products. In exchange, smaller industries such as the software or the computer industry have real chances to win over big names. Yet, without a concerted effort in which the authorities are the main tax payer, nobody seems ready to contribute to a campaign favouring the consumption of products made in Romania²⁸⁴.

Also, if we analyse the dairy products industry, this field can represent a model for the Romanian industry because these products dominate the store shelves. In Romania there are 267 dairy factories processing 1.8 million tones of milk annually. Among these some are traditional in Romania, their products being well known and appreciated by the Romanian consumer and their products are present even today in most of the stores. Yet, we must take into account these producers' efforts to produce in compliance with the international standards, which after the privatisation, needed important investments in the production technologies. The Romanian technology in food industry has advanced greatly and has been stimulated by applying the quality and hygiene regulations imposed by the European Union. Apart from the international processors, the Romanian producers managed in few years to impose their own brands.

In this demarche, that of stimulating the Romanian product consumption, it is worth noticing the intention of the Romanian Dairy Processors Organisation (APRIL) to initiate together with all the milk producers, members of the association, a campaign to encourage the consumption of Romanian dairy products.²⁸⁵

Another Romanian industry ensuring jobs for more than 500,000 people, and other 500,000 people earn their living from it is viticulture and vinification, a market worth more than 500 million euro. This is due mainly to the Romanian consumer who prefers the wines made in our country. Unlike other markets, where the majority of the products come from other countries, in Romania, out of the total quantity of bottled, sold, shelved wine only 3% comes from import. In spite of all these, we import 16 million euro worth wine more than we export²⁸⁶.

The inland producers who invested in the brand building in the last years and those who count on the low prices can be winners in the fight against the international brands²⁸⁷.

The highest weight of the Romanian products is currently found in the food sector where the most important investments in technology and advertising have been made. This is also the segment which could benefit from the crisis because, when talking about „fresh products”, the Romanians will appreciate the later to the detriment of the imported ones. Yet, due to the fact that in this period the main shelf differentiation factor will be the price, the Romanian products not

²⁸⁴ Vali Birzoi, Daniel Catana, Oana Anton –Evenimentul Zilei, article: *Cumpărând „românește” salvați un milion de slujbe – Buying Romanian you save one million jobs - NT*, 4 March 2009;

²⁸⁵ Andreea Stefan, Evenimentul Zilei, article „*Laptele românesc îl "covăsește" pe cel importat – The Romanian milk „is curdling” the imported milk - NT*”, Thursday, 26 March 2009;

²⁸⁶ Andreea Stefan, Evenimentul Zilei, article: „*Vinul Românesc, o industrie de 500 milioane de euro” – The Romanian wine, a 500 million Euro industry - NT*”, Tuesday 10 March 2009

²⁸⁷<http://www.capital.ro/articol/cum-vad-producatorii-o-campanie-de-incurajare-a-consumului-de-produse-romanesti-117285.html>, 02 April 2009

having a set of brand values and the perception of quality justifying the high price may lose to the foreign products. There are also strong Romanian brands having all the premises to overcome the crisis period in a winning manner from the economic point of view. The traditional Romanian products have a superior reputation compared to the foreign products in the field of meat and dairy products

Encouraging the consumption of Romanian products through a national programme could be the manner in which the small and middle size enterprises, which have not invested so far in advertising, manage to get over the crisis period. The majority of the producers say that such a programme is more than welcomed, but it must be financed by the authorities and not by the producers because each company chooses to promote its own products. The private companies can support this initiative on the condition the state proves that it can manage the campaign in a professional manner.²⁸⁸

Another sector which may develop in Romania, in a rhythm determining the development of a real sector, is the bio products market. Currently, the bio industry is still a niche industry and it will be some time until Romania has a legislation differentiating the genuine bio products from the others.

The studies and the researches referring to the consumption of bio products started thirty years ago in the Western Europe countries from where the bio market has developed. As a result of these studies, it has been clearly proved that, through the consumption of bio products, on long term, several disease risks have been reduced.²⁸⁹ Also, the profile of the bio products consumer has been contoured, and this number is continuously increasing. It is the profile of a consumer interested in health, with a high degree of intelligence and culture, but also very faithful once they test these products and is pleased.

For the development of this sector in Romania also, the directions established by the European Union must be followed, referring to the development of the ecological agriculture and the diversification of the ecological agro-alimentary products on the domestic market, as well as specific actions such as: the promotion of the concept of ecological agriculture; the qualification of the „players” in this field; the ensurance of help to the producers during the period of conversion; the creation of an accessible information system regarding the ecological agriculture. Until then, it is recommended that all the consumers look on the label for symbols of the BDIH or EcoCert, European Bio certification institutions.²⁹⁰

According to the development strategic elements of the diversification of the ecological products on the market, the following objectives of the ecological agriculture can be delineated:

- avoiding all forms of pollution, both at the product level as well as at the environment level;
- maintaining the natural fertility of soils, by doing this being able to ensure the alimentary security of the planet in a durable manner;
- possibility to allow the agriculture workers a decent living;
- producing agro-alimentary aliments or products in sufficient quantities and at an appropriate qualitative level on which the consumers' health depends upon.

²⁸⁸ Evenimentul Zilei” Authors: Vali Birzoi, Daniel Catana, Oana Anton, article „*Cumpărând „românește” salvați un milion de slujbe*”- *Buying Romanian you save one million jobs*, NT,4 March 2009.;

²⁸⁹ <http://www.produsebio.com/eticheta-carteadevizita-a-produsului-ecologic/>, Last visited 27.05.2009

²⁹⁰ Idem;

Next, there is the problem of drawing up a strategy regarding the agricultural policy in Romania which, for the ecological agriculture sector can be expressed through the following objectives²⁹¹:

- the development of the production and of a domestic market of agro-alimentary products;
- the harmonization of the production and inspection regulations;
- the creation of a disposable for export on types of products;
- the inclusion of Romania on the list of third countries issued by the European Commission so that Romania can export agro-alimentary products bearing a Romanian logo;

informing and sensitizing the Romanian consumers to use ecological agro-alimentary products.

The rules and principles of the ecological agriculture have become a constant of the social life and agricultural policies which, yet, belong to the future. This in the current stage of evolution of the human society, the total replacement of the inputs with natural resources and mechanisms regulating the agro-ecosystems has the important disadvantage that it increases the production costs with approximately 60% and it reduces the level of efficiency with 25-30%.

The integration of the environment protection within the assembly of the socio-economic activities, the increase of the economic and ecological performance as well as the change of the production and consumption models are supported worldwide through a series of juridical, institutional and financial instruments. The fears regarding the environment, people and animals' health and the genetic engineering are important factors as well, factors which support the market niche for the ecological products which are developing much faster than any other agricultural sector or the sales of the retail alimentary products.²⁹²

In conclusion, in our opinion, small and middles sized enterprises in Romania, in the field of production and sale of Romanian products could represent a solid basis of the production and trade with Romanian products, by concentrating some national strategies and programmes meant to promote not the concept of "Made in Romania" but to raise the awareness of the Romanian consumer especially through the creation and maintenance of jobs and for the development of the Romanian production; to stimulate the producers in giving a higher attention to the Romanian market, the tastes and preferences of the Romanian consumer whose profile is certainly easier to recognize than the profile of another consumer form the exterior; to stimulate the Romanian producers in achieving investments in modern technology and not in the least to support the field of bio products, a field recording a high tendency of interest and growth.

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²⁹¹ a campaign supported by the Ministry of Agriculture and Rural Development, The Consumer Protection Association, „Bio” Producers Association etc.;

²⁹² <http://www.produsebio.com/dezvoltarea-agriculturii-ecologice-si-diversificarea-produselor-ecologice-pe-piata-interna/> Last visited 20.05.2009;

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THE CRISIS' EFFECTS ON THE STOCK OF ROMANIAN HUMAN CAPITAL

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The knowledge, skills and abilities, as main aspects of human capital, have significant influences on the economic development of a country. Unfortunately, in Romania, the low level of human capital at the young people, combined with one of the Europe's lowest rates of life long learning, could determine a future continuous degradation of the economy. Moreover, the public financial support of the Romanian learning system, from 2007-2008, was suddenly interrupted by the international financial crisis. Yet, although the period of crisis seems to be unfavourable, it has to be mentioned that the future belongs only to those countries that are supporting the innovation, based on a high stock of human capital. Therefore, Romania should try to attract and maintain inside the country those people that have previously accumulated human capital through their temporary migration to the world developed economies.

Keywords: human capital, education, economic development, financial crisis

JEL Classification: O15, O16, G18

1. The Role of Human Capital to the Economic Development

The common definition of human capital refers to knowledge, abilities and skills of the individuals that can be used in the activities that stimulate economic growth and development. As we can notice, human capital is one of the most important factors of production, deeply influencing the productivity of all the others. As an input factor in the production function, the growth rate of the output depends on the growth rate of human capital.

In this context, the “New Growth Theories” emphasize the endogenous determination of the growth rates, underlying the importance of human capital that results from the fact that the factors leading to the endogenous development are related to the stock of human capital. This may be either because human capital is assumed to directly produce new technology/knowledge, or because it is an essential input into a research sector that generates new knowledge/technology.

There were many approaches related to the connection between the human capital and the economic growth, most of them underlying the role of education, as a qualitative side of human capital, to the development of a country. From Romer's point of view, the human capital is the essential input in research, because this generates new products or ideas able to foster the technological progress (Romer, 1990, p. 71-102). Nelson and Phelps refer to the fact that the human capital is able to adopt the new technologies: “a larger stock of human capital makes easier for a country to absorb the new products and ideas that have been discovered elsewhere” (Nelson, Phelps, 1966, p. 69-75); consequently, a country that has a higher level of human capital is growing faster than others because it is the one that catches up more rapidly to the technological leader. Considering this aspect, the nowadays huge differences in the living standard between the poorest and the richest states may diminish only in the case of those countries with an adequate initial level of human capital endowments, able to take advantages of the modern technology and enjoy the possibility of convergent growth. The states with a higher educational level grow faster than the others due to the fact that formal and informal education gives the opportunity to better adapt to the new technologies in a shorter period of time. This is why Baumol, Nelson and Wolf argue that while the developing countries, with middle incomes,

may overpass the technological gap, borrowing it from abroad, the poorest ones are unable to bridge the gap in technology and knowledge (Baumol, Nelson, Wolf, 1994, p. 56-74).

In a study conducted between 1998 and 1999 it is shown the fact that “increasing the regional capacity for human capital generation and utilization may be some of the most important regional development policies for the success of the future high technology economy” (World Employment Report, 1998-1999), because human capital is the foundation of learning institutions, which are in turn the building block of learning regional economies.

The positive effects of education can be noticed when the human and physical capital are complementary factors in production, meaning that firms will tend to invest in the sectors where the labor force is more educated; the low-skilled employees that work in regions with a high level of education, will do their job more with physical capital than the low-skilled ones from regions with a low level of education. Yet, it was argued that educated workers may raise the productivity of their less educated co-workers, or there may be spill-over effects from technical progress/knowledge accumulation which, in turn, arise from investments in human capital (Sianesi, Van Reen, 2000, p. 5-29).

Some authors such as Rauch (1993) or Acemoglu and Angrist (2000), analyzing the production externalities of education, conclude that a higher level of human capital generates an increase of individuals’ marginal product and, by extension, of their wages. Consequently, we can agree that a more educated labor force can raise the average productivity of a country. Moreover, education improves the welfare state not only by opening up broader economic opportunities, but also through its indirect benefits such as improvements in health, nutrition, opportunity for self-fulfillment and development of individual capabilities (Haveman, Wolfe, 1984). Regarding these indirect effects, Sianesi and Van Reenen (2000) underline that a high educational level might be related to a friendlier environment, a wider political and community participation, a greater social cohesion and a lower criminality; all these, on their turn, may influence the economic growth.

In spite of all these, there are also cases in which the educational stock may have a small impact on the economic performances. We talk about the situations when human resources are not entirely used, considering their potential, when the educational structure does not correspond to the economic needs or when a large part of the highly qualified persons want to emigrate. Yet, we do subscribe to the opinion according to which those that migrate from the less developed to developed countries have a positive impact only if they come back into their home country, after acquiring knowledge and experience from abroad.

Considering that the impact of the human capital on the economic performances does not solely depend on the quantity and type of human resources, but also upon a great number of other factors such as “matching of educational supply to labor demand”, “the level of job satisfaction”, “the capacity of any society to attract skills from outside” (Rodriguez-Pose, Vilalta-Bufi, 2004), some analysts tried to identify which variable of human capital has the greatest impact on the economic growth. While Judson (1998) proposed an estimation of the efficiency of the allocation of educational spending between primary, secondary and tertiary education, Hanushek and Kim (1995) considered that the quality of education has an important positive impact on economic growth.

2. The Romanian Human Capital

Bringing the discussion on the case of Romania, country that wants to start an intense process of surpassing the development gaps between it and the Western countries, we could say that, at the normative level, there are required substantial investments in education and continuous trainings. Yet, in a realistic approach of the facts, the discussion could only take the form of an alarming and worrying approach. We firstly refer to the data included in the official statistics, noticing that only 53,2% of the students that are following the primary and secondary schools will also go to the university (INSSE, 2005). If we analyze how many the young people of 22 years old have

already finished the high-school, we found out an average of 66,5%, with 11% lower than the European average (77,3%). In 2006, compared to an enrolled population of 4,34 millions, there were only 185.255 high-school graduates, at which it added 150.187 vocational schools' graduates, meaning a 7,71%, much low than the European average (10%). Even in the case of continuous training we cannot say that there is any similitude to what we want to be, only 1,6% of the Romanian adults following professional training courses, while the EU target is 12,5% (INSSE, 2005). If we try to place Romania in the global context, regarding a more complex index, such as that of combined rate of schooling, in 2007 we were on the 68 place, near to Africa or Egypt. Meanwhile, from the point of view of Human Development Index, Romania was on the 62 place in 2008. Yet, we have to say that, even these places are far away from the assumed targets, each year there have been made progresses, justifiable through the increasing amounts allocated to education, health and social protection.

These are general conditions under which, in a previous research, we noticed that Romania has to substantially invest in education, as a basic condition for supporting, on long term, the economic growth process. This remark was made considering Lucas' (1988) conclusion, according to which the gaps between the economic growth rates for various states are given by the differences in human capital accumulation and, consequently, in order to converge, the less developed states have to augment the human capital accumulation's rates both by improving the educational process and by promoting the technical progress. Nowadays, a low level of human capital at the young people, combined with one of the Europe's lowest rates of life long learning (1,6%), could underline a future continuous degradation of the Romanian economy. Only a change of the vision of public authorities and a strong financial support of the education's sector could still turn down the situation. Consequently, in the context in which the human capital stock is spoilt both by the precarious educational system and by the strong migration process, it is necessary, at the macroeconomic level, to put a stress on the learning system and, with an adequate financing, to look for a strict quality of the educational act.

The modern growth theories are launching the optimistic hypothesis of the technological convergence (Solow 1956), which involves that, due to the volatile feature of the technological advantage, the countries inside the technological frontier may catch up with the states that are on the possibilities' boundary. Yet, the countries or the industries from the second echelon have different abilities of absorbing the technology (Abramovitz, 1986). They differ from the point of view of the internal policies regarding the education and the research (Romer, 1990). It is impossible to assimilate a technology without the existence of the educational and practical abilities necessary for its usage and understanding. These abilities are acquired through complex processes, which require time and substantial investments. The reality show the fact that there is a convergence tendency for the countries that are simultaneously developing the human capital stock at a higher degree than the developed states. In the most of the cases in which it does not happen like this the technological gap increases because, even at the same growth rates of the educational and professional stock, their appliance at a different basis will generate totally different results (Mankiw, Romer, Weil, 1992). For example, an increase in the number of the schooling years from 6,5 to 6,7 in the case of a developing country will not be similar, as an effect on the economic growth, to an augmentation from 10 to 10,2 years in the case of a developed state. If in the first case the secondary school years have increased, in the second one the tertiary education augmented. It is known that there are significant huge differences in innovation abilities according to the level of education. If the individuals with secondary education are more predisposed to technological imitation, the ones with tertiary knowledge are more able to innovate. This is why a 1% increase in the primary school enrolment rate will lead to a 2% GNP raise, while the same 1% augmentation of the secondary school enrolment rate will generate an increase of 2,5% or even 3%, in the case of the developing countries (Sianesi, Van Reenen, 2000). For example, although the increase in the school years in the Western countries is

very low just because of the high living standards, a small increase generates more individuals able to innovate; meanwhile, in the developing states there will be more people able to imitate the technology. Consequently, in order to speak about the convergence process, the increase in the educational level should be significantly greater in the developing states. Yet, for this there are required clear policies, focused on reaching up some purposes related to that educational level appropriate for the development cycle.

3. The Financial Crisis and the Romanian Stock of Human Capital

Romania's convergence to the other EU members is not possible under the present circumstances. As we mentioned above, the strongest argument is related to the insufficient human capital level and to the less encouraging perspectives of evolution for the next periods, which result from the small enrolment rates and from the quality of the Romanian learning system.

According to the OECD statistics, Romania is behind all its neighbors from the point of view of the schooling rate's evaluation, at the young people up to 15 years old (428 points from an average of 500) and on the last but one place at the evaluation of the VIIIth grade pupils at mathematics and sciences (470 points compared to an average of 500 points). So, it would be necessary that, in future, Romania accelerates the investments in education in order to surpass the handicap created due to the neglect of this aspect during the last 20 years. Although in 2007 and 2008 there were positive signals, the financial support of the Romanian learning system significantly growing due to the increased budgetary effort and to the augmentation of the GDP, the improvement process was suddenly interrupted by the international financial crisis, which is deeply influencing the Romanian economy. The bad foresights regarding the general economic evolution in 2009 has generated the necessity of rethinking the budgetary strategies, in the context of significantly diminish of the consumption and investments' spending. Despite the suggestions made by IMF and World Bank, one of the sectors in which the reforms were stopped through a significant reduction of the financial support was the education. Therefore, the budgetary rectification from April 2009 generated a deficit of 811 millions RON, money that cannot cover the tinny increase in the teachers' income or a part of the investments made by some learning institutions. This decision interrupts the positive trend of the knowledge accumulation, very necessary under the circumstances mentioned above. If it would be a temporary situation, the disequilibrium wouldn't be a major one, the system benefiting of inertia. Both the positive and the negative effects have a certain degree of elasticity in propagation. The improper financial support of this year could be compensated by a recovering in the next period, if there were long-term strategic development plans, as it happens in the case of many developed states such as USA, Japan, Germany or France.

Yet, for fortune, there is a positive side of the crisis: the possibility of recovering a part of human capital lost in the previous years through emigration. Due to the global crisis, the labor market from the developed states substantially diminished, fact that determined many persons who worked in other states to come back home. They did not come only with a substantial amount of money but also with a stock of knowledge, skills and abilities, which are very important for themselves and for the national economy. Although the money remittances are substantial, only in 2008 being more than 8 billions Euro, this is not the main advantage of the temporary migration; the advantage consists in the labor force specialization and human capital accumulation. There are many debates on the topic "circular migration" or "temporary migration". It is a certainty the fact that the emigrants from the developing countries bring with them, when returning in the origin countries, an additional stock of human capital that results either from the technical knowledge acquired through new activities, or from supplementary abilities and skills of managing the productive act, often materialized in setting new business in the origin country or between the home state and the host one.

There is also the advantage of the additional social capital accumulated, generated by the social spill-over effect, when a minority gets in touch with a dominant majority. In this way, a transfer of social norms occurs, aspect which is definitely favorable, in the context mentioned above. The individuals that get in touch with the extremely regulated framework of the developed countries are adapting their behavior, initially in a conscious and imposed manner and, afterwards, sub-conscious and unconditioned, acquiring superior behavioral automatisms, particular to the social, political and economic cultures of the host countries. Although, up to a certain level, the identity of the origin culture is kept, it was noticed that, when coming home, the emigrants will be willing and motivated to propagate and apply the models acquired during the migration period. This fact is noticeable in Romania especially in the rural areas, where the emigrants represent a distinct community, more emancipated, respected and imitated.

4. Conclusions

Nowadays, the Romanian human capital accumulation is a process with divergent tendencies, being hard to estimate if the final result is a positive or a negative one. On one side, the budget for education and research is diminishing, as a consequence of the nowadays financial crisis and, on the other hand, the migration process is changing its direction, a significant part of the emigrants coming back due to the unfavourable international situation. While in the first case there is a loss of the educational stock, which could be surpassed only if, in future, the investments in education increase, in the second case there will be a significant human and social capital accumulation, on medium and long term, especially in the rural areas, where the migration significantly influenced the demography, during the previous years.

In future, Romania needs to intensify the support of the educational sector, if it wants to converge with the EU average. Although the period of crisis seems to be unfavourable to such an approach, it has to be mentioned that the future belongs only to those countries that are supporting the innovation, based on a high stock of human capital. Therefore, Romania should try to attract and maintain inside the country those people that have previously accumulated human capital through their temporary migration to the world developed economies.

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THE TEMPORAL EVOLUTION OF INTERNAL MIGRATORY FLOWS, UPON MIGRATORY DIRECTIONS

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This article analyses the internal migration of the Romanians based on their direction, within the extent of 1990-2008. The tendencies are being examined depending on the region of origin and of destination of the migrants and also depending on their residential environment. The authors try to conduct a literature review on the subject, emphasizing the conclusions of different studies conducted during the considered period.

Key words: Internal migration, migration direction, rural migration, urban migration

JEL Codes: J01, J61

1. Introduction

The migration can be analyzed from different points of view – depending on the demographic structure of the migration (by age, gender, education), on the direction of the migration flows (internal or external destination, the nature of the destination, the occupation of the migrant at its destination), on the consequences of the phenomenon (positive or negative, economical, social or psychological effects). Among all these aspects, the article approaches only the internal migration from the standpoint of the migration destination, in Romania's case.

The proposed analysis reports on the period after 1989 and until the present and it is necessary to make a first explanation, as it results from the consulted studies: the Romanian internal migration, from the point of view of the migration's destinations, witnessed three different stages, namely: 1990 – 1996, 1997 – 2001, 2002 – 2008. [Petre, I., 2005: 1].

The stages of the Romanian internal migration could be divided further more [Sandu, D. et al., 2004: 6] from the standpoint of the migration intensity.

It is important to mark from the beginning the fact that in some studies, the authors mention that the emigration of Romanian population rises great problems regarding the valid estimation of the phenomenon dimensions because of the temporary character of the reshuffle and its associated clandestine nature. In these cases, the hypotheses were formulated based on empirical data.

2. The internal migration – amplitude and directions

Some studies [Bran, F. et al., 2001: 4] consider that between 1990 and 2001 the internal migration reached an average of 272 432 individuals each year, but with major differences between the migration flows from urban zones towards rural ones and the flows coming from rural zones towards urban ones.

Other studies [Petre, I., 2005: 1] put the average figure of the internal Romanian migrants around 300 000 persons, both for the first period taken into account (1990 – 1996) and for the second (1997 – 2001), the differences consisting only in the direction of the flows.

Thus, for the first period it was noticed the dominance of the “rural towards urban” flows, while for the second, the situation is reverse, the departures from rural zones are outstripped by the arrivals (mainly due to the retro-migration). The author [Petre, I., 2005: 1] considers that until the present, meaning for the 2002 – 2008 period, the last tendency is still valid, so that the internal migratory flows are being dominated by the “urban towards rural” and “rural towards rural” type.

The same author states that an increase of the internal migratory flow till values of approx. 375 000 persons yearly. The year 2004 is considered the year of maximum intensity of the internal migration during the analyzed period [Petre, I., 2005: 1]. The above presented tendencies are being backed up by other authors too [Ghețău, V., 2005: 74], mentioning that the urban towards rural flows remain bigger than the rural towards urban flows, despite a revival of the latest after 2000.

3. The internal regional migration

The internal migration seen from the standpoint of the migration directions among development regions [Ghețău, V., 2005: 72] was conditioned by various factors, such as:

- the economic development stage of the considered regions;
- the annual natural growth rate of the population in those regions;

Thus, analyzing the data collected during the two National Censuses (1992 and 2002) it was established [Ghețău, V., 2005: 72] that internal migration took place mostly towards the developed regions (West, Bucharest and Centre) and from the less developed ones (North-West, North-East).

The same study indicates the fact that a weaker natural growth and a lower development level lead to a strengthened migration of the North-Eastern population who went especially in West and Bucharest regions.

Evaluating the data regarding the components of the “urban towards rural” migration by the departure region, proves the fact that the migration from the urban zones towards the rural ones of the same region is much more superior to the migration from the urban zones of other regions, reality explained by the inversion of the tendency manifested during the period before 1990 when the “rural towards urban” migration was made especially towards nearby urban zones. At its turn, this tendency was motivated by the fact that it was easier to find a job, the transportation costs were lower, it was easier to find a place to stay by using personal connections – friends or relatives and it was easier to keep contact with the relatives that stayed home.

The same study [Ghețău, V., 2005: 76] analyses in detail the “urban towards rural” migration, comparing all the developing regions and draws the conclusion that among the more-developed regions (North-West, Centre and Bucharest) the intra-region migration is higher compared to the one in the case of the less-developed regions. The explanation given by the authors is that the regions with a higher level of industrialization allowed a higher absorption of the flows coming from rural regions in the period before 1990 and the reversion of the flows after the 1990s led to a greater share of internal migrants from urban regions towards rural ones. Among the migrants from other regions, it seems that most of them came from the neighboring regions.

Considering the inter-regional migration from the point of view of the region of destination, it can be noticed [Ghețău, V., 2005: 77] that for the less-developed regions (North-East and the three regions from the south) the departures from urban zones had as main destination the rural localities of the same region, due to the fact that the cities of the same regions did not allow their absorption and because in the past the urban zones of those regions had attracted migrants from the same region. For the other regions this tendency is much smaller, the explanations depending on the characteristics of Bucharest region which imposed an “inversed” migration mostly towards the South and North-East regions (the last one being more remote but also poorer), on the attraction manifested in the past by the regions West and Centre for the inhabitants of North-East and South-West regions, whose inhabitants are now returning home.

As a tendency, the departures from rural zones (towards urban or rural zones) are constantly decreasing during the analyzed period [Petre, I., 2005: 2]. Regarding the urban towards rural flows among historical regions, the less attractive regions are Oltenia and Moldavia [Petre, I., 2005: 3], [Sandu, D., 1999: 177], and the most attractive are the departments from Banat and the

Romanian Plain [Sandu, D., 1999: 178], this last case proving to be an exception from the rule that the destination is always more developed than the origin.

4. Internal migration between residence environments

The internal migration between the residence environment (rural / urban) after the 1990s knew a “balancing” evolution, meaning that the tendencies observed before that moment, are now reversed. As a consequence, until 1997 when the urban towards rural migration became dominant, there could be defined another three significant moments [Rotariu, T., Mezei, E., 1999: 15], such as:

- year 1994, when the rural towards urban flows recorded a peak;
- year 1995, when rural towards rural migration became dominant;
- year 1996, with a peak for the urban towards urban migration.

leading to the conclusion that the migration flows tend to rebalance each other.

The explanation for internal migration tendencies between different residence environments is that:

- the economic restructuring shock experienced after the year 1989, materialized in the loss of jobs from urban sites [Sandu, D., 1999: 179] [Ghețău, V., 2005 : 73]. Therefore, the great majority of those who are returning to the villages are the ones who couldn't survive in towns in the new conditions imposed by the transition, while only a small part of the retro-migrants have enough financial resources to begin rural economic projects or to live in closer-to-nature conditions. Rural places attracting the latter ones are situated nearby big cities, with strong economies or nearby places with touristic potential. [Petre, I., 2005: 3]
- the tendency to suppress the plying [Sandu, D., 1999: 180], [Rotariu, T., Mezei, E., 1999: 14] and
- the lack of urban tenements as a consequence of the fact that the construction of new apartment blocks was ceased [Rotariu, T., Mezei, E., 1999: 16].
- the tendency to return to the initial residence (retro-migration), mostly around the pension age [Sandu, D., 1999: 178], [Petre, I., 2005: 3].
- the new land law regarding the land retrocession made after the co-operative farms and other similar structures were suppressed [Ghețău, V., 2005: 75]
- the civil status and the age of the subjects, the analysis indicating that the married with children adults hardly heard the shock of changes [Ghețău, V., 2005: 75].

Excepting the internal migration between different residence environments, there also are migration flows between environments of the same type, rural towards rural and urban towards urban. In this case, studies [Bran, F. et al., 2001: 8] reflect that:

- the migration movement from rural towards rural recorded a peak in 1995 (7.8‰), than it decreased (to 4.7‰) reaching in 2000 a value of 5.5‰; in 2002 the value increased to 6.8‰.
- the urban towards urban flows has an increasing evolution until 1996 (6.5‰) than they recorded a minor decrease (to 4.7‰ in 2000); the biggest value was recorded in 2002 (6.8‰).

5. Conclusions

Other studies prove that:

- migration towards rural sites is realized mostly inside the same department [Rotariu, T., Mezei, E., 1999: 21];
- more than one half of Bucharest inhabitants prefer the rural destinations in other towns detriment [Rotariu, T., Mezei, E., 1999: 30];
- there are major differences between the departments both from the point of view of the preferred destination (urban or rural) and those of the departing environment (urban or rural) [Rotariu, T., Mezei, E., 1999: 31];

- less than one third of Romania's population changed its domicile at least once in their life, but the number is decreasing, and the migration distance as a consequence of the domicile changing is relatively reduced (approximately 48% of the migrants did not pass the department's borders) [Constantin, D.-L. et al., 2004: 35];
- approximately 6.7 billion persons migrated at least once in their lifetime, inside the country [Constantin, D.-L. et al., 2004: 35];
- the positive rural migration balances are due to adults (over 35 years) and aged persons, whose input flows are significantly bigger and exceed the negative balances recorded for young people [Petre, I., 2005: 3].

It is obvious that all those remarks are not entirely relevant unless they are set in the larger context of the general migration of Romanians, in other words only if it is considered the external migration, too. The remarks can be astonishing, meaning that the ancient urban towards rural migrants might have become the nowadays external migrants, as well as it can be noted that different regions „export” their inhabitants towards different areas, depending on a variety of factors (from social to religious ones).

Taking into account the above, our study is followed by another one regarding the external migration

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THE ECONOMIC CRISIS – SOME EFFECTS UPON THE EURO AREA

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The article makes a short analysis of the latest economic evolutions (since the beginning of the global economic crisis) in the Euro Area. These evolutions are placed in the global context of the recession and the findings are compared to the evolutions of the other two important zones: the Unites States of America and Japan. The authors also try to review the specialists' opinions regarding the end of this economic downturn.

Key-words: economic crisis, Euro Area, economic prospects

JEL Codes: E01, F01, O11

1. Introduction:

It is evidence now that what began six months ago with a massive de-leveraging in financial markets has turned into one of the sharpest global economic contractions in modern history. Analysts found that the global character of the recession has carried a dramatic impact on economic performance among high – income countries. Until mid-2008 the slowing of OECD domestic demand was partially offset by continued strong growth in exports of capital and higher – tech products, supplying the investment that underpinned fast growth in the developing countries. But conditions have reversed, as the collapse of high-income exports is reinforcing contraction in domestic demand in high-income countries. The tight global links between trade in manufactured products and the capital expenditures needed to support economic activity have transformed into a vicious circle. (World Bank, 2009)

The EU has not escaped this situation. The next lines are trying to analyze the impact of the global economic crisis upon the Union's economy for the next two years.

2. The facts

Studies conducted by many economic institutions proved that the euro area achieved a high degree of macroeconomic stability over the first decade of economic and monetary union. The last five years (2002-2007) had seen a sustained upturn in activity, boosted by strong export and investment growth. Consumption had nevertheless remained relatively weak, accounted for by a high rate of household saving and muted growth of disposable income. With demand tending towards capacity, monetary policy was tightened from December 2005. The euro appreciated steadily and, by mid-2008, was 30% higher in nominal effective terms than in mid-2002. It remains at an elevated level despite recent declines. (OECD, *Economic Survey of the Euro Area*, 2009, p.3)

At the present, the financial market turmoil since the summer of 2007 and the intensification from mid-September 2008 is having a major adverse impact on the world economy. Although the immediate cause of the turmoil lies in the US subprime mortgage market, euro area financial institutions and markets were part of the prolonged credit cycle of recent years, and have been hit by heightened financial market stress. (OECD, *Economic Survey of the Euro Area*, 2009, p.3) Economic activity began to slow in the early part of 2007 and has steadily lost momentum, with output declining in both the second and third quarters of 2008.

It initially coincided with a very sharp increase in energy and food prices, as well as a substantial appreciation of the euro which mitigated the inflationary impact but reduced competitiveness. Financial conditions have tightened further, driven by weaker asset prices, more stringent bank lending standards and high interest rate spreads. Credit growth to households and non-financial firms has slowed rapidly. These factors have raised financing costs for companies, generated negative wealth effects on household spending and added to uncertainty about economic prospects. (OECD, *The OECD Economic Outlook Interim Report*, 2009, p.74) It seems that, on one hand, more integrated and developed financial markets in Europe have contributed to economic growth and fostered resilience as larger and more diversified financial systems are better placed to absorb economic shocks. On the other hand, it also opened up additional channels for the transmission of financial shocks, including across borders. Moreover, several new financial products have contributed to more risk taking.

3. The future

Economic activity is projected to decline further until the end of 2009, with marked weakness in domestic demand being reinforced by the adverse impact of weak global demand growth on exports. Household incomes have benefitted from past falls in commodity prices, but consumption will be depressed by rising unemployment and negative wealth effects. Policy support, combined with an easing of financial conditions should induce a subdued recovery in 2010, although with growth remaining below trend throughout the year and unemployment continuing to rise. (OECD, *The OECD Economic Outlook Interim Report*, 2009, p.76)

As a conclusion, the economy in the euro area will not start to recover before the end of 2009. Instead, the financial crisis will curb production by rising financing costs, and in various indirect ways: it aggravates the housing crisis in Spain and Ireland and undermines housing markets where, as in France, they are in weak conditions. (EFN report Econ Outlook for the euro area in 2009 and 2010, p. 8).

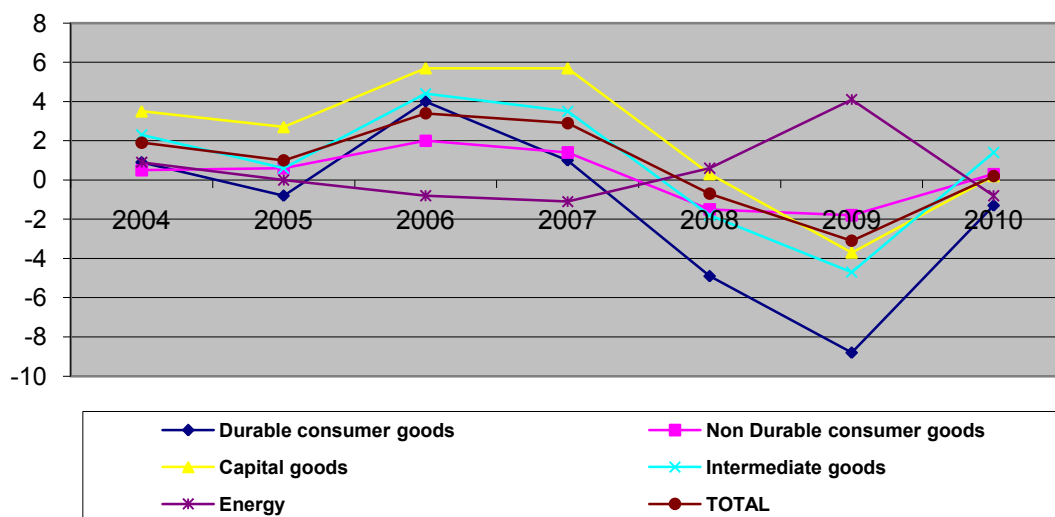


Figure 1. Annual Growth Rates Evolution for Industrial Production in Euro Area (2004 – 2010) - %

Source: Data presented in the EFN report Econ Outlook for the euro area in 2009 and 2010, p. 9

Overall, it is expected that euro area GDP to shrink by 0.5% in 2009, and to increase by a meager 0.8% in 2010. The fast fall in investment and exports and the limited ability of households to finance durable goods purchases is driving the industrial sector towards the worst crisis since the introduction of the common currency. Specialists (EFN report Econ Outlook for the euro area in

2009 and 2010, p. 9) expect industrial production to decline in all sectors during 2009 being energy the only exception. (Figure 1)

According to their forecasts, the year on year growth rate of the industrial production index will reach its bottom during the first and the second quarter, while it will start recovering in the second half of 2009, timidly at first, and not reaching positive rates until the second half of 2010. Other relevant indicators are presented in Table 1. The figures indicate a sharp decline in global commodity prices while rising unemployment and the continued widening of the output gap prove further moderate wage and price pressures in 2009 and 2010.

INDICATOR	Percentage change, volume (2001 prices)				
	2006	2007	2008	2009	2010
Total domestic demand	2.8	2.3	0.7	-2.8	-0.3
Net exports	0.2	0.3	0	-1.3	0
GDP at market prices	3.0	2.6	0.7	-4.1	-0.3
GDP deflator	2.0	2.3	2.2	1.3	0.6
Harmonized index of consumer prices	2.2	2.1	3.3	0.6	0.7
Unemployment rate	8.2	7.4	7.5	10.1	11.7

Table 1. Euro Area: Demand, Output and Prices

Source: Data presented in the OECD, The OECD Economic Outlook Interim Report, 2009

The rapidly weakening domestic and global economy, combined with the possibility of a further deterioration in financial conditions means that the risks remain firmly weighted on the downside, with marked tail risks. In particular, declining activity will intensify pressures on financial institutions, possibly leading to further tightening of financial conditions, thereby generating additional negative effects on the real economy and additional obstacles to the effective transmission of monetary and fiscal policies. (OECD, *The OECD Economic Outlook Interim Report, 2009*, p.76)

3. Euro Area evolutions compared to U.S. and Japan

The situation in the United States of America seems even worst, with output contracting at an alarming pace and the labour market weakening rapidly: since December 2007, nearly 4½ million jobs have been lost. Industrial production has continued to fall steeply, and weak export orders and gloomy business surveys indicate that foreign demand for US goods and services has also declined further. Like in Euro Area, the intensification of the recession and the plunge in commodity prices have resulted in a marked drop in inflation.

US households' incomes are being depressed by the deterioration in labour market conditions, and their wealth has fallen markedly with declines in housing and equity prices. It is considered that a gradual recovery may take hold next year as financial conditions improve and macroeconomic policies exert a growing positive impulse. In response to the opening of a substantial output gap and with commodity prices assumed to remain flat, it is possible that inflation would fall noticeably and deflation might become a threat in 2010. (OECD, *The OECD Economic Outlook Interim Report, 2009*, p.67)

On the other side of the Pacific, Japan experiences the sharpest export decline in Japan's post-war era. The negative demand shock and the appreciation of the yen, by 25% in trade-weighted terms in the fourth quarter of 2008 (quarter-on-quarter), led to a sharp deterioration in profitability. The deterioration in financial conditions contributed to a double-digit increase (year-on-year) in the

number of bankruptcies during the first two months of 2009. Household income is falling as employment stalls and the decline in wages that began in late 2008 is accelerating, resulting in a contraction of household consumption. With the external sector remaining a drag on activity, output is projected to continue contracting during the course of 2009. Domestic demand is expected to lead a modest recovery in 2010, although growth will still be less than 1% by the end of the year. (OECD, *The OECD Economic Outlook Interim Report*, 2009, p.71)

A comparison of the main macroeconomic indicators (for 2009) of the three international actors is presented in the table below (Table 2).

INDICATOR	Percentage change, volume - 2009		
	Euro Area*	U.S.A.**	Japan**
Total domestic demand	-2.8	-4.1	-2.8
Net exports	-1.3	0.3	-3.8
GDP at market prices	-4.1	-4.0	-6.6
GDP deflator	1.3	1.8	2.2
Harmonized index of consumer prices	0.6	-0.4	-1.2
Unemployment rate	10.1	9.1	4.9

* 2001 prices; ** 2000 prices

Table 2. Comparison: Demand, Output and Prices (2009)

Source: Data presented in the OECD, The OECD Economic Outlook Interim Report, 2009

4. Effects of the crisis upon the principles of the EU

The effects of the crisis go beyond the economic field. Some voices (mostly American ones) wonder whether this situation would affect the very idea of “One Europe”. They seem to believe that this is the time when the European Union will have to “prove whether it is just a fair-weather union or has a real joint political destiny” (Stefan Cornelius, foreign editor of the German newspaper *Suddeutsche Zeitung*). Thomas Klau, Paris director of the European Council on Foreign Relations, an independent research and advocacy group, said that “This crisis affects the political union that backs the euro and of course the E.U. as a whole and solidarity is at the heart of the debate.” (Earlanger, S., Castle, S., 2009)

The crisis seems to have already laid growing rifts between members and exposed how woefully under-equipped the EU's institutions are to deal with the situation. For all their lectures about global solutions to the economic crisis, EU members have mainly acted to save themselves. A number of Western governments have ordered their banks to pull back funds from foreign subsidiaries in the East and elsewhere, choking off capital to the region. France has ordered CEOs to close factories in Eastern Europe in order to save jobs at home. Last week World Bank chief Robert Zoellick warned Europe that unless it acted decisively to reverse this course, it risked the "tragedy" of once again splitting into two economic and political blocs – exactly 20 years after the fall of the Berlin Wall. By the end of the week the World Bank, along with two EU public-investment banks, finally scrambled to raise a 25 billion Euros loan package for Eastern Europe's banking systems. But calls for a much bigger bailout have so far gone unheeded. (Theil, S., Underhill, W., 2009)

Furthermore, officials of the EU are getting worried about the faith in a “certain brand of capitalism”. These officials understand the problem of the new members from the east: why their European partners are putting their own interests ahead of the “collective and necessary

solidarity”. But the expectations are that the euro zone countries will bail each other out, if only out of pure self – interest.

Analysts estimate that the solution of the crisis lies in the capacity of the governments and international institutions to:

- establish a credible and effective mechanism for international policy coordination;
- fundamentally reform the existing systems of financial regulation and supervision, leading to a new internationally coordinated framework that can avoid the excesses of the past; reform the present international reserve system, away from the almost exclusive reliance on the United States dollar and towards a multilaterally backed multi-currency system;
- reform the liquidity provisioning and compensatory financing mechanisms, backed through, among other things, better multilateral and regional pooling of national foreign-exchange reserves which avoid the onerous policy conditionality attached to existing mechanisms. (U.N., 2009)

As to the specific financial market regulations, the main priorities are:

- improving transparency through enhanced disclosure of risk, improved valuation methods and a more comprehensive picture of off-balance sheet entities.
- changing the role of credit rating agencies and improving their functioning;
- strengthening risk management standards and procedures, and providing better incentives to hold appropriate levels of capital;
- regulators and supervisors should become more responsive to risks;
- ensuring that adequate deposit-insurance schemes are in place and that payouts are swift and predictable.
- designing developing policies to reduce the pro-cyclicality of financial regulations and policies that can be used to “lean against the wind” such as smoothing capital and provisioning requirements. (OECD, *Economic Survey of the Euro Area*, 2009, p.7)

The general opinion is that achieving a coherent system of financial supervision as well as managing cross-border risks calls for a more centralized and integrated approach. Recent events have made it clear that it is essential to reflect on how to elaborate a longer term and shared vision of the EU supervisory architecture, combining the need to safeguard EU financial stability with legitimate national interests.

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MONEY AS A GLOBAL PUBLIC GOOD

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The main objective of this paper is to discuss a complex and yet not taken in consideration global public good: money. Money is a social convention created and accepted by people in order to facilitate economic transactions, being a symbol, without an intrinsic value (fiduciary money). It is universally used and it has value only in connection with the products and services that can be acquired, based on people's consent and their psychological acceptance. In other words, its value lies in the purchasing power given by the quantity of commodities and services that can be bought with money. The authority that warrants the value of money is the central bank by supervising the money in the economy. Moreover, money can be regarded as a continuum, a constant throughout history: changeable over time and yet the same, of vital importance in people's lives.

Key words: money, global public good, social and psychological value

JEL: E40, H41, A14

1. Introduction

“Money is anything that is generally accepted as payment for goods and services and repayment of debts”.^[1] Generally speaking, a global public good is a good that has three properties: it is non-rivalled, non-excludable and available worldwide. This means that any consumption individual consumption does not reduce the quantity of the good available for consumption for other individuals and is not destroyed by over-use in any way.; that no one can be effectively excluded from using the good; and is non-rival and non-excludable throughout the whole world, as opposed to a public good which exists in just one national area. The first two properties of global public goods make this type of good hard to find (almost impossibly) in the real world, as there are no absolutely non-rivalled and non-excludable goods. But there are some goods which come close to defining these concepts. Recently, in connection with the context of globalisation, the global public good was brought forward, as an extension of Samuelson concept of public good.

During history, as people began to become fully aware of the importance of money for their own survival, economic growth and development, institutions were created to manage and pass the necessary rules and regulations to grant stability to the financial intermediation process. The entire process was possible because money were always perceived as a particular “asset”: to society as a whole and to each individual as well. The strength of each currency reflects the strength of the public authorities that contribute to its creation (the central banks, the government, the society by its own economic behaviour and customs) as well as the strength of the economy it reflects. Besides its social value, money also bear psychological value for each individual, as they serve in facilitating the fulfilment of necessities, dreams, of all that people could need or want in their lives.

Money may be seen as a global public good, because the concept has the same meaning and importance to everyone in the world, where all countries have their own money and benefit from them; in case a country witnesses difficulties with its own currency it is likely, in the globalization context, that by contagion those problems are spread all over the world, causing crisis, sufferings and hardship. Obviously the financial flows move freely through the international markets contributing to the contagion effect. The management of money has become nowadays a problem of global interest regarding the public benefit and welfare, supporting the statement that money can be considered a global public good.

I develop my arguments that money can be considered global public goods, as follows. Firstly, I briefly state the importance of considering money as global public goods. Then I review the main aspects of Simmel's work on the axiology of money from its two perspectives: social and psychological. Finally, I suggest how some of Simmel's assumptions have shaped forever, the study of money, from a sociological point of view.

The paper concludes that giving the large range of impact that money has nowadays, all over the world, affecting communities, individuals - society, in general, - money is a global public good that should be managed by a global authority. The management of money and of monetary policies worldwide is proven by the stability/ instability of national financial systems, which affect the global stability in the end, as proven by the current crisis. The crisis started in the US, and then through the contagion effect, the instability travelled overseas affecting other countries were in state of precarious stability. The support the IMF grants countries in need, is a reality in many countries whose money and stability towards imbalances and instability were very weak and weaken by the crisis. This crisis emphasises how closely interlinked money and financial systems worldwide are, reason for which money should be treated as a global public good, whose turmoil could affect us all, financially, socially, psychologically.

2. The importance of considering money as global public goods

The first issue to be tackled in this part of paper is the fact that no money in this world is controlled by a global monetary authority, authority that would perform the essential functions of medium of exchange, store of value, and unit of account at the global level. Some money (currencies) used throughout the world such as Euro, US dollar, Japanese Yen manifest a double quality being both national money, for their countries, but also international money used in international trade and financial transactions. The exchange rates and the movements of these currencies have global impact and widespread effects, fact that supports the statement of the character of global public good that money have. Nowadays it has become a pressing thought to develop a monetary institution that could observe and control international money and their impact on other countries.

Giving this situation, it is inevitably that national monetary policies have an impact at a global level, as they have an effect beyond national borders. Characteristic to globalization is also the ease of transport among various countries. Once in a foreign country, a non-resident is obliged to use the national currency of that country, and uses the benefits of the exchange rate, which is the relative price paid to acquire that money with its own. The correspondence between the two currencies is affected by both countries' monetary policies.

Even in the case of major currencies, monetary policies are thought firstly at national level, promoting national economic and financial stability and interest. Presently, it is highly recommended that monetary policies are conceived regarding their international impact as well, when stability of the national price level is one of the most important objectives of monetary policies. According to this objective, monetary policies support sustainable growth and stability of the financial system.

In this world, where the contagion effect has proved to be severe, as the current crisis has taught us, and for that reason, the economic and financial instability in some dominant economies of the world spread, affecting the stability and prosperity elsewhere. Recent experience proves the importance which has to be paid to the international consequences and specifically to exchange rates, in the management of economic policies in the dominant economies with beneficial results for the countries in question as well as for the rest of the world.

The international effect of the exchange rate mechanism is shown also in the latest cuts of official interest rates, in Europe, USA, and Japan, where officials used this method in order to send positive signals to the markets, encouraging the recovery of the financial system.

A second issue to be referred when discussing about money as global public good, is the money used by countries for handling their external payments. The IMF has a paragraph on this subject, mentioning its support towards countries which experience difficulties with external payments and has the role: „To give confidence to members by making the general resources of the Fund temporarily available to them under adequate safeguards, thus providing them with the opportunity to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.”

This paragraph refers to the assistance given by the IMF when a certain country encounters external payment difficulties that could have an international effect, encouraging the open policies toward international trade and bringing public goods benefits to the global economy.

3. Money a particular public good

The development of real and monetary transactions requires a stable financial environment. Although, activity is considered to be primarily private, in the modern world today, a country's financial markets, its fiat money and real economy contribute all together in terms of assuring a most needed stability. By postponing consumption and investing in productive activities, finance creates efficient substitutes for fiat money, and so a more appropriate allocation of economic resources between people, activities, and in time. Liquidity problems may arise when claim of fiat money is above supply, when financial contracts are not honoured, on time and failures may be massive. As the current crisis has proved only the market forces left alone do not lead automatically to the most efficient outcomes. Being a public good, money can also be under - or overproduced. Asymmetric information facilitates disequilibrium. Only a public institution may manage money and monetary policies properly in this case, because private parties would not have the appropriate means to do that.

The mismanagement of money would then lead to the loss of financial stability, with negative effect towards the real economy, to an inadequate report between demand and supply. In contrast, appropriate management is the presumption of a healthy, stable financial system where there is an accumulation of wealth for all parties involved in an economic cycle - individuals, businesses and governments. These processes are not risk -free, and money can easily flow to other countries or parts of the world, in case a country does not have a healthy financial system. An important characteristic of financial system nowadays is called resiliency, and it means that public monetary policies have to own the capacity to adapt quickly to chances in the most appropriate way possible, and lessening the harmful effects.

Well developed countries have diversified both public and private risks enough to reduce financial losses to manageable levels. For emerging countries this process is only gaining shape and has not reached the resiliency necessary to face collateral damages in case other financial systems are experiencing problems.

In order to fulfil these requirements, money as the raw material of transactions can be considered likewise. Money has three main uses:

- a) as a **medium of exchange** – the usage of money as an intermediary for trade, so as to avoid the inefficiencies of a barter system
- b) a **unit of account** – standard numerical unit of measurement for the value that goods, services and transactions have on the market. This property implies that money can be divided into small units without losing value, are fungible, have a specific weight, measure or size that can be verified.
- c) a **store of value** – saved money must maintain their predicted value in time.

Money is a mean to an end, not an end in itself. Money is used in order to achieve other objectives. Being an intermediate, not a final product, one can assume that money is not a public good, or a global public good.

Nevertheless the use of money has an international dimension. For that reason, money can be considered global public good for three reasons:

-Firstly, money is important to the international community.

-Secondly, in this world of globalization, of money and monetary policies one should think in a national, but also international context, as they are closely interdependent.

-Thirdly, emerging and already developed countries lately address this problem on multinational basis, as the crisis affects them all.

Money like, Euro, Dollar and Yen, is a common denominator used by the international community in order to fulfil numerous global public goods. Money can be considered a global public intermediate good or part of an infrastructure used in the creation of global public final goods.

This approach of the global role that money has contributing to the fulfilment of multiple objectives has two major points. All the countries in the world benefit or suffer from the stability/instability, first of national money, and secondly of currencies used in international trade. Second, it is difficult to assess the effect that certain money thought at national level have in international context, as not all currencies have global impact.

4. The social value of money

Money does not have only an economic meaning, with effects only on financial stability. Throughout history money has developed greatly reaching a very complex definition that includes the effects they have on social level, for each individual. In order to analyze the impact that money has on society, I would refer to Georg Simmel's work (Simmel, Georg (1989) *Philosophie des Geldes*, 2nd enlarged edn. Frankfurt: Suhrkamp), "Philosophie des Geldes". His work brings a totally innovative perspective on money, as he reveals a broader social significance, as there is no social phenomenon in a modern society that has no link, with money. Simmel believes that the essence of money transcends the economic approach and it is important, when thinking of money, to include culture and society in order to fully understand their psychological value. This is why the value of money should be analyzed from a double perspective: both objective (at a non-individual level) and subjective (on individual level, value is distorted by beliefs, expectations, previous experience). An interesting thought is the fact that throughout money the subjectivity can be eliminated, as there is nothing in the world that cannot be obtained (connected) through a monetary exchange relation. Each good has a subjective value towards individuals and can be measured in the strength of desire, of need that the individuals manifest, in obtaining that good.

Money transcends individuals, they are perceived at a global range, as they affect communities, countries... they depict the world through the multiple social interactions they are symbolic to. Money has a double dimension: in itself (multiple ways of use) and for itself (a quantity of money grows to a certain quality).

5. The psychology of money

The value of money in this modern world grows to new and complex meanings: it facilitates relationships; it makes possible a permanent flow of goods and services. Before having a psychological value (attributed for the goods and services that can be bought with them) money had intrinsic value (gold, silver), but now the substance of money has purely psychological value, being only a symbolic mean that helps people to buy whatever they want. Quality is thought now quantitatively.

In connection to the world, the culture and the society of an individual, money is a source of freedom, of personal liberty. Money allows free movement of property, of capital, of labour, of goods and services, and leads to forming new relations, enlarging the circles of social interaction, in the end, attributing a monetary dimension to everything. Distance is potentially diminished as

money are worldwide transferable, and yet is risen by the perception that people have on each other, when they are valued and themselves value others in terms of money and when the sole axiological criteria to analyze a relationship are gains or losses involved. In the modern world today, axiology leaves place to calculability. Things are treasured more than people are, monetary reason rules everything and intellect is a subject of commerce (has a price-tag), everything is in motion and driven by fluxes.

6. Concluding remarks

In conclusion, money is a complex issue that could be considered a global public good, as it has a worldwide impact on financial, social, psychological level. In this modern world everything is interlinked, and money plays a huge role in the global society, for there is no human action that hasn't got, even a distant connection with money. There is a global market and money is the key to every transaction. The problem is that, these transactions involve multiple risks, which, if not properly managed, accumulate, and finally lead to crisis...personal, national, global.

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NEW ASPECTS REGARDING THE EVALUATION OF INVESTMENTS IN CRITICAL INFRASTRUCTURE

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The additional risks associated to the actual global and contagious crisis put a severe pressure on the investments in critical infrastructure and there is a real need for new valuations especially those regarding the synergic financing strategies in critical infrastructure. The main problem of investments in critical infrastructure is related to the fact that there are some serious differences from other types of real investments (long term, long building time, no productivity during a delayed period between the investment decision and the completion of the construction). Moreover the circumstances may significantly change and this uncertainty is difficult to be explained by using traditional instruments. A robust decision support should be based on the main characteristics (large irreversible initial investment, long economic life, long term) of this kind of investments.

We mention that the traditional theory of investment does not consider the aspects of irreversibility and uncertainty. In this case is not included any managerial flexibility ingredient (the value of waiting, the possibility to postpone irreversible investments) and the standard profitability measures give inappropriate indicators for investment/ entry decisions (Barham, Chavas, Klemme, 1994). Pindyck (1991) demonstrated that an irreversible investment opportunity is much like a financial call option. Valuing real investments with option valuation models (Black-Scholes and binomial option pricing) use the assumptions that models may not be fully compatible with real investments. Pindik proposed an efficient method to include the option value of waiting in the traditional profitability analysis. In this case, the positive potential of the investment is taken into consideration by using real option valuation (ROV). In a new generation of models, ROV is mixed with soft computing techniques like fuzzy logic (Zmeskal, 2001, Collan, Carlsson, Majlender, 2003) or with DSS tools (Alcaraz, Heikkila, 2003).

Efficient synergic strategies should also respond to the main problems of the markets related to the global crisis: the private loan failure, the global nature of liquidity crunch, the destructive power of the feedback loop, in which weakening economic and financial conditions become mutually reinforcing. In this case, a new framework based on the mixing of ROV with other techniques like fuzzy logic (FL) or game theory (GT) is needed. Based on the critical review of the traditional investment valuation methods it is demonstrated that this type of frameworks offers a better performance of valuation and provide a robust decision support for the selection of financial instruments for investments in critical infrastructure.

Key words: synergic investments, critical infrastructure, real options valuation (ROV)

JEL Clasification: G11

1. Introduction

There are three stages of the lifecycle of long term investments: planning, building and operation. Planning stage, the time before the investment decision, is view as an option; both, investment cost and value are uncertain. Building stage resembles a commodity forward contract, where the price is fixed, but market price is uncertain. After the construction, the operation stage resembles a bond contract that is commonly valued with NPV. Estimation inaccuracy of the variables is present in all stages of the lifecycle

Investments in critical infrastructure require a huge initial investment, take a long time to build and have long economic consequences. Because of the cyclicity, the timing of the investments is important, since wrong timing will cause the perceived investment to face falling prices for the output product, which may cause losses. The main characteristics (large irreversible initial investment, long life and a long time to build) add high uncertainty regarding the future cash flows and are difficult to assess the profitability of this type of investments. The irreversibility of investments in critical infrastructure is mixed with the high uncertainty and the analysis of profitability should be changed (Dixit, 1994). Long building time adds another problem regarding the possibility of changing the circumstances surrounding the investment and should be modeled. The uncertainty of cash flow estimates together with the complexity of investments cause a credibility problem (Zadeh's principle of incompatibility). A new valuation method, more realistic is welcome to support decision-making.

2. A critical analysis of the valuation methods in critical infrastructure

Project finance is a way to finance large investments where the revenues generated are used to repay the loans and the assets as the collateral, based on a set of management strategies that offers the possibility to spread the risk. The type of financing may have an effect on the profitability of a project. The leverage may change during the lifecycle of the investment with effects on the discount rate and the risk.

The classical profitability analyses are based on Fisher's theory of investment which does not consider irreversibility or uncertainty, and could not consider any managerial flexibility ingredient. Traditional methods based on discounted cash flow (DCF) are focused on a single stream of income and expenses are inadequate for long term investments. The main assumption of net present value (NPV) is that initiation of the investment is based on a complete cash flow specification. NPV/ DCF are in error because they use only a single averaged cash flow and can not capture the asymmetry of the returns (losses can be limited but gains can be unlimited). Running multiple analyses for different cash flows, with an average procedure according the estimated probabilities could not overcome this difficulty. In a multi stage option based decision tree (starting, development) the manager can choose to continue with the second stage or to drop the project. Therefore, the cash flows are biased upwards with the low ones truncated, and the overall expected value of the investment will be superior to that of a traditionally valued project.

"An irreversible investment opportunity is like a financial call option" (Pindik, 1991) is the famous observation of the real option valuation (ROV) paradigm. The assumption in Black-Scholes option pricing formula and CRR binomial option pricing are not fully compatible with real investments and in the new literature are proposed different hybrid solutions (HROV), for example the integration of ROV with fuzzy logic (FROV) or other soft computing techniques (SCROV). Other initiatives try to enhance investment decision support by making real option valuation more practical with DSS tools.

Call option value is positive but the profitability of irreversible investment made under uncertainty can be negative. The uncertainty regarding the building period, when the investment is not productive and the circumstances may dramatically change, is not explicitly captured by ROV. In FROV is captured the uncertainty of future cash flow estimates and the randomly simulated cash flow distributions is replaced by possibility distributions (fuzzy numbers) inspired from the perception of uncertainty. These fuzzy sets do not follow bi-value logic but they are based on a separate fuzzy arithmetic.

3. A new framework for critical infrastructure valuation

The basis for building the model has been the observation that decision support offered to huge investments by the standard profitability analysis methods is not optimal. Based on their characteristics the model should be built to take in consideration also the potential value of

waiting which is important to irreversible investments, to include the uncertainty brought by time to build the investment, and to accept and model the perceived uncertainty of estimate accuracy. The possibility to wait may be valuable to an investment, if waiting increases the value of the investment. This possible value increase by waiting is often called potential; however, it is possible that the value of an investment decreases during waiting. Potential from waiting is commonly modeled by real options valuation. Option valuation models, however, assume that the value of an option is always zero, or larger than zero, and hence do not take into consideration the possibility of a decrease in the investment value (negative potential). It is the intention of the FROV model to show both, the potential and the negative potential to the decision maker, to avoid showing only the positive and thus to avoid (showing) bias.

The potential and the negative potential are important, when there is time to wait and during the time the investment is being built. The potential and the negative potential are not symmetrical due to the fact that they are constructed differently; this resembles the separate (often different) upward and downward probabilities that are used in the CRR binomial option pricing model (commonly accepted to capture potential). FROV framework considers the total potential (potential and negative potential) for initial costs and for the revenue stream generated by the investment separately. This is achieved for initial costs by multiplying the possibilistic standard deviation (of costs) with the possibilistic mean value and with the time to wait. For revenues the calculation is similar, but the time to build is added to the time to wait. The two potentials are added to the fuzzy present values of the initial costs and the revenues by using a heuristic context dependent operator that allows the potential to be distributed realistically. Total potential for the investment is captured by adding the fuzzy present values of initial costs/ revenues, combined with their respective potentials.

The model separates between discount rates for the initial costs (IC) and for the free cash flows (FCF) and between standard deviation of the IC and the FCF. Using separate discount rates for costs and revenues reflects the different risks for the different types of cash flows. Assessing different discount rates for each cash flow is supported by evidence from the literature, because the capital structure of the investment and financial market conditions changes with time. The use of separate standard deviations for cost and revenue cash flows is due to the fact that they may follow different markets and different volatilities.

FROV relies on fuzzy sets for the modeling of forecasting uncertainty. Possibilistic standard deviation for the costs and revenue is computed from the aggregate fuzzy cash flow estimates making the volatility an internally determinable variable. A fuzzy variable is included to handle possible costs/ rewards arising from strategic interactions. The expected value of the variable is zero.

FROV model could be expressed by:

$$FROV = R\eta E(R) * \sigma_R * (t + t_C) - C\eta E(C) * \sigma_C * t + \lambda_i$$

where

$$R = \sum_{i=0}^L \frac{I}{(1 + r_{Ri})^i} * R_i$$

$$C = \sum_{i=0}^L \frac{I}{(1 + r_{Ci})^i} * C_i$$

r_{Ri} = discount rate specific to the free cash flows from the project;

r_{Ci} = discount rate specific to the initial cost cash flows;

(r_{Ri} and r_{Ci} are single numbers that can be specific for each type of cash flow);

t = time to wait

t_C = time to build the asset

λ_t = the external value created during waiting.

Possibilistic standard deviation of the fuzzy revenues is:

$$\sigma_C = \frac{\sqrt{\text{var}_F(C_i)}}{E(C_i)}$$

$$\sigma_R = \frac{\sqrt{\text{var}_F(R_i)}}{E(R_i)}$$

where cash flow estimates R_i and C_i are fuzzy sets.

The heuristic operator is introduced to treat the effects of wait and the time to build.

$$\eta = \begin{cases} - & \text{when } A(V) < E(A) \\ + & \text{when } A(V) \geq E(A) \end{cases}$$

FROV has the capability to capture the aggregate uncertainty related to the period of waiting and during the time to build. In the particular case when there is no time to wait and no building time, FROV is resuming to FNPV added with λ_t . Furthermore, if there is no uncertainty it result the simple NPV model.

4. Hibrid methods for high risk investments in critical infrastructure

Hybrid methods (HROV) combine option approach for the market risks, and decision analysis for the project risks. HROV permits the choice of discount rate for the valuation because: the project risks can be diversified; the market risks are transformed by the options analysis so that no further compensation for risk is required in the discount rate. Once investment outcomes have been transformed by the options analysis, both the project and the market risks can be properly analyzed through standard decision or expected value analysis using a consistent discount rate.

HROV divides the valuation process into a *technical* and a *financial* part, associated with the project and market risks, and can be treated separately. After data collection and the information processing, the analysis is split into financial/ technological tasks, concerning market versus project risks.

The *financial side* identifies comparable assets that can be used to benchmark the flexibility represented by the options and then assembles data on these assets and computes their volatility; option ingredient is used to develop the risk neutral probabilities of the prospective cash flows. The *technological side* assembles estimates of the project risks from comparable developments based on a *Hull* decision analysis to obtain the value of the proposed investment.

HROV is based on three steps. *Set up Phase* identifies managerial decision points and the opportunities to select the valuable options associated with the project. *Data Collection and Analysis* specifies the costs, benefits, and uncertainties associated with the decision opportunities, and combine them in the relevant option or decision analysis framework. *Financial analysis* is focused on the *market risks* and it identifies the underlying assets associated with the volatility of the project. The analysts compute the statistics of the underlying assets and apply standard risk-neutral valuation procedures to adjust the potential future outcomes (Hull, 1989). These transform the market risks into risk-neutral quantities that can be estimated using the risk-free rate of return. The result is input into the decision analysis that also incorporates the project risks. *Technological analysis* is focused on the *project risks* associated with a specified investment and it is analyzed the likelihood of success, the possibility of cost overruns and the influence on markets. *Decision analysis* can then estimate the mixed effect of the project risks, costs and benefits by using a standard risk-free discount rate without extra compensation for risk; decision analysis will also include the market outcomes that have been converted to risk-neutral equivalents by the options analysis. HROV combine option and decision analysis in an overall assessment of the value of flexibility (the option value) that offers the advantage to include the

favorable opportunities. In *Sensitivity analysis* are examined the sensitivity of the valuation to the estimates of the benefits, probability of success, the cost of implementation, market uncertainty and volatility.

5. Conclusions and future work

Because of the complexity of the institutions hit by the global crisis, the timing of long term investments in critical infrastructure is even more important, since wrong timing will cause the perceived investment to face falling prices for the output product, which may cause losses. If the investment is postponed cash flows will be lost from the beginning of the investment.

FROV offer a good capability to deal with the uncertainty caused by waiting and by the time to build, relevant for investments in critical infrastructure where timing is essential. Due to the fact that the cash flows are given as fuzzy numbers the model responds also at the possible negative scenarios. FROV integrates different capabilities (profitability, uncertainty, potentiality) of modeling in a framework in which the possible loss could be taken into consideration.

The dynamism of FROV is given by the possibility to escape from the Fisher's traditional paradigm of investment decision support. The dynamic nature of the model is apparent in the use of fuzzy cash flow estimates and in the way the standard deviation is internally generated from future cash flow estimates, and hence new information about the cash flows has a direct effect on the final result. The heuristic context dependent operator used in the model makes the model escape some problems that using the standard possibilistic operators would yield, however, the heuristic operator is also a simplification of the reality, for it assumes the possibilistic mean value to divide the distribution of the potential. This may in some cases be inaccurate. The term describing the value created during waiting and building is a simplistic one term aggregate representation of the net value created during waiting and building as a whole. This means that to be able to give a reasonable value for the variable demands a separate game theoretic consideration of the investment.

Using the possibilistic standard deviation for estimation of potential from the time to wait and from the time to build may bias the value of the potential, because it is calculated from the aggregate values of IC and FCF. The actual uncertainty may be higher or lower than the modeled uncertainty. This effect may be significant for giga-investments, because of their long economic lives. It may be beneficial to investigate, case-by- case, how the standard deviation should be calculated for the time to wait and for the time to build. However, when considering competing investments it is important that the method used is uniform, the selection of the possibilistic standard deviation has been based on usability and robustness of the method. When considering competing investments valued with FRIV, the result (fuzzy number) makes it necessary to use some descriptive numbers, or defuzzification, for ranking the investment alternatives. This adds a step to using the FRIV, which crisp number NPV does not have.

The increased value due to HROV is greatest for investment in critical infrastructure because the value of flexibility is greatest when the risk is largest. Flexibility also has more value when the size of downstream costs is relatively large because the exercise of the option has more leverage. This tool is efficient in exploiting flexibility and avoiding poor outcomes. HROV valuation is a practical and effective way to evaluate investments in critical infrastructure and it permits a consistent choice of the risk-free discount rate for the valuation, because the project risks can be diversified and the market risks are accounted for by the options analysis.

The main contribution is to offer a comparative analysis of the instruments for valuation long term investments in critical infrastructure and a robust decision support. Future research directions include testing the FROV with investment cases, to provide decision support for investments in critical infrastructure in the aftermath of the global crisis, and finding out managerial reactions to different types of decision support.

We should also improve the decision support for the selection of dedicated and flexible instruments that incorporates the main characteristics of an emerging financial sector in the aftermaths of the global crisis.

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THE MANIPULATION OF THE MARKET IN ROMANIA AND IN E.U.

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Any major economic theory, the keynesism or neoliberalism, would constitute the fundament of the economic policy of a country, it has the responsibility, following the economic and social progress of the economic policy, to assure the proper and correct function of the markets that it has. Even though the market has nowadays a competitive climate, the legislation in developed countries – now on Romania too- does not accept any type of practices from the economic agents. Especially in the field of the capital market there are defined, tracked, sanctioned and forbidden by law the practices that have anything to do with, or that lead to market manipulation. And the authorities designated have attributions very clearly stated on this field.

Just that, in our country, this problem too, as many others, it is or taken to risible- using the market manipulation plaint with the same judgment, with the same efficiency and effectiveness with whom the DNA fights against corruption with the help of the TV – even if it is treated with a senior assignment as if it would have never been met on this mioritorial region. Following I will try to dissolve some aspects of this problem, eventually to incite to analyze it, and certainly to give an impulse to the accomplishment of the commitments that some authorities have on this field.

In order to be able to speak about the market manipulation it should have a certain level of transparency. Without knowing the practices of the economic agents one cannot establish if they are acceptable or not. When they affect the adequate interaction between the demand and supply, some forces on the market, such as sellers and buyers, do not interact free and cannot action quickly enough, in order to promote the particular interest. In these cases the risk of the apparition of some unbalances it is so big, in order to maintain the integrity of the market, so that the competent and responsible authorities are obliged to forbidden. So, in order to do not perturb the normal function of a market – and, through it, in time in the economy as a whole – it is considered to be compulsory the honesty and the efficiency of the market participants.

Studying the “2003/6/EC directive regarding the market abuse” and the first guide emitted by The Committee of European Securities Regulators (CESR) regarding the uniform implementation of it, we observe what any person with a healthy judgment deducts from dairy act. I mean, a concern cannot be the subject of market manipulation as long as it is not present, admitted or – through its products – preceded on a market. As someone cannot be accused by market manipulation if he does not obtain any advantage from the activity considered to be inadequate practice.

By the way, according to the Directive recalled, art. 4.5, the market manipulation means: a) false transactions or false transaction orders or that deceits regarding the demand, the supply or the price of financial instruments, and b) that maintain, by the action of one or more persons, who act together, the price of one or more financial instruments at an abnormal or artificial level”. Furthermore, the Directive develops the problem of market manipulation, even by presenting the possible hints of the market manipulation“, also in the false transactions area or of the price influencing through fictive mechanisms, initiated by the orders issued or by the operations accomplished.

Behind the technical details regarding the transparency demands before and after transaction, which the 2004/39/CE Directive refers to, an institution wishing to bring light in the cases suspected by the public as being synonyms with price manipulation, finds in the Directive regarding the Market Abuse examples of such practices. Some of them, such as the one called “panting the tape”, consists of “transactions only to make the impression of an activity or of a price change regarding a financial instrument”, it worth one’s while to be studied related to the

examples offered by some transactional titles at The Bucharest Stock Exchange, for example the shares of SC Constructii Bihor. But such an institution might find in the Directive, art. 4.10, also an extremely useful guidance for the elucidation the price manipulation cases, of course, if this is what it wants.

There are well known cases of “Shares interfused after an Initial Public Bid”, as it is mentioned in art. 4.12b. of the Directive, through which the issuer proposes to those who hold his shares an “Irreversible commitment not to sale”. CESR considered that the problem was price manipulation” when a group of persons associated in such a consortium act in a common way after a primary issue of shares and the beginning of transacting those with the purpose of an artificial rise of the price”. Or, what has carried on such an autochthon issuer, no matter how many persons signed the “Irreversible commitment not to sale” proposed by himself, represents exactly what the Directive forbidden: the artificial increase of the price by deliberate decrease of supply.

If those are the European regulations in the field of market abuse, Romania, as member state of the EU, must conform to them, so I wonder who applies those regulations in our country? Is it not possible that the members of the consortium mentioned earlier determine some employers of institutions with influence on the capital market forget about the assignments that they have? Do we need a Consortium of those who demand to obey the European regulations in Romania as well so that something like this to happen indeed?

ETHICAL AND COMPETITIVE PROBLEMS RELATING TO QUOTA MILK SYSTEM IN ROMANIA

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Recent conflicts regarding the milk market indicat tensions between milk producers and milk processing companies, about milk price. This conflict involved many farmers and was focused in two directions. First – the farmers' discontent about the imported milk by low price, the allocation of milk quota system and on the other hand, the overdraw cost for obtaining the milk. As reference point to this paperwork is the conflict mentioned upon and the analysis of quota milk system. Our interest is to illustrate and to compare the evolution of the milk producer price and its volatility, in EU, in our country and also specific to our county land Bihor.

Our concern in focused upon the analyzing the structure of the market and the factors influencing the relation between producers and processing units and to identify a possible dysfunctions of an unfair competition nature creaed by the quota milk system, which involves also ethical aspects.

Key words: quota milk system, competitive, ethics

Introduction

The dairy sector is of great importance to the European Union in a variety of ways. Its most striking feature is that milk is produced in every single EU Member State without exception. Milk is the number one single product sector in terms of value at approximately 14 % of agricultural output.²⁹³

The share of agricultural output represented by milk production varies widely between Member States and regions. In some production basins such as Galicia (Spain), Lombardia (Italy), West Midlands (UK) and Haute-Normandie and Bretagne (France) milk production represents between 20% and 30% of total output and contributes even more than 50% of the final agricultural output in the Spanish region of Cantabria, as well as in the extreme northern regions of Sweden and Finland and the Azores.²⁹⁴ Six Member States - Germany, France, the United Kingdom, the Netherlands, Italy and Poland - together contributed more than 70% of the cows' milk collected in the EU.²⁹⁵

In our country, the dairy sector is one of the largest agricultural sub-sector based on both gross production value and number of farms. It is homogeny distribute upon the region. It is also characterised by family farms in which large part of labour, management and risk bearing capital are supplied by the owner and his or her household.

The dairy sector is highly regulated by the Common Agricultural Policy (CAP) of the EU. Key elements of the reformed CAP.²⁹⁶

-A single farm payment for EU farmers, independent from production; limited coupled elements may be maintained to avoid abandonment of production,

293 Milk and milk products in the European Union, European Communities, 2006, http://ec.europa.eu/agriculture/publi/fact/milk/2007_en.pdf

294 Report on milk quotas, Commission of the European Communities, Brussels, 2002

295 Agriculture main statistic, 20006, Eurostat,

296 http://ec.europa.eu/agriculture/capreform/index_en.htm

- this payment will be linked to the respect of environmental, food safety, animal and plant health and animal welfare standards, as well as the requirement to keep all farmland in good agricultural and environmental condition ("cross-compliance"),
- a strengthened rural development policy with more EU money, new measures to promote the environment, quality and animal welfare and to help farmers to meet EU production standards starting in 2005,
- a reduction in direct payments ("modulation") for bigger farms to finance the new rural development policy,
- a mechanism for financial discipline to ensure that the farm budget fixed until 2013 is not overshot,
- revisions to the market policy of the CAP:
 - asymmetric price cuts in the milk sector: The intervention price for butter will be reduced by 25% over four years, which is an additional price cut of 10% compared to Agenda 2000, for skimmed milk powder a 15% reduction over three years, as agreed in Agenda 2000, is retained,

Milk quota system in EU 27

Within the CAP, milk production is limited since 1984 by farm specific quotas. Quotas were introduced because there was a surplus of milk production in the EU and it was decided that measures were required in order to reduce the cost to EC taxpayers of intervention in the market for dairy produce. The European Community uses the milk quota system to control the production of milk and milk products within the European Union. The Common Agricultural Policy reform agreement of September 2003 provided for the extension of the quota system until 2015.

The EU milk quota is in value of 146 mil ton. In the table below is represented the milk quota for each country. On the first position is classed Germany with more then 20% from the UE 27 milk quota followed by France and UK, our country is placed on the 11th position.

Table nr.1. Milk quota in EU 27

Country	2004/05	2005/06	2006/07	2007/08	2008/09 Until 2014/15
Austria	2.749.401,000	2.749.401,000	2.763.148,000	2.776.895,000	2.790.642,000
Belgium	3.310.431,000	3.310.431,000	3.326.983,000	3.343.535,000	3.360.087,000
Cyprus	145.200,000	145.200,000	145.200,000	145.200,000	145.200,000
Czech Republic	2.682.143,000	2.682.143,000	2.682.143,000	2.682.143,000	2.682.143,000
Denmark	4.455.348,000	4.455.348,000	4.477.624,000	4.499.900,000	4.522.176,000
Estonia	624.483,000	624.483,000	624.483,000	624.483,000	624.483,000
Finland	2.407.003,324	2.407.003,324	2.419.025,324	2.431.047,324	2.443.069,324
France	24.235.798,000	24.235.798,000	24.356.977,000	24.478.156,000	24.599.335,000
Germany	27.864.816,000	27.864.816,000	28.004.140,000	28.143.464,000	28.282.788,000
Greece	820.513,000	820.513,000	820.513,000	820.513,000	820.513,000
Hungary	1.947.280,000	1.947.280,000	1.947.280,000	1.947.280,000	1.947.280,000
Ireland	5.395.764,000	5.395.764,000	5.395.764,000	5.395.764,000	5.395.764,000
Italy	10.530.060,000	10.530.060,000	10.530.060,000	10.530.060,000	10.530.060,000
Latvia	1.646.939,000	1.646.939,000	1.646.939,000	1.646.939,000	1.646.939,000

Lituania	695.395,000	695.395,000	695.395,000	695.395,000	695.395,000
Luxembourg	269.049,000	269.049,000	270.394,000	271.739,000	273.084,000
Malta	48.698,000	48.698,000	48.698,000	48.698,000	48.698,000
Netherlands	11.074.692,000	11.074.692,000	11.130.066,000	11.185.440,000	11.240.814,000
Poland	8.964.017,000	8.964.017,000	8.964.017,000	8.964.017,000	8.964.017,000
Portugal	1.870.461,000	1.920.461,000	1.929.824,000	1.939.187,000	1.948.550,000
Slovakia	1.013.316,000	1.013.316,000	1.013.316,000	1.013.316,000	1.013.316,000
Slovenia	560.424,000	560.424,000	560.424,000	560.424,000	560.424,000
Spain	6.116.950,000	6.116.950,000	6.116.950,000	6.116.950,000	6.116.950,000
Sweden	3.303.000,000	3.303.000,000	3.319.515,000	3.336.030,000	3.352.545,000
United Kingdom	14.609.747,000	14.609.747,000	14.682.697,000	14.755.647,000	14.828.597,000
EU-25	137.340.928,324	137.390.928,324	137.871.575,324	138.352.222,324	138.832.869,324
Bulgaria	-	-	980.730	998.580,000	1.049.517,616
Romania	-	-	3.057.000	3.118.140,000	3.277.196,478
EU-25	137.340.928,324	137.390.928,324	137.875.613.054	146.411.093,324	153.879.531,000

Source: <http://www.milchindustrie.de/de/eu/agrarpolitik/quote>

The main purpose of the milk quota scheme is to reduce the imbalance between supply and demand on the milk and milk products market and the resulting structural surpluses, thereby achieving a better market equilibrium.

To the extent that the quota regime, together with other price support mechanisms, helps to keep prices in the EU close to the target price fixed by the Council or so far this was a object of European Communities. But it can also be argued that quotas contribute to making EC dairy products less competitive on both the internal market, vis-à-vis milk substitutes, and on the export market.²⁹⁷

Milk quota system in Romania

As a candidate EU member state, Romania obtained a milk quota allocation from the European Commission. The quota has been allocated by the end of 2004 and is fixed at: 3,057,000 ton.²⁹⁸

This quota will be measured with 6% until the end of the year of activity reporting 2014 / 2015.

The individual quota was allocated in 2006, in which was specified the volume of milk expressed in kilogram and milk fat expressed in rate. The reference year for the fat production is 2004. The reference period for the volume is 1 April 2005 - 31 March 2006. Farmers producing milk had to apply for a milk quota according to Order 1388/2005. This order concerns the establishment of the conditions for the approval of the cow purchasers and the application form for the approval and registration in the Purchasers register. By April 1st, 2007 a milk quota system was in place and since than allocations have been made to those who applied for and are eligible for obtaining milk quota.

The national quota milk is devised in:

- delivery quota*
- direct sales quota*
- national reserve*

²⁹⁷ Report on milk quotas, Commission of the European Communities, Brussels, 2002

²⁹⁸ http://www.infolapte.ro/milk_quota_romania.html

Quota is allocated among the milk producers individually for delivery to milk unit and individually for a direct sale within the negotiated quotas considering part of a quota transferred to the national reserve for solving certain cases, such as mistakes in allocation, already initiated investment in milk production. The volume of milk allocated to each type of quota in 2007 in our country is illustrated in the table below.

***The volume of milk allocated to each type of quota in our county
for reference year 2007***

Table nr.2

Product	Final result in negotiations
Milk quota	3.057.000 t -1.093.000 t for deliveries to units -1.964.000 for direct sales to consumers + 188.400 t restructuring reserve

**Source: Press Release, Romania closed negotiations for Chapters 7 – “Agriculture”
http://ec.europa.eu/agriculture/publi/fact/milk/2007_en.pdf**

250,493 farms applied for quota for **direct delivery** to milk processing facilities. 40% of these farms obtain an individual quota under 5000 kg milk illustrating a great number of farms with 1-2 cows. These requests can be divided in the following quantities:²⁹⁹

Rate of farms with applied for different volume of milk

Table nr.3

Volume in Kg	%
< 5.000	40,4
5.001 – 10.000	16,4
10.001 – 50.000	17,8
50.001 – 100.000	19,9
> 100.001	5,8

In terms of *farm size* the request for delivery quota the breakdown is:³⁰⁰

Rate of farms with applied for milk quota based on farm size

Table nr.4

Number of cows/applicant	%
< 2	43,6
3 to 5	18,0
6 to 10	7,9s
11 to 50	16,4
51 to 100	3,8

299 http://www.infolapte.ro/cota_laptelui_ue.html

300 http://www.infolapte.ro/milk_quota_romania.html

> 101

10,3

622,504 holdings (farms/individuals) applied for *quota for direct sales*. These requests can be divided in the following quantities;

Rate of farms with applied for different volume of milk

Table nr.5

Volume in Kg	%
< 5.000	66,7
5.001 – 10.000	14,9
10.001 – 50.000	13,0
50.001 – 1.000.000	5,1
> 1.000.001	0,4

This information let us submit to some conclusions:

-More then half of the milk quote is allocated to direct sales to consumer, this means it was not processed in dairy products

-Family farms with 1-2 cows allocate almost half of milk quote and their annual milk production is resumed up to 5000 kg

-There are almost 1 190 000 farm – and the offer is concentrated in the hands of a huge mass of people which conduce to difficulties in price negotiations.

Conclusion

The application of milk quota system determinates in our country many unethical and anticompetitive aspects, as we identify:

-Lack of information. We are conscious about the power and the importance of information nowadays. But on milk market the lack of information about milk quota system and its manage was present. As we mentioned upon, 71% of the farmers are 55 years old and over, fact that determed a association of the term milk quota system with communist notion. As a result many old farmers did not retread all the procedure necessary in obtaining the decision for quota milk system.

-inefficient allocation of quota. In the reference period for the volume of milk and individual quota, many farmers which was also milk processors declared a greater quantity of processed milk, as they had in reality, in order to obtain a good milk quota. 1,093,000 ton of milk were had to be delivered to processors 1,964,000 ton for direct sales and to each farm was dispatched a decision with its own quota and if there are allowed to sell the milk direct to the consumer (quota of direct sales) or only to processors (quota of delivered to processor – and the name or processor for example S.C. Dorlact S.R.L.) In these conditions many farmers were confined to direct sales or deliver to processors. If they wanted to sell their milk direct to consumer but they had a quota of delivered to processor, they had to do the conversion between these two types of quota. These situation created confusion beyond the farmer and processors with effect their competitively.

-Inefficient use of quota market by some producer. Each milk unit – fabrics, can annually process a volume of milk establish in a decision from Agriculture Minister. If this quantity is overdue or the producer delivering to the purchasers a higher milk quantity then the available individual milk quota, he have to pay the overrun levy for the milk quantity delivered over the quota. For the quota year 2007-2008, the levy is 27.83 Euro/100 kg of milk. This situation involved unethical aspects such as the farmers who overdue his quota to declare in someone else name the overdue quantity. Or if the producer delivers in one year less than 75% of his individual

quota, in the next year, his quote will be diminished with 25%. For example if a farmer has a initial quota of 10000 kg milk and it delivers only 6000 kg milk to a processor in one year³⁰¹ next year his new quota will start from 7500 kg milk. This was so far a condition mentioned. But, for the year 2007/2008 the individual quota was not diminished for those who did not achieve the 75 % of quota, as it resulted from a producer in country land Bihor database.

-Unethical aspects on quota trading. Since the original allocation of quotas to producers in 1984, Member States have implemented various systems to redistribute unused or new quotas. Under a quota regime, each producer's "rights to produce" are limited but where the trade of quotas is allowed, he may be prepared to pay for additional rights from other producers if he still expects sufficient profit, after deduction of the costs of the additional rights. Other producers who make much lower profits in their dairy activity or who want to reduce or cease this activity for other reasons e.g. to work outside agriculture or to retire, may be interested in selling or leasing their quota, thus making additional income.³⁰² These sentence beyond, extras from Report on milk quotas, Commission of the European Communities, illustrate how efficient should the quota trading be manage. But the reality in our country, was confronted with selling of individual quota to different to a low price by the older farmer. There was presume upon them that their milk in not conform to the European norm; it can not be processed, so the firm didn't buy their milk. Their unique solution was to sell their individual quota to a low price.

Phasing out the milk quota system across the EU will help larger dairy producers and processors to become more competitive in the world dairy market. Milk quotas will become less relevant for dairy farmers' incomes as EU dairy intervention prices fall further and EU market prices come closer to world market levels,

Abolishing milk quotas is also likely to help larger dairy producers and processors to expand, speeding up the consolidation trend within the sector.

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6. http://ec.europa.eu/agriculture/capreform/index_en.htm.

301 In milk quota system a calendar year begins at 1 April and end at 31 March next year, this is the interval of activity reporting.

302 Report on milk quotas, Commission of the European Communities, Brussels, 2002

THE MIGRATION OF THE LABOUR FORCE, A NEW CHALLENGE FOR ROMANIA'S ECONOMY

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Migration is a contemporary social phenomenon that has implications in all area. Legal migration is an influence factor of economic growth, if it is managed properly and effectively, and targeted towards those sectors with the shortcomings concerning the labour force. The paper wants to emphasize the importance of the effects that international migration has on the Romanian economy. Starting from a brief analysis of the population's international mobility and passing through the presentation of some present-day issues concerning the migration of the labour force worldwide, we reach the objective of this paper – the analysis of the migration of the labour force to and from Romania. Using current documenting sources we highlight both the positive and the negative aspects of this new challenge that the Romanian economy is facing.

Keywords: mobility, migration labour force, population, emigrants, immigrants, country of origin, country of destination

JEL Code: F2(F22), J1(J10), J2(J21,J22, J23), J6(J60, J61)

1. The population's international mobility

A theme often addressed in the literature devoted to human resources is that of migration. The migration phenomenon is a multi-faceted one and it contains global issues that today affect all the states of the world alike. Each of these are either departure countries or destination or transit countries. There are cases in which some states are found in all the three hypostases together. Today, the migration phenomenon is recognized to be a response to the variations presented by the economic and security opportunities, as well as other factors, but crossing the international borders is nevertheless a relatively new phenomenon. This is due to the fact that the international borders have multiplied together with the significant increase in the number of new independent states. From a relatively small number of independent states in early twentieth century, today the number of Member States of the international community has reached 192. Thus, the number of migrants has doubled over the past two decades - 191 million in 2005 (UN, 2006). In 2005, according to UN data, 62 million migrants from developing countries have moved in developed countries and about as many have moved to developing countries. It is to be noted that there were also migrants from the developed countries towards other countries from the same category of development, but also towards developing countries (Table no. 1.1).

Table no.1.1.

Migrants in 2005 by country of origin and destination
(millions)

<i>Countries of origin</i>	Industrialised countries	Developing countries
Industrialised countries	53	14
Developing countries	62	61

World Migration Report 2008- IOM

The demographic impact of migration on the parties involved is the most obvious, simultaneously influencing the composition, the structure and the size of the population both in the countries of origin and the destination ones, these being forced to develop and implement new appropriate services, policies in order to continue the process of both social and economic³⁰³ development.

3.The migration of the labour force

Given that approximately half of the migrants are absorbed by the labour market of the host countries it is necessary to have an analysis of their distribution on the economic sectors, agriculture, industry and services, compared with the distribution of the native workers (Table no.1.2.).

Table no. 1.2.

Migrants and native workers in the sectors of the host countries' sectors
(percent distribution)

	Agriculture	Industry	Services
Native workers in the industrialised countries	3	25	72
Native workers in the developing countries	40	20	40
Migrants In the industrialised countries	10	40	50

OCDE 2006

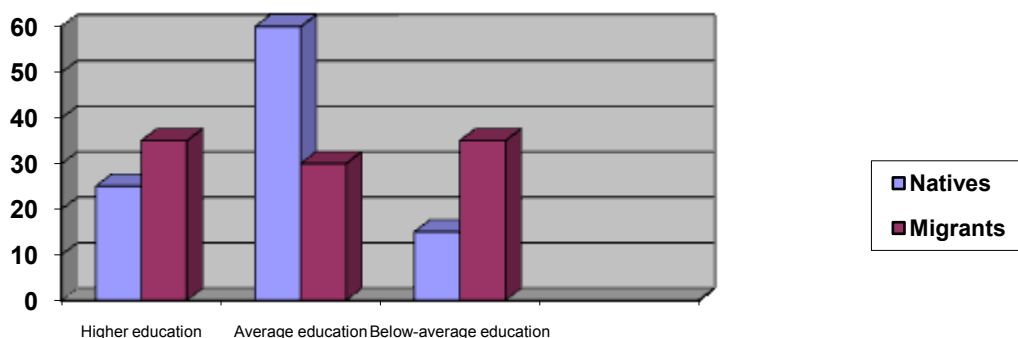
It is to be noted that the share of workers in agriculture and services, in developed countries, is held by migrants. Individuals who take the decision to migrate are generally richer in human capital (intellectual and / or physical) and their migratory movement is from the poor areas to the developed ones. This directly affects the stock of human capital at the global level, being able to induce exacerbated differences from a community to another within the same company or between different companies. Such disparities have long term effects in the development plan of the communities or companies concerned. The investment decision in the human capital at the macro and meso-social level may be directed towards discouraging the migration of individuals with above average education in the areas with poor educational capital, simultaneously with investments in strengthening the local human capital. The alternative may be one of maintaining the gaps. Moreover, in some cases, the migration of individuals rich in human capital (both education and state of health) may be a solution in some areas poor in resources and presented as having no chance of development, for reasons beyond the human will. The massive departure of

303 David Held, Anthony McGrew, David Goldblatt and Jonathan Perraton, *Transformări globale. Politică, economie și cultură* (Global Transformations. Politics, economy and culture), Ed. Polirom, 2004, p. 353-357.

better educated individuals and of young people (with a superior labour force) may lead to the dissolution of these poor communities, while the migrants can gain access to superior conditions of social and natural environment. A study conducted by IOM in 2005 (Figure no.1.1.) indicates that native citizens of developed countries, present on their labour market, have a different structure depending on the level of education, compared to migrants present on the same labour market.

Figure no. 1.1.

Native and adult Migrants in the industrialised countries according to the level of education (2005)



World Migration Report 2008- IOM

International migration from the developing countries towards the developed countries brings people with opposing educational levels – high level, higher education and low level, below-average education.

International migration of labour force generates complete sets of costs, but also benefits for the three actors involved: *countries of origin - migrants / immigrants - countries of destination*

3.Migration in Romania

For **Romania**, migration has become a phenomenon rather after 1990, the year of its transition from a system based on a command, centralized economy, to a market, capitalist economy. It is to be noted however that this phenomenon also occurred before *this year (1990)*, during the communist period, even in different forms. Thus there were: the emigration of the political dissidents, the professional mobility, the short border transit, the organized tourism in other communist countries, the ethnic migration, the academic mobility.

Regarding **immigration flow**, foreigners who came to Romania were very strictly controlled and supervised throughout the duration of their presence here. There were *young people who choose to study in Romania* (they came from countries in Africa and the Middle East) and who were allowed to have access to education due to the currency that they brought to the Romanian state. Furthermore, Romania was visited by *foreign tourists*, interested in its geographical and cultural potential. The '70s were the climax in this respect, tourism practically thriving and bringing significant financial resources to Romania.

After the fall of the communist regime, the free movement of persons was immediately recognized by the new Constitution. This ensuring every Romanian citizen the right to travel freely in any state of the world.

In the early '90s, there was a massive migration of the citizens of German ethnicity, but which was no longer restricted in number nor regulated by bilateral agreements between Romania and Germany. There was then a real exodus of the domestic labour force—*labour migration*—towards countries in Western Europe or other developed countries on other continents, an exodus that is manifested nowadays as well. Today, *emigration* from Romania is seen, in most cases, as labour force exodus.

The migration of the labour force is the most common form present in Romania. Together with the accession of our country to the European Union, the labour force migration has undergone a significant growth.

A comparative analysis of the situation in the first half of 2008 with the first half of 2007 was conducted by **Ministry of Labor, Family and Social Protection (MMSSF)**³⁰⁴. The situation of the Romanian mediated workers who have applied for employment contracts abroad was studied. Thus, in the first half of 2008, **the number of mediated employees**, for the countries with which bilateral agreements were signed between the government specialized institutions (Germany, Spain, France and Switzerland) was 32,645, while during the same period of 2007, number of employees was 24,063, representing an increase of 35.66% compared to the first half of 2007.

Regarding **the region of origin** of the mediated employees (Table no. 1.3.), both in the first half of 2008 and in the first half of 2007, most applicants for an employment contract abroad came from the geographical area **Centre** (9,157, respectively 5,235), which represents **28.05%** of the total number of mediated people, respectively **21.75%**.

Table no.1.3.

The number of employees mediated by MMSSF on development regions
(Semester I, 2007 - 2008)

Region of development	The number of mediated employees	
	Semester I 2007	Semester I 2008
North-East	3,130	4,251
South-East	1,360	1,460
South	2,994	3,250
South-West	1,355	1,002
West	4,449	4,707
North-West	3,931	5,093
Centre	5,235	9,157
Bucharest -Ilfov	1,609	725

www.mmssf.ro

Throughout the country there are alongside The National Agency for Employment (ANOFM), also private agencies that deal with placing labour force abroad - their number being of 1,466, on 30 June 2008. In the first half of 2008 the number of employment contracts obtained through the private agencies of occupying the labour force was of 7,245 (Table no. 1.4.). Most of the obtained contracts were for the United States of America 2,243 contracts, representing 31.0% of the total number of contracts.

Table no. 1.4

Countries of destination with employment contracts concluded by the private placement agencies in the first half of 2008

SUA	Germany	Italy	United Kingdom	Cyprus	Czech Republic	Norway	Greece	Austria	Belgium	Spain	Japan
31%	15,5%	12,5%	9%	7,4%	5,4%	4,4%	4,3%	3,6%	1,5%	1%	1%

www.mmssf.ro

According to a study conducted by OCDE in 2000, Romania was ranked 6 among the countries of origin of the migrants present in the OCDE countries. In 2007, the situation undergoes a significant transformation, Romania occupying the second place (Table no. 1.5.).

The countries of origin of the migrants present in the OCDE countries and their number

Table no. 1.5.

2000		2007	
Country of origin	Number of migrants (thousands)	Country of origin	Number of migrants (thousands)
1. Morocco	96	1. Poland	324
2. <i>Ecuador</i>	95	2. Romania	202
3. Poland	94	3. Morocco	128
4. Bulgaria	81	4. Bulgaria	82
5. Turkey	79	5. Germany	77
6. Romania	76	6. <i>Ukraine</i>	70
7. <i>The SUA</i>	64	7. Turkey	66
8. Germany	60	8. <i>The United Kingdom</i>	65
9. France	60	9. <i>Russia</i>	54
10. <i>Italy</i>	56	10. France	49

World Migration Report 2008

Regarding **immigration**, the most common form is the entrepreneurship - *Business immigrants*. These are the first that settled in Romania, ever since the early '90s. A large proportion of them coming from China, Turkey and several other Arab countries (Syria, Lebanon). According to data recorded in the census of 2002, in Romania there were foreign citizens of other nationalities as well (Table no. 1.6.).

Table no. 1.6.

**The foreign citizens aged over 10 years old,
arrived in Romania for at least 12 months from the date of the census, according to their
citizenship**

Country of origin (citizenship)	Total 23,945	% 100
Republic of Moldova	5,255	21.94
Turkey	2,007	8.38
China	1,839	7.68
Italy	1,679	7.01
Greece	1,540	6.43
Syria	1,044	4.35
Ukraine	765	3.19
Iraq	643	2.68
Lebanon	607	2.53
Other countries from Europe	2,088	8.71
Countries from other continents	3,091	12.90
Without citizenship	32	0.13
Undeclared	186	0.77

Census of 2002

There is a large number of *immigrants* recorded *from the Republic of Moldova*. Most of them come to study here and nearly all of them choose to settle and to get employed later in Romania. The number of people who come to occupy a job as soon as they enter the country is also increasing. This is due to some favourable conditions. First, the spoken language, Romanian, is practically common to the two countries, the Republic of Moldova and Romania. Then, the high difference concerning the level of economy between the two countries, as well as the different specializations, lead in their turn to the filling of the low-skilled jobs, particularly in agriculture, by the immigrants from the Republic of Moldova. Last but not least, another factor which favours the increase of the number of immigrants from Moldova to Romania, and their vicinity and the relatively easy access to the common border.

4. Conclusions

Currently, Romania is facing, although it is prepared, the emergence of a phenomenon already foreseen by specialists: a significant increase in the number of immigrants, after January 2007. This date is the accession of Romania to the European Union, a status which increased its attractiveness to the migrants from the Middle East, Africa, or former Soviet countries. They have chosen Romania with the intention to settle on its territory and not just to transit it.

The difference between the entrance and exit of migrants, in and out of Romania, is in favour of the exits. More specifically, *the net migration* is negative, which means that the number of migrants is higher than that of immigrants. The explanation is very simple and handy if we consider the economic experience that Romania has gone through in all these past years. The local labour market is not attractive and the business climate is constantly changing. Therefore, the general perception on Romania, in this respect, supported by official data and statistics, is that this is a country of departure, undoubtedly, but also a transit country rather than a destination one.

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ASSOCIATIVE AND VOLUNTARY PARTICIPATION IN ORADEA. A PATH TO COMMUNITY DEVELOPMENT

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In this paper we will investigate the associative and voluntary participation in Oradea, on several levels: the participation rates by citizens, the type of associations in which oradeans participate and the profile of these NGO's. We have collected data both regarding the associative participation from citizens and from associations active in Oradea. All this data is presented in the light of community development and the role citizens through NGO's may play in development.

Keywords: community development, associative participation, non-governmental associations

JEL code: A0, H0, Z13

Introduction

Community development is a salient element of the political and economic discourse and of the policies promoted within the European Union. It is one of the goals of the EU to develop all its communities as to provide economic sustainability and welfare for all its citizens. Starting with its establishment the European Union has set a goal to sustain the development of its “least favoured regions” (The Treaty establishing the European Community, Title XVII) and the regional policy integrates strategies and instruments to achieve this goal.

Consequently it is important to understand the way different approaches of development take effect in a certain communities, which are the actors and how they act for the benefit of a particular community. Generally we understand community development as the process of planning and implementation of actions which contribute to the welfare of all its citizens. We consider relevant the approaches promoted by the World Bank and their emphasis on the role of social capital in developmental programs (Woolcock and Narayan, 2000).

In this paper we will first analyze the main theoretical approaches to community development with a special focus on the participatory strategies and the role played by NGOs and voluntary work for the implementation of this approaches. In the empirical section of the paper we investigate the forms of associative and voluntary participation of Oradeans considering an indicator of the role our NGOs may have on development. The final section investigates the main findings and their implications on the way one can understand the effect of NGOs activities and voluntary work have or may have on the development of our community.

Role of NGO's and voluntary service in the community – theoretical introduction

Community development can be best defined as the “orientation of a country / region/ community or institution towards the achievement of a desirable state, set as a goal, through a process planned in tome and realized through a set of actions.” (Zamfir, 2006).

This general view regarding community development emphasizes the fact that it is a planned and consequently coherent and aimed process. The practice shows, in line with this broad definition, that there are different approaches to how a community can be developed depending on its size, its resources, the actors involved, the direct beneficiaries and other factors. We thus can see community development conduced by governmental institutions and agencies with little participation of the final beneficiaries or we can have local initiatives undertaken by a few

stakeholders in a particular context. In other words there are up-to-bottom strategies as well as bottom-up approaches which should be combined and not seen as opposite.

A perspective which brings together the economic and sociological approaches to development is the one focusing on the role of the social networks and the norms of trust and reciprocity of a community. The theories on social capital, as diverse and sometimes confusing, bring strength to the aspects a developmental strategy should consider – the role of the social context, the networks existent in a particular context, the norms and historical ground which define that context, the relations between individuals, and between the community and the state in which a certain actions are intended, all play an important role in the success of those actions.(Woolcock, 1998).

A particular approach to community participation is the participative one, in which the emphasis is put upon the role and forms of citizen involvement in this process

Participative community development, an approach promoted by The World Bank can be defined as “the process through which the interested actors influence and share control over the development initiatives as well as over the resources and decisions which are involved” (Banca Mondială 2006, apud Hatos 2007). In this manner we have a clearer distinction regarding the type of involvement one may expect from citizens, and a better understanding of the sustainability provided by the actual involvement of the collectivity at least as a result of the process of social learning undertaken by them.

D. Sandu defines community participation as the process of engagement by the members of a community in actions “that aim the satisfaction of needs with local character, predominantly local and public” (p. 43). There are several actions as well as different types of actors which may get involved in the general type of processes. The actors of development can be thus distinguished on different levels: political representatives, experts on development, public functionaries and representatives of institutions (public, non-governmental or private), the citizens engaged in the implementation of development programs and the final beneficiaries of these programs which sometimes have a merely recipient role. The role given to each of these actors is determined by the type of programs implemented. Often from the perspective of community development programs the role of the citizen is not clearly defined – we refer to them as beneficiaries and sometimes as active actors solely as participants at public debates - a rather formal role in decision making process regarding the development strategies undertaken by a community. Yet several researches conducted mainly in the tradition started by Putnam, Almond and Verba and others point out the importance of NGOs, local clubs and other types of associational life both for the strength of democracy and the level of development of the community, region or state.

Regarding volunteering, social science researchers have developed two main approaches in order to find reasons for people involved in volunteering. One of them is focused on individual and local resources and points out that people who have more resources (in terms of income, human capital and social) are more involved in voluntary work because they have more to share with others, and because they are more attractive for organizations volunteers.

A second approach gives attention to volunteer’s beliefs and values and emphasizes cultural dimension is more important for voluntary work. Studies that may be included in the first approach have focused on several types of individual or social resources such as capital, human capital, income, etc. Capital is very important to volunteer because it is voluntary participation and cooperation and requires trust in other people.

The involvement and the effects of NGOs as well as voluntary actions in community development depend on several aspects: socio-political context, social support as well as their domain and type of actions initiated (Frazer, 2005). One can not make a clear cut into what is important and what is not regarding the voluntary actions organized by NGOs on community development, mostly as most of their actions are socially oriented on improving the conditions of a group or a whole community. Yet there are several general links we can draw between NGOs and community development:

- NGOs are fundamental elements of civil society which contribute to the strengthening of democracy which has a positive impact on the well-being of citizens,
- They are agents of development through actions with community impact, often voluntary actions with a bottom – up approach,
- NGOs are contexts that stimulate social capital, or considered forms of social capital, which also it is shown to have positive impact on the development o a community.

Voluntary service in Oradea

To highlight the situation of volunteerism, we analyzed the activities of two of the most active volunteer centers in Oradea in 2008: Unique Volunteer Center of the ASCO Oradea (Social Community Administration of Oradea) and a Volunteer Center run by a NGO.

Unique Volunteer Center of the ASCO had 11 major events organized for volunteers. Actions aimed at: young, elderly, youth and adults with mental disabilities, refugees. Involved volunteers are from 36 institutions and NGOs. Their number is about 800 volunteers. Number of volunteer hours is about 2000. Actions have been mostly charitable, philanthropic.

In 2008, an NGO in Oradea which involves volunteers had a total of 33 volunteers registered. The main activities in which they involve volunteers are organization of events, home care services, promote social services. An average monthly active volunteer is 26 persons and the number of recipients of voluntary services is 370 people.

The number of activities in which volunteers were involved, and the large number of hours devoted to volunteer activities, reveals the interest of citizens of Oradea for voluntary actions. In other words, the demands for volunteers in the activities offered by organizations have found the offer and we can predict that this sector can be strengthened by a coherent frame of organization.

To capture the features I had to source volunteer research conducted in the research project funded by the EU Framework Program 5 (Re-Etgace 2004). From interviews with 10 individuals active in public life of Oradea, it shows that community involvement require primarily a mix of qualities of character and a mixture of reason and irrationality, asceticism which in any case cannot be found for all. Characteristics of the assets are, according to respondents: responsibility, perseverance and diligence, commitment, vocation and passion, courage, organizational skills, diplomacy, idealism, naivety, foolishness, self-confidence, etc. In other words, participation is not a matter of skills, competencies, but personality.

Participation in NGOs

In this section we will present and analyze data regarding different forms of community participation, with the attempt to reveal their importance for sustainable development and even more important the ways through which one can sustain citizen’s participation for the community development and the actors which could successfully contribute in the process.

For the data presented here we used a data base from the CEEX research grant conducted by conf. univ. dr. A. Hatos with the title “Leaders, participants and viewers. Determinants of community participation in urban Romania”. The data is based on questionnaires applied to a random sample of 461 people from different areas of Oradea, in October 2007. In this section we will synthetically present the levels of civic participation on the same data set, considered along with most analysis of this sort, as membership in formal non-governmental organizations.

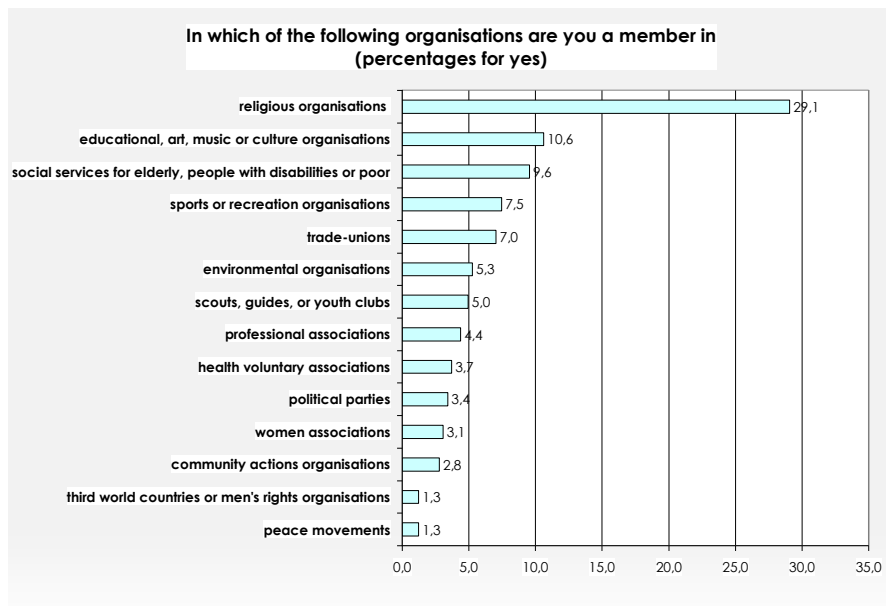


Chart no. 1 – Membership in NGOs

Oradeans are little involved in the NGO sector. The only domain which has an important number of adherents (29%) is the religious one, yet unfortunately we have no data regarding the religious background of our respondents. Less, but still important are the educational, artistic, musical or cultural organizations which also have an important number of adherents, followed closely by the ones dealing with social services for disadvantaged people. These are also the directions in which participation is higher at national level, the domains for civic participation being derived from these domains of activity of these NGOs.

One of the directions which has little public participation are the NGOs dealing directly with “community actions” – only 2.8% declare they are members of such organizations. It is also true that other NGOs may have activities dealing with the development of some sectors of our community yet it is important to see how the members see the profile of their NGO. It is possible that religious NGOs have developmental programs at community level, yet if members identify the NGO as religious rather than its community action profile it shows that their main reason for involvement is not the interest in contributing to community development. Yet these discussions can not be taken further without information regarding the actions organized by these NGOs and qualitative data regarding involvement and participation in NGOs, as it is highly relevant to see how active these respondents actually are in the declared NGOs.

Observing chart number 2, one could say the levels of participation increase inversely with the distance of the beneficiaries of these NGOs: less support is given to peace movements and third world countries and much more to social services for the people close to us. Distinct from this observation would be the community action organizations which on the other hand are only a few active in Oradea, or are not explicitly defined as such. These generalizations can not be made without a relevant analysis on the active NGOs at local level, as well as on the type of actions these NGOs organize at local level.

A complementary information regarding civic participation is provided by the analysis of the type of activity taken by our respondent, for which we have the distinction between voluntary member vs. paid employee of the NGO (see chart no. 2). We assumed that to be employed in an organization entails a more constant and more engaged participation, while being a volunteer proves a certain interest and preoccupation in the specific domain of activity.

From the analysis we found that these two types of involvement are somewhat excluding each other: there are organizations which have rather employees on the one hand, and organizations supported by voluntary work on the other hand, and for one to conclude about the differences one would need an in-depth look of the types of NGOs and the way these are organized. We can only note that there is a more balanced situation in this data set than in the one gathered in the same project one year earlier – when the voluntary work is predominant, and the structure of the distribution of employed vs. voluntary remains mostly unchanged.

Most employees are in peace movements (yet here we have 1.3% of membership, most of whom are paid), and also in women organizations followed by professional associations and trade-unions. For the last two types, especially for professional associations we need to note that there are several such association which are mandatory for the people in the specific profession (such as Doctor’s Colleges, Lawyer’s Association, etc.). Further interpretations can not be made without a close look to the organization profiles in Oradea, including an analysis of the type of services provided by each.

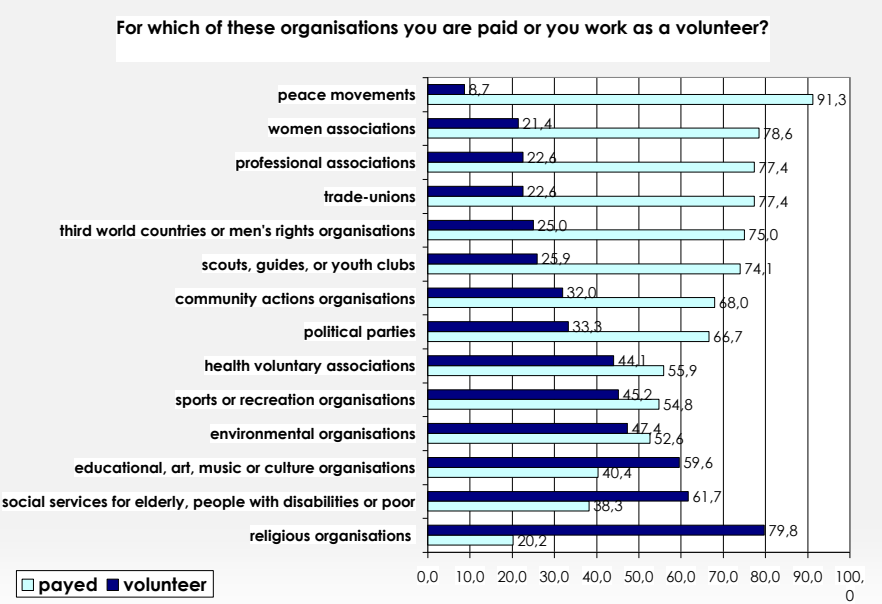


Chart no. 2 – Type of involvement in NGOs

Most voluntary support is given to religious organizations (where only 20% of members are paid), social services organizations and educational, artistic, music and cultural organizations, which are also the ones with most adherents in general. We could conclude that these are domains which trigger the most interest for our subjects which are closely related to community participation. This data also supports the conclusion from the analysis of community participation that our subjects are more opened to charity and help for the needing, mostly when related to church. As seen in chart no. 2 the NGOs dealing with community actions rely more on voluntary support yet have a fairly important paid personnel (22%), yet we should remember that the number of people involved in these NGOs is rather small.

Conclusions

There is a higher interest in involvement in helping others as activities in non-profit sector. The forms of participation which involve actions towards public administration or openly actions with development goals is yet limited in Oradea. These are the actions which should be promoted stronger and be more opened to the large public as areas where the public administration can work together with NGOs at local level in providing a good life and a sustainable development

for the region and the city. It is yet a gap between these sectors which has to be analyzed and understood better, along with making efforts towards collaboration and joint actions.

The implications of NGOs and voluntary work in concrete community development are not as direct nor as explicit as one may expect. The data regarding the rates of participation of citizens in different types of NGOs represent one side of the story and the low levels of participation is an indicator of their limits. More, it is important to acknowledge that the highest support is for the NGOs dealing with religion and support for others which may entail a dependency on behalf of their recipients.

All results show that activism is appropriated mainly by experiential learning (empirical). Citizens should be provided opportunities for better activism thus stimulated, facilitated and become active. This requires incentives for participation, an increasing number of NGOs and their diversification. Moreover, long-term solutions should be created to support the development of various organizations in this area should be allocated adequate resources to facilitate and support best practices in civil society.

Further investigations are needed first as an analysis on the NGO sector in Oradea which would allow more interpretations and generalizations regarding organizational membership presented in this paper, and also analysis of social and cultural capital for our subject which might allow us to test other general theories used in the analysis of engagement in community life. Another important dimension which should be investigated is the impact on community of the community actions undertaken by our subjects if we need to test the relevancy of these actions as opposed to classical civic participation.

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HUMAN CAPITAL AND OPENNESS TO INTERNATIONAL TRADE: EVIDENCE FROM THE ENLARGED EUROPE

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In the increasingly knowledge-based global economy, a well-educated and highly-skilled labour force and a significant degree of openness to international trade are vital for countries to successfully meet the challenge of worldwide competition. This paper is meant to provide empirical insights into the patterns of human capital endowments and international economic integration across Europe. By using a number of indicators capturing the main aspects of these variables, we perform a cluster analysis in an effort to show similarities and differences among the EU's 27 Member States.

Keywords: human capital, openness to international trade, economic growth

JEL code: O4, F2

1. Introduction

Economists have long been concerned with the determinants of long-term economic growth. It is nowadays widely accepted that technological progress, high levels of human capital and a significant degree of openness to international trade, knowledge flows and financial flows, play a major role in fostering growth, particularly in an increasingly knowledge-based global economy. No wonder, then, two striking examples of economies experiencing sharp increases in growth rates, China and India, have become large scale exporters of manufactured goods of growing sophistication and benefited from a well-educated and skilled labour force.

In this respect, the recent theoretical and empirical literature on economic growth has emphasized the relevance of intangible factors, mainly human capital diffusion and openness to international trade, in accounting for productivity growth. The aim of this paper is to shed more light on the determinants of growth and to provide a preliminary picture of the patterns of human capital endowments and trade integration across Europe. After a brief review of the main theoretical underpinnings, we perform a cluster analysis to show similarities and differences among the EU's 27 Member States in terms of human capital and international trade integration.

2. Human capital and trade as engines of growth

Over the recent years, the relationship between human capital, openness to international trade and economic growth has been explored to a great extent in literature. In this respect, the key contributions have been developed within the framework of endogenous growth theory. This strand of research embraces a diverse body of theoretical and empirical studies, emerged during the 1980s as a reaction to the neoclassical growth model. The new growth theories have provided persuasive intellectual support for the proposition that economic growth is sustained by knowledge, human capital and technological progress.

Romer's (1986) seminal paper paved the way for the new growth theory, by putting the emphasis on the process of accumulation of knowledge, whose spillovers across firms and individuals positively affects the long-run rate of growth. In the Lucas (1988) model, human capital has

come into prominence as a major source of growth in economies. By treating human capital as an ordinary input in the production function, Lucas shows how growth is driven by the accumulation of knowledge and skills embodied in individuals. In this way, differences in growth rates across countries are assumed to be primarily due to differences in the rates of human capital accumulation.

In contrast to Lucas's assumption, other scholars relate growth to the level of human capital. Romer (1990) finds that economies with a larger total stock of human capital experience more rapid rates of technical progress and productivity growth. In this model, endogenous growth is ultimately dependent on technical progress driven by private investment in research and development (R&D). R&D activities are assumed to give rise to new designs and products which generate temporary monopoly rents. These rents provide the financial incentives to innovate and to cover the cost of innovation. In this light, the stock of human capital employed in research activities determines the capacity of nations to innovate and does lie at the heart of economic growth. Similarly, Benhabib and Spiegel (1994; 2005) emphasize the role of the stock of human capital, which affects both a country's ability to innovate and its speed of technological catch-up and diffusion. This model builds on Nelson and Phelps (1966), whose major contribution was to suggest that the rate at which the gap between the world technology frontier, represented by the country leader, and the follower's level of productivity is closed depends on the stock of domestic human capital. The presumption behind these approaches is that an educated labour force is not only better at creating new technologies, but also at adopting and implementing technological advances from abroad. Accordingly, for Benhabib and Spiegel the stock of human capital affects growth through two mechanisms: it directly influences the rate of domestically produced technological innovations while speeding up the process of technological catch-up with more advanced countries. The significance of this model in both theoretical and empirical terms is that growth rates differ across countries due to differences in levels, rather than growth rates, of human capital stocks.

In the wake of these findings, a number of attempts to trace the combined role of human capital and technology diffusion in economic growth has been made since. Grossman and Helpman (1991) and Barro and Sala-i-Martin (1995) have argued that countries that are more open to international trade have a greater ability to absorb innovations generated in leading nations. By considering a two-countries world (one advanced and one poorer), Barro and Sala-i-Martin (1995, Ch. 8) find that the rate of growth in the developing country depends on the cost of imitation of innovations produced in the leading nation, and on its initial stock of knowledge. Intuitively, the model predicts that poorer countries may grow faster if they adopt more foreign technology by opening up to international trade.

The existence of a positive correlation between a country's degree of openness to international exchange and its growth performance is a well-documented empirical regularity, that is almost universally accepted by economists. Grossman and Helpman (1991, Ch. 9) describe four distinct mechanisms by which countries adopting outward-oriented policies experience rates of growth and technical progress much greater than those achievable with inward-oriented policies. First, as discussed above, international trade opens channels of communication that facilitates the exchange of technical information on innovative products and novel methods of production. Secondly, by introducing competition between firms in different countries, trade gives entrepreneurs in each location a strong incentive to pursue new and distinctive ideas and technologies. Third, economic integration enlarges the size of the market available to any producer. Finally, the opening of trade between countries induces distinct patterns of specialization in different manufacturing activities for each trading partner.

In this wake, Rivera-Batiz and Romer (1991) have outlined two channels for the transfer of technological knowledge: the transmission of ideas which can be traded independently from

goods, and the trade of capital goods (machinery and equipment) that embody new knowledge. In their model, both international knowledge flows raise growth.

The new paradigm of endogenous growth has spurred a spate of research that tried to test empirically the contribution of these factors to total factor productivity growth. Over the 1990s, the conviction that human capital was good for growth was fostered by a number of cross-country studies (e.g. Barro 1991, 1997; Gemmell 1996; Benhabib and Spiegel 1994), though there exists a number of empirical studies that are sometimes inconsistent with this expectation (Pritchett 1996). Similarly, economic literature has explored directly the quantitative relationship between trade openness and the level and growth of per capita GDP. Several empirical studies (to name a few, Dollar 1992; Sachs and Warner 1995; Edwards 1998) found that increased economic integration between countries has tended to increase the long-run rate of economic growth.

Stemming from these findings, this paper performs a cluster analysis to highlight how human capital is distributed in Europe and to what degree European countries are open to international trade.

3. Data and methodology

In this section, our goal is to identify the empirical patterning of human capital stocks and openness to trade across Europe. In line with the main findings of the endogenous growth literature, one could put forward the argument that countries that fare well in terms of human capital endowments and trade integration today are expected to exhibit rising GDP levels in the coming years. Can European countries be clustered according to the extent to which they have high or low levels of human capital or are more or less integrated with world markets? Can we detect any particular pattern among the data? To answer these questions, we apply an explanatory technique – cluster analysis – in order to partition European countries into homogeneous subgroups without any constraints or *a priori* information. In this respect, cluster analysis attempts to organize variables into distinct groups based on a statistical measure of their distance from each other.

In order to operationally define and loose concepts such as human capital and trade integration, the analysis includes 15 indicators to reflect the multi-faceted dimensions of these variables³⁰⁵. The data for this exercise come from the Eurostat³⁰⁶ database and the World Bank³⁰⁷ database and mainly refer to year 2006³⁰⁸. The dataset covers all the 27 EU Member States.

Variables are normalised into a range of 0 and 1 prior to the analysis to account for different variances according to the measurement level. In the clustering process, we use the agglomerative hierarchical method that merges any element into successively larger clusters

305 Eight indicators are used for the human capital domain: Graduates (ISCED 5-6) in maths, science and technology fields as a percentage of all fields; Ratio of students to teachers (ISCED 1-3); Total public expenditure on education (all levels of education combined) as a percentage of GDP; Students (ISCED 1-6) by sex aged 15-24 years as a percentage of the corresponding age population; Average number of foreign languages learned per pupil at ISCED level 3; Total R&D personnel as a percentage of total employment; Annual expenditure on public and private educational institutions per pupil/student; Gross tertiary school enrollment. Seven indicators are selected to account for the degree of openness to international trade: Foreign Direct Investment (FDI) intensity (calculated as the average value of inward and outward FDI flows divided by GDP - in percent); Imports of high technology products as a share of total imports; Exports of high technology products as a share of total exports; Computer, communications and other services as a percentage of commercial service imports; Computer, communications and other services as a percentage of commercial service exports; Exports of goods and services as a percentage of GDP; Imports of goods and services as a percentage of GDP.

306 <http://ec.europa.eu/eurostat>.

307 <http://www.worldbank.org/data/online/databases/online/databases.html>.

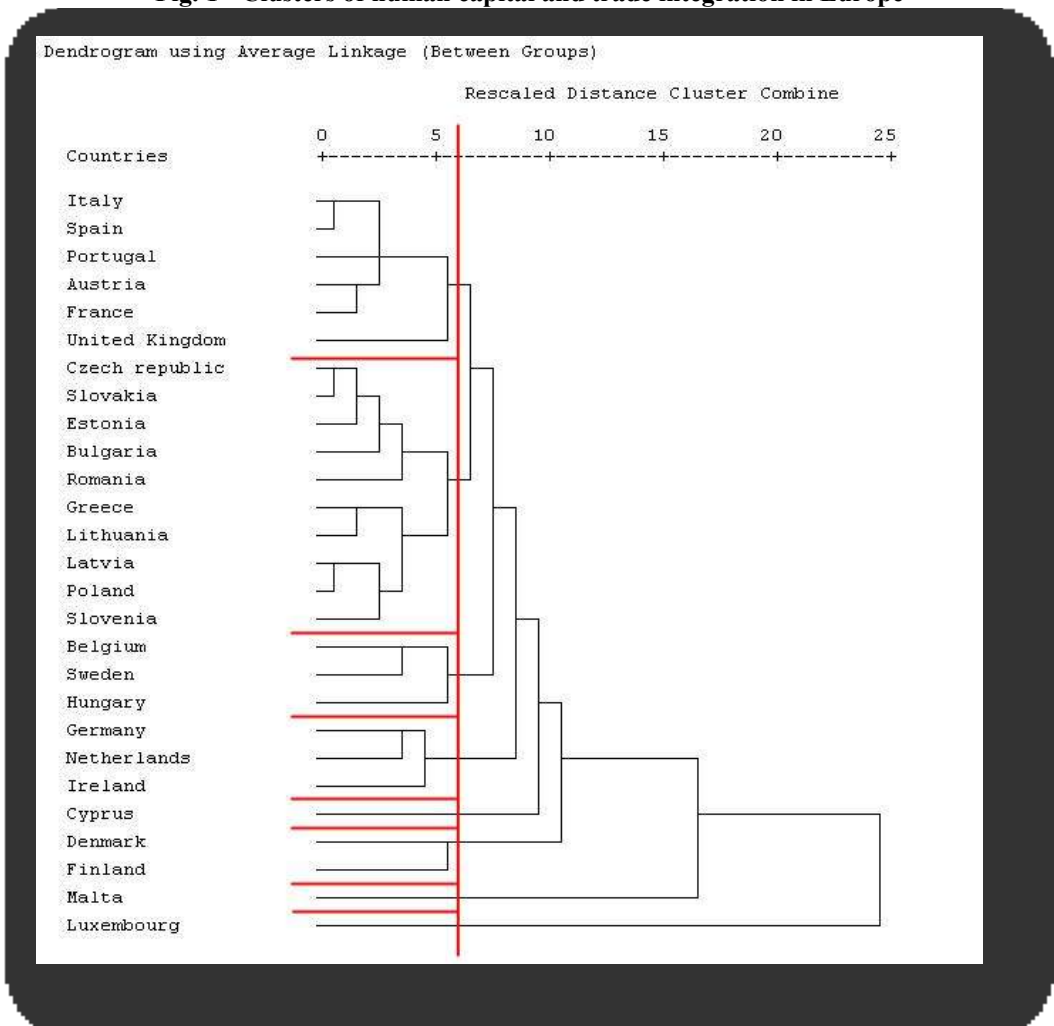
308 Data from 2006 are not available for three indicators (Total public expenditure on education as a percentage of GDP, Total R&D personnel as a percentage of total employment, Annual expenditure on public and private educational institutions per pupil/student), for which we consider the data collected in 2005.

combined sequentially until one single cluster is constructed. Euclidean distances are calculated to measure distance for the observed data. The average (between groups) linkage method is used to find reasonable cluster solutions. The traditional representation of this hierarchy is a clustering tree called dendrogram, under which the y-axis plots the objects of study (European countries) in descending order of similarity and the x-axis denotes the linkage distance among groups. The larger the index printed on the horizontal axis, the more differences can be observed between countries or clusters of countries.

4. Results

Figure 1 shows the cluster results in the form of the dendrogram that represents the similarities and differences concerning the distribution of human capital and the degree of openness to international trade across European countries. The final cluster solution suggests five distinct and fairly homogenous clusters in this broad sample of countries, by cutting the tree at the index value of about 6 points.

Fig. 1 - Clusters of human capital and trade integration in Europe



The first cluster is composed of countries (Italy, Spain, Portugal, Austria, France and the United Kingdom) that are very similar as they merge at a very early stage of the process. This is a very homogeneous block of Western European countries which show values of human capital stocks ranging from medium to high and low levels of trade integration (they exhibit low values on trade

as a share of GDP). The picture changes somewhat when considering the second cluster, made up of Eastern European countries (Czech Republic, Slovakia, Estonia, Bulgaria, Romania, Lithuania, Latvia, Poland and Slovenia) and Greece. This fairly similar grouping claims the bulk of Eastern Europe, which are low on the measures of human capital and average on the degree of trade openness. Cluster 3 includes three geographically non-proximate countries (Belgium, Sweden and Hungary), which score highly in terms of international trade integration and expenditure in education – though they show mixed results as to the other indicators of human capital diffusion. A similar pattern emerges in the fourth cluster. This grouping contains Germany, the Netherlands and Ireland, with medium to high levels of both human capital indicators and openness to trade. Cluster 5 consists of two Nordic countries, such as Denmark and Finland, which are high on human capital and average to high on trade integration. Not all the Member States are clustered within the five groups: Cyprus, Malta and Luxembourg are outliers.

5. Conclusive remarks

The arguments presented above suggest economists place a large emphasis on human capital and openness to international trade as determinants of growth. We have performed a cluster analysis to determine similarities and differences among European countries in this respect. The analysis shows that there are five distinct clusters showing different patterns of human capital diffusion and international integration across Europe. Clearly, the results leave open the question as to whether, and to what extent, these variables affect economic growth. Future research may want to address whether human capital and trade integration can be given a causal interpretation in the growth process.

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ECONOMIC AGGLOMERATION AND THE REGIONAL DISPARITIES

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The regional scale of the economic research approach is relatively recent, although the traditional schools of economic thought treated indirectly the regional symmetries topic, identifying in this way the development potential of trade as a follow of the cost differential for a wide range of commodities and services and also the importance of the spatial economical issues. The space started to be perceived as an essential aspect of the economy and it creates some outstanding opportunities by stimulating international trade, but on the other hand it can produce a great hindrance in the way of economic development, by means of occurring severe structural problems.

In this paper, the author propose to explain the role of EU regional policies. In this sense, we will use the new economic geography theory, in order to point out the exogen aspect of economic growth, which contributes to the achievement of regional growth. This represents a benchmark in regional economic thought evolution, which creates a new approach about some much disputed issues like economic agglomeration, regional marketing strategies and regional asymmetries.

Keywords: *economic agglomeration, regional disparities, regional growth, new economic geography*

JEL Classification: *E 02, F43, R11, R12*

1. Introduction

Agglomeration economies can appear as the result of the geographical association of a large number of economical activities which may not be part of the same sector. Therefore, in many cases, we can notice the focus on certain elements which can become advantages for firms in many sectors: urban transport and the possibilities offered for transport; work markets which are better organized, with work force resources which has diverse qualifications; social management expenses and governmental services; a large array of commercial, financial and juridical assistance.

Growth centers are dominated by sectors which are based on high intensity of capital and high technologies. At the beginning, the regions with a rapid growth rate can go around the less developed regions and maintain commercial relations with up and rising regions. During this time, as interregional exchanges develop, the regions which are less developed will be highly drawn into exchange relations, with many positive effects upon their economy. Of course, there will be some cases where less effective firm, which would only survive in the virtue of their isolation, will be eliminated from the competition by the firms with high efficiency, which come from the other growth centers, but this will only happen when the interregional changes will start to get more important.

During the discussions regarding the growth centers, special attention is being given to the effects of diffusion or "leakage" which come from these centers. As the economy of a country develops, improvement possibilities for the transport connections are being created, thus expansions firms will search for favorable conditions for investing in regions which fell behind.

In this theory, as Fr. Perroux says, the important part is represented by the exterior scale economies. The exterior scale economies appear as a result of the spatial nearness of certain interdependent activities. We can therefore distinguish two times of exterior scale economies: economies which exist because of their placement (placement economies) and economies which exist because of the agglomeration (agglomeration economies).³⁰⁹

309Baldwin, Richard E., Martin, Philippe (2002)– "Agglomeration and regional growth", Handbook of Regional and Urban Economics: Cities and Geography; p. 485.

Placement economies represent the result of the geographical nearness of some enterprises which are part of the same sector. They also include the transfer economies which are manifested as a result of geographical nearness of firms between we can notice input-output connections. These connection economies explain why the nodal points of the transport networks are those places where the costs of distributions and assembling for certain sectors can be diminished. Placement economies are based on a series of reasons. The most important advantages come from the nearness of firms which are part of the same sector, which allows a larger degree of expertise. As a result, costs will be reduced on the long run. For example, specialized firms can set headquarters within an industrial complex or groups of firms can establish certain cooperation relations, such as subcontracting. Besides this, the placement economies also appear from the fact that the geographic proximity of certain which come from the same sector will be great for growth, an innovative activity in that industry. It can lead to the appearance of workforce resources which are qualified and have the necessary experience for that certain sector.

Specialists think that *regional development* is a concept which has started to become known recently in economics literature as well as in state policy. If economical literature managed to explain the main causes of economic disparities between different regions of the European Union, this problem has started to become the main economic policy in the EU in the last two decades, especially after the adherence of Greece, Spain and Portugal, counties which were known for a lower development level when it comes to economy, compared with other countries from the EU and states which are marked by regional lack of equilibrium. Because of this, the stages of growth and economic development which were elaborated by the EU are permanently associated with the complex process of expanding the EU and of eliminating the gaps between the different levels of growth of each country.

The problem of quantifying and emphasizing the imbalance between the levels of development of each country or region is still highly noticeable. We can assume that the best way to put an accent on the problem is through macroeconomic indicators, like the Internal Brute Product or the Internal Brut Product/person, adapted at a regional level. The digression of these regional indicators from the state average can partially quantify the degree of economical development of all regions, and it can also quantify the magnitude of regional disparities. Other indicators can be utilized, such as these ones: the gap between revenue, between the levels of work productivity, between the degree of work force availability, and when it comes to the equipment and access to natural resources, the density of the infrastructure, unemployment rate and so on. The most utilized indicator from these ones is the Internal Brute Product per person because of at least two different reasons: it can show us the volume of the results of the economical activity and it will properly express the revenue (salaries, profit) which was cashed in by those who participated in the economic activity of a certain region.

In conclusion, with all of these side effects, the process of cumulative causality is a reality which is confirmed by the diverse evolution in regional plan, models which were built for the recreation of this process which still need to be perfected for obtaining a clear image and explanation over the causes which determine regional disparities.

2. Putting an accent and characterizing the regional gaps from the European Union

In the Rome Convention, the implementation of a regional policy was not mentioned directly. Even so, we can notice the degree of involvement of EU countries when it comes to strengthening the *unity of their economies and make sure that a steady process of development will take place, and that it will reduce the differences between regions and the delays caused by less developed areas*. The convention mentioned the creation of an European Social Fond which was supposed to help occupy the workforce and the stabilization of workers within the community.

When it comes to regional development within the European Union, two tendencies are obvious: the attenuating of regional disparities (development convergence) and the accentuation of regional disparities (divergence in regional development). These tendencies took place at different moments in time. Until the years 1975, the regional convergence tendency was highlighted and it was manifested through the attenuation of the differences between the Internal Brute Product/capita. The regional convergence was noticed in the frame of every state, but it was also obvious in the regions which were part of different European states. After 1975, an accentuation of the differences between the Internal Brute Product/capita was noticed between countries and areas, accompanied by a worsening unemployment rate. The tendency of regional divergence caused doubts because it can take place even in the high state of development of the EU, when assets, workforce, capital and services have no borders.

After 1990, through the introduction of a policy for regional development by the EU, an attenuation of disparities begun to be noticeable when it comes to the Internal Brute Product/capita and the difference between this indicator in Greece, Ireland, Spain, Portugal and the community average was attenuated by 25%. Strong regional disparities are encountered when you look at the unemployment rate, which used to vary between 4,6% in highly developed areas and 22,5% in less developed areas from Spain, Southern Italy and Greece.

These disparities exist and are highlighted especially between urbanized areas and rural regions. The performances which are most obvious when it comes to economical development and eliminating discrepancies are those from highly urbanized regions. In fact, there is a close connection between the degree of economical development and the degree of urbanization of a region. Rural regions from the EU are characterized through a lower production level and national revenue. It is thought that rural areas from the EU are formed by 20% of the population and can offer 17% of the Internal Brute Product of the entire community. In rural areas, the Internal Brute Product per capita represents 80% of the Internal Brute Product of the community and only 1/6 of the population works in agriculture, the rest being involved in other sectors, especially rural industry.

The regions with a higher degree of urbanization are those areas in which the highest importance within the regional economy is set upon the third sector, prior to the secondary sector. Even if the urbanized areas are sometimes considered to be prosperous regions, they are also the parts of a country which have to deal with the most problems, at least in when it comes to EU countries. At the moment, they have a high pollution degree, poverty, unemployment, dividing the population based on revenue and so on.

The regional disparities from the EU can be noticed from the point of view of the infrastructure. The countries which have the highest problems in this field are Spain, Portugal, Greece and Ireland, for which a new financial instrument has been created in 1988: "the cohesion fond", which offers regional assistance to these countries for financing the projects which have connections with the infrastructure or environment protection.

In 2008, The European Union was expected to reach a level of 1,4% of economical growth and 1,3% in the euro area, with approximately half of point less based on the predictions from April. The main risks which were identified have become a realist, on the base of accentuating financial turbulences, price growth on raw material and large scale propagation of the shocks which were noticed on real estate markets. The rate of inflation was at an average of 3,8% in the EU and 3,6% in the euro area, as a result of the strong and constant growth of the prices for raw materials. On the base of the intensification of global turbulences, during the second trimester of 2008, production has started to get lower in many countries which had strong economies, in some of which the phenomenon was caused by the recession of the real estate sector. The Internal Brute Product was lowered with 0,1% in the EU and with 0,2% in the euro area. This fact mainly represents a consequence of the unexpected growth from the first trimester, which was basically caused by some temporary factors. Besides this, the noticed growth of the price on raw materials,

the persistence of financial turbulences and, in some cases, the shock on the real estate market have lowered the confidence, increased capital costs and they also caused inflation when it comes to consumption prices, fact which affected the internal demand. The economical situation and the global perspectives remain unusually uncertain. After one year from the first financial turbulences, the situation of the international financial systems is still fragile and many credit markets are still seriously affected. Even so, on the best of the intensification of these financial turbulences in the last trimesters of 2008, the decrease of confidence indicators was generalized in many sectors and member states (with a visible decline of the indicator of general perception upon the economy in Spain and the United Kingdom)³¹⁰.

Table 1- The matched index of consumption prices in 2008

	Quarterly HICP forecast (%, year-on-year) 2008				Annual HICP forecast (%, year-on-year) 2008	
	2008/1	2008/2	2008/3	2008/4	<i>Spring forecast April 2008</i>	<i>Interim forecast Sept. 2008</i>
Germany	3.1	3.0	3.3	2.7	2.9	3.0
Spain	4.5	4.7	5.0	4.0	3.8	4.5
France	3.3	3.7	3.8	3.3	3.0	3.5
Italy	3.3	3.8	4.1	3.6	3.0	3.7
Netherlands	1.9	2.0	3.6	3.5	2.7	2.8
Euro area	3.4	3.6	3.9	3.4	3.1	3.6
Poland	4.5	4.3	4.8	4.4	4.3	4.5
United Kingdom	2.4	3.4	4.4	4.3	2.8	3.6
EU27	3.6	3.9	4.2	3.7	3.6	3.8

Several indicators, like industrial production, orders and en detail sales indicate, for the last few months, a decrease in the growth rate, in the EU and euro area alike. The anticipated diminishing of the inflation, which should mainly sustain the available revenue of families and the consumption in the course of the forth trimesters, represents one of the factors which could determine a tendency switch.³¹¹ The regional development made the implementation of a statistic system of NUTSII level in the EUROSTAT list necessary, with the purpose of analyzing and monitoring the disparity in regional development which is still in the course of enhancement. The statistical data show that Romania has entered the transition process having a relatively small level of regional disparity, when compared with other states.

3. Regional Growth and the new economic geografic

The theories regarding regional growth have known a gradual evolution, which was at first marked by treating regions as non spatial elements of the national economy, and after that, by taking into consideration space explicitly.

From the comparative approach of these two large current, a large theoretical problem has appeared, of which practical implications in the regional sphere of policies are obvious. It refers to the rivalry or generative character of the regional growth.

310 Inforegio (http://europa.eu.int/comm/regional_policy/intro/regions5_en.htm).

311 http://ec.europa.eu/economy_finance/thematic_articles/article12054_en.htm.

A consequence of treating regions as non-spatial subdivisions of the national economy is that the regional growth rates are looked upon as being derived from the national economical growth rate, while the possibility of a propulsive impact of the growth of each region upon the rate of national growth is ignored.

The importance of this spatial impact upon regional growth is minimal in the case of the models which are based on the rivalry growth. This phenomenon, in which the inter-regional spatial efficiency of one region can have a feedback effect on the aggregate economical growth rate, is called generative growth.³¹²

The importance of this distinction, besides showing the fact that spatial distribution of resources within the national economy has a significant impact upon the dynamic efficiency, is based in focusing the attention upon the intra-regional efficacy in a more significant way: while the rivalry growth models state that, if production factors are distributed efficiently between regions, the economical growth rate should be maximal, the generative economical growth models strengthen the necessity of the commitment for stimulating the favorable conditions of economical growth in the frame of each region, instead of taking resources from other places, which might be more productive, in other regions.

A function of flat preferences implies a society which is orientated towards economical growth. If the preference functions are abrupt, the society is more receptive to regional redistribution methods. It is possible that even the tangent point can be registered in the frame in which the indifference curve is the correspondent of a negative economical growth rate. Even so, in such scenarios, the circumstances which make the choice of a positive growth rate possible need to be identified along with the cases in which setting an ex-post redistribution of the results of the economical growth.

Traditionally, the economical theory explains the difference of the production structures mainly through its base particularities (geographical placement, vendors, technology) which create special characteristics. In this situation, economical integration will force regions into getting specialized according to the comparative advantages.

Paul Krugman and Anthony J. Venables thought of two production sectors. One of them is with perfect competition and produces perfectly negotiable merchandise, with a constant income level, while the other sector has to deal with imperfect competition, monopoly where firms produce merchandise with rising incomes.³¹³

The model with imperfect competition is based on the fundamental duality of the effects of the economical integration upon the rivalry of the main regions and the periphery ones. The main regions utilize productive factors on a large scale, unlike periphery ones, even if both of them have almost equal possibilities (there is no comparative advantage).

The difference of results is caused by the fact that the base regions have access on the market better than periphery ones because of the competition factors, the growth of revenue and the presence of high costs are forcing workers and firms to settle as close as they can to the large markets from the country. It should be noticed that the minds of the 50s (Hirschman, Myrdal, Perroux) were very insistent when it came to the fact that large markets are those where many firms and workers are present.

The new geographic economy has formalized these factors as a casual and cumulative mechanism, showing that, at the base of the structure and interior particularities, similar regions and even ones that look alike can be differentiated into main rich regions and periphery poor regions. In the beginning, the agglomeration will manifest itself as the preferences of consumers have increased for a large variety of substantial products on the local market. This contributes to

312 Richardson H. (2000), *Regional and Urban Economics*, Edition Pitman Publishing Ltd., London, p. 412.

313 Fujita, M., Krugman, P., Venables, A.J. (1999) – *The spatial economy: cities, regions and international trade*, MIT Press, Cambridge, Mass., 193

the growth of the monopolistic power of local firms in the base of the variety which they offer, diminishing local rivals and stimulating agglomeration.

The growth of the local production gravity in the total of consumer expenses is beneficial for agglomeration because it diminishes the impact of foreign products on the local market. Also, the growth of the real income of firms contributes to the growth of real salaries and allows firms from regions which produce a large variety of interchangeable products to attract workforce without paying for large salaries.

4. Conclusions

The agglomeration economies appear as a result of the geographical association of a large number of economical activities. The attraction in the existent growth of regional center growth leads to a series of anti-current effects which operate in the disadvantage of less developed regions. Besides this, they tend to attract the most valuable elements of work force resource from the less developed regions.

The generative growth models are based on dimension, treating economic national growth rate as the result of growth rates from the region. In this conception, the entire growth is spatially orientated, in other words, it was growing in the frame of any part of the national economy and it comes from a certain place. The performances in the matter of regional growth can be enhanced without causing side effects upon the growth rate of the surrounding regions. The growth rate induced by the innovative process can be put into this context: agglomerations and spatial proximity for any activity in certain cities and regions can induce a rate of innovations higher than the one which would be noticed without agglomerations; similarly, the changes which can appear in the intra-regional distribution of production factors, such as facility, of an efficient intra-regional system can also increase the production efficiency and regional growth rate. The spatial mobility of production factors and the direction of the interregional fluxes determined by the gaps between regions explain the problem of long term convergence of the economical development on a regional plan.

Placement economies represent the result of the geographical compression of certain enterprises which belong to the same sector. They include transfer economies (of connection) which are manifested as a result of geographic proximity of the firms between which input-output connection exists. These connection economies explain why the main points of the transport networks are those placements in which some distribution and assembly costs can be minimized. The new geographic economy shows that at the base of the structure and on the interior particularities, similar regions can be differentiated in main rich regions and poor periphery regions. In the beginning, the agglomeration is manifested based on the growth of consumer's preferences for a wide variety of interchangeable products on the local market. This contributes to the growth of the monopolistic power of local firms in the base of the varieties which they offer, diminishing local competition and stimulating agglomeration.

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THE ECONOMIC CONVERGENCE IN THE EUROPEAN MODEL

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The economic convergence consists in the very close, even identical evolutions of one variable in two different countries or regions. Within the European model, the macroeconomic and cohesion policies insure a good substantiation of the sustained economic growth. The achievement of the Single Market had positive effects upon the European economy as a whole, but these benefits have not been equally distributed among states, regions and social groups. The market is the most efficient mechanism of resource allocation within the economy, but it is not the tool insuring the distribution of the registered benefits. For this reason, the mechanisms of the cohesion policy can improve the tendencies of the economic activities concentration, once the economic integration process has intensified.

In this paper, the authors propose to explain the defining elements of the European model, emphasizing the connection between the convergence process and real economic growth process. In this sense, we will present the European model of regional growth, which contributes to the achievement of a real economic convergence process.

Keywords: European model, economic convergence, economic growth

JEL Classification: R13, R15, O47

1. Introduction

The theories regarding regional growth have met a gradually evolution, marker at the beginning by treating regions as non spatial elements of the national economy, and then by taking the space into consideration.

The neoclassical models are based upon the hypothesis of perfect competition, of full used of production factors and their perfect mobility. Maybe one of the most concerning economic issues, for economists, mathematicians and statesmen is the one of the economic growth. This is because of the major impact the economic growth has upon the whole population of a country, so consequently, the achievement and maintenance of a sustained growth rhythm is a major objective of macroeconomic policy in any country.

The direct consequence has been that the long term growth rate of these models becomes dependent upon demographic factors, such as population growth rate, labor force structure, the increase of labor force productivity (the technological change), all these factors being considered, until the Solow – Swan model, exogenous. Only the policies could contribute the long term growth, although it was clear that population growth and the qualification programs were determining an increasing efficiency of the labor force. From that moment, the theory of economic growth evolved rapidly, with two distinct generations of models.

The first generation is inspired by the **neoclassical Solow – Swan model** which, until the '60s of the last century, has dominated the specialty literature. These models had associated exogenous sources of long term growth, so they have been called the **models of exogenous growth**. The interest for such models started to decrease around the year 1970, when economists focused their attention upon other things with a more important immediate significance, such as inflation, unemployment, and oil shocks, so the models of exogenous growth have become obsolete, being replaced by macroeconomic of macroeconometric models.³¹⁴

314 Solow, R., A contribution to the theory of economic growth, Journal of Economics, nr. 70, 1956, p.63.

Starting with the '80s, (Romer,1986), there is an increased interest for the theory of economic growth, consequently the second generation of economic growth models is born. Within these models, there are substantial improvements, such as: an attempt of explaining aspects related to data which were not discussed in the neoclassical model; a more satisfactory explanation of the differences among the economic growth rates of different countries; a central attention on knowledge accumulation; a more important role for the instruments of macroeconomic policy in explaining the growth process. These new models try to explain the long term growth rate as a result of rational agents' behavior in the economy, who are optimizing their behaviors, reflecting the structural characteristics of the economy, such as technology and preferences for consumption and savings, as well as the role of macroeconomic policy. For these reasons, these models are known under the name of models of endogenous growth.

A region can have a reduced growth of the total output and a rapid growth of the per capita output at the same time, if the process of emigration from the particular region registers significant quotes in the studied period. The most common of them are: total output growth of a region, output growth per occupied person or output growth on each inhabitant. The output can be measured with the help of: the total production of a region, the Internal Brute Product of the region or the internal net product of the region.

This is why this problem appears: how do find the most appropriate way of measuring regional growth? This, however, depends on the purpose for which you are about to make the measurement. Because of this, the growth of the total output is utilized as an indicator of the growth of the productivity capacity of a certain region, which mainly depends on the extent in which that region attracts capital and workforce from other regions. The output growth per occupied person is often utilized as an indicator of changes in the completion of the region through the growth of productivity. The growth of output per capita indicates the changes in the economical welfare of a region. Therefore, you can't say that one of these measures is the best, because each one is useful in its own way³¹⁵.

Another controversial problem which is connected to the disparities from regional growth refers to the long term vision over the consequences if regional growth. Therefore, according to the neoclassic model, which accentuates the role of the offer, regional growth can lead to convergence in the economical and social development of regions, whilst the vision of the models based on the post-Keynesian approach of demand (model which was based on the potential of export, the model of cumulative causes) regional growth accentuates divergence. In connection with the two visions upon the consequences of regional growth, the complementary method has started to appear, according to the general level of development, the options for economical policies of a country and the specific problems of different parts of the territorial system.

2. The European model

The development of the macro-economical approach of the economic growth was based on the contributions offered by Solow (1956) and Swan (1956). Their arguments were later applied in the case of regions (Armstrong and Taylow, 1993, 2000, Richardson, 1973, McCann, 2001). The neoclassical approach of the regional growth has two major components. The first one refers to the problem of allocating production factors in a regional plan and their migration, the analysis being based upon the analytic frame offered by the unisectorial and bisectorial neoclassical model. The second part refers to the relation between production factors and the technological changes.

In essence, the neoclassical models are based on the hypotheses of perfect competition, on the full use of production factors and their perfect mobility. Maybe no other economical problem has

315 Berinde M., Regionalism și multimaterialism în comerțul internațional, Editura Universității din Oradea, 2004, pag. 75.

trouble economists, mathematicians and politicians as much as the problem of economic growth. We think that this problem has appeared because of the major impact that the economic growth has on the entire population of a certain country, which makes reaching for maintaining a sustained growth rate a major objective of the macro-economical policy from any country. The concept of long term economical growth was first used by Solow (1956) and Swan (1956) in a macro-economic model which has become a classic, adding within the growth models created by classic economists (Ramsey and Havelmomo) a relation which expresses the growth of population and a condition regarding the effective use of workforce. The direct consequence was that the long term growth rate of these models become depended of demographic factors, such as the population growth rate, the workforce structure, its productivity growth (technological change), all of these factors being considered external, until the Solow – Swan model. Therefore, only policies could have contributed to a long term increase, even if the population growth and the programs for enhancing qualifications were obviously determining the growth of workforce. From that point forward, the economical growth theory evolved rapidly under the form of two distinct generations of models. The first generation is inspired by the neoclassical Solow – Swan model, which, until the early 60's of the past century, dominated literature in this field. These models had associated exterior long term growth sources, which led to them being named external models of growth. The interest for these types of models has started to wear off around 1970, when economists have turned their attention towards other things which had a more important role at that time, such as inflation, unemployment and petroleum shocks, thus the models of exterior growth have been forgotten, being replaced by macro-ecometric and macro-economic models.

Besides these factors, the interregional migration of production factors also exerts a considerably large influence upon regional growth. According to the neoclassic model, capital will move towards the regions which offer the highest rates of efficiency, producers will search for the most profitable locations for their plants and equipments and workers will be attracted by the regions which offer the highest paychecks. As a result, disparities in regional growth are manifested not only as a result of endogen capital and workforce growth (through growth of population and accumulation), but also as a result of the interregional migration of factors.³¹⁶

The problem which appears is identifying the regions with the fastest growth, if we assume that the workforce and capital are completely mobile. According to the neoclassic model, the regions with a high fixed capital-workforce ratio will offer high salaries, while investments in these regions will be lowered. This leads to the prediction that the workforce and the capital will go in opposite directions: regions with a high ratio of capital-workforce will notice a high flow of workforce and a reflux of capital, whilst regions with a low capita-force ration will go the opposite.

The regions in which salaries are at a lower level will attract capital and they will lose workforce, and regions in which salaries are high will attract workforce and they will lose capital. Because the capital-workforce ratio will be increasing in the low salary regions (as it will be decreasing in regions with higher salaries), the output per worker will grow more rapidly in the regions with lower salaries than in those which high salaries. In conclusion, taking into account the fact that spatial mobility of production factor and the direction of interregional fluxes determined by regional disparities, the neoclassical model leads to the idea of long term convergence of the economical development on a regional plan.

The classical analysis of regional growth and appropriate regional policies refers to *the possibility of solving the conflict between efficiency and equity*. If the regions with low incomes were offering the perspective of a high efficiency in using their capacities, these goals wouldn't be anymore opposite. But the agglomerations economies, the market opportunities and other factors

316 Constantin D.L., *Introducere în teoria și practica dezvoltării regionale*, Editura Economica, București, 2000, pag.95.

action in favor of rich regions. This is why, usually, one must admit a series of “compensations” between efficiency and equity.

The construction of the European model of regional growth is based on identifying an *indifference curve between the alternative rates of economic growth and the index of regional equity*. A flat preference function implies a society orientated towards economic growth. More abrupt the preference functions are, more the society is receptive to the regional redistribution measures. However, in such cases, one must identify the circumstances that allow the choice of a positive growth rate and that achieve an ex-post redistribution of the economic growth results. In conclusion, each economic growth rate implies a certain inter-regional distribution. In this way, there are many alternative inter-regional distributions who can lead to the same economic growth rate. In the European model, the objectives of the regional policy can be reduced at two: the maximizing of economic growth on the national economy level (efficiency); the reduction of inter-regional disparities concerning the incomes, the well-being, the regions economic growth (equity).³¹⁷

However, it is not absolute necessary to hierarchy the two objectives, or to adopt the hypothesis of linear programming problems. A less restrictive approach is the *construction of an indifference curve between the alternative economic growth rates and the index of regional equity*. In a simplified manner, one assumes that each economic growth rate implies a certain inter-regional distribution. But in reality, there are many inter-regional alternative distributions, who can lead to the same economic growth rate.

3. The economic convergence

The economic convergence consists in the very close, even identical evolutions of one variable in two different countries or regions. The nominal convergence refers to the close evolutions of economic variables, which influence the stability of the exchange rate and of prices (prices, costs, balance sheet, etc.). The real convergence refers to the close evolutions of variables concerning the economic and social conditions.

In order to measure the real convergence, some quantitative *criteria* have been proposed: the GDP growth; the GDP/capita; the level of unemployment; the current account, as % of GDP; the competitive indicator, in comparison with Germany³¹⁸.

The real convergence among the candidate countries and the member countries is important, assuring the cohesion at the EU 25, EU 27 level.

The real convergence becomes possible if: there is a consistent investment effort favoured by a high rate of savings and of FDI (as part of GDP); there is an increase in the qualification level and receptivity at new of the labour force; there is an increased competition and productivity; there is an increasing social cohesion and a generalized modernization of the country.

The progress of the real convergence process is emphasized by the economic growth rate and productivity rate³¹⁹. Is there a process of real convergence among the EU 25 members, synonymous with catching-up for the 8 Central and Eastern Europe new members? If such a process exists, what is the speed of economic catching-up? In order to answer these questions, we will use the β -convergence hypothesis³²⁰.

It has been noticed that less-developed countries, such as Romania, Bulgaria, Latvia and Lithuania, have greater convergence speeds than the richest EU countries. Romania has the biggest convergence speed of the sample (4,66% per year), while Luxembourg and Ireland have

317 H. Richardson, *Regional and Urban Economics*, Pitman Publishing Ltd., London, 2000, p. 125.

318 C. Hen and J. Leonard, *Uniunea Europeana*, Editura CNI Coresi International, Bucuresti, 2002, p. 201.

319 D. Marin, C. Socol and M. Marin, *Economie Europeana. O prezentare sinoptica*, Editura Economica, Bucuresti, 2004, p. 129.

320 Anna Tykhonenko, *L'élargissement de l'UE vers l'Est : vers une Europe à combien de vitesses ?*, Université de Nice Sophia-Antipolis, 2003, p. 263.

the lowest convergence speeds (3,3% per year for Luxembourg, 3,34% per year for Ireland). These numbers are not surprising, because the 2 countries had an economic “take-off” (in the '80, for the Luxembourg, and more recently for Ireland). The other members of the EU 15 have an average convergence speed of 3,78% per year. The new EU members have an average convergence speed of 4% per year, while Bulgaria's speed is of 4,137% and Romania's of 4,66% (the highest). These results indicate, once again, that the poor countries have greater convergence speed than the rich countries. After May the 1st 2004, the EU has seen its heterogeneity increasing. Ever, during the previous enlargements, there have not been such disparities per capita. The EU must face a very large and unequal fan of resources and development. After the last enlargement, the EU surface has increased by 33%, while its GDP in PPP only by 15%. This indicates the increased heterogeneity within the Union.

Even taking into consideration the previous enlargements, it is difficult to estimate the possibilities of a quick catching-up with the average European level. Greece and Ireland are two examples of different catching-up speeds. For the new EU members, the catching-up capacities are more uncertain, given the structural and institutional inertia. This inertia, as well as the economic delay, represent obstacles for a homogeneous Europe. The EU accession doesn't mean necessarily the standardization of the economic development directions, on the contrary. It is likely to see a “Europe at multiple speeds”. In December 2004, Romania has officially closed the accession negotiations with the EU. According to the Commission Report, Romania has a competitive market economy, as well as the capacity of facing the competitive pressure and the market forces within the Union. Also, Romania has the capacity of fulfilling its member obligations. But are these Copenhagen criteria enough to ensure Romania's successful participation at the EU single market? The standard of living, the GDP/capita in Romania are strongly bellow the EU average. How will Romania be affected, after its accession to the EU?

In order to better appreciate Romania's preparation for the EU accession, we must understand the concept of convergence, with its two components: the nominal and the real convergence.

4. Conclusions

The classical analyze of regional growth and regional polices refers to the possibility of solving the conflict between efficiency and equity. If the regions with low revenue would offer the perspective of higher efficiency of using the capacity, these purposes wouldn't be opposite to each other. But in agglomerate economics, the opportunities offered by the market and other factors acts in the favor of proper regions. Because of this, you will usually have to accept a series of compensations between efficiency and equity.

The European model of regional growth is based on identifying an indifference curve between alternative economical growth rates and the regional equity index. A function of flat preference implies a society that is orientated towards economical growth. The more abrupt the preference functions are, the more receptive society will be when faced with the redistribution measures in regional plan. However, in such cases you need to identify the circumstances which make choosing a positive growth rate possible and you need to realize an ex-post redistribution of the resulted economical growth. In conclusion, each economical growth rate implies a certain interregional distribution. Therefore, there are many alternative interregional distributions which can lead to the same economic growth rate.

The capacity of a country for a sustainable real convergence process is influenced by the following factors: the employment of the labour force, by restructuring the economic activities; the capital accumulation, through the foreign direct investments, the financial sector and the structural funds; the increase of the overall productivity of the factors, through technology transfers, an adequate economic and institutional environment, and through the education and the qualification of the labour force; infrastructure investments, research-development investments;

efficient use of money, for each purpose; macroeconomic stability for a sustained economic growth rate.

The partnership with the EU does not guarantee the catching-up process, although it turns it easier to be accomplished. The real convergence is a long term objective, so the economic growth should be supported internally and externally as well. We must also notice that the real convergence process is not necessarily a continuous one. The economic integration is easier for a high competitive economy. In this process, the most important role is played by the internal potential of the countries. Romania has done remarkable efforts, trying to accomplish the Copenhagen criteria and to successfully close the negotiations in 2004. Still, in order to benefit from the advantages of the Single Market, more efforts are to be taken, concerning the catching-up process.

In 2004, Romania's GDP/capita represented 29% of EU's GDP. What are the measures to be taken, in order to insure a decrease of Romania – EU disparities? The main priorities, for the Romanian authorities, should be a stable economic growth, on the long term, conditioned by financial discipline, macroeconomic stabilisation, the development of the financial system, improved business environment. If these measures are not taken, the nominal convergence process can negatively affect the real convergence process.

In this respect, some institutional measures to be taken are: rigorous establishment of the property rights; the consolidation of the institutional framework, in order to avoid informal institutionalisation, generating corruption; investment in education and technology, in adequate institutional infrastructures; support to the financial and telecommunication sectors.

In the governmental field, the following measures can be taken: the restructuring of the public financial system; the cut of fiscal transfers towards inefficient sectors, and their reorientation toward the institutional consolidation effort; governmental decentralization, and an increased fiscal autonomy for the local authorities.

Also, the private initiative should be stimulated in less developed regions, because the income inequalities can affect the efficacy of structural and institutional reforms.

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ECOLOGICAL AGRICULTURE – ENGINE OF SUSTAINABLE DEVELOPMENT IN ROMANIA

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The development of organic farming is seen as the only alternative for the third millennium. The relation agriculture - food - health is increasingly obvious, because most of the "diseases of civilization" are attributed to the inadequate quality of diet, following the excesses of use of chemicals in intensive technology and as such the market of "bio" products is more demanded and more appreciated. Ecological agriculture minimizes global environmental problems such as acid rain, global warming, reduction of biodiversity and desertification. Organic farming has a great contribution to a lasting economic development and plays an important role in the improvement of the environment, preservation of soil, improvement of water quality, biodiversity and protection of nature and may move ahead in the rural economy and make it viable by expanding economic activities with high added value and generate jobs in rural areas.

Keywords: ecological agriculture, organic farming, organic products, biodiversity.

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The development of organic farming is seen as the only alternative for the third millennium. The relation AGRICULTURE - FOOD - HEALTH is increasingly obvious, because most of the "diseases of civilization" are attributed to the inadequate quality of diet, following the excesses of use of chemicals in intensive technology and as such the market of "bio" products is more demanded and more appreciated.

The organic farming is a dynamic sector in Romania, which has undergone in recent years an upward trend, both in the plant and livestock sector.

One of the essential conditions for the development of organic farming is to promote the concept of organic farming in order for consumer to become aware of the benefits of organic products' consumption so that they offer a higher price for cleaner products whose quality is guaranteed by an inspection body.

Europe and especially Western countries have began to organize this activity since the years 1935-1940, but the first signs of recognition of the productive and commercial activity dates from the year 1980, when organic farming is recognized both by the market, and by governments, national and international organizations. After 1990, the development becomes spectacular, and at the level of 1997 organic farming in Western Europe will hold a share of 0.44% of the agricultural area, and 1,995,435 ha, and in 1999 reaches 2.1% of total and 2,858,339 ha. Countries like Italy, Australia, Spain, UK, Germany, France etc. may be given as example in this respect.

Recent statistics published by SOEL - SURVEY, INFOAM, EUROSTAT, and USDA show that organic farming is rapidly growing, being used in over 100 countries across 5 continents, including successful and concerns in many other countries.

In 2005, the largest number of organic farms was in Italy (56.4 thousand hectares), Turkey (18.4 thousand hectares) and Austria (18.3 thousand hectares) and the percentage of the largest number of organic farms was in Liechtenstein (28%), Switzerland (10.2%) and Austria (9.3%).

Organic farming creates a strong link between the rural and metropolitan environments of the European Union and brings huge social and financial benefits for the members of these communities. Organic processors and retailers and distributors are equally interested in the aims

of farmers practicing organic farming in particular - to obtain fresh and authentic food by processes designed to respect nature and its systems.

The most important principles for processing organic products include: - restricting the use of additives and additional substances that may be used in preparing organic foods; - restricting the use of synthetic chemicals; - to prohibit the use of genetically modified organisms (GMOS).

While organic farming seeks to keep in touch with its traditional roots and keep the harmony with nature, the processing of agricultural eco products reflects the abundance of tastes and culinary preferences of the modern consumer. So, in addition to the wide range of fruits, vegetables and delicious meat, modern organic products can and even include baby food, wines made from organic grapes, beer, yogurt, cakes, pastry, breakfast cereals, juices fruit, coffee, tea., etc.

Because farmers practicing organic farming tend to choose varieties of plants and animals less known, but which have a greater resistance to pests and diseases and better adaptability to local and seasonal conditions, the processing of organic products has a wider range of products.

While organic farming is a modern production of food, its roots are in the traditional agriculture and keeps knowledge of these system – such as: - work in harmony with nature and never against it - multi- annual rotation of crops; - use of manures as fertilizer and cultivation only of what the farm can produce naturally, instead of using chemical fertilizers and other inputs; - stimulating natural resistance to diseases and pests in plants so as to animals, instead of using pesticides and veterinary products; - ensure regular exercise for the animals, access to quality food and grazing in the open air to maintain health.

But farmers who practice organic farming use modern technology and research and development, allowing the development of organic farming in its traditional framework. For example, these may include: - analysis of soil and crop rotation and balancing the meadows, on the basis of scientific knowledge, to ensure correct content of nutrients for crops; - identify and fine balance of ingredients in animal food to ensure the food and nutritional needs of different animal species; - use of specialized equipment, such as the mechanic weeds rake to control weeds without using herbicides; - analysis of data for modern research to choose most suitable plant varieties for organic crops.

The increase of consumer demand for organic food has created opportunities for all sectors in the chain of production, distribution and marketing, which have contributed to an increase of the economic and social development of many rural areas in the EU. The annual growth of the market for organic products is 10-15%. Besides providing greater financial security of producers, processors, distributors and retailers of organic products, the economic benefits of this trend will inevitably have an effect on other businesses in rural areas and the whole rural community - both directly and indirectly.

The importance of organic farming extension follows from the following **benefits**: - Less contaminated products of agriculture, water and air. Non pesticides (herbicides, insecticides, fungicides) determining a substantially lower risk of contamination of agricultural products. This means that agricultural products are healthy organic products, safe for human and animal consumption. - Safe working conditions for farmers. It is well known that many farmers die annually due to pesticide use, particularly in third world countries. Even in countries where agriculture is modern and where knowledge of labor safety is well known, the rate of certain forms of cancer among farmers is higher than in the vast mass of population, which is caused by the use of pesticides. - Biodiversity. Use of pesticides is a threat to both plants and animals, and humans. Pesticides threaten the survival of certain species of wild plants and animals, but more than that, their use limits in general crop biodiversity in neighboring areas. Soil fertility and health are maintained through organic practices such as crop rotation, manual works, pullulate, composting and mulch. Conventional agriculture has resulted in lower organic matter content in soil and accumulation of toxic compounds through the use of pesticides. By using organic fertilizers in organic farming it is maintained and increased the percentage of soil organic matter.

- Lower losses of nutrients through water transportation. Intake of organic fertilizers and non-chemical fertilizers reduce the risk of nutrients laundering, an enormous problem in many countries and a threat to drinking water and lakes, rivers, seas and oceans. - Reduce soil erosion. Both the soil and soil erosion reduction can be achieved by keeping the land covered as much as possible, either by mulch, or the cultivation of cover crops. - Better management of water factor. Soil improvement (increase in organic content and improvement of structure) and a better coverage of it (mulch, crop protection etc.) lead to reduction of water in organic agriculture. High content of organic matter in soil in ecological farming systems leads to better retention and conservation of water in the soil, which has the effect of reducing irrigation needs. - High nutritional quality of organic products. Organic products are characterized by a higher content in dry substance, namely amino acids, vitamins, mineral salts, oils. - Minimizing the contribution of agriculture to global environmental problems. Ecological agriculture minimizes global environmental problems such as acid rain, global warming, reduction of biodiversity and desertification. Organic farming reduces the emission of gases responsible for the greenhouse effect (CO₂, methane and nitrogen oxides), studies showing that the emission of CO₂ in an ecological system is 40-60% lower at the level of hectare than in a conventional agriculture system.

Because we have mentioned the numerous benefits of practicing on a large scale organic farming, we must mention the existence of disadvantages such as:

a) low level of efficiency. In the ecological agriculture, productions per unit area are lower compared with conventional agricultural systems. Low efficiency is recorded especially during conversion from conventional agriculture to ecological agriculture, and it requires a time until the level of agricultural ecosystem is ecologically restored, then the production level becomes stable.

b) Rate of recovery of organic agricultural products is higher than that of conventional products. As such, if in developed countries they are accessible to the majority population, in less developed countries, where it is still important the quantitative aspect of food, organic products are accessible to the segment of consumers with opportunities above average population.

c) The need to support organic farming. Even in developed countries where ecological agriculture has a higher importance; it has been and is still supported by various economic levers (allowances, tax exemptions, etc.). Currently, these forms of support for organic farming are discarded for various reasons, it is noticed the return of farmers to conventional agriculture.

d) Organoleptic characteristics (appearance, taste) sometimes deficient in certain agricultural products. There is the possibility that some organic products as a result of non-use of chemicals to combat pests and diseases, growth regulators and other chemicals, to have a deficient commercial aspect (smaller fruit with spots on them, etc.) but this negative aspect is fully compensated by the nutritive and biological value of these products.

e) The false organic products on the market. Some traders are attracted by high profits and the price of organic products and sell conventional agricultural products as organic.

f) The control and certification process must be improved. Because organic products are marketed in this form, they must be checked and verified by laboratories. These labs should be accessible to agricultural producers, both in time and space, and in financial terms. For example, organic products obtained in Romania are sent for inspection in laboratories of other countries, given the lack of such laboratories in our country.

Organic farming as an alternative to conventional agriculture has experienced in recent years a dynamic evolution. Thus in 2007, organic farming was practiced on a total area of 170,000 ha, 10 times greater than in 2000 and 1.3% more compared to 2006. It was stipulated for 2008 an increase to 210,000 ha and the forecast was exceeded, statistics showing that at the end of 2008 there were 220 000 ha cultivated ecologically, so increasing by nearly 30% compared to 2007. It is also noted the increasing number of operators who practice this system of agriculture: from

3409 in 2006, to 3834 in 2007. For the end of 2009, it is stated that ecological agriculture will include 300,000 hectares, which would represent two percent of the agricultural area of the country. The total production in the organic farming in 2007 was approx. 200 thousand tons, registering a growth of approx. 13% compared to 2006.

The range of processed products was diversified in 2007. Unlike previous years, new products were produced: processed soy products (milk and tofu) various types of bread, pasta, processed products of rice, cereal flakes, tea from plants and berries, apple juice, processed products from snails, berries juices etc.

In 2007, they exported approx. 80 thousand tons of organic products with a value of approx. Euro 65 million which represents an increase of approx. 20% compared to 2006.

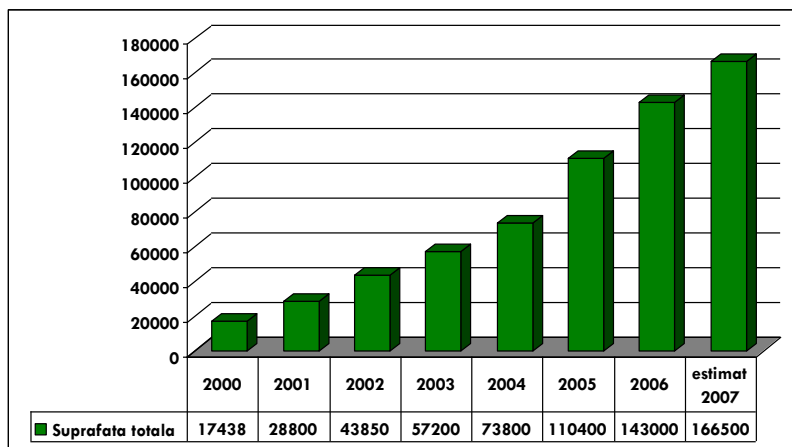
The main products exported were: oleaginous and protean products, grains, berries and mushrooms, processed milk products, honey and derivatives, sunflower oil, etc. The Romanian products have been marketed in Germany, Italy, Greece, Switzerland, Netherlands and France.

Demands on domestic and foreign markets are growing rapidly, and to cover them the organic areas should increase 6 times. There are required raw materials and finished products such as eggs, oils of sunflower and rape, milk products (especially cheese) and honey.

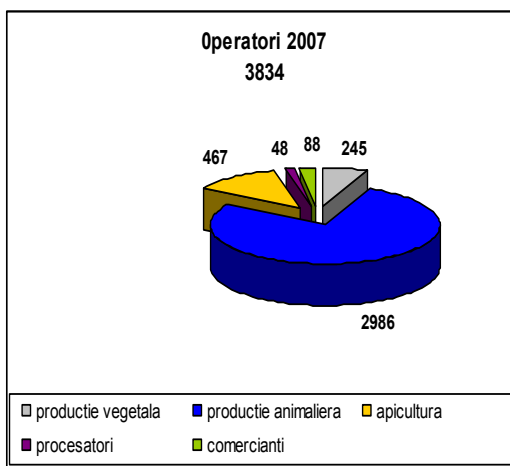
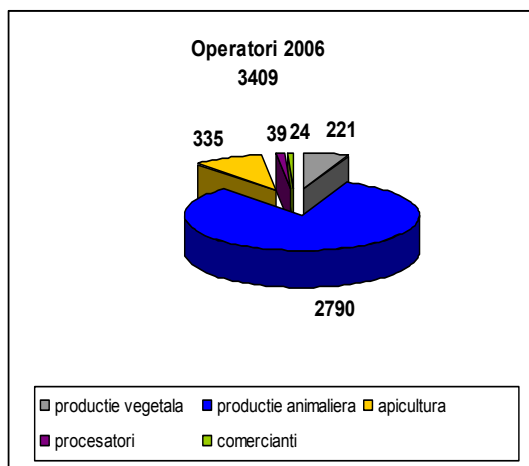
The value of imports in 2007 was approx. 3 million Euro compared to 2 million Euro in 2006.

The main products imported were: brown sugar from sugar cane, coffee, chocolate, beverages made from soy, fruit juices, etc.

EVOLUTION OF AREAS IN ORGANIC FARMING



OPERATORS IN ECOLOGICAL AGRICULTURE



Romania undertakes a *quality objective*, namely the placement of organic farming in the Romanian agriculture as an engine of sustainable development, which is justified by: - an economically viable application of the growing market - a guarantee of the production process which complies with the farming environment and animal welfare - an actual capitalization of products at prices 20-60% higher than conventional products - a real opportunity to revitalize the countryside and raising the quality of life; and a *quantity objective*, to increase areas planted in organic farming as follows: as of 1 Jan. 2010 at 337,000 ha, which would represent 2.27% of the agricultural area of the country and as objective on medium term, until 2013 ecological agriculture to reach 754,000 ha, i.e. 5, 08% of total agricultural area of the country.

In conclusion, organic farming has a great contribution to a lasting economic development and plays an important role in the improvement of the environment, preservation of soil, improvement of water quality, biodiversity and protection of nature and may move ahead in the rural economy and make it viable by expanding economic activities with high added value and generate jobs in rural areas.

Practicing organic farming entails, among other things, the refusal to use genetically modified organisms. In the European Union, countries that have banned GMOs are the largest producers of organic crops. Italy, Germany, Austria and France are growing every year more and more areas with ecological plants. More and more consumers in those countries prefer an organic diet for a healthier life. Regarding areas planted organically, our country is on the 44th place in the world from a total of 122 countries according to the publication "The world of organic agriculture in 2008".

However, in Europe, organic crops cover currently less than one quarter of the agricultural area of the continent.

Romania has appropriate conditions to promote organic farming, such as: fertile and productive soil; the Romanian traditional agriculture is based on approaches that do not harm the environment and there are opportunities to identify areas where unpolluted organic farming could be developed;

The achievement of export targets is linked to other objectives (on short, medium and long periods) that can help improve the competitiveness of Romanian ecological sector in the future: increasing the number of operators in the sector that receive financial support from the Romanian Government Programs and the EU; increasing the role of non-governmental organizations (NGOs) in this sector for the development of organic products trade; association of small producers of organic farming in order to cooperate in the marketing of organic products; increasing the number of municipal and regional organizations directly involved in the National Export Strategy in the initial phase; increasing investment in export related activities in rural areas; increasing investments in activities related to organic agricultural products exported from less developed rural areas, increasing production of organic farming; increasing the number of companies involved in exporting activities of primary and processed agricultural organic products; increasing the number of approved investment projects .

In 2007, ecological goods produced in Romania amounted to 120 million Euros, half of it going to export. Exports of agricultural products and organic food in Romania represented 8% of total exports of agricultural products and foodstuffs of Romania, in value terms. As a new member of EU, Romania does not have the whole range of European subsidies that the old countries have. So Romania has to rely more on itself in order to develop agriculture. In our opinion, the fact that agriculture is less developed in Romania is an advantage, because it will be much easier to develop the organic farming. As we are less dependent on chemical inputs from abroad, the more Romanian agriculture may cope with the global crisis and climate change.

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THE ROMANIAN MIGRATIONAL EVOLUTION PHENOMENON

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In our contemporary democratic society the migration phenomenon meets unknown valences in any previous societies. Free will and right to self-determination, much exploited by the XX century society., raised the possibility of interpretation of migration as a last possibility penalty governance bankrupt a nation. Abolishing the borders as obstacles to free the circulation of citizens of Eastern Europe was possible only in the economic stability of countries and equal opportunities for work and life. The effects of migration are felt on short term and long term being positive and negative and they are felt in the country of origin and host country alike and are presented and analyzed in this study.

Keywords: migration, unemployment, effects of migration, labor market.

Cod JEL: J

Migration has already aroused much controversy not only in political circles, but even in the most intimate layers of society, namely the interpersonal level, emotionally and physically dividing friends and families and communities. Addressing this problem is not simple, because of the complexity of the subject and the social implications of their behavior. Reviews of different causes that cause the phenomenon are generally known - the desire for higher earnings - professional development opportunities, - the existence of a low standard of living - the desire for equality and justice between members of society - more decent conditions of life for children(health and education). And the list can continue with other causes, but I hope to have remembered, at least the most significant arguments of the social nature which, unfortunately, have a higher power of persuasion than any other.

Too little is known that migration entails in many instances less pleasant circumstances. Like any dream, migration also is accompanied by blind over-optimism perceiving only the proper elements of that decision. Migration has experienced a rapid expansion in 1970 registering 82 million people and in 2000 reached 175 million, the latest statistics worldwide recorded in 2008, 200 million people, and between 1980-2000 the number immigrants from developed countries increased from 48 to 110 million, in developing countries from 52 to 65 million people.

In our contemporary democratic society the migration phenomenon meets unknown valences in any previous societies. Just free will and right to self-determination, much exploited by the sec. XX, raised the possibility of interpretation of migration as a possibility last penalty governance bankrupt a nation. Abolishing the borders as obstacles to free the circulation of citizens of Eastern Europe was possible only in the economic stability of countries and equal opportunities for work and life. There is every reason to believe that the situation of immigrants, whatever their country of origin will change dramatically in the next period and the number of legal and illegal immigrants will decrease rapidly. Over 191 million people last year lived outside their countries of origin, is shown in a report by the United Nations on international immigration. Most immigrants live in the U.S., Russia and Germany. France is ranked fifth, while the UK ranks 9. After the end of the Second World War, Europe saw a large wave of refugees, about 30 million, which were running away from the fights devastated areas, many installed in the United States,

the Commonwealth countries or the west area of Germany. Needs for reconstruction of the postwar period made changes among the workers with adequate reserves of strength to work (Italy, Netherlands, West Germany) and countries with deficient labor force (France and Belgium). The 1970s mark an economic crisis, being created by the emergence of new industrial production technologies that required better trained people and less numerous. Early 1980s is characterized by massive increase in the number of requests for political asylum as a result of the increasing conflicts in the world, the number of people reaching 8.5 million, 1985 is known as the year with the largest movements after 1945 by 1.5 million people on the east-west.

Countries in Central Europe are countries of emigration, recorded in 1990 in Romania between 600,000 - 800,000 and 250,000 departures He Bulgaria, at the same time these countries is a "bridge head" to the west, especially for immigrants from the Middle East their way into Central Europe and Germany. The enlargement of the European Union has created high hopes for rapid economic growth and raising the standard of living for new members and on the other side it "led to worries" on the loss of jobs and increasing the unemployment in the European Union.

Since 2004 tens of thousands of Asians have found jobs in factories in Poland, the Czech Republic and Slovakia, they have practically taken the jobs that a million Poles and hundreds of thousands of Czechs, Baltic, the Slovaks and Hungarians have abandoned in turn when they have migrated to European Union countries: Ireland, United Kingdom and Sweden. Over two million Poles have emigrated after the accession of Poland into the European Union (May 2004), the last four years, more than 800,000 eastern Europeans have migrated to the UK. Germany has absorbed over the same period 37% of Eastern European immigrants who arrived before and after enlargement of the European Union, Italy has assimilated 22%, Greece 11% and only 8.3% were directed to Switzerland and Britain, in the first year after Romania joins the European Union about the Romanian one million have migrated to Italy and Spain. If at the beginning of enlargement to Central Europe to Eastern countries such as Germany, Spain, Austria and have open borders for citizens of new Member States, in 2009 the position of these states is to take place in as much as labor migration by 2011. Research done after the last enlargement of the European Union, shows that there are other countries who left the greatest number of people: Lithuania, Cyprus, Poland, Latvia, Slovakia, Estonia and Portugal. Differences between labor costs show that there is sufficient investment for Western firms to move manufacturing activities in new Member States, Western companies allocate jobs to Central and Eastern Europe, where labor is relatively cheap as needed foreign investment can stimulate trade with the European Union. Another advantage is that labor migration brings economic gains to the host country. In these circumstances, was provisionally established a commitment that the present Member States will have the right to restrict the flow of work from Central and Eastern Europe for seven years. If economic growth rate will encourage employment and economic development in the new Member States will determine the prospects for workers in these countries to remain at her home. The current economic crisis will return to their home many immigrants, which make more difficult the management of anti-crisis policies, the number of unemployed is much higher. Likely that these effects will feel better by mid-2009. Temporary unemployment insurance and to support those seeking work will facilitate more effective change than laws designed to protect employment. Enlargement will force a redistribution of labor between industries and countries, especially in Member States and the cities close to the new Member States, and will provide another boost with a realization of such reforms.

Between 2 and 4 million Romanian are leaving to work abroad, most of them aged between 20 and 35 years, meaning is in the fertile period. Note that only in 2000, Romania has fueled the international market with dozens of immigrants and hundreds of thousands of people, more than half of whom were female, only 20% having higher education and over 20% without being education. Nobody knows exactly how many Romanians work abroad, given that a good part of them work "in the black", others with seasonal contracts or simply commute daily or weekly,

especially in Hungary. Estimates range from 1 to 3 million people. In the first phase in 1990-1995, there were five destinations for Romanians having a share of over 7% of total departures: Israel, Turkey, Hungary and Germany, and during 1996-2002 the Romanian favorite destinations were Canada, Spain and USA; Romanians after 2002 have focused departures to Spain and Italy. At individual level the share of persons aged 18-59 years who work outside the country reached 12%. Romania has lost a quarter of the active population of the country, areas which produce a massive migration of labor are: health, education and research. After Romania's join in the European Union, the 3 favorite states are: Italy in proportion of 26% of the Romanian people, Spain was favored by 57% of the Romanians (for those who have an education level lower and have lower qualifications), and only 2% preferred UK (young, more educated persons with a higher income and a professional training). The share of young population aged 18-40 years is 36% of the population of the entire country, and the people who immigrated legally after 1991 represent a share of almost 55%, according to the data provided by INS. The phenomenon was accentuated after 2002, with the liberalization movement in the Schengen area, Romanian, Italy and Spain remained the main destinations for Romanians, Moldova, Muntenia and Oltenia regions are historical in that temporary migration for work prevails over temporary departures of tourism - visits, more frequent in Banat, Transylvania, Bucharest and Dobrogea. A series of statistical studies show that in general, from Muntenia, people particularly go in Spain and from Moldova, in Italy, those who intend to leave for UK come in most parts from the North-East area; legal emigration outlining the ethnic character of 1990, 1998 ethnic Romanians represented more than 90% of immigrants (Source INS). Main areas where Romanians operating abroad are: Men's construction (98% have worked at least once in this area), housekeeping work for women (88% of them worked) and agriculture (about 72% of men and 28% of women). New studies in Romania, shows that immigrants are young, and the immigration policies of developed countries are becoming more selective with age, level of education, level of training, the latest census conducted in the country is composed of persons aged 20-39 years. Working abroad represents an important source of income, nationwide 10% of each type of investment in recent years is achieved by using revenues from international migration and the unemployment level in our country has seen a considerable decrease. In these circumstances, the Romanian employers are forced to call on workers coming from China, India and Pakistan, the national labor market in 2008 were registered between 2000-2500 about the Chinese employees, the number resulting from the deficit of labor go into Romanians especially in Italy and Spain. At 01.01. Italy in 2005 residents were okay with acts of 249,000 Romanian citizens (0.5% of the population), the third after the Albanian community and Moroccan. In reality it is estimated that about 1 million Romanians lived in Spain last year, about 300,000 Romanian documented in regulation and still almost as much illegal. They formed the third community after the Ecuador people and Moroccans and accounted for more than 1% of total population. Around 15,000 Romanians were legal residents in France in 2003, and now it seems that there are three times more. On the EU in general, about 40% of the total number of permits are granted residence permits granted for work. In Germany and Spain were granted residence permits for the purpose of employment in 80% of cases and in Italy over 50% of cases. As consequences of the phenomenon are cunning, immigrants contribute to economic growth in their countries, and in the adoptive country. The report estimates that the amount of money sent by immigrants in countries of origin has increased from 102 billion dollars in 1995 to approximately 232 billion in 2005. Of this money, over 167 billion reached the developing countries. Rating countries that have most money to work abroad is led by India, followed by China and Mexico. Romania is not among the 20 countries. -Most immigrants refused to accept local jobs. - For companies in countries of destination, immigration and low wages mean higher profits. -On the other hand, illegal migration brings profits of 10-15 billion dollars organizations traffickers as a report showed the UN. Almost half of this amount is estimated to come from illegal transit to Europe of nearly 500,000 people annually. - Most illegal

immigrants have no education or qualification, this number relating the poverty. - Children born in these families have no access to formal health services and schools. - Those without documents work for low wages, no insurance and in difficult conditions. - The Romanian emigrant more than other immigrants, redoes his biography, changes his ways and is ashamed of his origins, ashamed of his country, his faith and even his ancestors and he is hiding in the dark. - This loss of identity in the country, makes a lot of Romanian immigrants, ex-respected people with the fear of God, for various reasons, to end up among prostitutes, thieves, beggars, traffickers and even criminals. - But the most profound effects, that will have ample force, are the cultural ones. Many of those who go to work pass the border for the first time. It is a kind of clash of civilizations. Some of them bring their children and then, relatives, friends, found a real colony and in some areas of Italy, one of four new-born is of Romanian origin. Effects of the migrating phenomenon: - Employment is decimal for Migration. Deficiency of the workforce is real, it feels increasingly more explanation and, unfortunately, does not lie in economic growth - the money is sent in the country for the families left at home, extra income, if not the only financial support, sent-currency balance deficits caused by massive imports, making as our national currency is not devalued; -villages depopulate today will become, probably, when they return those who have left in search of a job, prosperous localities. - After 2-3 years, immigrants find better jobs paid by the average - over 1500 euros in EU and they make plans to establish definitively there, all with families, schools lacking of Romanian children stayed home from school to work in general, with the false feeling that work abroad, they still think small is easy and make money, 'The negative effects of migration is observed also in families that often break apart increasing the number of divorces - diminishing birth rate - encouraging the dissolute life reducing the number of marriages and increasing the age of founding families; Emigration of Romanians abroad has more serious effects than the authorities could have guessed or the over two million people of a country leave with the hope of making a better life. From now until the authorities have started monitoring the phenomenon "home alone" phenomenon victims are children, whose emotional fragility expose them to great risks. Two out of three children who have parents go to work abroad felt acutely their lack of love. Respective children, say psychologists and sociologists develop personalities and therefore it is possible that, once mature, to form a generation of adults with problems of social integration. Around 10% of these children stay home alone and approx. 30% of children whose parents go to work abroad are left under the care of grandparents who often do not manage to replace the role of a parent. Young children have sleep disorders, become aggressive, do not trust them - lack of parental model, the primary cycle from start to lie, to attend street groups that can not communicate well with other family members begin to be aggressive and emotionally labile, secondary school students can become verbally and physically aggressive because of frustration, anxiety and marginalization of starting to show. Romanian colonization, although partly organized by the Romanian state through the various contracts of employment or scholarship facility abroad, falls on the same type that strictly economic entered in modern Irish and Italians (the U.S.) or Yugoslavia (to Germany, Austria and Italy). A retrospective analysis of migration flows Italian, Irish, or reveals Yugoslav both benefits and disadvantages. The main benefits are quite easy to be there: run away from home in awful poverty, both the Italians and the Irish have largely managed to find happiness social in another country first. " In the meantime, even countries of origin have gained through investments made by Expatriates (see the case of Ireland) or by sequential growth of living standards through constant money sent home (if the former Yugoslavia).

Migration contemporary forms known but major limitations of the prosperous countries of destination, the selection imposed focusing only on receipt of those professional strictly necessary intellectuals from the fields of high-tech, medical staff and qualified workers for jobs declined by mediocre ethnic true-born, sanitation or agriculture. "Migration of brains" is the main disadvantage for the country of origin. Young people with a university education in Romania

made going to higher education in the West for not coming back only occasional vacancies. Certainly freedom of movement is a fundamental attribute of human beings in modern democratic societies. But the Irish, for example, known to prevent the negative effects of the loss of part of its potential through intelligent conditioning employers by law to open foreign branches in the country of origin. Romania's external image has undergone a fast short period in the Revolution days, when the West watched with sympathy the Romanians' revolt who were eager to escape from the communist tyranny, fast cure But once the opening borders of Bucharest and the inability to control migration flows. Roma minority has brought its contribution to the damage of Romania's image, and statistical discrimination may be find that most expulsions of the kind promoted by Interior Minister Sarkozy of France Michel them on ethnic Roma.

Remain but those valuable Romanians that emigrated in the West to study or work, who have managed to make a name and not have been ashamed to say that they are Romanian. Are those compatriots who were concerned, despite the lengthy absence from Australia, do not forget and ethnicity and language, giving them and their children an education that Romania should not miss. Sociological analysis after 1989 reveals alarming decrease the population of Romania, the forecast for 2020 we reduced the number from 23 to 18 million.

The causes are multiple and again unfortunately famous. What is unknown is the science and the will to counter them. Of course, the flow of migration plays an important role, but this is largely a reversible while those in temporary employment in the West back periodically. A major problem is the inability of the Romanian state to generate and foster a decent living for young categories. In the Romanian legislation is still unfavorable to those who wish to become mothers, and financial losses were considerable career. About housing spaces for young people have made feeble steps, the program is not exempt from ANL scandals Addressees apartments for rent.

The second question highlights the non-functioning Romanian medical system characterized by corruption, incompetence and decay. In the first 2 years after the accession of Bulgaria and Romania, these countries access to markets depends on the employment and national policies and bilateral agreements that are Romania with the European Union.

For Romania, the lifting of the restrictions would be on 31 December 2011, Member States have announced periods of restriction, access is restricted in 15 countries: Austria, Belgium, Denmark, France, Germany, Greece, Ireland, Italy, Luxembourg, Malta, UK, Netherlands, Portugal, Spain and Hungary.

Situation of Romanian immigrants in the past 2 years has changed a number of states have taken measures raising restrictions: Romanian citizens can work in Hungary, Greece, Portugal has no work permit conditions equal to citizens of other EU countries. Greece, Spain and Denmark and have opened the labor market to Bulgarian and Romanian citizens, according to national statistics of these countries, Bulgarian citizens are interested to hire in Greece, while Romanians prefer to work in Spain. Netherlands preferred to postpone the opening of borders to Romanian and Bulgarian workers for 1 January 2009 due to financial crisis, Italy in 2009 extended the transition period, imposing restrictions on certain areas of activity on Romanian and Bulgarian workers, except those falling in the following areas: agriculture, tourism and hospitality sector, employment housekeeping and care of people, buildings, seasonal work and managing positions with a high degree of qualification for persons with higher education. Germany's position is to maintain restrictions on the labor market for Romanian citizens, just extending the period for seasonal workers in agriculture for a maximum of 4 - 6 months, but not the same thing we can say about Switzerland in early February 2009 "and has sent people voting to decide" in favor of extending the Romanians and Bulgarians, as their vote for renewing the agreement of free movement of persons EU. The negotiation process of Romania joining the European Union assumed a continuing effort by the government institutions to achieve a level of compatibility with the Member States in the law and institutional plan. According to recent demographic forecasts, Romania will face as most Member States of the European Union, with the aging of the

population and decrease, for 2050 being estimated that the population will reach 16 million people.

The main negative effect of the migration phenomenon is reflected on the demography, according to studies, immigrants are young: 40% of them leaving between 1996-2006 and 50% left in the years in which it was recorded a massive exodus during 2002-2006. The proportion of unmarried parents is 82% among those aged 15-24 years and 23% among those aged 25-39 years.

Migration is a complex phenomenon with a multitude of effects both positive and negative for the country the unemployment rate falls to a certain extent, it can be observed a pretty significant increase in wages (taking into account inflation and the rate of possible economic crisis) and it should be taken into account and a transfer of income of people working abroad, provided that such income sent the country to be invested and considerable improvement of qualifications of workers. The effects are felt in the host country: human resources grow, leading to slow growth in wages and an increase in the capital, but also to a higher level of social protection of citizens, which ultimately lead to reduced capacity of the economy and society to generate more employment, encouraging the exodus of qualified work, current concerns of the EU is heading towards effective management of labor migration.

According to statistical data provided by (INS) in Romania in the next two decades the main trends will increase the flow of labor to the European Union space and a reduction of illegal migration (uncontrolled) which is in favor of the laws, but due to economic crisis a the growth will be slower than the one recorded in recent years.

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PAN-EUROPEAN CORRIDORS

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This paper focuses on the analysis of the new geopolitical situation — and a new situation for the transport sector— created when 10 more member states were admitted to the European Union in May 2004. This historic enlargement eastwards and southwards was continued as Bulgaria and Romania joined the EU in January 2007. Not only does the newly enlarged EU-27 have more member states, but it also has new frontiers and new neighbours. The European Neighbourhood Policy (ENP) was developed with the objective of avoiding the emergence of new dividing lines between the EU and its neighbours. Its aim is to promote peace, stability, security, growth, development and prosperity in the neighbouring countries as well as modernisation of the economy and society.

Keywords: Europe, development, growth, network, trade economy.

Introduction

Twelve bilateral ENP action plans have far been agreed with Ukraine, Moldova, Armenia, Azerbaijan, Georgia, Morocco, Tunisia, Jordan, the Palestinian Authority, Israel, Lebanon and Egypt. The action plans support the implementation of national plans and reform programmes in the political, economic, social and institutional fields. The EU and Russia have decided to strengthen ties in a different framework by building cooperation in four so-called 'common spaces': a common economic space; a common space of freedom, security and justice; a space of cooperation in the field of external security; and a space of research and education, including cultural aspects.

Transport is a key element in the EU's cooperation with neighbouring countries and its efforts to promote the conditions for sustainable economic growth, trade and cultural exchange. Transport is also one of the areas where the EU works to facilitate the spread of its own internal market principles and rules abroad. Under enlargement policy, candidate countries have to align themselves with EU legislation on transport in the interests of a well-functioning internal market, while ENP aims to ensure that legislation, standards and technical specifications of main trade partners are compatible with those of the EU. In the transport sector the action plans concentrate on measures designed to improve the safety, security and efficiency of transport operations as well as the development of an efficient transport network.

Closer cooperation in transport fosters economic development and trade. This in turn can contribute to wider aims: transport can have an important enabling role in strengthening regional cooperation and integration across borders.

Helsinki Corridors

Brief History

Several Conferences on Pan-European Transportation were organized at beginnings of 1990's as a consequence of the openness of Eastern block. Their objective was the identification of the needs for transportation infrastructure development within Eastern Europe. The concept of Pan-European transport policy and corridors was born during the preparatory work for the First Pan-European Transport Conference organized by the European Union (Commission, Parliament) and the European Conference of the Ministries of Transport (ECMT) in 1991 in Prague. The purpose was to speed up the development of transport routes throughout Europe and to further contribute

to smoother economic exchanges. With the enlargement process becoming a priority in Europe, the corridor concept started gaining ground. The Corridors were defined in their actual form by the 3rd Pan-European Transport Conference in Helsinki, 1997.

Nine Pan-European transport corridors were defined at the second Pan-European transport Conference in Crete, March 1994, as routes in Central and Eastern Europe that required major investment over the next ten to fifteen years. But, on third Conference, hosted by Helsinki in 1997, a tenth corridor was added, as a result of the lobby done by Baltic countries for a better connection between Western Europe and Balkans. This corridor was proposed after the end of hostilities between the states of the former Yugoslavia. Therefore, these corridors are sometimes referred to as the "Crete corridors" or "Helsinki corridors", regardless of their geographical locations.

Description of Pan-European Corridors and Areas

Each corridor has a road and railroad component, except Corridor VII, which is represented by the Danube segment downstream from Vienna. The corridors create a network which extends from West (Nuremberg) to East (Nizhny Novgorod) and from North (Helsinki) to South (Thessaloniki).

CORRIDOR I

Corridor I is the VIA BALTICA road and the RAIL BALTICA railroad plus the ferry line Helsinki-Tallin.

Countries: Finland, Estonia, Latvia, Lithuania, Poland, Russia

Length: approximate 1710 km of rail and 1630 km of road; Transport modes: multimodal: rail, road, ferry

Links with other corridors: Corridor IX: Kaunas (Lithuania); There is also an additional appendix Riga - Kaliningrad.

CORRIDOR II

Connects Berlin (Germany), via Warszawa (Poland), Minsk (Belarus) and Moscow (Russia) with Nizhny Novgorod (Russia). The extension of Corridor II from Moscow to Nizhny Novgorod was decided at the Helsinki Conference, in 1997. The extension gives the Corridor access to the Trans-Siberian rail trunk line and to the inland waterways in the Russian Federation.

Countries: Germany, Poland, Belarus, Russia

Length: approximate 2300 km of rail and 2200 km of road; Transport modes: multimodal: rail, road.

CORRIDOR III

The Pan-European Transport Corridor III is a multimodal east-west transport link running from Berlin and Dresden via Wroclaw, Katowice, Krakow and L'viv to Kiev; thus linking important industrial areas in Germany, Poland and the Ukraine.

Countries: Germany, Poland, Ukraine

Length: 1650 km of rail and 1700 km of road; Transport modes: multimodal: rail, road.

CORRIDOR IV

Major parts of this corridor run through countries which are new EU members or candidates to join the EU. The corridor can thus be seen as the backbone of the Trans-European Transport Network (TEN-T) extended eastwards and southwards.

Corridor IV provides the link running from Dresden/Nuremberg (Germany), via Praga (Czech Republic) Vienna (Austria) / Bratislava (Slovakia), Budapest (Hungary) and to Romania.

Countries: Germany, Czech Republic, Austria, Slovakia, Hungary, Romania, Bulgaria, Greece, Turkey

Length: 4379 km of rail and 3640 km of road; Transport modes: multimodal: rail, road, ports

Branches:

In Romania the Corridor splits into two branches: The Northern branch, running from Arad (Romania) via Bucuresti (Romania) to Constanta (Black Sea) and The Southern branch running from Arad (Romania) via Craiova (Romania) to Sofia (Bulgaria)

Another two branches are from Sofia (Bulgaria), to Thessaloniki (Greece) and to Istanbul (Turkey).

CORRIDOR V

The Pan-European Transport Corridor V connects Central Europe to the Mediterranean, following trade routes from the times of the Roman Empire.

Corridor V provides the link running from Venice and Trieste (Italy) via Ljubljana (Slovenia) and Budapest (Hungary) with Lviv (Ukraine).

Countries: Italy, Slovenia, Croatia, Hungary, Slovakia, the Ukraine and Bosnia and Herzegovina

Length: approximate 3270 km of rail and 2850 km of road; Transport modes: multimodal: rail, road, ports

Branches: Branch A: from the Bratislava (Slovakia) to Uzgorod (Ukraine); Branch B: from Budapest (Hungary) to Rijeka (Croatia); Branch C: from Budapest (Hungary) via Sarajevo (Bosnia-Herzegovina) to the port of Ploce (Croatia).

CORRIDOR VI

It begins in the Baltic port of Gdansk, and continues through Poland towards the industrial area surrounding Katowice. It then crosses the Slovak Republic border, finishing nearly 70 km further on, in the Slovakian town of Žilina. Because of its cross-connections with Corridor V, this route establishes important links from the Baltic, via Poland, towards both eastern and western Europe. A western branch of Corridor VI links Katowice to Brno.

Countries: Poland, Czech Republic, Slovakia

Length: 1800 km of rail and 1880 km of road; Transport modes: multimodal: rail, road, ports

Branches: Branch A: from the Grudziadz (Poland) to Poznan (Poland), only by road; Branch B: from Czestochowa (Poland) to Brno (Czech Republic), by road and from Bielsko Biala (Poland) to Breklak (Czech Republic), by rail.

CORRIDOR VII (The Danube)

Corridor VII is the Danube. The Danube is the second largest river in Europe.

Countries: Austria, Bulgaria, Croatia, Germany, Hungary, Moldavia, Romania, Serbia, Montenegro, Slovakia, the Ukraine

Direction: from Western to Eastern Europe through the Rhine, the Main and the Rhine-Main-Danube canal. Danube provides part of the link between the North Sea and the Black Sea;

Length: 2415 km; Transport mode: inland waterway and crosses: Germany, Austria, Slovakia, Hungary, Croatia, FR Yugoslavia, Romania, Bulgaria, Moldova and the Ukraine. Corridor VII also refers to the relevant port infrastructures (44 sea and river ports) and to the Black Sea-Danube Canal.

Links with other corridors (major inland ports):

with Corridor IV: Budapest (Hungary); Medgidia (Romania)

with Corridor V: Bratislava (Slovak Republic); Budapest; Dunaujvaros, Mohacs (Hungary);

with Corridor IX: Oltenita, Giurgiu (Romania); Russe (Bulgaria);

with Corridor X: Budapest; Belgrade, Novi Sad (FR Yugoslavia);

In addition, there is the seaport of Constanta, lying at the mouth of the Danube - Black Sea Canal.

CORRIDOR VIII

This corridor links the Adriatic-Ionian region with the Balkan region and the Black Sea. Transport infrastructure in South-East Europe is traditionally weak. Politically, the area has suffered from the collapse of the Federal Republic of Yugoslavia and the wars during the last two decades as a consequence thereof. After the international intervention in this area, Corridor VIII will bring further stabilisation by supporting industrial and commercial co-operation.

Countries: Greece, FYR Macedonia, Bulgaria, Turkey, Albania, Italy

Length: 1270 km of rail and 960 km of road; Transport modes: multimodal: rail, road, ports.

CORRIDOR IX

The corridor is divided into three sections:

- The Northern Section consists of the road/rail transport route between Helsinki-St.Petersburg-Moscow.

- The Middle Section consists of the road/rail transport route running from Moscow and from St. Petersburg to Odessa including the branches from Kaliningrad and Klaipeda.

- The Southern Section consists of the road/rail transport route between Odessa and Alexandroupolis.

Countries: Finland, Russia, Belarus, the Ukraine, Moldova, Romania, Bulgaria, Greece, Lithuania

Length: 6500 km of rail and 5820 km of road; Transport modes: multimodal: rail, road, ports.

CORRIDOR X

Corridor X is the newest amongst the pan-European transport corridors. It was the Helsinki Conference deciding to include this corridor in the Balkan area into the network. This corridor had been a major transport corridor before the Yugoslav wars, especially for transit between Western Europe, Greece and Turkey, infrastructure is rather well developed, but needs modernisation and reconstruction where damage has been done during the war.

Countries: Austria, Slovenia, Croatia, Hungary, Serbia, Montenegro, Bulgaria, FYR Macedonia, Greece

Length: 2529 km of rail and 2300 km of road; Transport modes: multimodal: rail, road

Links with other corridors: Corridor IV, in Sofia; the two go in parallel till Istanbul

Branches: Four, to Graz, Budapest, Sofia and Florina

In certain areas, particularly those adjacent or linked to marine basins, it has been revealed that the corridor concept does not adequately meet needs. The more extensive approach of *pan-European transport areas (PETras)*, which reflects the complex structure of the transport requirements in these regions, was therefore defined.

The areas concerned are:

- *Barents Euro-Artic Area*: Multimodal transport area covering the northern provinces of Sweden, Finland and Norway as well as the Oblasts Murmansk and Arkhangelsk and the Republics of Karelia and Komi of the Russian Federation.

- *Black Sea Transport Area*: Littoral countries of the Black Sea (Turkey, Georgia, Russia, the Ukraine, Romania, Bulgaria) as well as Greece and Moldova (observer status for Armenia and Azerbaijan)

- *Adriatic-Ionian Sea Transport Area*: Littoral countries of the Adriatic and Ionian Seas (Albania, Bosnia and Herzegovina, Croatia, Greece, Italy Slovenia, Serbia and Montenegro)

- *Mediterranean Transport Area (MEDA countries)*: Algeria, Cyprus, Egypt, Israel, Jordan, Lebanon, Malta, Morocco, Palestinian Territories, Syria, Tunisia and Turkey.

Evolution towards Transnational Axes

These corridors and areas are distinct from the Trans-European transport networks (TEN-T), which include all major established routes in the European Union. In order establish a single,

multimodal network that integrates land, sea and air transport networks throughout the Community, the European policymakers decided to establish the Trans-European transport network, allowing goods and people to circulate quickly and easily among Member States and assuring international connections.

However, the Union's enlargement had significantly altered the situation by accelerating traffic flows and increasing the need for better cross-border network coordination. These fundamental changes make it necessary to combine together the Trans-European Networks of the 15 EU countries with the Pan-European corridors and set up a unitary pan-European transport network of the 27 EU countries coordinated on at European level and based on the establishment of well chartered European axes that rise above purely national interests.

In a report published in June 2003, the High Level Group on Trans-European Networks (van Miert Group) gave a useful insight into the criteria which could be used to define these European axes: land and maritime links expected to have great significance in terms of inter-country trade, links which address the accessibility needs of peripheral regions, and links with proportionally high volumes of long distance traffic.

In addition to the presented criteria, ERF believed European axes must be evaluated according to their capacity to offer *anchorage with neighbouring countries*, particularly in the Balkan Region and Mediterranean Basin which share clear socio-economic interests with the European Union.

These proposals have materialized into the 5 new Transnational Axes:

- *Motorways of the Seas*: to link the Baltic, Barents, Atlantic (including Outermost Regions of Canary Islands, Azores and Madeira), Mediterranean, Black and the Caspian Sea areas as well as the littoral countries within the sea areas and with an extension through the Suez Canal towards the Red Sea;

- *Northern axis*: to connect the northern EU with Norway to the north and with Belarus and Russia to the east. A connection to the Barents region linking Norway through Sweden and Finland with Russia is also foreseen;

- *Central axis*: to link the centre of the EU to Ukraine and the Black Sea and through an inland waterway connection to the Caspian Sea. A direct connection from Ukraine to the Trans-Siberian railway and a link from the Don/Volga inland waterway to the Baltic Sea are also included;

- *South Eastern axis*: to link the EU with the Balkans and Turkey and further with the Southern Caucasus and the Caspian Sea as well as with the Middle East up to Egypt and the Red Sea;

- *South Western axis*: to connect the south-western EU with Switzerland and Morocco, including the trans-Maghrebin link connecting Morocco, Algeria and Tunisia and its extension to Egypt.

Whilst most of the Pan-European Corridors I, IV, V, VI and VII are now in the territory of the EU and thus part of a priority project of the trans-European transport networks, the remaining Corridors are covered by the proposed five axes as follows:

- The four Pan-European Areas (Barents, Black, Ionian and Mediterranean Seas) are incorporated into the Motorways of the Seas as far as maritime connections are concerned.

- Northern axis incorporates the PEC II and the northern part of PEC IX. It also includes a land connection to the Pan-European Area of Barents linking Norway through Sweden and Finland with Russia.

- Central axis includes the PEC III and a branch of PECs V and IX.

- South Eastern axis merges and extends the PECs IV and X, incorporates PECs VII and VIII as well as a branch of PEC V. The axis is further extended to the Middle East and it joins with TRACECA in Turkey, Armenia, Azerbaijan and Georgia.

- South Western axis includes a land connection in the Pan-European Area of the Mediterranean.

Therefore, the Pan-European Corridors and Areas were designed to prepare on a step by step basis, the newest and future European Union member states transportation infrastructure to correspond to the organization, quality and development level of western EU member states

transportation infrastructure and policies in order to achieve a common standard within the European Union countries and neighbouring countries across continent.

Conclusions

Construction of the corridors will have positive impacts on CEE's economies in transition. But without vigilance from the countries of the region, this development can occur in a way that is harmful to the environment and, according to one study, harmful to the economies of certain areas. For example, in order to intensify navigation on the Danube, the EU is seeking to remove 'bottlenecks' on the river and ensure a minimum depth of 2.5m at all times of the year. Deepening of the river, regulation of water flows, cutting off side-arms and reinforcement of riverbanks would have a permanent negative impact on the rich biodiversity along the Danube. The 'bottlenecks' destined for elimination are the river's last free-flowing sections and most precious stretches. This project on the joint Romanian-Bulgarian section *would seriously affect valuable ecosystems on islands and natural river banks*, designated as protected areas under the Natura 2000 network in both countries.

While the Sixth Environmental Action Programme of the European Commission warns of possible negative impacts from the corridors, other officials may see protection of the environment as an issue of secondary importance. A press release from a May 29-30 meeting of the European Conference of the Ministers of Transport (ECMT) lists the need to protect the environment as being related to one of the "hurdles" that must be overcome in the implementation of transport policies in CEE. This attitude seems to be mirrored by many national transport officials, who are eager for new road construction.

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ENTREPRENEURIAL UNIVERSITY IN THE NEW ECONOMY

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Contemporary universities face new challenges and opportunities in the context of the dynamic environment. Therefore, a modern university must become entrepreneurial, which means that it has to behave according to the following characteristics: autonomy, innovativeness, risk taking, proactiveness, competitive aggressiveness. This paper explains the above mentioned features and demonstrate that an entrepreneurial university is the most appropriate one of a sustainable institution.

Keywords: entrepreneurial university, sustainable institution, education for life.

JEL classification: I20.

1. Characteristics and Opportunities for the Entrepreneurial Universities

The Entrepreneurial University is a non-traditional institution which runs an independent activity on its own risk, being strongly involved in the economic and social development of the region where it is located. All the resources the University uses are allocated creatively, including the human resource which may be distributed and re-distributed among departments according to the institutional needs and economic reasons.

The characteristics of the entrepreneurial university are the following:

- a) autonomy;
- b) innovativeness;
- c) risk taking;
- d) proactiveness;
- e) competitive aggressiveness;

a) *Autonomy*

Universities are autonomous higher education institution created according to the national legislation in the country. Either public or private, universities have internal documents to apply such as University Charta, interval documents regarding the didactical activity, the research activity, different procedures for all the processes that take place in the academic area.

Magna Charta Universitatum is a symbolic document proposed in 1986 by Bologna University to 80 European Universities which decided about a comitee to create this document content. The purpose of it is to establish the fundamental values of the university tradition and to encourage a strong cooperation relationship among European Universities. The same idea had then generated a new document well known as the Bologna Declaration, signed in 1999 by 29 European Countries which started a profound restructuring process of the higher education system.

Therefore, university is declared as:

- an autonomous institution which produce and transmit culture through research and education;
- an independent unit from a moral and intelectual point of view, not affected by political or economical reasons;
- a free institution meant to develop research and education for future generations in order to allow them to respect the equilibrium requirements of natural environment and of life;

b) Innovativeness

Universities act on an interesting market where competition is increasing year by year. We assist of several changes regarding the candidates' options for higher education not necessarily from a domain to another, but from an university to another, even if it is located far away from the first one. In addition many ranking system classify faculties and Universities according to specific criteria which absolutely affects the near future of the institution (eg. Times Higher Education Supplement).

Therefore, Universities must be innovative. They need to accept the change and to create the new in education and research as long as it is for a better off position on the market.

Innovativeness is linked to the ability to change things. In the education system, innovativeness concretizes in one or several of the following:

- Innovation in the area of the information and communication technologies. This is very important for compatibility reasons with advanced universities and it implies two aspects:
 - firstly, the university as an institution has the obligation to use these technologies, to participate at their innovation;
 - secondly, the university through teaching must use these technologies in the students' education;
- Innovation in the area of interactive teaching methods. This means that an entrepreneurial university which is innovative must not only use TIC in teaching, but give up at traditional teaching and use new and modern teaching methods like project-based learning or problem-based learning, etc.
- Innovation in the management activities. This means that an entrepreneurial university is open to the idea of progress and understands the need of quality in education. Therefore, the new academic management is that management which supports the quality culture and develops it through procedures, standards and criteria for quality assurance toward a quality management system in the university.
- Innovation in the area of small processes that take place in the administrative departments. This means that every person is responsible of his/her work and must find better ways of doing it; every small improvement in the area of secretary, accounting, acquisition, human resource etc. is in fact a small innovation.

c) Risk taking

In the New Economy, universities are facing uncertain environment and have to make decision in different risk conditions. Therefore, the academic management for the entrepreneurial university is also a risk management.

The main factors of risk for universities are the following:

- Internal and external competition. There are many universities that organise same activities much better than other universities. An entrepreneurial university must be an active one able to admit the gap between itself and other universities in order to adopt measures to improve its own activity.
- Competition in the area of research project. National and European funds are allocated for research projects, but they are never sufficient compared to the needs or to the number of the projects. Therefore, an entrepreneurial university accepts it can not always win in reaserch competition and continue to improve the proposals for a better evaluation in the future selection.
- Competition in the professors' selection which according to the internal process, in one university may be better trained professors than in another one.
- Difficulties (too much bureacracy) in the acquisition processes which sometimes take too much time and the equipments ordered become less useful.

d) Proactiveness

An entrepreneurial university must be a sustainable institution which continuously expand its factors of succes. Proactiveness in education system allows universities to create strategies for a durable positioning in relation to competition.

Either the client is the student or the company, the university with an entrepreneurial behavior acts in order to get the succes through client's satisfaction. Thus, the logical chain is one of the following:

(1) Student oriented → quality oriented → student satisfaction → comittment to the student → students' value → success of the university.

(2) Organisation oriented → quality oriented → organisation satisfaction → comittment to the organisation → organization's value → success of the university

“Student/organisation oriented” is a starting point in defining the proactive strategy. The client's needs must be well understood as well as his/her expectations and requirements. Many questionnaires are used by universities to study these requirements, and then the conclusions are disseminate to all the responsible factors in order to generate concrete effects.

“Quality oriented” is an important step for the clients and the client's decision-making process takes into account the prices involved in education, the utility of the studies and the skills and competences generated at the end.

“Client satisfaction” is easily observed in the tendency of choosing again the same university for continuing the training, if the client is the student and for recruting employees from the graduates, if the client is the company.

“Comittment to the client” is a phase according to which the university must develop a relatively stable relationship with the client, to adapt the promisses regarding the important educational needs.

“Client value” is a real indicator on the value of the university. The client value may be observed in some aspects like: how easily the student finds a working place, how easily the graduate can develop a carreer, what kind of welfare the graduate achieves after a while, how is the company evolving after hiring some of the graduates etc.

“University success” is the final phase of the whole process of creating proactive strategies. The success itself is not a stable position, but a dynamic one, an entrepreneurial university being preoccupied of improving the success.

e) Competitive aggressiveness

A company can create a competitive advantage in three major ways:

- practising a lower price;
- helping the customer to reduce other costs;
- adding benefits in order to make the offer more attractive;

An entrepreneurial university must be competitive agresiveness. This means that its offer must become visible much more competitive than the competitors' offer:

- processes better organised in the universities;
- more quality in teaching;
- more prestige added to the diploma;
- more attractivity for the study programs;
- more famous professors;
- better known visiting professors etc.;

Therefore, the entrepreneurial universities are the universities which will exists in a future rapidly changing environment. The future university will be able to better manage the economic dynamism and the lack of resources, to succesfully face the new opportunities.

The opportunities for the entrepreneurial universities include:

- Globalisation process with its many consequences. For the higher education, globalisation means that the student is able to study in a virtual library spread all over the world, that he/she can contact a professor from a long distance, that he/she will be professional qualified for a global labour market. At the same time, globalisation means that one country culture may be expanded in a region; therefore, universities have a major role to protect the cultural identity.
- Mass higher education development. Many Universities are not yet prepared for a large scale of education being confronting with a severe lack of classrooms or some overload of others, lack of qualified professors etc. More than that, the lifelong learning process is a continuing one and has already started. Therefore, modern universities must actively adapt to this demand, to find proper teaching methods for new educational forms.
- Increasing gap between individuals regarding their different access possibilities to higher education.

Study programs have becomes more and more expensive. Many young people do not afford to pay for higher education, meaning tuition and living cost in a different city. An alternative seem to be the long distance education, but it is also not tuition free. Entrepreneurial universities have to find strategies to allow access to all individuals no matter their incomes, their origins are, but only their abilities for study.

- Public financing. This is a new opportunity for universities to prove their active, flexible and strategic management. For many universities public financing is the most important financial resource, but the public funds are decreasing year by year. The modern universities must adapt to this challenge and behave like a company which has to manage itself in a competitive market. Therefore, an alternative for financial resurces has already been used by many universities: funds from research, cooperation with other faculties within the same university, optimum dimensioning of the member of students, costs diminishing etc.

- Diversification of the educational offer. Criteria of efficiency and quality assurance in higher education impose a correct dimension of the current study programe (eg: no more than 50 students for a Master course). An entrepreneurial university is developing a horizontal line which means diversification of the study program, even joint programs with other partner universities.

As a consequence, an entrepreneurial university is the only structure capable to resist in a changing environment. Its management is a complex type of management which includes many components: risk management, strategic management, quality management, change management. Briefly, the characteristics of the entrepreneurial university may be observed in the following manner:

- Characteristics of behavior:
 - autonomy;
 - innovativeness;
 - risk taking;
 - proactiveness;
 - competitive aggresiveness;
- Characteristics of strategies:
 - flexible;
 - adaptive;
 - market oriented;
 - client relationship management;
 - global.

2. Entrepreneurial University as a sustainable institution

When some or all factors of influence change a rigid structure fail being unable to face the dynamic conditions. On the other hand, a flexible structure is easy to face the new stimuli from

the economic environment. Thus, the only flexible structure in the higher education is the entrepreneurial university. It generates a solution to the resource administration, capitalizing the opportunities and creating values for the clients.

Two dimensions of the entrepreneurial character of the modern university can be identified, like:

- Behavioral dimension:
 - Reaction to the changing factors;
 - Resource evaluation;
 - Action to opportunities;
 - Changing reality into profitability;
- Attitudinal dimension:
 - Looking for new challenges and opportunities;
 - Accepting and managing the risk;
 - Creative changes;
 - Consistency in action.

At the present, most of the universities understand the importance of being entrepreneurial. Some of them even start to behave like this. There are several degrees or levels of entrepreneurship in education, which means the contemporary universities have an entrepreneurial behavior, to some extent.

Therefore, a concept of elasticity might express the entrepreneurial level of the university.

Action elasticity of changing factor is the sensibility of variation of the actions the university takes as a consequence to a changing factor:

- Actions at the university:
 - New study programs;
 - Different markets;
 - New teaching methods;
 - New learning objectives;
 - New partnerships;
 - New agreements;
 - Stronger relationship with the business community
 - New management principles;
- Changing factors in the market place:
 - Legislative changes;
 - Clients' needs;
 - Competition;
 - Economic factors (purchasing power, real incomes, inflation);
 - Demographic factors;
 - Social factors;
 - Cultural influences.

In order to better define the action elasticity of changing factor, both the actions and the changing factors need to be quantitative expressed. For instance, some quantitative factors might be: number of candidates which increase or decrease, level of income which also increase or decrease and some quantitative actions might be: number of Master programs, number of Courses, number of partnerships or agreements etc.

The level of action elasticity of changing factor can be:

- No action elasticity (or low), then no adaptive solutions to the environment => no entrepreneurial position;
- Medium action elasticity, then some adaptive reactions to the market => a beginning entrepreneurial behavior;
- High action elasticity, then many adaptive reaction to the stimuli => a clear entrepreneurial behavior and attitude.

At present many universities are placed in the middle position of medium action elasticity which means a beginning of the entrepreneurial behavior for the universities. In order to extend this attitude, the academic management must be toward an **entrepreneurial culture** in the university community.

Any change in an university must be adapted to its culture. If changes became too visible in a higher education institution, the rigid management may want to step back and leave things run as before, but an entrepreneurship – oriented management accepts the challenge and innovates, risk takes and becomes competitive aggressive on the market.

Therefore, the entrepreneurial culture is very important in universities. It leads to:

- A set of new principles and implications;
- A system of applied principles to practice;
- A mechanism of understanding the entrepreneurship.

The entrepreneurial university is the only sustainable structure for the future environment. Why? Simply, because no change affects an entrepreneurial university since the ability to change and to generate it is its strenght.

An entrepreneurial university is a sustainable institution because:

- University is a strategic actor on the market;
- Science is kept competitive for the companies;
- Industries needs valuable universities;
- University is always looking for new opportunities;
- Students are not trained for a single job, but for a global market;
- Specialists from practice are encouraged to come for some lectures for the students.

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Outstanding Romanian man of culture in the second half of the XIX'th century, known as remarkable historian, A.D.Xenopol was also a genuine economist, preoccupied not only by the theory but also by the practice of economics. I have achieved an investigation of the referential papers and articles with economic content published in the press at the time in view of highlighting and opening perspectives on the contributions of Xenopol in the field of economics, of joining the effort of recovering the cultural Romanian values. The interest of Xenopol for the economic state of the Romanian people derives from the very track of love for the country which spans all about his work and which urged him to search the causes of Romania's remaining belated compared to Western countries and to suggest solutions of surpassing the laggings. I dare believe that this work will stir the curiosity for studying and exploring further on Xenopol's ideas, many of them very actual indeed.

Key words: A.D.Xenopol, economist, XIXth century, thematic works, of present interest

Clasification JEL N01, N93

They said – and they were right – about Xenopol that he was a man of his time, that is “in his historical, economic, social and political writings he never avoided an essential aspect of the general state and evolution of our country”³²¹.

Some said that Xenopol was no theoretician of the economic science: G. Dobre³²², I. Veverca³²³, Z. Ornea³²⁴, L. Boicu³²⁵. But there were also opposite points of view: V. Iota³²⁶, G. Zane³²⁷, V. Nechita³²⁸.

Neither the first, nor the latter expressed radical positions, nor do we think that the economic work of Xenopol would be worth of such a position. There is no doubt that the writings and the authors that Xenopol mentions allowed him to get acquainted with the economic theory. Moreover, in his works he operates with economic concepts, speaks about different economic theories which he defends or – on the contrary – he accuses: the free trade³²⁹, the protectionism³³⁰, the theory of value³³¹, the theory of money³³², the work division³³³, the productive and non-productive work³³⁴, the property problem³³⁵, the commercial balance and the paying balance³³⁶, the budget problem, the problem of the external debt³³⁷, the problem of the capital circuit³³⁸ and much more that he does not mention explicitly but which can easily be understood: productivity, nominal salary, capital etc.

321 Leonid Boicu, Al.Zub, 1972, p. 382

322 G. Dobre, 1970, p. 22

323 Ion Veverca, 1967, p. 44-45

324 Zigu Ornea, 1957, p. 70

325 Leonid Boicu, 1972, p. 385

326 Vasile Iota, 1969, p. 12

327 G. Zane, 1972, p. 104

328 Vasile Nechita, 1972, p. 137

329 A.D.Xenopol, 1967, p. 95-98 and p. 291-297

330 Ibidem

331 Ibidem

332 Ibidem

333 Ibidem, p. 84-89

334 Ibidem, p. 110-111

335 Românul, 31st May, 1882, p. 481

336 A.D. Xenopol, 1967, p. 190-194

337 Ibidem, p. 211-242

338 Ibidem, p. 299-300

It is however true that Xenopol does not make use of theoretical subtleties and sometimes he “does not pay attention... to the rigorous use of the notions” and he even “mixes up the terminology”³³⁹. The explanation consists on one hand of the lack of an adequate economic terminology in Romanian at that time and on the other hand of the power that Xenopol sees in the economic theory by trying to find the best way to give Romania an economic stability. In this respect we agree with V. Iota who stated that “Xenopol followed a practical goal”³⁴⁰. And Xenopol himself stated that “the political economy should not forget that it cannot move in the clear area of theory and that it floats in the wind and has no serious basis by leaving the real world escare”³⁴¹, or that the “economic era passed here into the practical domaine”³⁴².

Considering the historical, cultural, economic and political conditions of our country in the 19th century, that is at the very beginning of the modern era, it is understandable that we cannot talk here about an original economic thinking or about a theoretical economic thinking, so that I. Veverca stated that in this century “we still do not have a real Romanian economic thinking, but only an economic thinking in Romania”³⁴³. Under these circumstances we find the statement of G. Dobre exaggerated in which he points out the the work “Economic Studies” should be considered a san original scientific creation in the very meaning of the word³⁴⁴. We do not think that by this we minimalize the merits of Xenopol or of his work which undoubtedly includes numerous original aspects.

But we can also not agree to the opinion of V. Vasileoiu who says that Xenopol’s economic thinking was “predestined to make the protectionist idea in our country popular”, as Xenopol neither adressed himself to “the Romanian principles and intelligence” like Martian, nor to “the economists or to the politicians”, but to the mass, not with “abstract, but with concrete arguments, closet o everyone’s understanding”³⁴⁵. We think that considering the “Economic Studies” of Xenopol as a work meant to make the economic science and phenomenon popular is extremely unfair. The fact that Xenopol exposed some of his economic ideas also within conferences or in some press articles only means that he tries to develop certain ideas from his works, so that he can make them accessible to the readers. But his works have the characteristics of a scientific economic work, considering the means it could be realised with in the second half of the 19th century.

The scientific personality of the author lends the economic works of Xenopol power; he builds his analysis on the special literature of the time without falling into the trap of blindly adopting some widely spread thesis or ideas. Relying both upon the classical doctrine and upon the protectionist one, Xenopol identifies and selects the aspects which allow a thorough analysis of the Romanian economy and the advancing of realistic solutions which should assure in the end the prosperità of the people. This is the main interest followed by Xenopol not only in his economic works.

G. Zane stated that Xenopol was a genuine economist who used in his studies several instruments from his time: the direct analysis, the statistical information, the historical documentation”³⁴⁶. The specific elements of his analysis consist on one hand of the approach of the economic problems both on the long and on the short term and on the other hand in the fact that in analyzing the Romanian economy the economist was doubled by the the historian, just as in the economic history the historian was doubled by the economist.

339 Vasile Iota, 1972, p. 270

340 Ibidem, p. 265

341 Ibidem, p. 190

342 Ibidem, p.126

343 Ion Veverca, 1935, p. 709

344 G. Dobre, 1972, p. 269

345 V. Vasileoiu, 1941, p. 63

346 G. Zane, 1972, p. 106

Xenopol's interest for the problems of the material life shows itself pretty early, that is in the time when, by spending two years (1851-1853) in Filipeni (Bacau) by Iordache Roset, he feels that "the love towards the rural life and the peasants grows in me here"³⁴⁷. This interest is not rare, but it proved to be a permanent one, the way Xenopol himself confesses: "I have always been interested in the economic life of the societies..."³⁴⁸. Beginning with his studies in Berlin, he approaches "highly the economists Carey, the American, and Fr. List"³⁴⁹, getting in contact also with the works of other famous economists, especially classical ones, a fact proved by the numerous mentions of their ideas and works in his economic studies.

Xenopol attributes a great importance to the economic situation of Romania and to the means of assuring its prosperity. His interest for these aspects are comprised in some articles and works published in the newspapers and magazines of the time or gathered in brochures and greater works, while they are differently important. Xenopol thinks that "Economic Studies" created "an important idea movement on the economic field"³⁵⁰; and at the same time in several conferences both within the country and abroad as well as his active participation at the first economic congress in Romania held in Iasi 1882, where he dealt with the industry section³⁵¹. But he also treats the economic-social problem in his historical works: *The Romanian History in the Traina Dacia*, *The Reign of Cuza*, *The History of the Political Parties*, *The Fanariot Era (1711-1821)* and even in the *Theory of History*, where numerous arguments and examples belong to the economic life. Actually Xenopol himself stated: "I tried... not to see the whole history only in political facts... I studied the development of the nobles, in the Romanian history, the production and the wealth of the countries... by always trying to connect them to the development of the people"³⁵². Moreover, Xenopol recommends the study of the political economy in the Romanian schools, a science one can learn a lot from: "that the movement of wealth in a people obeys certain laws, that the recovery of the material welfare of a people is the first condition of any other progress, that this recovery should be done by general means applied to the whole country...". If all this were learned by a great number of people Xenopol thinks that "we would see another way of dealing with things"³⁵³.

The classification of Xenopol's economic studies

For everyone who goes through these studies, even if only through their titles, it is obvious that Xenopol was preoccupied and approached the whole economic problem: the agriculture, the industry, the trade, he made his observations regarding the economic situation, he identified solutions for overcoming the disfunctionalities in the economic field, he made comparisons to the economies of other states, he drew his conclusions from the past evolution of the Romanian economy.

I.Economic studies:

- 1.Studies upon our actual state, I-IV, (study, 1877,113 p.)
- 2.Our economic state (the 5th part in Studies upon our actual state, 1877, 39 p.)
- 3.Economic Studies (studies; ed.I, 1879, 152 p. ; ed. II, 1882, 264 p.)
- 4.The liberal party and the economic movement (study, 1882, 25 p.)
- 5.Memorium. Economic improvements to be realised in northern Romania, especially in Iasi (study, 8 p.)
- 6.Travel printings (travel notes, brochure, 1888)
- 7.Some thoughts about our economic state (conference, 1895)

347 A.D.Xenopol, 1967, p. 363

348 Ibidem, p.405

349 Ibidem, p. 379

350 Ibidem

351 Mihaela Carp, I. Saizu, 1889, p. 303-314

352 A.D. Xenopol, 1967, p. 385

353 A.D. Xenopol, 1860

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- 9.Regarding the needs of Iasi (article, 1904)
- 10."The Cadastre of Romania" by gen. C.I. Brătianu (report, 1904, 3 p.)
- 11.The economic regeneration of our country (study, 1910, 3 p.)

II.Agricultural and rural studies

- 1.Agriculture and trade (conference, 1880)
- 2.An economic matter. Our agricultural regime considered in its effects, by Gr.N.Macry (rece, 1882, 3 p)
- 3."The agricultural questionnaire" de N. Mandrea (recenzie, 1884, 2 p.)
- 4.Our agricultural state compared to that of other countries (article, 1887)
- 5.A practical guide for the Romanain peasant (conference, 1902)
- 6.The role of the teacher as a factor in the rural economy (conference, 1902)
- 7.The agricultural investigation (article, 1902)
- 8.In the peasantry matter (article, 1902)
- 9.About the serious situation of the peasants (conference, 1902)
- 10.The regeneration of the Romanian peasant (article, 1902)
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- 12.The plantations (article, 1902)
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- 14.Six losses in the agriculture of the Iasi county (article, 1903)
- 15.The peasants' and the Romanians' matter abroad (article, 1903)
- 16.A lecture regarding the peasantry matter (lecture, 1904)
- 17.La situation economique du paysan rouman (study, 1905, 32 p.)
- 18.Greniers de rezerve et fours communaux (study, 1905, 12 p.)
- 19.Historique de la question rurale en Roumanie (study, 1906, 46 p.)
- 20.The peasantry matter (conference, 1906)
- 21.The rural banc (article, 1907)
- 22.About the peasantry's rebellions (interview, 1907)
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- 24.The agricultural rebellions in Romania (article, 1907)
- 25.Means of improving the state of the Romanian peasants (brochure, 1907, 47 p.)
- 26.Something about the peasant's agriculture (article, 1908)
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- 29.The new letter of Mr. Panu about the peasants' state (article, 1909)
- 30.La question paysan (a propos d'un livre recent) (the work of Gh. Panu Research upon the state of the peasants in the past, București, 1910) (study, 1910, 11 p.)
- 31.L'Amelioration de la condition des paysans roumains (study, 1910, 4 p.)
- 32.Misunderstood demagogy (article, 1911)
- 33.Small culture (article, 1913)

III.Studies on industrial matters

- 1.Industry and trade (conference, 1880)
- 2.Industry and functionarism (conference, 1880)
- 3.The exposition in Iasi (article, 1884)
- 4.The industrial investigation (article, 1885)
- 5."The Romanian worker" by A.C. Cuza (report, 1893, 8 p.)
- 6.The beer industry and the tax (brochure, 1895, 97 p.)
- 7.The silk industry (brochure, 1896, 52 p.)
- 8.Industry and trade (conference, 1898)

- 9.The trade and the industry of Romania (conference, 1899)
- 10."The monography of the state of the professions in Pitesti" by Ștefan Chicoș, Pitești, 1909 (report, 1909, 2 p.)
- 11.Study upon the monopoles in Romania (report, colab.1905)

IV.Studies on trade and transport matters

- 1.Agriculture and trade (conference, 1880)
- 2.The trade reports of the Romanian consulates on 1880-1881, (article, 1882)
- 3.Romania's external trade. I-XIV (study, 1882, 44 p.)
- 4.Romania's trade in 1881 (article, 1882)
- 5.The foreign economic politics and Romania (article, 1882)
- 6.The need and meaning of the expositions (article, 1893)
- 7.Industry and trade (conference, 1898)
- 8.Romania's trade and industry (conference, 1893)
- 9.About the new German price (article, 1901)
- 10.The cattle export (article, 1902)
- 11.The wagon parc (article, 1902)
- 12."The history of our customs and trade politics", by C. Băicoianu (report, 1906, 4 p.)
13. The trade convention with Austria-Hungary (article, 1908)

V.Economic history studies

The preoccupations for the economic history of the Romanian Countries are a part of Xenopol's general preoccupations for history and assure an exemplary complementarity regarding the economic studies, while the evolution of the economy is sometimes an argument and sometimes a cause or an explanation of the actual state, however always allowing a better understanding of some economic phenomena and processes analyzed by Xenopol.

The main aspects approached from this point of view are: the problem of the formation and evolution of the property, the preoccupations of the Romanians in time, trade matters, the complex problem of finances especially in the fanariot era, the economic reforms realised during the reign of Cuza and their impact upon the ulterior evolution of Romania etc.

The most important economic history studies are:

- 1.The severe social state of the Romanian people in the past, by A.I. Philiphide (rec, 1881)
- 2.The first lesson of Romanian history corse at the University of Iasi (lecture, 1883)
- 3.The leading ideas in the development of the Romanian people (study, 1883)
- 4.The economic state of the Romanian countries in the fanariot era (study, 1889, 21 p.)
- 5.The past of the silk industry in our country (article, 1893)
- 6.About the social state of the Romanian people in the past (conference, 1893)
- 7.The history of the peasantry matter up to the impropiation (conference, 1900)
- 8.The history of the rural matter (conference, 1902)
- 10.The historical evolution (study, 1907)
- 11.The big and the small property in the Romanian countries' past (study, 1913, 32 p.)
- 12.La situation financiere des pays Roumains sous les Phanariotes (study, 1911, 10 p.)
- 13."Le comerce de la Moldavie jusqu'a la fin du XVI-e siecle", par I. Nistor (rec, 1912, 2 p.)
- 14.La grande et la petite propriete dans le passe des pays roumains (study, 1913, 6 p.)
- 15.The Romanian history in the Dacia Traiană (several chapters)

VI.Socio-economic studies

In these studies, but also in some other ones, the economic matter combines with the social one, in trying to realise a complex presentation of the Romanian society in the process of modernization. The articles and the studies upon this matter are:

- 1.Our interior state. Economy, functionarism (conference, 1880)
- 2.Work and power (conference, 1882)
- 3.Socialism and comunism (article, 1885)

- 4.The direction of our education (article, 1985)
- 5.The movement of the people in the Iasi county (article, 1885)
- 6.About socialism (conference, 1893)
- 7.The impact of alcoholism on the economic state (conference, 1897)
- 8.About the matter of competition for the "Prise Alexandru Bodescu": "The economic, statistical and social Monography of a rural location abroad", 13th April 1899
- 9.How do we live in towns? (conference, 1899, in volume, 10 p.)
- 10.Sociology and socialism (lecture, 1910)

VII.Financial and banc studies

- 1.The interest of gold, I-III (article, 1884)
- 2.The interest of gold and the debates of the Chamber (article, 1885)
- 3.The financial situation of Romania under the liberal government (study, 1887, 31 p.)
- 4.The economic magazine of the year 1900 (article, 1900)
- 5.The waste (article, 1902)
- 6.The rules of the rural saving houses (article, 1902)
- 7.The rural banc (article, 1907)
- 8.Misunderstood demography (article, 1911)
- 9.The beer industry and the tax (brochure, 1898)

VIII.Economic doctrine studies

We have to mention that Xenopol is no theoretician of economy, because he is mostly preoccupied with the practical aspects of the economic life. However, the economic theory and the aspects concernine the economic doctrines were not only unknown to him, but he adopted some of them, for example the protectionist theory, and denied others – the free trade.

The works in which Xenopol approaches these problems are:

- 1.The political economy treaty of Ioan Strat (rec, 1970, 7 p.)
- 2."Economic talks" by Ion Ghica (rec, 1872, 3 p.)
- 3.The economic matter (article, 1886)
- 4.Romania and Switzerland (article, 1886)
- 5.The national economy (article, 1893)

Conclusions

a) The most numerous and consistent are the studies about agriculture and about the rural world; then the economic ones in general, then the studies about trade, industry, the economic history studies, the socio-economic studies, the financial and banking studies and in the end the studies about economic doctrines.

It is worth analyzing the two extremes. Why such a great interest for agriculture, for the peasant, for the villane? The reasons are different: peasantry used to be the most numerous, agriculture was the main economic branch, the villane was the most popular environment, the peasants' problems were the most complex and difficult and their solving the priority. What is the cause for the small number of studies concerning the economic doctrines? First of all, Xenopol was no theoretician of economy, although he was acquainted with the main ideas of economy; back in the country after having studied, Xenopol feels the need of analyzing the concrete economic problems of the country, of formulatine solutions for the overcoming of the deficits in the Romanian economy, so that this country should catch up with the civilized countries.

Trying to separate in time the economic preoccupations of Xenopol, we could say that between 1870 and 1882 he deals mostly with economic doctrine problems, by means of theory but also proving with data and facts the negative influence of the free trade and the need of protectionist measures; until 1888 he finalizes the most important studies about economy in general (Our economic state, Economic studies, The liberal party and the economic movement, Memorium. Economic improvements to be realised in northern Romania and especially in Iasi) and those about trade (Romania's external trade, Romania's trade in 1881, The foreign economic politics

and Romania) and the financial and banking ones (The interest of gold, The interest of gold and the debates of the Chamber, the financial situation Romania's under the liberal government); between 1888 and 1893, an important period of time in the history, Xenopol writes his most important studies of economic history, some of them being included in different chapters of The Romanians' History in the Dacia Traiana (The Leading Ideas in the development of the Romanian people, The economic state of the Romanian countries in the fanariot era, About the social state of the Romanian people in the past), between 1893 and 1900 he shows a special interest in the problems of industry, which were a topic of several conferences but also of some bigger studies (The industry of beer and the tax, The silk industry); between 1900 and 1908 and especially around the year 1907 Xenopol focuses with sympathy on the peasants, on their economic, social or other problems, observing them and suggesting solutions for the improvement of their situation (The economic state of the Romanian peasant, Means of improving the state of the Romanian peasantry); finally, the socio-economic studies, either as such or by means of mentioning the social problems in the other studies, seem to be a permanent preoccupation.

b) Xenopol was very well aware and very interested in the current economic problems of the country; he alternates, on one hand, his economic with his historical preoccupations, but he also combines them on the other hand, realising this way important economic history studies; he combines the press articles with conferences and with reports on other economic works; he wants to make his ideas popular by also publishing in brochures, excerpts and then in the press; he is very well acquainted with the economic terminology and with important works in the Romanian and international economy, a reason for which he translates some articles into French and publishes them in widely known magazines; his bigger and more consistent economic studies are written between 1870 and 1888 and between 1888 and 1913 he only writes articles and works for conferences; the exceptions are the studies: The industry of beer and the tax (1895), The silk industry (1896) and Means of improving the state of the Romanian peasantry (1907), consequently the historical economy works included in the history works.

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CREDIBILITY AND TRANSPARENCY - SOURCES FOR THE IMPROVEMENT OF MACROECONOMIC PERFORMANCES

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The purpose of this paper is to show that the monetary policy credibility and transparency represent two powerful sources for the improvement of macroeconomic performances. In order to achieve this goal, the authors adapted the methodology developed by Krause to our economic environment. We identified three time spans in our economy evolutions and we evaluated in each period the impact of monetary credibility and transparency improvement on the macroeconomic performances index. The results obtained showed that the improvement of monetary policy credibility and transparency sustained the stability and the predictability of the macroeconomic environment.

Keywords: monetary policy credibility, monetary policy transparency, economic performances

JEL Classification: E52

Introduction

Macroeconomic performances means more than just lower inflation, it involves a more stable inflation and real growth. The lack of economic shocks or more skillful monetary policy makers might be the sources of better economic outcomes³⁵⁴.

Regarding the evolution of Romanian economy after 1990, we can identify three time spans:

- since 1990 until 1999: as a result of the great inflation fluctuations, the Romanian economy registered a slow and unstable growth of real GDP;
- since 2000 until 2005: the inflation rate started to decrease consolidating the disinflation phenomenon. As a result the real GDP counted a positive evolution;
- since August 2005, NBR adopted a new monetary policy, namely inflation targeting. The purpose of this change was to ensure the reduction of inflation rate and, in the end, the achievement of price stability. In consequence, the economic growth consolidated and real GDP evolution became more promising.

As Krause mentioned, better macroeconomic performances might be achieved through the improvement of monetary policy process. Before 2000, the interference of different economic and political forces determined the monetary policy to follow other objectives than the improvement of economic outcomes (i.e. the NBR was obliged to sustain unprofitable sectors, lending them very cheap money). The changes in NBR Statute from 1998 and 2004 released the monetary policy from governmental influences, the result being a considerable improvement in the implementation of monetary decisions. More than that, the NBR decisions in order to adopt the inflation targeting monetary policy improved the monetary policy environment. Due to these evolutions, we believe that the way the monetary policy was conducted influenced considerably the performances of Romanian economy.

³⁵⁴ Krause, S. (2004), p.1

Methodology

According to our previous studies³⁵⁵, the credibility of NBR monetary policy is high, except the situation when our economy was affected by a negative supply shock (a severe drought in the summer of 2007). Also, even if the population does not perceive the monetary policy as being transparent, the NBR release periodically a high amount of information with a very good qualitative level. Moreover, we subscribe to the idea sustained in the economic literature³⁵⁶ that the credibility and transparency enhance the efficiency of monetary policy.

In order to evaluate the role of NBR credibility and transparency in the improvement of macroeconomic performances we start from the following assumptions:

- the NBR credibility level increased during the analyzed time span. Due to inflation evolution until 2000, we consider that the level of NBR credibility was very low. The decrease of inflation rate during the time span 2000 – 2005 has improved the NBR credibility, while the adoption of inflation targeting monetary policy and the NBR commitment to ensure the price stability has strengthened the credibility;

- the NBR transparency improved also during the analyzed time span. NBR started to release the Inflation reports in 2002 with a biannual frequency. In consequence, we consider that before 2000, the transparency of NBR monetary policy was very low. The release of Inflation reports has ameliorated NBR transparency offering to society free access to information regarding inflation evolution. Since NBR adopted inflation targeting as monetary policy, the number of inflation reports released annually increased to four. Additionally, beside the presentation and the explanation of inflation evolution, the inflation reports contain forecasts for inflation evolution. In conclusion, as we studied previously³⁵⁷, the NBR monetary policy has a high level of transparency.

The study of macroeconomic performances of Romanian economy during these three time spans will be realized using the performance index elaborated by Krause³⁵⁸:

$$P = \lambda \cdot \text{Var}(\pi) + (1 - \lambda) \cdot \text{Var}(Y) \quad (1)$$

where: λ – coefficient that describes the trade-off between inflation and output, $\text{Var}(\pi)$ – the variance of inflation and $\text{Var}(Y)$ – the variance of output (real GDP). The index evaluates the macroeconomic performances using a weighted sum of inflation and output volatility.

Regarding the output instability we subscribe to Krause and we will calculate the variance of observed values as reported to output trend. In the case of inflation instability, Krause counted the variance of observed values as reported to a reference value for inflation, 2%. We consider that this method is not suitable for our country. While an inflation rate of 2% represents the goal of monetary policy in EU (also the definition of price stability from the European Central Bank perspective), in Romania the goal of NBR is to reduce the inflation rate. In consequence, we consider more appropriate to evaluate the inflation instability reporting the observed values to their trend during the analyzed time span.

The trend of these two data series (inflation rate and output) will be computed using HP filter (Hodrick – Prescott).

Regarding the value of λ , we decided to evaluate them as it follows:

- during the time span 1990 – 1999 the Romanian governments supported the output and employment evolution neglecting, in the same time, the effects of its decision on inflation. In

355 Toader, V. (2008), pp. 560 – 562; Toader, V. and Rus, R.V. (2008), pp. 456 - 457

356 Bernake, Fracasso, Genberg, Wyplosz, Krause

357 Toader, V. (2008), pp. 560 – 562

358 Krause, S. (2004), p. 9

consequence, in the performance index evaluation we assigned 40% to inflation variance ($\lambda = 0.4$) and 60% to output variance ($1 - \lambda = 0.6$);

- during the time span 2000 – 2005, as a result of the NBR status changes, NBR sustained through its decisions the disinflation process. In consequence, in the performance index evaluation we assigned 70% to inflation variance ($\lambda = 0.7$) and 30% to output variance ($1 - \lambda = 0.3$);

- after the adoption of inflation targeting monetary policy (August 2005) the inflation rate reduction and the price stability achievement became the main objective of NBR. In this situation, we considered appropriate to assign 90% to inflation variance ($\lambda = 0.9$) and only 10% to output variance ($1 - \lambda = 0.1$) in the process of performance index evaluation.

Results and discussions

As we can see in the following figures (1 and 2), during the time span 1990-1999, the inflation rate had registered a higher volatility than the output. The ascending trend of the output shows the Romanian governments' inclination to output and employment.

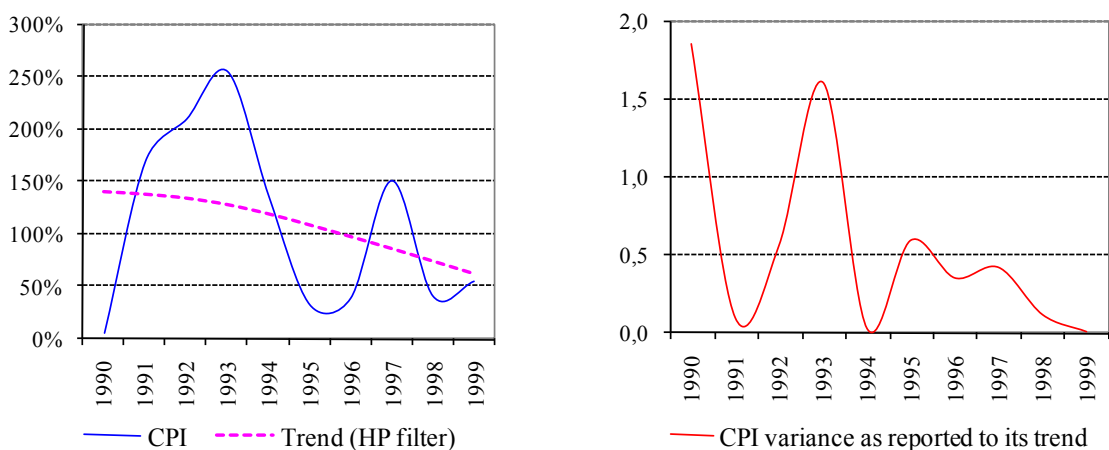


Figure 1 – Inflation rate variance (CPI) during the time span 1990 – 1999 (annually values)
Source: NBR and authors' calculations

According to formula (1), the inflation rate variance is $\text{Var}(\pi) = 5.65134$, while the output variance is $\text{Var}(Y) = 0.04313$. Applying formula (1), the index of macroeconomic performance for the time span 1990 – 1999 is $P = 2.28642$. This value illustrates a great volatility of both inflation and output.

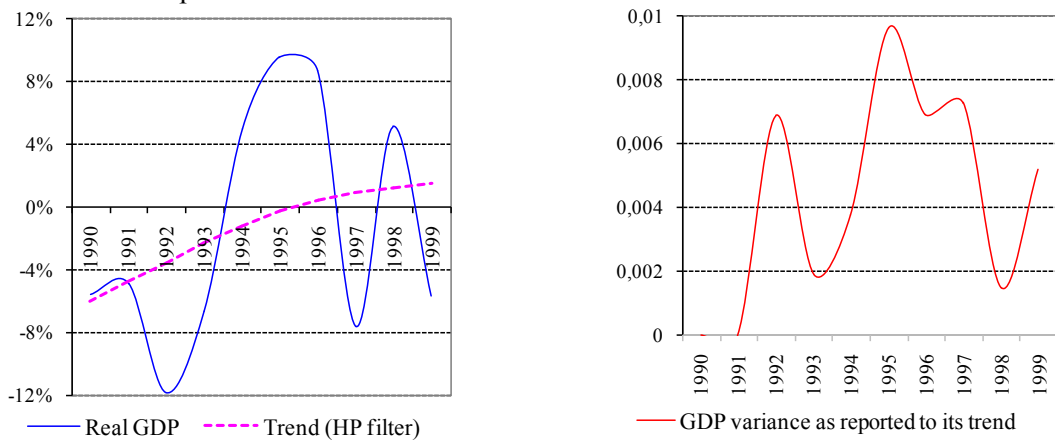


Figure 2 – Output variance during the time span 1990 – 1999 (annually values)

Source: NBR and authors' calculations

The time period 2000 – August 2005 was characterized by higher output volatility than in the case of inflation rate. As we can see in figure 3 and 4, during the analyzed time span the inflation rate and output registered a descending trend. The NBR efforts to sustain the disinflation process through restrictive monetary policy decisions had a negative influence on the real GDP evolution. Correlating the fact that the government could not maintain the economic growth using monetary policy and the lack of private investments, we obtain the premises for an economic slowdown.

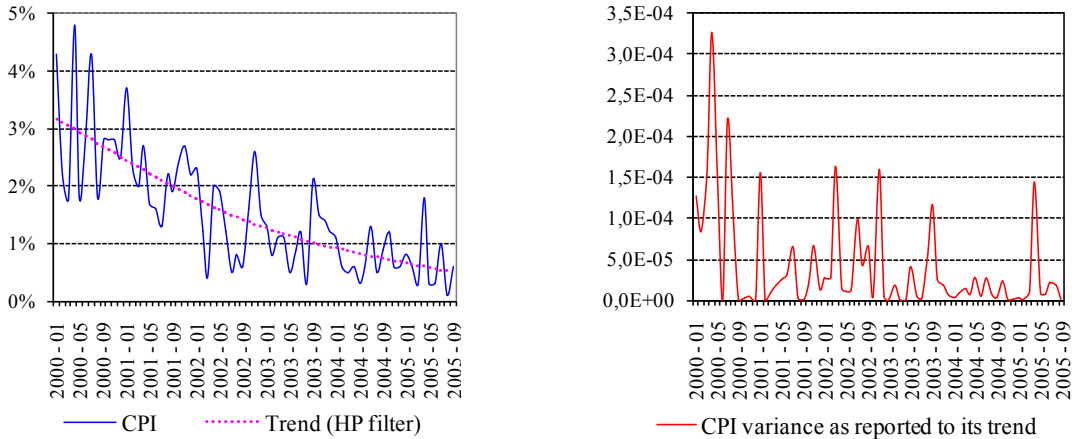


Figure 3 – Inflation rate variance (CPI) during the time span 2000–August 2005 (monthly values)
Source: NBR and authors' calculations

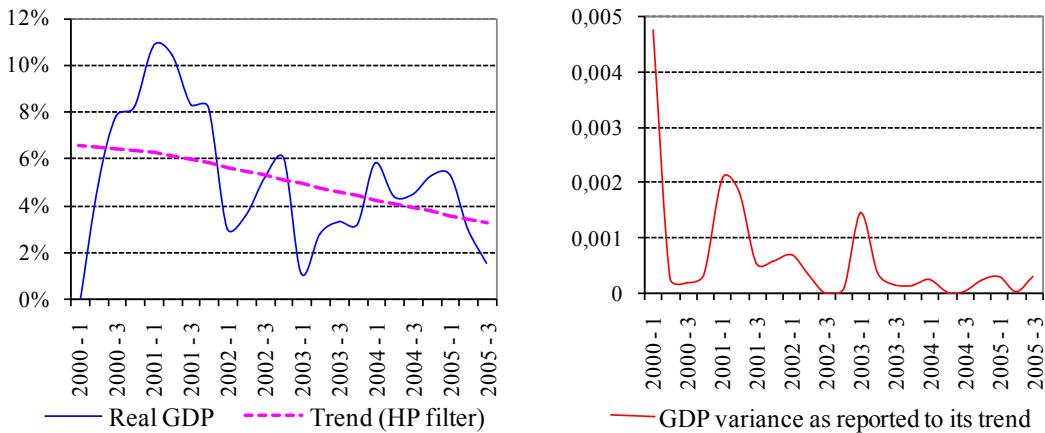


Figure 4 – Output variance during the time span 2000 – August 2005 (quarterly values)
Source: NBR and authors' calculations

Evaluating the inflation rate and output variance as reported to their trend we obtained $\text{Var}(\pi) = 0.00281$ for inflation rate and $\text{Var}(Y) = 0.01500$ for real output. As a result, the macroeconomic performance index was $P = 0.00647$. This value shows that during the time span 2000 – August 2005 the volatility of inflation rate was lower than in the case of real output. The monetary policy had an important role in this evolution, sustaining the disinflation phenomenon.

The real GDP fluctuations were also higher than inflation rate fluctuations during the time span September 2005 – December 2008. At the beginning of the analyzed time period, the real GDP recorded an ascending trend, this evolution being the result of foreign and domestic investments, not the effect of a governmental support (as it was between 1990 and 1999). Unfortunately, in

2008 the first signs of the actual economic crisis became visible and the real GDP started its decline. As a result of a negative supply shock (caused by a drought), starting from the second part of 2007, the inflation rate increased. These evolutions are presented in figures 5 and 6.

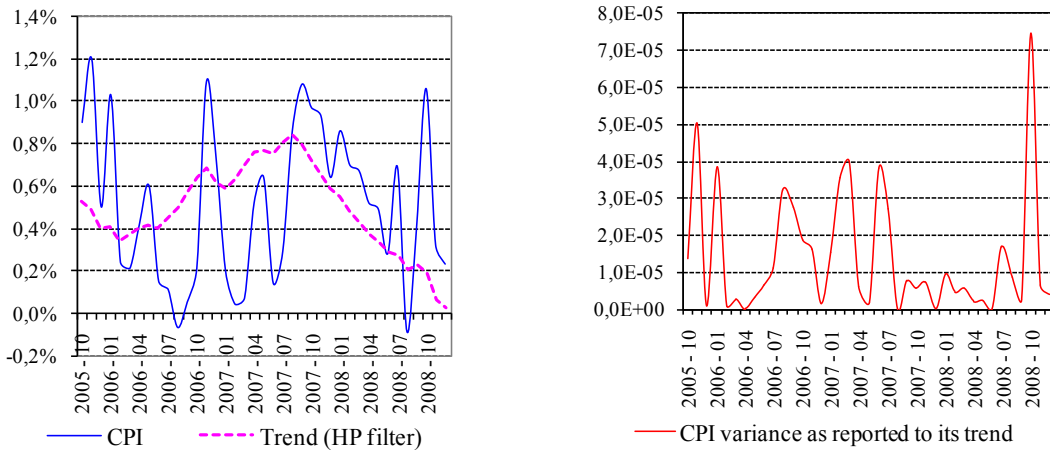


Figure 5 – Inflation rate variance (CPI) during the time span 09.2005 – 12.2008 (monthly values)
Source: NBR and authors' calculations

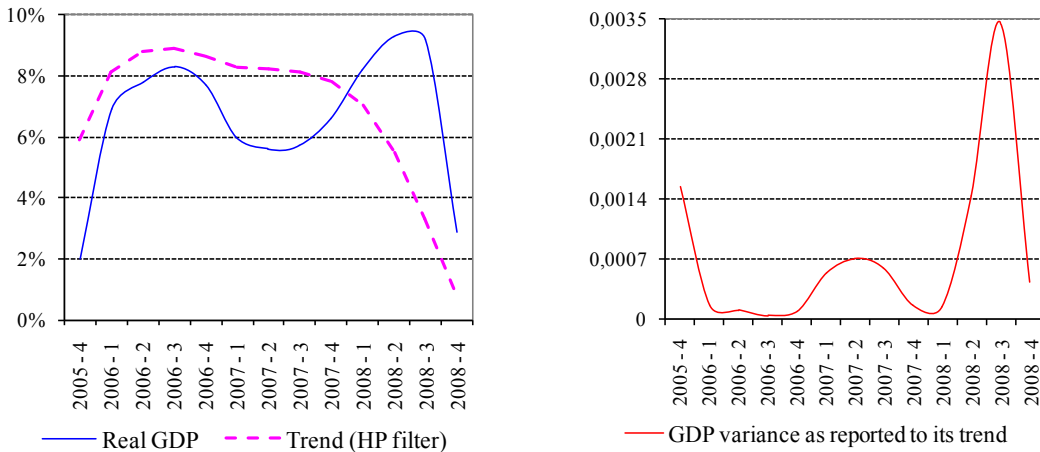


Figure 6 – Output variance during the time span 09.2005 – 12.2008 (quarterly values)
Source: NBR and authors' calculations

As a result of these evolutions, the inflation rate volatility ($\text{Var}(\pi) = 0.000308$) was lower than in the case of real GDP ($\text{Var}(Y) = 0.00268$). In consequence, the macroeconomic performance index was $P = 0.00054$. The results obtained illustrates that the inflation rate and output volatility was lower than in the previous two time spans. We consider the adoption of inflation targeting monetary policy, which improved the confidence of the economic agents in our economy development, as being the main cause of the improvement of macroeconomic performance. These results could not be obtained if the economic agents would not believe in the NBR capacity to fulfill its commitments.

The values obtained for the macroeconomic performance index are not so relevant, more important being their evolution. Due to the fact that the values of the macroeconomic performance index counted an accelerate decrease, we can affirm that, in Romania, the economic environment registered a significant improvement. In the following table we have the values computed for the macroeconomic performance index in Romania:

Table 1 – The macroeconomic performance index in Romania

	Time span	CPI Variance	Real GDP Variance	Macroeconomic performance index
1.	1990 – 1999	5,65134	0,04313	2,28642
2.	2000 – August 2005	0,00281	0,01500	0,00647
3.	September 2005 – December 2008	0,00055	0,00938	0,00143

Source: NBR and authors' calculations

The most important progress was registered by the inflation rate volatility that decreased as reported to the first period approximately 10.000 times. Even if the evolution of real GDP volatility was not so spectacular, its performance shows that the improvement of the monetary policy and a better fiscal discipline contributed to the economy stabilization.

Conclusions

The NBR monetary policy credibility and transparency had a significant role in the process of macroeconomic stabilization. After the release of the first Inflation Report and especially after 2006, NBR, through a more transparent activity, has tried to convince the economic agents that the Romanian economic environment is stable and it worth to invest here. The purpose of information released was to make the economic environment more predictable and to reduce the risks. Beside that, the confidence of the economic agents in the NBR capacity to control inflation and to reach its commitments sustained the economic recovery from our country.

In conclusion, in an economic environment with weak macroeconomic performances, the monetary policy credibility and transparency have represented the main source to gain the economic agents confidence regarding the economic growth perspectives in our country.

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COMPETITION WITHIN THE GOVERNMENT: PUBLIC CHOICE

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Public Choice attempts to make government more competitive, more efficient and less corrupt. Aristotle concluded that man's natural inclination is toward discourse and political activity. This gave birth to a vast area of theory and practice that nations and individuals have studied and practiced ever since, mainly political science. In particular, Public Choice deals with the behavior of voters, politicians and public administrators and sees them as mostly self-interested agents pursuing their own individual interest, much like any other economic agent within the society.

Keywords: public choice, public administration, Governmental intervention, market failure.

Cod JEL lucrare: H83

In this article we shall approach a subfield of public administration, mainly "Public Choice". We all felt the pressure of globalization in the 21st century and the need for national governments throughout the world to positively respond to this challenge, through a proper governmental design, in order that they may positively cope with these pressures.

1. The theory of public choice

Public Choice theorists began their quest with foundational questions about the state itself. According to them, the most important subject is the origins and functioning of democratic government. It is true that some research has been done on anarchy, autocracy, revolution, and even war, but the area of greatest interest for Public Choice scholars, has been the issue of collectively choosing constitutional rules or making the government work for the greatest number of people. The assumption of Public Choice scholars is that they aim to form a government (elect) who needs to hire public administrators (agents) to carry out those governmental functions agreed upon by the members. Under the issue of implementation, the main questions are:

- How to employ competent and honest individuals to whom to delegate the daily operations of the government?

- How to set up an effective system of oversight and sanctions for the employed individuals.

In answering these complex questions, it is necessary to analyze the effects of creating various focal points of power and decision-making within the appointed government bureaucracies. Further, it requires the examination of voting as a process and the other means of choosing candidates and selecting winners in an election. What rules and policies might be established to positively influence the behavior of elected and appointed government officials? How can a society evaluate its alternatives regarding constitutional and legal rights, especially those regarding oversight of public officials and avoidance of harm due to government agents?

2. Collective Action: Government in Theory

In this section we will discuss "collective action" but only in its strictest interpretation meaning the democratically elected government from whom we only have two major expectations: to correct market failures and to redistribute the wealth in society. Naturally, this is both a theoretical and an incomplete view of the government (collective action) but before moving on to the complexities of the various society agents (public and private) we must understand the underlying currents that shape governmental behavior.

World-wide, the theoretical models of market socialism developed in the 1930's and 1940's depicted the state as largely an allocator of private goods. State intervention was needed to avoid the inefficiencies of the private sector, which Keynesian economic claimed were the cause of unemployment, and to avoid wealth distribution inequalities created by the market. The immediate prosperity following the World War II years reduced the concern about unemployment and distribution issues. However, concerns about market efficiency remained high first among economists but also among political scientists. The academic works of the forties and the fifties concerned themselves with the conditions for efficient allocation of resources in the presence for public goods, natural externalities and economies of scale. Whenever these conditions were not present, the free-market system failed to achieve a "Pareto-optimal" allocation of goods and resources. The existence of these forms of market failures provides a natural explanation for the existence of states.

2.1. Market Failure: Reason for Governmental Intervention

The first and fundamental rationale for governmental intervention into a society was seen as the free-market failure, where economic markets left by themselves would produce large inefficiencies as stated above. These market failures can also be viewed as instances where the individuals' pursuit of self-interest leads to negative results for society as a whole³⁵⁹.

The first known use of the term "market failure" was in 1958 by Francis Bator in an article published in *The Quarterly Journal of Economics* entitled "*The Anatomy of Market Failure*" (Bator, 1958) but the concept has been traced back to the Victorian philosopher Henry Sidgwick. The concept that a free-market can have an inefficient outcome is the common justification for government intervention in general. Economists use various models and theorems to analyze and correct market failure, and their models play an important role in the shaping of public policy³⁶⁰. Unfortunately some government interventions, such as taxes or subsidies, may also lead to an inefficient allocation of resources, leading to what is called government failure³⁶¹. Therefore, the true choice is between two imperfect outcomes: market imperfection and governmental imperfection.

A market agent can gain market power and block other agents to gain from the market. This leads to inefficiency due to imperfect competition that can take many different forms, like monopolies, monopsonies, cartels or monopolistic competition if he/she does not implement perfect price discrimination. The actions of an economical agent can have externalities: that is the producer does not bear all of the costs of the economic activity or other conditions important to the market. According to Gravelle and Rees, the underlying cause of market failure is often an issue of property rights. According to them:

*A market is an institution in which individuals or firms exchange not just commodities, but the rights to use them in particular ways for particular amounts of time. [...] Markets are institutions which organize the exchange of control of commodities, where the nature of the control is defined by the property rights attached to the commodities*³⁶².

Economists from the public choice school, insist that market failure does not imply that government should attempt to solve these failures, since the costs of government failure could be worse than the costs of market failure. According to public choice theory of government, the failure of government is the inherent problem of a democracy given the power and influence of special-interest groups (rent-seeker) both the public and the private sectors. The conditions

359 Krugman, Paul, Wells, Robin, *Economics*, Worth Publishers, New York, (Krugman & Wells, 2006)

360 Mankiw, Gregory; Ronald Kneebone, Kenneth McKenzie, Nicholas Row, *Principles of Microeconomics: Second Canadian Edition*, Thomson-Nelson, 157-158, (Mankiw, Kneebone, McKenzie, & Row, 2002)

361 MacKenzie, D.W., *The Market Failure Myth*, Ludwig von Mises Institute, (MacKenzie, *The Market Failure Myth*)

362 Gravelle, Hugh Ray, Rees, *Microeconomics*, Essex, England, Prentice Hall, *Financial Times*, 314-346, (Gravelle & Rees, 2004)

regarded by many as negatives are often seen by public choice economists such as Milton Friedman as an effect of subversion of the free market by government intervention.

2.2. Redistribution of Wealth: Reason for Governmental Intervention

The other major rationale for governmental intervention into the free-market economy is wealth redistribution, a concept supported by some political scientists and economists who see this as the other major reason for the existence of the state. Whenever we refer to the distribution of wealth in a society, we typically compare the wealth of various members in a society and it represents one aspect of the social structure. Different racial and ethnic groups possess differing amounts of wealth, similar to when people are grouped in society by age or education. Various occupations yield different wages and the compensation for some jobs, is thousands of times greater than the compensation for others. The governments of modern societies attempt to redistribute capital and reduce extreme inequalities of wealth through practices such as property redistribution, taxation and various regulations. Their motives include the desire for equality of opportunity, the fear that great wealth can lead to political corruption or fear that the concentration of wealth can lead to rebellion or at least minimize the consumer base³⁶³. As noted economist and Nobel Prize winner Amartya Sen states: "...a perceived sense of inequity is a common ingredient of rebellion in societies..."

The various forms of government with a socialist and to a lesser degree capitalist ideology, makes significant efforts to diminish the conflicts resulting from the unequal distribution of wealth. The communist economic and political system, believing that the government serves the interests of the people, confiscates the wealth of the rich and distributes the benefits to the poor. Milton Friedman, a known critic of state-managed economies, points out that the slogan "*From each according to his ability, to each according to his need.*" turns ability into a liability and need into an asset³⁶⁴. The redistribution of wealth has been a key component of many government initiatives throughout the centuries; however this quest intensified after World War II with many super-governmental agencies such as the World Bank and the International Monetary Fund, which adopted it as their main purpose as well. Many global redistribution advocates point to the fact that the majority of the global wealth is concentrated among the G8 and Western industrialized nations. A recent study by the World Institute for Development Economics Research at United Nations University reports that the wealthiest 1% of individuals owned 40% of global assets in 2000, and that the wealthiest 10% of individuals owned 85% of the total world wealth. 50% of the bottom half of the world population owned less than 1% of global wealth³⁶⁵.

3. Collective Action: The Functioning of Government in Practice

Initially, the theory of public choice dealt with the voting system and how to transform what voters are assumed to want into a "*collective preference*" meaning public policy put forth by elected officials. However, this presents a weak connection between the citizens with zero collective decision-making costs and career-legislators representing them and life-long bureaucrats entrusted with implementing the will of the voters. The literature of public choice gives a special place to the actual negotiations carried out by elected officials in exercising their legislative prerogatives. Most important in such negotiations, according to Public Choice theory, are political parties and various other pressure groups.³⁶⁶

According to Anthony Downs's 1957 classic book "*An Economic Theory on Democracy*", most voters have incomplete information when voting and as a result will resort to economic issues of "how much government intervention in the economy there should be" and how various political

363 Sen, Amartya, "On Economic Inequality", 1973 (Sen, On Economic Inequality, 1973)

364 Friedman, Milton "Capitalism and Freedom", 1962 (Friedman M., 1962)

365 Davies, James B., "Personal Wealth from a Global Perspective", 2008 Oxford University Press, (Davies, 2008)

366 Interest groups, advocacy group, lobby group, pressure group or special interest groups are an organized collection of people who seek to influence political decisions.

parties with their interest groups will control this. His work was partially stimulated by Bergson and Arrow's writings and to some extent, Downs wanted to fill the void of the *impossibility theorem*. He wanted to demonstrate that competition among political parties could have the same effects on the political process as competition among firms in the market had on the market process³⁶⁷. Of all the works in public choice school, Downs's book has had the greatest influence on political scientists.

Good, functional government is a pure public good for the many voters who may not realize it nor appreciate it, but there may be interest groups with a strong incentive to lobby the government for specific inefficient policies to benefit them at the expense of the general public. Most voters will be unaware of the lobby efforts due to rational ignorance, therefore numerous special interests groups will successfully lobby for various inefficient policies. In public choice theory, these scenarios of inefficient governance are referred to as governmental failure, a term akin to market failure³⁶⁸. From such a perspective, some may think that public choice theory has an anti-governmental approach. Olson proposed a strong state and opposed lobbying by political interest groups. Buchanan suggested that public choice theory must be viewed as "*politics without romance*," an approach critical to earlier idealized notion of politics against market failure.

The development of public choice theory was accelerated with the founding of The Public Choice Society³⁶⁹ in 1965 and the Public Choice Journal³⁷⁰. The Public Choice Society mainly attracts economists and political scientists: the economists contributed with their choice-based model-building skills while the political scientists brought their knowledge of different political systems, institutions and interaction. Next we shall turn our attention on a few aspects of pragmatic government workings.

4. Conclusions and Criticism to Public Choice Theory

Public choice theorists have been criticized for their failure to explain human action that is motivated by non-rational or non-economic issues. Their response is that the theory explains many different human actions that may not seem rational but really are. It begins with the realities of the Great Depression and the left-tilting of the government, where it was seen as the only solution to market correction and wealth distribution. Public choice theorists proved that orthodox economics should not be abandoned, quite the contrary they ought to be embraced and applied in non-traditional fields such as political science. Public policy ought to be formulated and implemented with a realistic perspective of the rational economical agent.

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367 Muller, Denis, Public Choice III, (Muller D., 2003)

368 While market failure has been widely studied, government failure has only recently come into common usage as the lenses of Public choice theory, New Institutional Economics or Transactional Cost Economics

369 www.pubchoicessoc.org, (Pub Choice)

370 www.thelockeinstitute.org/publicchoice.html, (The Locke Institute)

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ANALYSIS OF THE ROMANIAN PENSION SYSTEM FROM AN EUROPEAN PROSPECTIVE

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The political, economic, social, cultural and especially demographic aspects have put their inprints on the pension, so that it should keep in mind the way they were built and are building the European social policies in general, and EU policy on pensions, in particular. In the private pension system, Romania has not only held the EU standards, but also objectives of other international bodies (IMF, World Bank), as it happened in other countries (Hungary, Poland, Bulgaria, Croatia) that have imposed their own model of pension scheme (pension scheme on the three pillars). Assessment of the Romanian pension system from an European prospective means to analyze as we extent closer to the EU. Thus analyzed overall objectives of the EU, although it is difficult to quantify precisely these objectives, we can say that in recent years, Romania has made sustained efforts to achieve coherent and effective policies on pensions, but there is still have a lot to be done to reduce the gaps and reach EU objectives on pensions.

Keywords: social insurance, pension reform, social security system, private pension

JEL Classification: Z/Z0

Since ancient times people took care to save a part of their material resources in order to overcome certain events qualified as social risks, such as sickness, maternity, invalidity, old age, accidents at work and occupational diseases, unemployment, etc. from this point of view, Social Security benefit, sickness insurance, family benefits for maternity, unemployment insurance and other rights are part of the social insurance scheme, and their organization and financing aims to meet the most urgent problems imposed by economic restructuring and the needs of various social categories.

The Social Security system is the most important component of the system of social protection and reflects the evolution of economic, social, political, and cultural demographics of a country in the context of globalization and integration. In this way, in recent decades the European Union has made sustained efforts to achieve coherent policies and effective in the field of social security benefits, but major changes in this complex mechanism are difficult to achieve, even more harder the stabilization of national insurance.

The issue of security coordination is stipulated since 1971 (Regulation 1408/71), but lately has been focusing more on the size of intraeuropean communication and at the Lisbon European Council (2000), Stockholm (March 2001), Laeken (December 2001), Luxembourg (June 2002) Brussels (2002), etc. intended to find solutions in the field of social security. After the meetings in Lisbon and Stockholm, the Council give a first solution consisting in finding a balance in the ratio of employed persons and persons receiving social insurance benefits and in this respect, imposed "a study of social evolution for a long time period, giving attention to the sustainability of social security systems in their evolution in time until 2020 and over if necessary"³⁷¹.

Then, at the Brussels meeting was the issue regarding improvement and modernization of social protection systems and, in particular, discussions about the establishment of a safe and sustainable social security system up to the following principles: provision of social security benefits that provide an adequate income for people who withdraw from activity, the need for solid public finances, maintaining solidarity between and within generations, increasing the quality of social security benefit, growth of the rate of employment, promoting equality between women and men in the calculation of benefits by taking into account periods of activity.

371 European Commission's report from Lisbon, pct.31.

After the meeting in Laeken in December 2001, the European Council made a successful synthesis of the strategy of social security schemes, setting 11 targets proposed by the Social and Economic Policy Committee. The 11 objectives can be divided into three categories³⁷²: adequacy of social security systems, financial sustainability of social security systems and social security systems that meet changing economic and social needs of individuals.

Adequacy of social sec. systems involve: 1) ensuring that older people take part in economic, political and social life (preventing social exclusion), 2) creating opportunities for all persons to participate in the public or private social sec. to ensure they are preserving a standard of living after retirement, close to that part of the labor market, 3) promoting solidarity (inside and between generations).

Financial sustainability of social sec. systems involve: 4) growth of the rate of employment, 5) growth of assets (providing incentives for older people to remain in business even after retirement age), 6) creation of sustainable SS systems in the context of a solid fiscal public system that includes debt reduction; 7) adjusting benefits and contributions in a balanced manner; 8) ensure that public and private Social Sec. funds are effective, accessible, portable and secure.

Modernizing pension means: 9) a more flexible adaptation to the labor market and patterns career without prejudicing coherence of taxes and labor market mobility of Member States, 10) to promote equality between men and women 11) Construction of schemes transparent and adaptive to changes.

Adequacy, sustainability and adaptability are the three pillars that pension reform must be based on. Pensions should ensure a decent standard of living for each country and to make possible the participation of older persons in political social and cultural life, and the community in which they live³⁷³. These are our objectives as EU members, especially in 2007 when Romania joins the other eastern European countries, adopting the pension system on three pillars.

At present, depending on the state reforms of their pension in the EU there are four categories of states³⁷⁴: 1) with private pension systems less developed and that are not intending to alter the existing situation, although it is a trend in this regard: Spain France; 2) states with evolved private pension systems that have always depended on these systems: Denmark, Netherlands, UK; 3) With public pension systems, "a pay as you go", reformed by introducing Pillar II - mandatory pillar, financed from contributions in completing the unfinanced public system : Bulgaria, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Slovakia, Sweden; 4) traditional unfinanced social insurance Systems, sometimes with a minimum level of social insurance that switched to a private pension: Germany, Austria and Italy.

In the European Union, the traditional classification involves three pillars: Pillar I pension-covered; Pillar II occupational pensions (related work), set by labor contracts, Pillar III individual provisions unrelated to occupation. World Bank, which has consistently shown concern for defining a more efficient system, supports a model of reform based on three pillars, which is combined responsibility of the three parts mentioned, and who was applied in Romania: Pillar I pension systems of public pay as you go (PAYG) public administrat, DB (defined benefit), Pillar II pension systems administered by private type DC (defined contribution); Pillar III voluntary, privately managed systems, based on individual accounts.

At present, over 30 countries around the world have adopted multipilon pension systems on the bases recommended by the World Bank. Most are in Central America and South and Central and

372 The Social and Economic Policy Committee, Quality and viability of pensions-joint report on objectives and working methods in the area of pensions, presented the report in Laeken European Council in Laeken in December 2001.

373 Fritz von Nordheim, "Securing adequate, Sustainable and Adaptable Pensions in an EU of 25", presentation held at the Conference International Social Europe after enlargement-Convergence, comparison and challenges, Universitatea din Ghent, mai 2004.

374 data provided by CSSPP (Supervisory Commission of Private Pension System), paper "Pension Systems in the European Union. Member of Central and Eastern Europe", 2007.

Eastern Europe (where 11 countries, including Romania, have a private pension multipilon system: Hungary 1998/1994, Poland 1999/1999, Czech Republic No/1994, Slovenia 2000/2000, Latvia 2001/1998, Bulgaria 2002/1994, Estonia 2002/1998, Croatia 2002/2002, Lithuania 2004/2004, Slovakia 2005/1997, Roomania 2007/2007)³⁷⁵.

In Western Europe, private pension systems are different from the model of Eastern Europe. The model is the basis of private occupational pensions, offered and administered by the employing companies. Often, the practice came before a law - companies starting to offer "private pension packages" long before the area became officially regulated. Differences from the east, such as Romania, are multiple and complex. Not all European countries have schemes for private savings, although the public pension systems suffered from the same demographic issues.

Globally, more and more countries resort to private solutions to reform the public pension. The occupational pensions Model is very widespread in Western Europe, and is adopted by the United States and many other countries. The Differences between private pension systems around the world are even more complex than those on the European continent. Globally, total assets of private pension funds were about 20-25 thousand billion (trillion euros) in late 2008. Number of savings for old age in various private pension schemes exceeds one billion people.

In Romania, the pension system reform was delayed for 17 years, because it is a difficult process to achieve and to implement, the main problem being the deficit financing which is created by the shift from PAYG system - based on income redistribution, to the new system based on investment and savings. The first step in the direction of reform in the pension system was conducted in 2000 by the Law 19 for public pensions and other social insurance, which is first referred to the possibility of private pensions. Subsequently, in 2004, Law 411 was issued regarding privately managed pension funds. In June 2005 was published Emergency Ordinance Nr.50 which constitute CSSPP (Supervisory Commission of Private Pension System, in order to coordinate, monitor and control on the one hand, and on the other hand protect the interests of participants by ensuring the efficient functioning of private pension). This ordinance was followed by the publication of Law 204 on voluntary retirement in 2006.

Pillar I involves a state administrated public mandatory pension and represents the current system of state pensions, virtually bankrupt and unsustainable. the main objective for State pension is social protection, providing a minimum level of protection. It is estimated that this system under the state's administration could enter into a crack somewhere in 2050, if it will not be reformed. Employees contribute 9.5% of gross salary to the state and employers contribute 19.75% of the gross wage of the employee. In the calculation of state pension money that are paid by the taxpayers are imediatly gicento the pensioners, this cycle is ongoing (pay as you go). Currently the state pension is in a financial crisis and the pension is so low that the vast majority of pensioners are at the threshold of subsistence.

Since the mid-2007 and early 2008, Romania started to operate two new pension schemes: Pillar II mandatory pensions, privately managed and Pillar III of the private mandatory pensions, privately managed. Implementation was initially in 17.09.2007 and the collection of contributions in May 2008. Number of participants has increased steadily from 3.19 million in May 2008 to 4031 million in December 2008 and the assets amounted to 831895552.7 lei (about 208.7 million) at the end of 2008³⁷⁶.

The purpose of privately managed mandatory pension funds, (Pillar II) is a private pension insurance, which supplemented the pension granted by the public sector, based on collecting and investing in in the benefit of the participants. The administrator of the privately administered pension receives the contributions, manages and invests the financial resources of the fund,

375 Valeriu Frunzaru "Romanian pensions system. Chance of reconstructive or crash?" Economic Publishing House, Bucharest, 2006.

376 CSSPP (Supervisory Commission of Private Pension System), date supplied on site available www.csspp.ro, accessible 12.03.2009.

calculates and pays the private pensions. Obligation to fund participation is for people aged up to 35 years being added those until 45 years.

Pillar II implementation does not involve any additional cost for any employee for any company. Basically part of lousewort that now go to the state will go to private companies, the option depending on each employee. First contribution will be 2% of the gross salary stated on the work card, and this percentage will grow to 6% until 2016.

Pillar III has already been applied on 1 May 2008. It Will be funded from additional contributions, being open, complementary to the first two pillars, and persons up to 52.5 years. A person can contribute to this system with no more than 15% of gross income and may qualify for a pension when is 60 years old. Minimum probation period for contribution is 90 months (7.5 years).

Participation will take place only at the request of employers or a union of a enterprise. Amounts for employees will be deductible in the limit of 200 euros / year. Specifically, someone who has an annual salary of 20,000 euros will pay tax only for 19,800 euros. Besides this amount, the employer may contribute voluntary with another 200 euros for each employee, and the money will be deducted from the annual tax return.

To have an overview of the implementation of the current pension system in Romania, we have developed a SWOT analysis, which emphasize quality, defects, opportunities and threats of the pension system on the three pillars.

Qualities +	Defects -
<ul style="list-style-type: none"> -no additional cost required, for the employee nor for the company; -everyone has the right to choose a company and if not satisfied with the choice may be transferred to another company; -law allows money to be invested in order to ensure a diversification of investments; -introduction of Pillar II will eliminate the pressure put on state social insurance budget; -it will influence labor market reform as a financing alternative for the labor market; -employees and employers will benefit from the deduction of tax applied to pension funds contributions, which will lead to improvement plans for the benefit of employees and labor relations; - It is expected an increase in pension income of up to 80% (compared to the current 35%); - extending tax incentives will encourage private savings or any type of savings; -sums deposited will not be lost if the policyholder dies before the pension date but will be left inheritance; -the amounts deposited in Pillar III are deductible by global tax-marking it attractive; 	<ul style="list-style-type: none"> -the bill on pension funds and privately managed pensions contains provisions which penalizes investors by limiting both the sources of income for administrators, as well as participation in this system; -high-guarantee requirements, which involves all the final costs for the administrator; -vagueness of the law primarily in terms of the establishment of the Comitee that has a fundamental role in proper development of the system; -shortcomings on the legal constraints on the structure in the portfolio on how taxpayers' money will be invested; -economic instability will have negative consequences on the pension funds, financial companies are extremely sensitive to variations on inflation and other imbalances. If provided with a stable economic environment, managers will then have a high degree of prediction, meet business plans and have good monitoring performance and will increase the participants' confidence in reform implementation; an important element for success; bankruptcy-risk pension funds is quite high;
Opportunities	Threats
<ul style="list-style-type: none"> -in spite of some drawbacks many international firms have announced their 	<ul style="list-style-type: none"> - Introduction of private pensions will generate budget deficits of state, quite high for a longer

<p>intention to manage such funds;</p> <p>-a substantial income is expected;</p> <p>-these funds will be important sources of income;</p> <p>it will simulate growth by investing the accumulated amounts in the economy;</p> <p>it will create jobs and reduce unemployment;</p> <p>Population-savings will help to increase capital on the markets, assets can grow and mobilize to support the development of a large and long-term macroeconomic level;</p> <p>-Romania's accession to the European Union creates the premises of a stable long-term economic environment and in the pension plan this is favorable;</p> <p>-statistics of the National Commission for Prognosis confirm that the gross average salary nationwide is forecast to grow, between 2006-2010, with about 40%, from GBP 1130 to GBP 1670. Thus, for mandatory private pensions, population growth means revenue increase and opportunity contributions to the system in an accelerating pace higher than 0.5% / year, as provided in this law, while a voluntary retirement may benefit from increased rate of participation in this pillar;</p> <p>-in case of imbalances in the public pension system is good for public authorities to establish a reserve fund, to ensure financial stability of public pension money coming from privatization and the diversion of 50% of any surplus recorded in budget.</p>	<p>period. private pensions management invest more in government securities, that is a safe investment but with little profit. In addition, the commission received by large management companies, make the real value of the amounts deposited to decline, not grow;</p> <p>- Management fees erodes savings and employees should be strictly limited by law. In Hungary, according to World Bank data, the costs of administration "swallow" about 50% of the savings of employees for a management of 30 years. Taxes seem small, but a small percentage can erode a substantial deposit in time. For example, a fee of 1% per year at a warehouse store can reduce it by nearly 20% over a life;</p> <p>- Aging population will affect private pension system. It is true that private pensions allow employees to have a profit growth, but involves many risks, because the instruments in which pension funds currently invest in - actions - are volatile;</p> <p>- Regarding the payment of private pension there is no discrimination between women and men. In the private system in Poland, women earn average pension, 25% less than men. The difference is motivated by four factors: 1. women life expectancy is higher, 2. salary is less 3. retirement age is less; 4. maternity legal child care is not a contribution;</p> <p>the pillar-III - deductions from income must be global capped at a certain level each year to not favor those with high incomes;</p> <p>- Initial framework may change later. For example in Poland, the law that regulates pensions Pillar II has suffered about 230 modifications since the original form;</p> <p>- Changing the legal framework no longer provide initial transparency, supervision, control, safety and efficiency of pension funds at an acceptable level. There must be clear rules for consumer protection, accurate responsibilities for funds administrators and customer financial protection through wide access to the new pension system and a suitable replacement;</p>
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ECONOMIC STATISTICS

ESTIMATING THE SIZE OF THE ROMANIAN SHADOW ECONOMY USING THE CURRENCY DEMAND APPROACH

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In this paper, we estimate the size and the evolution of the Romanian shadow economy in the period 1998Q1-2008Q4, using a vector error correction model. A special attention it was given to the problem of non-stationarity and cointegration. The results indicate that the shadow economy grows constantly during 1998-1999 until it reaches its maximum at the end of 1999(38.12% in 1999Q2). Then, it decreases slowly and stabilizes around 27% of official GDP.

Keywords: shadow economy, currency demand approach, VECM, Romania

JEL classification numbers:C32, E41, O17

I. Introduction

Although the problem of informality is not new, an agreement on a unique accepted definition, as well as a measuring method are still missing. Portes et al. (1989) defines the informal economy as “a process of income-generation characterized by one central feature: it is unregulated by the institutions of society, in a legal and social environment in which similar activities are regulated.” Schneider (1998, 2002, 2004, 2005, 2006, 2007) realizes various estimations of the size of shadow economy in Romania using the electricity method and obtains about 26% of official GDP for the period 1990/93, and 28.3% in 1994/95. Applying the currency demand approach and DYMIMIC model, Romania have an ascending trend on the terms of the shadow economy, registering 27.3% of official GDP in 1990/93, 33.4% in 2000/01 and 37.4% in 2002/03. In the last years, it can be observed a decreasing evolution of the shadow economy, who registers 36.2% of official GDP in 2003/04 and 35.4% in 2004/05.

Using discrepancy between actual and desired income and between declared and actual income method, Albu L.(2007, 2008) estimates the lower and upper bound of the shadow economy:(28.6-35.9)% of official GDP in 1990, (23.5-28.7)% in 1995, (22.5-27.3)% in 2004 and (22.5-27.8)% in 2005.

In this paper, we will focus on measuring the size and evolution of informality in Romania, in order to contribute to the understanding of the interaction and effects of the shadow economy. In order to do so, we used a classic currency demand approach, going back in time as much as data constraints allowed us. The paper is structured as follows. In section II, we provide a brief description of the currency demand approach. Section III summarizes the data and methodology and present the results for the vector error correction model (VECM). In section IV we used the VEC estimates to compute the size of shadow economy in Romania.

II. The currency demand approach

Applied to many OECD countries³⁷⁷, this approach is one of the most commonly used indirect approaches. It was first used by Cagan (1958), who calculated a correlation of

³⁷⁷ Schneider (1997, 1998a), Johnson, Kaufmann and Zoido-Lobaton (1998a), Williams and Windebank (1995) and Bovi and Dell'Anno(2007) for OECD countries, Tanzi(1983) for USA, Bovi and Castelucci(2001) for Italy, Giles D.E.

the currency demand and the tax pressure (as one cause of the shadow economy) for the United States over the period 1919 to 1955. Cagan's approach was further developed by Tanzi³⁷⁸ (1980, 1983), who econometrically estimated a currency demand function for the United States for the period 1929 to 1980 in order to calculate the shadow economy.

Following Cagan's work, a typical currency demand function can be written as:

$$C_0 = A(1 + \Theta)^\alpha Y_0^\beta \exp(-\gamma) \quad (1)$$

C_0 is the observed cash, Θ the variable that gives incentives to make hidden transactions. This is the key variable of all currency models and it can be approximated using government consumption normalized by GDP, tax rates (direct and indirect taxes), tax revenues to GDP, Y_0 the registered GDP, α, β, γ, A parameters. Estimating equation (1), it will be obtained \hat{C} . Setting the incentive variable Θ equal to zero, and leaving the coefficients of the other variables unchanged, we obtain \tilde{C} . The difference between \hat{C} and \tilde{C} is the amount of extra currency that measures the amount of illegal money in the economy. Forth more, assuming that the velocity of money is the same in both forma and informal sector, we can obtain an estimate of the size of informal economy multiplying illegal money ($EC = \hat{C} - \tilde{C}$) by the velocity of money ($v = \frac{Y}{C}$).

III. Methodology and Data

The data cover each quarter between 1998 and 2008: the number of observations is 44. The main sources used to collect the data are: Eurostat, National Bank of Romania and National Institute of Statistics, Tempo database. A description of the variables and their sources is summarized in the table 1 of Appendix. As point out by Guissari (1987), one of the first decisions to be taken in a currency demand model is how to deflate the currency series. Spiro (1996) considers the use of monetary aggregate M2 inadequate, since it contains amounts that correspond to long-term wealth accumulation, while currency is used mainly for transaction processes. So, we deflate the series using the national GDP deflator and we construct the following function³⁷⁹:

$$C_t = \beta_0 + \beta_1 \cdot Y_t + \beta_2 \cdot Tax_t + \beta_3 \cdot R_t + \beta_4 \cdot Wages_t + \varepsilon_t \quad (2)$$

This specification captures the long-run relationships between the explanatory variables and the currency demand. Regarding the sign of the variables in the model, we expect a positive impact on currency demand for GDP, taxes and wages ($\beta_1, \beta_2, \beta_4 > 0$)³⁸⁰, and a negative effect from the part of interest rate ($\beta_3 < 0$)³⁸¹. Before proceeding with the estimation, each series is individually examined under the null hypothesis of a unit root against the alternative of stationarity. As shown

(1999) for New Zealand, Brambila Macias Jose(2008) for Mexico, Schneider(1986) for Denmark, Schneider and Hametner(2007) for Colombia.

378 The basic regression equation for the currency demand, proposed by Tanzi (1983), is the following:

$$\ln(C/M2)_t = \alpha_0 + \alpha_1 \ln(1 + TW)_t + \alpha_2 \ln(WS/Y)_t + \alpha_3 \ln R_t + \alpha_4 \ln(Y/N)_t + u_t$$

$\alpha_1 > 0, \alpha_2 > 0, \alpha_3 < 0, \alpha_4 > 0$

\ln denotes natural logarithms,

$C/M2$ is the ratio of cash holdings to current and deposit accounts,

TW is a weighted average tax rate (to proxy changes in the size of the shadow economy),

379 This function is a log-linearization of equation (1).

380 The expected positive impact of taxes on currency demand can be interpreted, following Tanzi: if the level of taxation increase, economic agents will be encourage engaging tax-evading activities, using currency, due to the intractability of cash, and than the currency rises.

381 If the interest rate increases, the economic agents get ride to their currency holdings.

in table 2 of Appendix all most all the series turn out to be non-stationary and integrated of order 1.

In Engle-Granger two-step approach (Engle, Granger, 1987) we verify the cointegration of the variables, estimating least square regression with variables in level:

$$C_t = \beta_0 + \beta_1 \cdot Y_t + \beta_2 \cdot Tax_t + \beta_3 \cdot R_t + \beta_4 \cdot Wages_t + \varepsilon_t$$

Using Augmented Dickey-Fuller test, we analyze the assumed cointegration relationship's residuals ε_t . If the causal variables are cointegrated with the dependent variable, we expect the ADF test to reject the null hypothesis of a unit root against the alternative for the error term ε_t . In fact, we can reject the null hypothesis at 10% level and we conclude that the causes are cointegrated with the dependent variable (table 3 of appendix). Because all series turn out to be strongly non-stationary and integrated on the same order, I(1), we also apply the Johansen cointegrating test. Trace tests on one hand indicate three cointegrating equations at the 5% level and one at the 1% level, while the eigenvalue test indicates one cointegrating equation at the 1% level (table 4 of appendix). This allows us to conclude that there exists one cointegration relationship³⁸².

Given the non-stationarity of our series and the presence of a common stochastic trend, traditional estimation methods are ruled out. So, in order to estimate equation(2) and measure the size of the informal sector, we tackle the problem using a vector correction model(VECM). This type of models present a series of improvements with respect cu standard approaches, allowing us to analyze short and long-run effects.

The VECM estimated can be defined as follows:

$$\Delta Y_t = \delta + \Gamma \cdot \Delta Y_{t-1} + \Pi \cdot Y_{t-1} + \varepsilon_t \quad (3)$$

where Y is a vector formed by the n variables used in our currency demand model(C, Y, TAX, R, and WAGES). Γ, Π are 5×5 matrices made up by system coefficients. If the rank of cointegration r is less than n, then $\Pi = \gamma\beta'$, where γ represents the adjustment coefficients and β the cointegrating vectors; ε corresponds to residuals and δ is a constant term which can be separated in two parts-a trend term and the intercept-in the cointegrating relation.

As expected, the estimated model which corresponds to equation (2), the coefficients for output, tax burden and wages have a positive long-run effect, while interest rate take the pressure off on currency demand. All coefficients are strongly significant and assign relevant weight to GDP with a coefficient of 1.706 and taxes with 3.95.

382 The existence of only one cointegration vector in our system means that there is a long-run equilibrium relationship between C, Y, R, TAX and WAGES.

Table 1: Normalized Cointegrating Coefficients³⁸³

Trace statistic		Max Eigenvalue Statistic		C_{t-1}	Y_{t-1}	TAX_{t-1}	R_{t-1}	$WAGES_{t-1}$	Cons	Log likelihood
5% level	1% level	5% level	1% level							
3	3	1	1	1.00	-1.7067*	-3.9510*	0.14318*	-2.2604*	16.5973*	538.7658
					(0.1362)	(0.8587)	(0.0336)	(0.2845)	(1.2090)	

IV. The size of informal economy

After estimating the vector error correction model (VECM)³⁸⁴ and obtaining the coefficients for the long-run relationship of equation (2), we proceed to estimate the size of shadow economy. In order to obtain an estimate of the size of the shadow economy, we compute \hat{C} using all the coefficients in equation (4). Then, we set the tax variable equal to zero and re-estimate the equation, keeping all the other coefficients unchanged to obtain \tilde{C} :

$$\hat{C} = -16.59 + 1.706Y + 3.951TAX - 0.143R + 2.260WAGES \quad (4)$$

The difference between these two variables- \hat{C} and \tilde{C} -give the amount of extra currency (EC) in the economy. Following Tanzi (1983), we assume equal velocity in both the formal and informal and estimate it as follows: $\frac{Y}{M_1 - EC} = v$ (5)

Equation (5) yields the velocity of money in the Romanian economy. Y is the gross domestic product, M_1 corresponds to total currency and deposits in circulation and extra currency (EC) for extra currency or illegal currency. The difference between M_1 and EC can be interpreted as the amount of legal money used in economy. Once we estimate the velocity from equation (5), the dimension of shadow economy using the currency demand approach can be obtained multiplying EC by the velocity of money:

$$EC * v = Y_{informal} \quad (6)$$

Using equation (6), we can infer the size of informal sector in formal GDP terms. From the table of normalized cointegrating coefficients, the coefficient of gross domestic product (Y) in the model is different from 1. Following the Ahumada et al. (2006), we proceed to correct our estimates using their suggested

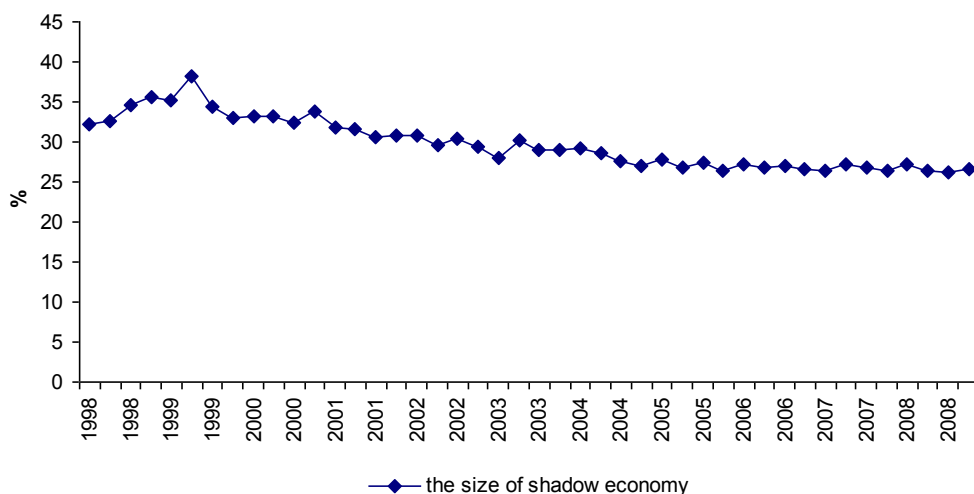
383 All variables are in natural logs. All series used are I(1). The complete details and the analysis as well as the matrix of adjustment coefficients can be found in the appendix. The number of lags in the model was determined using the Akaike's information criterion (AIC), Schwarz's Bayesian information criterion (SBIC) and the Hannan and Quinn information criterion (HQIC). The model was estimated using two lags and it assume one cointegrating equation. Standard errors are in parentheses. * indicates significance at the 5% level.

384 The long-run relationship between our variables was derived normalizing C.

$$\text{method}^{385}: \frac{Y_{\text{informal}}}{Y_{\text{formal}}} = \left(\frac{C_{\text{informal}}}{C_{\text{formal}}} \right)^{\frac{1}{\beta}} = \left(\frac{\hat{Y}_{\text{informal}}}{\hat{Y}_{\text{formal}}} \right)^{\frac{1}{\beta}} \quad (7)$$

where Y and C are the GDP and currency, while β is the income elasticity. The correction basically deflates the wrong ratio between the official and unofficial output, that we obtained using inappropriately the assumption $\beta = 1$. Equation (7) corrects the estimation when $\beta \neq 1$.

The size of the shadow economy in Romania in the period 1998-2008



The corrected results normalized by the formal GDP in real terms (2000=100) stabilize around 33-35% in 1998 and 1999, which is in line with the previous studies³⁸⁶.

Conclusions

In this paper, we used the currency demand approach to obtain a measure of informality in Romania from the first quarter of 1998 until the four quarter of 2008. The informal economy grows constantly during 1998-1999 until it reaches its maximum at the end of 1999 (38.12% in 1999Q2). Then, it decreases slowly and stabilizes around 27% of official GDP.

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385 Ahumada et al. (2006) show that it is wrong to assume the same velocity of money when the hypothesis $\beta = 1$ is rejected by the econometric estimation of the currency demand model. This is our case, since our model gives us a coefficient $\beta = 1.706$

386 For Schneider (2007), the size of shadow economy in % of official GDP, measured like average between the DYMIMIC model and currency demand method is 34.4% in 1999/00, 36.1% in 2001/02, 37.4% in 2002/03, 36.2% in 2003/04 and 35.4% in 2004/05.

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30. *** www.europa.eu Eurostat Quarterly National Accounts

APPENDIX

Table 1: The description and sources of data

Variables 387	Description	Sources	Unit root analysis
C	Natural logarithm of currency in circulation normalized by GDP deflator. 1998Q1-2008Q4 in national currency(mil.RON)	Eurostat-Quarterly National Accounts and Monetary Statistics	I(1)
M_1	Natural logarithm of M_1 .1998Q1-2008Q4 in national currency	National Bank of Romania, Monthly Bulletins 2000-2009	I(1)
Y	Natural logarithm of real GDP(2000=100).1998Q1-2008Q4 in national currency(mil.RON)	Eurostat-Quarterly National Accounts	I(1)
TAX	Natural logarithm of 1+total of tax revenues over GDP.1998Q1-2008Q4	Eurostat- Quarterly National Accounts	I(1)
R	Natural logarithm of the 1 year nominal saving deposit interest rate.1998Q1-2008Q4 in %	Eurostat-Interest rates	I(1)
WAGES	Natural logarithm of the ratio of wages in GDP.1998Q1-2008Q4 in %	National Bank of Romania, Monthly Bulletins 2000-2009 National Institute of Statistics, TEMPO database	I(1)

Table 2: Analysis of stationarity³⁸⁸

Test	Variables	C	Y	TAX	R	WAGES
ADF-Level	None	0.9983	0.8404	0.7367	0.3518	0.7458
	C	0.9999	0.9647	0.2233	0.6381	0.5311
	T&C	0.0031*	0.0000*	0.9909	0.9379	0.9123
ADF-First difference	None	0.0561*	0.0000*	0.0000*	0.0005*	0.0162*
	C	0.0124*	0.0001*	0.0000*	0.0083*	0.1943
	T&C	0.0038*	0.0004*	0.0000*	0.0270*	0.0000*
ADF-Second difference	None	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
	C	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*
	T&C	0.0000*	0.0000*	0.0000*	0.0000*	0.0000*

Above it is presented the ADF test- one-sided p-values. * means stationary for the level of significance of 5%. The lag length was chosen using Schwarz Information Criterion. Null hypothesis: variable has a unit root.

387 All variables are in natural logs and seasonally adjusted using the tramo seats method.

388 Following Giles (1995), the problem of non-stationarity is important also the cointegration of time series. To discover the order of integration of the time series used we apply Augmented Dickey-Fuller (ADF) Test. In the following table the p-value of ADF test is reported, and therefore a value greater than 0.05 indicates non-stationary time series. The econometric software Eviews 6.0 was used to perform this analysis.

Table 3. Analysis of Cointegration between Causes and Indicators

Indicators	Causes				t-statistic for Residual	Jarque-Bera Probability
<i>C</i>	TAX (0.000)	<i>Y</i> (0.000)	R (0.000)	WAGES (0.060)	-3.8005	0.99

Note: The critical values of the ADF test's t-statistic are taken from Engle and Yoo(1987).For a sample with 50 observations and for a number of four variables, they are: 4.61(1% level), 3.98 (5% level) and 3.67(10% level). The order of autoregressive correction has been chosen using the AIC as suggested by Engle and Yoo (1987, pg.16).Thus, the null hypothesis of a unit root is rejected at the 10% level for residual \mathcal{E}_t . The p-values of the parameter estimators are given in parenthesis.

Table 4. Johansen Cointegrating Test

Null Hypothesis	5% Critical Value	1% Critical Value
Trace statistic test	λ_{trace} value	
None**	119.4171	76.07
At most 1**	70.72629	53.12
At most 2**	43.74119	34.91
At most 3	18.05864	19.96
At most 4	5.194495	9.24
Max-Eigenvalue Statistic Test	λ_{max} value	
None**	48.69083	34.40
At most 1	26.98510	28.14
At most 2*	25.68255	22.00
At most 3	12.86415	15.67
At most 4	5.194495	9.24

(**) denotes rejection of the hypothesis at the 5 %(1%) level.
 Trace test indicates 3 cointegrating equation(s) at both 5% and 1% levels.
 Max-eigenvalue test indicates 1 cointegrating equation(s) at both 5% and 1% levels.
 Given the small size of our series we used a maximum of two lags running the tests.
 No deterministic trend.

Estimated Matrix of Adjustment Coefficients				
ΔC	ΔY	ΔTAX	ΔR	$\Delta WAGES$
0.103	0.144	0.052	-0.206	0.131
(0.109)	(0.060)	(0.035)	(0.526)	(0.023)

Standard errors in parentheses

THE WORLD OIL MARKET – STATISTICAL ANALYSIS

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For some countries the oil is the main source of income, while for others it represents the main raw material for energetic needs. Thus, the oil price has major influence on their economies and it is important for them that it stabilizes at a level profitable for both producers and consumers. The present paper aims to analyze the world oil market through a comparative analysis of the different world regions' situation starting with 1980 trough the end of the Cold War and from 1992 to the present. For this purpose, we used parametric methods in order to underline the relationships existent on the world oil market between its different components, i.e.: reserves, production, consumption, exports, imports, stocks and price. The analysis led to the conclusion that there are strong relationships between them, and that the respective relations are strongly influenced by the world economy condition.

Keywords: world oil market, comparative analysis, OPEC, G8

JEL Classification: F14, L71, O13, Q31, Q32

INTRODUCTION

In a world where energy became the main pillar of political and economical power, a new indicator of success and material progress according to which the state hierarchy is determined, access to energetic resources became the ultimate goal of the 21st century state and a guiding principle for all governments.

Known and used in various domains as far back as the Antiquity, the petroleum started to be exploited on large scale only in the middle of the 19th century, with the first productions recorded in Romania (1857), USA (1859), Canada (1862) and Russia (1863).

Since then, it became more and more important for the world economy. Starting with the middle of the 20th century, it is considered a strategic resource and it is taken into account when building up strategies for future moves on the “great chess table”, as the American analyst Zbigniew Brzezinski called the world scene. The players on this immense “chessboard” compete among themselves for gaining access to the resources they need. Fighting for energetic resources, especially for oil, became more and more intense and its consequences are profound and unexpected for the world economy and geopolitics.

One of the major players on the world oil market is the Organization of the Petroleum Exporting Countries (OPEC), which is a permanent intergovernmental organization created at the Baghdad Conference in September 1960 by Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. Nowadays, it has 12 members and its headquarters is located in Vienna, Austria. The objective of OPEC is to “co-ordinate and unify petroleum policies among Member Countries, in order to secure fair and stable prices for petroleum producers; an efficient, economic and regular supply of petroleum to consuming nations; and a fair return on capital to those investing in the industry.”³⁸⁹

389 <http://www.opec.org/aboutus/history/history.htm>

The present paper aims to analyze the place of G8 and OPEC on the world oil market during 1980 and 2007. In order to facilitate the reaching of its goal, the paper is structured in four main parts. The first part, dealing world oil reserves briefly analyzes their evolution during the timeframe in focus. The second part analyzes the oil production in the world and in the focus group, with a special attention to OPEC production. The paper continues with the analysis of global oil consumption, giving a special attention to G7 consumption. In the last part, oil prices and their evolution since 1997 to the present are dealt with. The focus will be on OPEC and non-OPEC price differences, on the unequal gains that OPEC and G8 have from oil and on differences in oil product prices caused by taxes imposed by seven of the G8 countries. The paper ends with a few conclusions.

REZERVES

According to OPEC latest estimations³⁹⁰, more than half of the proved world oil reserves belong to Middle East countries, followed by Latin America and Eastern Europe, with a little over 10% each. The regions with the smallest proved oil reserves are Western Europe and Northern America. (see Table 1) It should be noted, however, that in the case of Canada, only conventional crude oil is taken into account, thus total recoverable oil reserves of this country would be much larger if Alberta tar sands were taken into consideration.

Table 1. World proven oil reserves

Region	1980	1992	2007
Middle East	56%	67%	65%
Latin America	12%	13%	11%
Eastern Europe	10%	6%	11%
Africa	8%	6%	10%
Asia and Pacific	5%	3%	3%
North America	6%	3%	2%
Western Europe	3%	2%	1%
World total	100%	100%	100%

Source: author, based on data from OPEC Annual Statistical Bulletin 2007

the regional shares in themselves. The spectacular increase in the Middle East region's share is mainly based on the discoveries made in 1986 (105 additional billion barrels in Iran, Iraq and United Arab Emirates) and 1988 (85.4 billion barrels in Saudi Arabia). For the timeframe analyzed, Middle East reserves more than doubled, most of the discoveries occurring between 1980 and 1992.

Latin America followed the same pattern, its total known reserves being 1.8 times bigger in 2007 compared to 1980 and most discoveries taking place before 1992. The bigger discoveries occurred in 1981 (Mexico, 9.8 billion barrels) and 1985 (Venezuela 16.4 billion barrels).

We may also note that, although there have been changes in the share of oil reserves for each region, the general classification of the regions by proved oil reserves remained relatively the same during the timeframe in focus. The only exception is North America, which in 1980 had a bigger share of oil reserves than the Asia and Pacific region, while in 2007 the situation was the other way around, after having had an equal share in 1992.

It is also interesting to take a closer look at

³⁹⁰OPEC Annual Statistical Bulletin 2007, available at <http://www.opec.org/library/Annual%20Statistical%20Bulletin/interactive/FileZ/XL/T33.XLS>

Table 2. Total growth rate of proven world oil reserves

	1980-1992	1992-2007	1980-2007
Middle East	82,54%	11,80%	104,34%
Latin America	69,53%	3,46%	81,93%
Eastern Europe	-11,98%	120,11%	92,93%
Africa	13,92%	96,53%	127,25%
Asia and Pacific	4,91%	8,88%	14,65%
North America	-18,13%	-10,14%	-29,22%
Western Europe	3,70%	-15,28%	-7,72%
Total World	53,82%	21,05%	87,33%

Source: author, based on data from OPEC Annual Statistical Bulletin 2007

Eastern Europe and Africa also benefited of an increase in their proved oil reserves, but it was mainly due to discoveries made after 1992. The 120% increase in the proved oil reserves of Eastern Europe and the 96.5% increase in those of Africa may be explained by the fall of the socialist regimes in the countries from these areas. The former USSR, having oil to sale and doing most of its trade with the countries in its sphere of influence, had no incentive for encouraging the countries to find alternative sources for their industrial needs. Once the USSR imploded, the democratic regimes that came to power turned to West for support during the transition period. Part of the new west-oriented policies of the new democracies was opening the borders. The major oil companies saw this as an excellent business opportunity and started to explore the countries' underground for oil. In Eastern Europe the bigger discoveries made were in 1996 (11.3 billion barrels), 1998 (20.2 billion barrels) and 2001 (19.6 billion barrels), all on the territory of the former Soviet Union. In the African region, major discoveries were made in Libya (1995 – 6.7 billion barrels and 2000 – 6.5 billion barrels), Nigeria (6.5 billion barrels) and Sudan (5.6 billion barrels).

For the Asia and Pacific region, proven oil reserves grew with only approximately 15%. This suggests that no major discoveries were made in this region since 1980 to the present.

The last two regions are characterized by an overall decrease of their proved oil reserves, more accentuate in North America. This should be regarded with caution, since the region's proved reserves would be bigger if Canada's total recoverable oil reserves were included. However, there is no doubt that the decrease registered was caused by the intensive exploitation of oil reserves in the region, mostly in the USA. Regarding Western Europe, in 1994 and 1995 in Norway were discovered 3.4 billion barrels of oil.

Consumption

World oil consumption in 2007 was almost 86 million barrels per day, 1.36 times higher than in 1980, which means an annual average growth of 1.11%. Oil consumption growth was mainly caused by countries not pertaining to the two groups in focus. China and India, whose rapid growth rates are backed by more and more energy every year, are two of the most eloquent examples, but not the only ones. Also, there was a slight increase in the OPEC share of consumption and very little variation in the oil quantity consumed by G8.

Compared to the 1980 level, the consumption of OPEC countries in 2007 was 1.84 times higher, with an average annual growth rate of 3.8%. Despite this apparently enormous growth, the share of OPEC in total world oil consumption during the analyzed period is on average only 6.4%. There is a reasonable explanation why countries having more than two thirds of the world oil

reserves, consume only a small share of what they produce. Due to their deep dependence on their oil industries, most of them have only a few other industries and they are not very energy intensive. Also, the immense gap between the rich and the poor, as well as the lack of a middle class, makes these countries attractive for few types of investments, among which their oil and gas industries are the most important. The developed countries use oil for transportation and heating. In the OPEC countries, most people do not have access to such commodities, thus the share in oil consumption is bound to remain low.

We modeled G7 consumption (i.e. G8 without Russia, for which data was not available) in order to see what influences it. For this we started the analysis with 6 independent variables, but, using backward entry method, in the final model remained only five: world oil price, G7 tax level, G7 imports and the interaction effects between the first and the second and between the second and the third. The interaction effect between world oil price and imports was removed from the model because it had no significant influence on the dependent variable. Thus, we will further on analyze the final model, without the removed variable.

The model summary tells us that 78.4% of the variance in consumption is explained by the five predictors used ($R^2=0.784$). The fact that adjusted R^2 is relatively close to the value of R^2 tells us that the model generalizes quite well.

The analysis of variances (ANOVA) tests how well the model fits the data. For this purpose it uses the F-ration, which represents the variance explained by the model relative to the inaccuracy that still exists. The value of F (15.994) is highly significant, which means that the model fits the data well in most cases ($p<0.001$).

The main conclusions to be drawn are:

- The **constant** in the model equals 25852.9, which means that when all independent variables are zero, the consumption level will be 25852.9 thousand barrels per day;
- The **world oil price** has a negative influence on the G7oil consumption, the rise of a barrel with 1 US\$ causing a decrease of the consumption of 96.8 thousand barrels per day;
- Increasing the G7 average **tax on imported** oil level also influences negatively consumption, every extra US dollar triggering a 243.1 thousand barrels per day reduction;
- The fact that G7 has to **import** the oil it uses means that this variable also correlates negatively with the depended variable. Its effects however are not as strong as those of the first two;
- The **combined effect of taxes and price** is not statistically significant in this model, but it was kept because it influences the other variables and without its influence some of the variables that are important and significant might have been removed;
- The **combined effect of imports and taxes** is significant, but it is not relevant because it influences very little the consumption.

World oil consumption grew with approximately 30% during the timeframe in focus, almost reaching 80 million barrels per day in 2007 and showing no signs of slowing down or leveling off. Due to the major impact of the mid-80s crisis, consumption growth rate was only 5% until 1992, equivalent to an average annual rate of 0.21%. However, the improving consumption habits that started to develop as a result of the strict conservation rules that were enforced as a consequence of the 1973 and 1979 crises quickly vanished leaving space for wasteful practices. This led to an annual growth rate of 1%, which meant additional 14.8 million barrels were used in 2007 compared to the 1992 level.

North America was without doubt the biggest oil consumer during 1980 and 2007. The rapid diversification and spread of household appliances, as well as the relaxation of conservation rules, combined with a strongly subsidized and strong lobby activity of the oil companies made the USA the biggest world oil consumer. Latin America, Africa and Middle East also registered an increase in their consumption, but they still have a small share in the total. On the other hand, the consumption level in Eastern and Western Europe decreased in 2007, compared to 1980. This may be explained by Western Europe's efforts to reduce pollution that is mainly caused by

energy use and by increasing the efficiency of energy use in Eastern Europe, which is a consequence of their transition to democracy and market economy.

Further on, we used time series adjustment to see how much influence each region has on the total variance of world oil consumption.

During 1980 and 2007, annual world oil consumption was on average 66.6 million barrels per day. The adjusted value of world consumption was 759.6 thousand barrels per day bigger every year, the tendency of growth being obvious in the graph as well.

The only region that has systematic consumption decrease is Eastern Europe, which registers an adjusted value with 269.8 thousand barrels per day smaller than the one in the previous year. This is mainly due to reform in the economic activities of the countries, but other reasons like switching to natural gas can also be invoked. After the fall of the Soviet Union, countries that were in its sphere of influence that did not have significant oil reserves to satisfy their internal needs realized that cheap, abundant oil is not flowing into their economies anymore and that they need to buy it from the world market at much higher prices than they used to when they were importing it from USSR. This was a great stimulus for improving energy use efficiency and/or changing their energetic consumption structure.

The growing of world oil consumption is mainly due to the Asia-Pacific region (52.3%) which started to develop itself more and more in the period analyzed. Economic booms in China and India are the main factors for this growth. These economies, becoming more and more intensive in technology, have a great impact on the world scene and require high consumption levels also due to their big populations, which need more energy for their daily activities.

Almost 20% of the oil consumption in the world are due to North American states, which require a lot of energy in order to keep their industries functional. They have hi-tech economies and daily activities of economic agents are energy intensive. Another 20% of the total oil consumption is shared by Latin America and Middle East. Their oil consumption grew over the period analyzed due to reforms in the countries from the respective regions and to their development level, which is increasing. However, they still have a small share of the total oil consumption.

Western European region and the African one contributed with approximately the same shares in world oil consumption. There is an explanation why some of the most developed countries and some of the most underdeveloped countries in the world have similar influence on world oil consumption. African countries are still underdeveloped and their economies are quite primitive and non-energy intensive, while West European countries make increasingly more efforts to conserve energy and reduce pollution, which is translated into a relatively constant consumption level with a tendency of decreasing.

CONCLUSIONS

The world oil market is a very dynamic one and none of the players can maintain their control over it for a long time. However, there a few states that have a say in what happens on the market. These countries form two groups, one important due to its significant oil reserves and big production capacity (OPEC), the other because of its development level and its enormous consumption of oil (G8). The two groups work together on intensifying and improving the relationships between them with the view to achieving global energy security on terms acceptable for all market players.

The evolution of the market and the position its players have depends on their available reserves, production and consumption and the price of oil. According to the estimates of the USA Energy Information Administration, the world's known reserves were double in 2009 compared to the 1980 level. This is due to the discovery of new oil fields and to progress in exploration and drilling technologies. Around two thirds of the world oil reserves belong to the OPEC countries. Because of the political instability in the Middle East, where most OPEC countries are, the global economy was affected by a series of crises that were more or less caused by Middle East OPEC

oil. One of the consequences of these crises was the start of a debate related to oil fields' peak and depletion and there were many predictions made regarding this subject.

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CUBIC SPLINE ESTIMATORS OF THE PROBABILITY DENSITY FUNCTION

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The estimation of the probability density function, using spline functions, of a random variable X is studied. It is assumed that the variable is measured with an error having a normal distribution with known parameters.

Keywords: Cubic spline, probability density, least squares method.

Jel Classification: C13, C14

1. Introduction

We study the cubic spline function used to approximate the probability density function of a random variable. We obtain, using the least square method, an interpolating cubic spline having minimal quadratic oscillation in average.

Let the i -th observation on X be denoted by $Y_i = X_i + \varepsilon_i$, where ε_i is the measurement error.

It is assumed that $\{X_i\}$ and $\{\varepsilon_i\}$ are mutually independent and each is identically distributed.

The model for a variable measured with error is:

$$Y_i = X_i + \varepsilon_i, \quad i = 1, \dots$$

Denote by $f_\varepsilon(x)$, $f_X(x)$ and $f_Y(x)$ the probability density functions for ε , X and Y . We suppose that the probability density functions are continuous.

Chen, Fuller and Breidt³⁹¹ proposed a methodology to approximate the probability density function of X by using cubic grafted polynomial.

One of the concluding remarks of mentioned paper is that the spline estimators are reasonable. The aim of this paper is to connect that affirmation with the result on cubic spline functions having minimal oscillation in average. Such functions are very useful when working with experimental data.

2. Cubic spline functions having minimal quadratic oscillation

Alexandru Mihai Bica³⁹² gave the following definition of quadratic oscillation in average:

Let $f : [a, b] \rightarrow \mathbf{R}$ be a continuous function such that $f(x_i) = Y_i, \forall i = \overline{0, n}$ and denote by $f_i, i = \overline{1, n}$ his restriction to the subinterval $x \in [x_{i-1}, x_i]$ of the division Δ_n . The functional $\rho : \mathcal{C}([a, b]) \rightarrow \mathbf{R}$ defined by:

$$\rho(f, \Delta_n, Y) = \left(\sum_{i=1}^n \int_{x_{i-1}}^{x_i} [f_i(x_i) - D_i(Y)(x)]^2 dx \right)^{\frac{1}{2}},$$

391 Cong Chen, Wayne A. Fuller, and F. Jay Breidt, "Spline estimators of the density function of a variable measured with error", Communications in statistics, vol. 32, No. 1, 2003, p. 76.

392 Alexandru Mihai Bica, Mathematical models in biology governed by differential equations, PhD thesis, "Babes-Bolyai" University Cluj-Napoca, 2004.

where

$$D_i(Y) = Y_{i-1} + \frac{Y_i - Y_{i-1}}{h_i}(x_i - x_{i-1}), x \in [x_{i-1}, x_i], i = \overline{1, n}$$

is called the quadratic oscillation in average of the function f corresponding to the division Δ_n and the vector of values $\{Y_i\}$.

It is not difficult to see that, except $D_i(Y)$, any interpolation procedures present oscillation in the interior of the interval $x \in (x_{i-1}, x_i)$, $i = \overline{1, n}$

Consider the division Δ_n , the vector of values $\{Y_i\}$ and the cubic spline S , generated by the integration of the following two point boundary problem:

$$\begin{cases} S_i''(x) = \frac{1}{h_i} [M_i(x - x_{i-1}) + M_{i-1}(x_i - x)], & x \in [x_{i-1}, x_i] \\ S_i(x_{i-1}) = Y_{i-1}, & i = \overline{1, n} \\ S_i(x_i) = Y_i \end{cases}$$

where

$$M_i = S_i''(x_i), i = \overline{0, n}.$$

In Gheorghe Micula and Sanda Micula³⁹³ is shown that the expression of S_i is:

$$S_i(x) = \frac{M_i(x - x_{i-1})^3 + M_{i-1}(x_i - x)^3}{6h_i} + \left(Y_{i-1} - \frac{M_{i-1}h_i^2}{6} \right) \left(\frac{x_i - x}{h_i} \right) + \left(Y_i - \frac{M_i h_i^2}{6} \right) \left(\frac{x - x_{i-1}}{h_i} \right),$$

$$x \in [x_{i-1}, x_i], i = \overline{1, n}$$

Vasile-Aurel Căuş³⁹⁴ shown that, for any division Δ_n and any vector of values $\{Y_i\}$, there exist an unique pair $(\overline{M}_0, \overline{M}_n) \in \mathbf{R}^2$ for which the quadratic oscillation in average of the corresponding cubic spline is minimal.

The geometric interpretation of the quadratic oscillation in average and of his minimal property is that in the plane there exist a set of points between the graph of $S(x; \overline{M}_0, \overline{M}_n)$ and the polygonal line joining the points $x \in (x_i, Y_i)$, $i = \overline{1, n}$. If we rotate this set around the Ox axis we obtain a body having minimal volume.

3. Estimate the probability density function

393 Gheorghe Micula, Sanda Micula, Handbook of splines, Kluwer Acad. Publ., vol 462, 1999.

394 Vasile-Aurel Căuş, "Minimal quadratic oscillation for cubic splines", Journal of Computational Analysis and Applications, vol. 9, 2007, pp. 89-90.

In Fuller³⁹⁵ and Kooperberg and Stone³⁹⁶ we find the idea of using spline functions linear at the ends.

To connect this idea to the result in paragraph 2 we have to rewrite the problem generating the spline function as follows:

$$\left\{ \begin{array}{l} S_i''(x) = \frac{1}{h_i} [M_i(x - x_{i-1}) + M_{i-1}(x_i - x)], \quad x \in [x_{i-1}, x_i] \\ S_i(x_{i-1}) = Y_{i-1}, \quad i = \overline{2, n-1} \\ S_i(x_i) = Y_i \end{array} \right.$$

$$(\overline{M_0}, \overline{M_n}) = (0, 0)$$

The last condition is obviously restrictive and, in this case, the result obtained by Vasile-Aurel Căuș³⁹⁷ is not applicable.

Another possibility is to reformulate the problem in the following manner:

$$\left\{ \begin{array}{l} S_i''(x) = \frac{1}{h_i} [M_i(x - x_{i-1}) + M_{i-1}(x_i - x)], \quad x \in [x_{i-1}, x_i] \\ S_i(x_{i-1}) = Y_{i-1}, \quad i = \overline{1, n} \\ S_i(x_i) = Y_i \\ S_0(x) = S_1'(x_0)(x - x_0) + S_1(x_0) \\ S_{n+1}(x) = S_n'(x_n)(x - x_n) + S_n(x_n) \end{array} \right.$$

The solution of this problem can be optimized to satisfy both conditions of minimal quadratic oscillation and linearity at the ends.

Moreover Vasile-Aurel Căuș³⁹⁸ shown that, if the probability density function f_X and the derivative f'_X satisfies a Lipschitz condition with constant L then the following error estimation hold:

$$\|f_X - S\|_C \leq \left(L + \max \left\{ |\overline{M_i}| : i = \overline{0, n} \right\} \right) \square \quad \left(\begin{array}{l} \cdot \\ \cdot \\ \cdot \end{array} \quad i = \overline{1, n} \right)$$

where $h_i = x_i - x_{i-1}, i = \overline{1, n}$

395 Wayne A. Fuller, Introduction to statistical time series, Wiley, New York, 1996.

396 Charles Kooperberg, Charles Stone, "A study of log spline density estimation", Computational statistic and data analysis, vol. 12, pp. 327-347, 1991.

397 Op. cit. pp.89-90

398 Vasile-Aurel Căuș, "Minimal quadratic oscillation for cubic splines", Journal of Computational Analysis and Applications, vol. 9, 2007, p. 91.

4. Conclusion

A spline function having the minimal quadratic oscillation in average was considered for the estimation of the probability density function.

The geometric interpretation is that, if we rotate, around the Ox axis, the polygonal line joining the points $x \in (x_i, Y_i)$, $i = \overline{1, n}$ and the geometrical image of spline function we obtain a body having minimal volume.

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STRATEGIES FOR ROMANIAN TOURISM AND REGIONAL DEVELOPMENT IN 2007-2013. INSTITUTIONAL CHALLENGES

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In accordance with the strategic orientations regarding tourism development in Romania, various operational programmes elaborated for absorbing the EU funds allocated for 2007-2013 include – directly or indirectly – priorities and measures relating to tourism development, cultural tourism being paid a special attention. Even though there is no operational programme entirely devoted to tourism development, the Regional Operational Programme contains as one of the basic priorities the sustainable development of regional and local tourism, with a share of 15% of total public expenditure. This paper examines the institutional challenges regarding the involvement and cooperation between the Ministry of Regional Development as Management Authority and Ministry of Tourism as Intermediate Body so as to ensure a high capacity of absorption of the EU funds and generate the expected results for tourism and regional development in quantitative and qualitative terms.

Keywords: *tourism strategies, Regional Operational Programme, institutions, EU funds, absorption capacity.*

Institutional structures

In Romania, until April 2007 it was the responsibility of the *National Authority for Tourism*, subordinated to the Ministry of Transportation, Construction and Tourism to formulate the development strategy for tourism, as well as to co-ordinate this sector. More precisely, this Ministry carried out its tasks relating to tourism via the National Authority for Tourism (Government of Romania, 2004). Afterwards, as a result of a government restructuring tourism has been transferred to the *Ministry for SMEs, Commerce, Tourism and Liberal Professions*, where a department dealing with this activity administration has been created. At present, after 2008 elections, a *Ministry of Tourism* has been set up.

An important particularity of tourism should be noted, however, namely its *organisational structure*, marked by an *extreme fragmentation*, both horizontally – between suppliers, institutions involved in this sector and vertically – between stages in production and delivery of the final product. In a study devoted to this question Ashworth (1994) stressed the idea that “simply those responsible for managing the resources, shaping and promoting the product and servicing the consumer are many, diverse and fragmented. It is unrealistic to imagine that a comprehensive policy for tourism can be developed by a single unified authority” (p. 12).

For Romania cultural tourism is a relevant example in this matter. Thus, its development is addressed in connection with the strategy for cultural patrimony promotion, preservation and protection elaborated by the Ministry of Culture, which establishes numerous links with the development of other sectors like education, tourism, services, infrastructure. For 2007-2013 this strategy envisages continuing the programmes already in force, such as the national programme

for archeological explorations, the national restoration programme, “Alburnus Maior” national programme (Roman gold mines), as well as widening their scope.

Among the measures envisaged by these programmes, the rehabilitation and development of the infrastructure directly or indirectly related to the national cultural patrimony is a top priority. At the same time, raising the public awareness with regard to cultural identity, supporting the scientific research focused on natural and cultural patrimony, developing modern methods and techniques for patrimony preservation and restoration are also considered. A special emphasis is put on the integrated preservation and development of rural patrimony as an element of cultural identity.

The strategy views the cultural patrimony as a component of the national patrimony, stressing the need of being included in a national strategy for the preservation, administration and of turning to good account of all natural and cultural resources.

The resulting cultural policies are spatially structured by development region, county and locality.

Subsequently the cultural patrimony strategy has been connected with the strategy for tourism development so as to benefit to a greater extent from the potential offered by the cultural-historic patrimony.

Regional strategy and policy related measures

For the resulting policy measures to be implemented, various *operational programmes* elaborated for absorbing the EU funds allocated for 2007-2013³⁹⁹ include – directly or indirectly – priorities and measures relating to tourism development, cultural tourism being paid a special attention. Even though there is no operational programme entirely devoted to tourism development, the Regional Operational Programme (ROP) contains as one of the basic priorities the sustainable development of regional and local tourism, with a share of 15% of total public expenditure (from European Regional Development Fund and state budget) (Ministry of Development, Public Works and Housing, 2007⁴⁰⁰). This priority is based on measures focusing on: the restoration and sustainable use of cultural patrimony as well as the creation/development of related infrastructure; the creation/development/modernization of specific infrastructure for sustainable use of natural resources and the increase in the quality of tourist services; promotion of tourism potential and creating the infrastructure needed to raise Romania’s attractiveness as tourist destination.

The other priorities of the ROP concentrate on the sustainable development of cities as growth poles (30%), the improvement of regional and local transportation infrastructure (20.35%), the improvement of social infrastructure (15%), the support for regional and local business environment (17%) and technical assistance (2.65%). One can easily notice the close links between tourism-related priority and the other priorities, their implementation representing a strong support for tourism development itself. Moreover, they might contribute to creating of a competitive regional profile in which tourism would be correlated with the other economic and social activities so as to increase regional employment and income. This may be particularly important for the lagging regions provided they are able to develop and promote projects for turning to good account of their tourist patrimony within a rationally conceived specialisation mix.

The priorities established by other sectoral operational programmes such as those for economic competitiveness, transport infrastructure, environment infrastructure, human resources development can also influence tourism sector development.

399 The financial allocations via structural and cohesion instruments for 2007-2013 are estimated at approximately 16.3 billion euros in the case of Romania.

400 Currently the Ministry of Regional Development and Housing.

The fragmentation of the tourism organisational structure is reflected in the distribution of responsibilities for carrying out the measures included in the operational programmes. Thus, the Management Authority (MA) for the ROP is the Ministry of Regional Development and Housing (former Ministry of Development, Public Works and Housing, former Ministry of European Integration). For each measure an Intermediate Body (IB) has been established in order to ensure its implementation. All priorities excepting tourism have the regional development agencies as IBs. For the measures included in the “sustainable development of regional and local tourism” the IB is the Ministry of Tourism, a close cooperation between the two ministries being highly required for a successful implementation of these measures.

Concluding remarks: institutional challenges

In order to make the institutional framework work properly in the 2007-2013 financial exercise, a series of issues are still in need of a solution (Raducu, 2006):

the cooperation between central and regional institutions should be strengthened;

- . efficient project pipeline and co-finance capacity needs to be ensured to maximise the absorption of funds;

- . the administrative capacity to ensure a sound financial management and control for all operational programmes needs to be strengthened;

- . the procedures should be efficiently implemented and tested in an early stage.

In the particular case of tourism an important role has to be played by *regional/local public administration*, which is the most appropriate level for ensuring the necessary operational convergence between the national level and local communities, between various public and private stakeholders involved in defining and creating the tourist supply, with a special emphasis on sustainability aspects (Galdini, 2005). It has to adapt its view on tourism development so as to widen and enrich the traditional approach to regional economy, planning and sustainability based on a framework able to take into consideration and to integrate general economic policies, socio-economic development requirements and cultural challenges.

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REGIONAL COMPETITIVENESS DEVELOPMENT BASED ON HUMAN RESOURCES

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Into the actual social and economic context, characterised by the challenges of the globalisation process, the need of redefining the state role in the economy, the switch to the knowledge based economy, the problem of increasing the national and regional competitiveness is of high actuality and importance.

The paper hereby approaches into an integrated manner three issues of high actuality: the competitiveness, the transformations into the human resources area and regional development, trying to identify, based on the conceived analysed, solutions for improving the Romanian regions competitiveness.

Keywords: competitiveness, regional development, human resources, statistical analysis, econometrical models

Cod JEL lucrare: I20; J10; R15

Introduction

From the *micro economical* point of view, the human resources are considered, into the human resources management “*the first strategical resources of the organisation*”, “*which have to be involved and developed and for which it must be made investments*”⁴⁰¹.

At the *macro economical* level, even there doesn't exist a rigorous definition of the term, it can be noticed the usage of different terms or closed as meaning in order to refer to the same concept: human capital, human factor, human resources, labour force, human potential⁴⁰².

The two basic terms, most frequently met into the technical literature are human resources and human capital. Using one or another depends on the analyse context and by the side that it is wanted to be emphasised: quantitative (level and structure) or qualitative (qualification, abilities, aptitudes).

Thus, the term “*human resources*” defines “*the total population of a country, from the economical point of view, by the direct or indirect participation on the labour market, and from the spiritual point of view by knowledge accumulation*” (Roman, 2003). The qualitative side of the human resources, *the human capital*, defines the assembly of “*knowledge, capacities, competences and attributes of the people who make easier the creation of the personal, social and economical welfare*”. (OECD, 2001)

Human resources – quantitative and qualitative approaches

The human resources have recently achieved a special signification for the regional competitiveness by the dimensions that it integrates: quantitative (demographic resources and human resources) and qualitative (human capital):

401 Manolescu, A., Human Resources management, Economic Publishing, Bucharest, 2001.

402 Roman, M., Human resources in Romania – evaluation and efficiency, ASE Publishing, Bucharest, 2003.

- *The negative demographical evolutions* of the last years (low fertility and birth rates, infant deaths) affects the regional human potential, a consequence in time being represented by the available labour force decrease and at the high competence for this production factor;
- Phenomena as *migration* and *ageing* have a direct negative impact on the regional competitiveness, both for the reduction of the productive potential of the region and by the increase of the expenses allocated to the social protection;
- *The population age structure* and *the education level* influence the region's dynamism by the possibility to promote the entrepreneurial spirit;
- *The human capital*, expressed by the human resources knowledge, aptitudes and competences manages the adapting capacity of the technologies and the creation of the new ones, by them being sustained the complex activities that generate added value.

The analyse of the role of the human resources in the regional performance increase must start from the main sources of the competitiveness: productivity and employment. Thus, we can study in which proportion each of this factors influence the increase of the gross domestic product per capita, accepted as the main competitiveness' indicator.

Applying the decomposition method (Cambridge Econometrics, 2003), for each development region (j) it can be emphasized the next relation⁴⁰³:

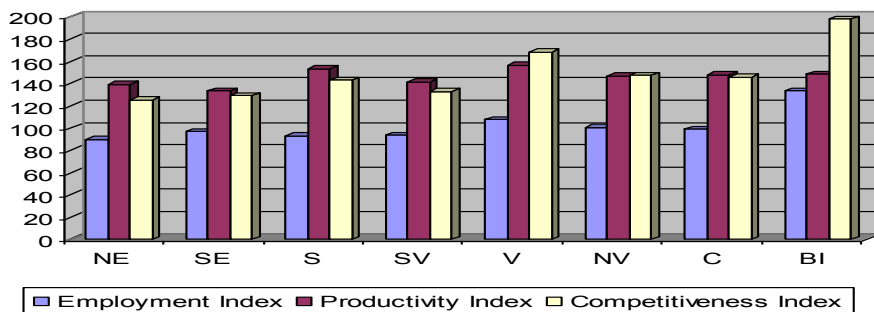
$$\frac{GDP_j}{P_j} = \frac{GDP_j}{E_j} * \frac{E_j}{P_j}$$

where GDP_j represents the gross domestic product of the region j , P_j the population of the region j , and E_j the employment in the j region, $j = 1, 2, \dots, n$

The quantification of each of the competitiveness factors, productivity and employment can be realised by the *factor analysis method* that use in order to decompose the variation of a complex characteristic on quantitative factors (extensive) and qualitative one (intensive) *the statistical indexes*.

The factor analysis based on statistical indexes (ANNEXE 1) proves into a quantitative manner how contributed the two main factors (labour productivity and employment) at the increase of the competitiveness in some regions, for example the region that includes the capital and West and Centre, also their contribution to the competitiveness decrease and the living standard in other regions: North East, South East and South.

Figure 1. Competitiveness index (GDP/P), labour productivity index (GDP/E) and employment index (E/P) (2006/1998)



Source: Computation based on *Romanian Statistical Yearbook 2007* and statistical database TEMPO-online, time series, www.insse.ro

403 This relation synthesises the main factorial components of GDP/inhabitant: labour productivity, active population employment rate, labour productivity, work leisure rate, occupation rate, the weight of aged population in the total population, etc.

Thus, for all the eight development regions, the labour productivity had most important contribution to the competitiveness increase, the employment rate being the factor with negative influence (in North East, South East, South, South West and Centre) or with a lower impact on the increase of GDP per capita (West, North West and Bucharest Ilfov). Related to 1998, the regions that have recorded the most significant increase of the productivity in 2006 were Bucharest Ilfov, West and South Muntenia, fact that can signify a more rapid process of differences decreasing (Figure 1).

Between 1998-2006, the employment has positively influenced the increase of GDP per capita only in the Bucharest-Ilfov, West and Centre regions, while into the regions South West, North East and South it had a negative impact during certain periods (2001-2002) or it has not significantly influenced the competitiveness increase (1999-2000; 2004-2005) (ANNEXE 1).

On the other hand, labour productivity has increased quicker from one year to another into the regions less developed (North-East, South-East, South, South-West) during 2000-2004 period, while between 2004-2005 it had a slight increase in Bucharest-Ilfov region (ANNEXE 1).

The labour productivity evolution has also influenced the evolution of the GDP per capita index, its quicker increase being recorded into the regions less developed on the same time period, but this increase is not enough in order to reduce the disparities. It might be the case of the so called conditioned convergence to a self balance level, and not about the situation represented by a process focused on equalising the region with the high living standard from Romania – Bucharest Ilfov (Figure 2).

Figure 2. Competitiveness index on regional level (GDP/P)



Source: Computation based on Romanian Statistical Yearbook 2007 and statistical database TEMPO-online, time series, www.insse.ro

Econometric models for the competitiveness factors related to the human resources

Because the results previously obtained have proved the fact that the main competitiveness source is represented by the labour productivity we have further analysed the possible determinant factors of it, estimating the next regression model with fixed effects (in the case of the Romanian regions for the period 1993-2006):

$$GDP_E_{it} = \beta_i^0 + \beta^1 DEP_{it} + \beta^2 STUD_{it} + \beta^3 E_{it} + \beta^4 INV_{it},$$

where DEP_{it} = dependency rate, $STUD_{it}$ = tertiary students/population, E_{it} employment/labour resources), INV_{it} the ratio of the local units investments in GDP in the region i at the moment t (Annexe 2).

Table 1. The results of the regression having as dependent variable the labour productivity and as explicative variables: the dependency rate, the tertiary student ratio, the employment rate, the investment ratio

The dependent variable: GDP_E	Coefficient	Standard error	T statistic	Prob.
Intercept	442.719,5	30.666,22	14,43672	0,0000
DEP	-6.311,594	797,1423	-7,917776	0,0000
STUD	2.342,872	1.501,050	1,560822	0,1238
E	-1.026,307	264,4592	-3,880777	0,0003
INV	96,65274	77,60318	1,245474	0,2178
Fixed effects	POZITIVE		NEGATIVE	
R1	7.925,877		-	
R2	-		-14.607,08	
R3	6.620,763		-	
R4	5.436,038		-	
R5	-		-5.977,523	
R6	-		-11.086,41	
R7	-		-7.559,521	
R8	19.247,86			
F statistic	239,8765			
R2	0,977767			
Durbin-Watson Test	1,127528 (d1 ≈ 1,49, iar d2 ≈ 1,74)			
n	72			

In order to verify the nonautocorrelation of errors, we compared the calculate value⁴⁰⁴ for the Durbin-Watson variable, computed with E-Views software (d = 1,127528), with the values for $\alpha = 0,05$ from the Durbin-Watson distribution table, for $n = 72$ (the observations number) and $k = 4$ (the number of explicative variables): $d_1 \approx 1,49$, and $d_2 \approx 1,74$.

It can be noticed that $0 < d = 1,127528 < d_1 = 1,49$ fact that means there is a significant positive linear correlation of degree one.

In order to correct the influence generated by the autocorrelation of errors we have used the Cochrane-Orcutt algorithm (Annexe 3) and applying this method in E-Views has led to the next result:

$$d = \frac{\sum_{i=2}^n (e_i - e_{i-1})^2}{\sum_{i=1}^n e_i^2}$$

404 Durbin-Watson test involves the computation of the empiric term $d = \frac{\sum_{i=2}^n (e_i - e_{i-1})^2}{\sum_{i=1}^n e_i^2}$, using the residues series (e_i), $i=1..n$, obtained by applying the least squares method in order to estimate the model's parameters.

Table 2. The regression results with autocorrelation elimination

The dependent variable: GDP E	Coefficient	Standard error	T statistic	Prob.
Intercept	478.749,7	28.731,80	16,66271	0,0000
DEP	-6.465,741	693,5828	-9,322233	0,0000
STUD	2.964,649	1.453,347	2,039876	0,0466
E	-1.568,581	305,6758	-5,131519	0,0000
INV	186,8333	55,92495	3,340786	0,0016
AR(1)	0,342650	0,108581	3,155702	0,0027
Fix effects	POZITIVE		NEGATIVE	
R1	6.312,577		-	
R2	-		-18.098,95	
R3	8.470,680		-	
R4	6.449,938		-	
R5	-		-4.097,500	
R6	-		-9.382,580	
R7	-		-7.619,628	
R8	17.965,46			
F statistic	438,5196			
R2	0,990401			
Durbin-Watson Test	1,998131 (d1 ≈ 1,47, iar d2 ≈ 1,73)			
n	64			

In this case, the hypothesis of errors independence is verified: for $\alpha = 0,05$ from Durbin-Watson distribution table, $n = 64$ (the observations number) and $k = 4$ (the number of explicative variables): $d_1 \approx 1,47$, $d_2 \approx 1,73$, and $d = 1,998131 > d_2 = 1,73$.

The estimators' significance can be analysed by verifying for a certain α , the relations of the next kind:

$$t_{\hat{\beta}} = \frac{|\hat{\beta}|}{\hat{\sigma}_{\hat{\beta}}} > t_{\alpha;v}, \text{ for } \hat{\beta} = 0..5$$

For $\alpha = 0,05$ and $v = n - k = 64 - 6 = 58$, the value from the Student distribution table is $t_{0,05;58} = 1,672$, fact which means that all the model's estimators are significant.

The model verosimility has been analysed by applying the Fisher-Snedecor test (F), suitable in order to verify the significance of the correlation report and the linear correlation coefficient, according to the next relation:

$$F_c = (n - 2) \frac{R^2}{1 - R^2}$$

R is significant if the F test's computed value is larger or equal to the tabular value for a certain chosen threshold:

$$F_c \geq F_{\alpha;v_1;v_2}, v_1 = k - 1, v_2 = n - k$$

Applying the Fisher-Snedecor test: $F_c = 438.5196 \geq F_{0,05;5;58} = 2,374$, proves the fact that *the obtained results are significant*.

Conclusions

The estimated model proves the fact that for all the eight development regions, the demographic factors, for example those of demographic dependency kind have a negative influence on labour productivity increase, while the superior level of population education and the investments exert an important positive impact.

As it was expected, related to the employment rate of the labour resources for all the eight regions it had a significant but negative influence.

This result proves the fact that, in order to increase the Romanian regions' competitiveness, a key element is represented by the level of education of the workforce, fact which significantly influences the creation of gross added value into the economy.

Regarding the others specific regional factors, quantified by the regression equation intercept, these ones had a positive impact on the performances obtained by the North East, South, South East and Bucharest Ilfov regions, while for the others regions it was a negative one.

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ANNEXE 1. Competitiveness index (GDP/P), labour productivity index (GDP/E) and employment index (E/P)

Regions	1999/1998			2000/1999			2001/2000		
	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$
NE	97.87	93.02	91.05	101.54	95.69	97.17	99.19	108.85	107.97
SE	97.14	93.59	90.91	101.70	95.81	97.44	98.22	105.06	103.19
S	97.29	98.13	95.48	100.21	96.72	96.93	98.30	108.14	106.30
SV	100.05	97.97	98.02	100.05	99.15	99.21	99.21	102.86	102.05
V	94.09	119.78	112.70	105.58	86.34	91.16	98.83	110.14	108.86
NV	95.57	103.45	98.86	102.09	97.12	99.15	100.79	104.05	104.87
C	97.83	101.44	99.24	100.51	102.39	102.91	98.27	104.98	103.16
BI	82.34	125.77	103.55	114.82	107.64	123.60	102.68	105.83	108.67

Regions	2002/2001			2003/2002			2004/2003		
	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$
NE	95.55	112.59	107.58	98.56	108.20	106.65	97.18	107.25	104.23
SE	97.55	110.32	107.62	100.31	104.93	105.25	100.24	115.00	115.28
S	98.54	110.52	108.91	99.27	107.71	106.92	98.52	113.82	112.14
SV	95.15	107.87	102.63	99.88	111.98	111.84	97.59	109.88	107.22
V	104.91	105.37	110.54	99.80	110.12	109.91	101.33	109.15	110.60
NV	99.16	110.91	109.98	100.26	108.12	108.41	99.72	109.93	109.62
C	103.29	107.68	111.22	98.48	106.44	104.82	98.47	107.39	105.75
BI	110.16	96.31	106.10	104.42	94.25	98.42	103.89	102.91	106.91

Regions	2005/2004			2006/2005			2006/1998		
	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$	$\dot{r}^{y(f)}(\%)$	$\dot{r}^{y(x)}(\%)$	$\dot{r}^y(\%)$
NE	101.18	101.91	103.11	98.48	107.45	105.82	89.90	139.62	125.51
SE	100.82	99.60	100.42	100.96	105.92	106.94	96.88	133.22	129.07
S	100.86	101.38	102.25	100.13	107.90	108.04	93.30	153.18	142.91
SV	101.49	96.75	98.19	100.04	109.62	109.67	93.51	141.64	132.45
V	102.46	99.69	102.14	100.85	107.92	108.83	107.62	156.31	168.22
NV	101.82	100.00	101.81	101.36	105.59	107.03	100.62	146.52	147.42
C	100.48	101.40	101.88	101.63	107.80	109.56	98.83	147.73	146.00
BI	108.20	107.61	116.44	106.12	102.35	108.61	133.21	148.43	197.73

Ro	1999/1998	2000/1999	2001/2000	2002/2001	2003/2002	2004/2003	2005/2004	2006/2005
$\dot{r}^{y(f)}(\%)$	94.15	104.49	99.88	102.25	100.74	100.25	102.91	102.01
$\dot{r}^{y(x)}(\%)$	106.26	98.54	106.13	105.55	104.59	108.47	101.89	106.08
$\dot{r}^y(\%)$	100.05	102.97	106.01	107.93	105.36	108.74	104.85	108.22

ANNEXE 2. Factors of productivity: dependency rate, tertiary student ratio, employment rate, investment ratio

Dependency rate (%)									
Regions/ Years	1998	1999	2000	2001	2002	2003	2004	2005	2006
NE	52.25	52.28	52.07	51.74	51.28	50.40	49.56	48.97	48.60
SE	46.60	46.67	46.36	45.88	45.17	44.23	43.42	42.71	42.47
S	49.65	49.86	49.73	49.43	49.07	48.24	47.56	46.98	46.80
SV	50.08	50.01	49.64	49.26	49.00	48.39	47.77	47.01	46.32
V	47.01	46.63	45.95	45.18	44.23	43.40	42.63	41.89	41.37
NV	47.82	47.40	46.73	46.03	45.18	44.37	43.49	42.56	42.23
C	46.99	46.47	45.73	45.00	44.15	43.25	42.52	41.96	41.52
BI	42.04	41.18	40.06	39.15	38.03	37.36	36.62	36.00	35.69

Source: *Romanian Statistical Yearbook 2007* and statistical database TEMPO-online, time series, www.insse.ro

Tertiary students/population (%)									
Regions/ Years	1998	1999	2000	2001	2002	2003	2004	2005	2006
NE	1.26	1.40	1.70	1.91	2.01	2.04	2.06	2.11	2.14
SE	0.86	0.99	1.34	1.48	1.54	1.64	1.66	1.79	1.94
S	0.48	0.65	0.91	1.11	1.19	1.21	1.18	1.19	1.11
SV	0.94	1.14	1.47	1.79	1.75	1.81	1.88	1.95	2.06
V	2.43	2.71	3.01	3.15	3.49	3.61	3.73	3.88	4.21
NV	2.05	2.31	2.61	2.86	2.97	3.16	3.31	3.56	3.59
C	1.48	1.78	2.01	2.34	2.59	2.61	2.70	2.99	3.34
BI	6.41	6.62	7.56	7.76	8.08	8.63	9.52	11.46	13.64

Source: *Romanian Statistical Yearbook 2007* and statistical database TEMPO-online, time series, www.insse.ro

Employment/labour resources (%)									
Regions/ Years	1998	1999	2000	2001	2002	2003	2004	2005	2006
NE	63.35	61.87	62.57	60.95	57.93	56.21	54.14	54.07	53.25
SE	61.97	60.07	60.80	58.31	56.64	55.89	55.26	55.13	55.72
S	66.41	64.53	64.61	62.37	61.02	59.34	57.39	57.40	57.48
SV	68.66	68.52	68.51	66.64	62.87	61.94	59.93	60.27	60.31
V	67.52	63.27	66.95	64.90	67.75	66.49	66.11	66.78	67.06
NV	71.95	68.39	69.66	68.98	67.92	66.81	65.47	66.38	66.73
C	67.64	65.92	66.03	63.59	65.34	63.27	61.71	60.99	62.38
BI	62.24	50.71	59.04	59.09	64.24	65.55	66.64	71.33	75.28

Source: *Romanian Statistical Yearbook 2007* and statistical database TEMPO-online, time series, www.insse.ro

The ratio of the local units' investments in GDP (%)									
Regions/Years	1998	1999	2000	2001	2002	2003	2004	2005	2006
NE	29.29	35.69	15.49	15.44	21.64	17.74	17.32	17.33	22.03
SE	28.78	46.68	22.33	25.69	34.38	21.70	25.47	24.00	27.06
S	30.72	30.78	17.24	29.34	26.01	24.23	28.24	22.65	25.72
SV	42.86	52.14	34.75	60.17	28.18	16.93	34.78	19.30	23.76
V	24.83	53.46	29.00	23.83	29.46	25.14	26.53	29.54	32.04
NV	27.87	30.52	13.91	26.48	22.92	20.40	20.91	21.06	23.91
C	23.81	30.85	17.96	25.04	27.01	22.03	24.55	25.18	29.96
BI	81.26	64.47	80.26	56.86	34.37	35.53	46.71	66.60	55.72

Source: *Romanian Statistical Yearbook 2007* and statistical database TEMPO-online, time series, www.insse.ro

ANNEXE 3. Cochrane-Orcutt method

Current no.	Stages	Algorithm
1.	The parameters estimation	It is estimated by the least square method the regression model parameters having as general shape: $y_i = \beta_0 + \sum_{j=1}^p \beta_j x_{ij} + \varepsilon_i$ and there is retained the residues series.
2.	ρ estimation	It is estimated ρ from the formula $\varepsilon_i = \rho \varepsilon_{i-1} + v_i$, considering that the residues series follow a first rank autoregressive process.
3.	Transforming the initial model and estimating the new one	It is transformed the initial model into a new one as it follows: $y_i^* = \beta_0^* + \sum_{j=1}^p \beta_j x_{ij}^* + v_i,$ where $\begin{cases} y_i^* = y_i - \hat{\rho} y_{i,t-1} \\ \beta_0^* = \beta_0 (1 - \hat{\rho}) \\ x_{ij}^* = x_{ij} - \hat{\rho} x_{ij,t-1} \\ v_i \rightarrow N(0, \sigma_{v_i}^2) \end{cases}$ It is estimated the transformed model in order to obtain the estimators and the residues series, which will be used in order to go to the second stage.
The algorithm is finalised after a certain number of iterations or when the difference between ρ evaluated in two successive stages is lower than a chosen value (usually 0.01 or 0.05)		

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STATISTIC AND ECONOMETRIC ANALYSIS OF THE MOTIVATIONL FACTORS ON TURISTC BEHAVOUR

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The paper present the main customer reasons for the choice to practice rural tourism activities.

The survey targeted focused on analysis and opinion on the situation of people at a time of rural tourism activity overall, assessed primarily through the prism Bucharest and working in stressful conditions and polluting unlike other urban residents. Following research attitudes of potential tourists, the information on rural tourism provide a basis for determining the starting level of service quality and diversity of this type of tourism, as a reference for the formation of competitive tour packages.

Keywords: survey, nonparametric correlation, statistic assumptions, χ^2 test.

Cod JEL :C19, R0

1. Introduction

Scientific research of the market is a creative approach to review current knowledge and prospective market argued based on the results obtained by investigating objective, rigorous and relevant to the phenomena and processes.

Market studies by results, not replace court decisions in the process of adopting them, but provide facts and objective evaluations and assumptions instead of intuition is thus a valuable aid in the clarification of decision problems, in that the decisions they take.

Selective Application of research study on preferences for tourism rural population interviewed in Bucharest entails defining community investigated as both consist of persons residing in Bucharest, and the passing of this town.

2. Issues concerning survey conducted in Bucharest, on attitude to potential tourists in terms of rural tourism

The process for conducting a survey shall be based on setting clear objectives and presenting them as relevant to the purposes pursued.

With the establishment of objectives and assumptions should trigger and the preparation and establishment of a rigorous program to allow possession of more real data, following a series of running complex operations.

Among the targets set in the identification of basic aspects outlined was aimed at identifying the main reasons for the choice to practice rural tourism activities. Setting goals of the survey take into account included in the sample, those persons who live or are passing through Bucharest and practice rural tourism.

Important in the survey is the place on the still, so it has been established through the points of interviewing subjects: Romexpo - which was conducted by the Tourism Fair, metro stations: Union Square, the People's Army, The Sudului, Aviatorilor , Gara de Nord, May 1, various

"points" in the set: Unirii Square, Camp Road, Bucur Obor, Television, The Roman, Gara de Nord (the stations of the vehicles jointly, near markets, public institutions or of large stores)

Period of ongoing research on selective preference for rural tourism Bucharest population was 15 days (during deployment Tourism Fair - Autumn 2008).

Conduct the proposed survey involves determining, after the manner of communication with the unit investigated, a questionnaire with 22 questions. They are presented to all subjects investigated in the same order and with the same forms, so, how to record the responses, is established and recording responses by the respondents.

As an essential element of the process of preparing the sample is simple random sampling method, which led to the establishment of a sample volume of 400 people.

The methodology for the application of selective investigation included testing of the questionnaire as an inseparable stage, pre-course survey itself. The process of testing the questionnaire is ensured by carrying out a pilot survey in which 100 questionnaires are completed the objectives if these pilot surveys concern the validation of all elements which will involve research.

One of the most suitable theoretical methods used in the survey for determining and measuring the correlations intensity form associations between qualitative and quantitative variables may be achieved by applying the method of χ^2 nonparametric correlation test.

Checking existence of an association between two variables by the method of nonparametric correlation test and measurement intensity, the crossing involves the following steps:

- specify the two basic assumptions of the test: null H_0 and alternative H_1 ;

- calculate the theoretical function $f_t = \frac{\sum l \cdot \sum c}{T}$ (where l = line, c = column, T = total);

- determination of χ^2 calculated $\chi^2 = \sum \frac{(f_e - f_t)^2}{f_t}$ (f_e = empirical function, f_t = theoretical function);

- comparison of the calculated χ^2 with the theoretically χ^2 in order to establish the final decision;

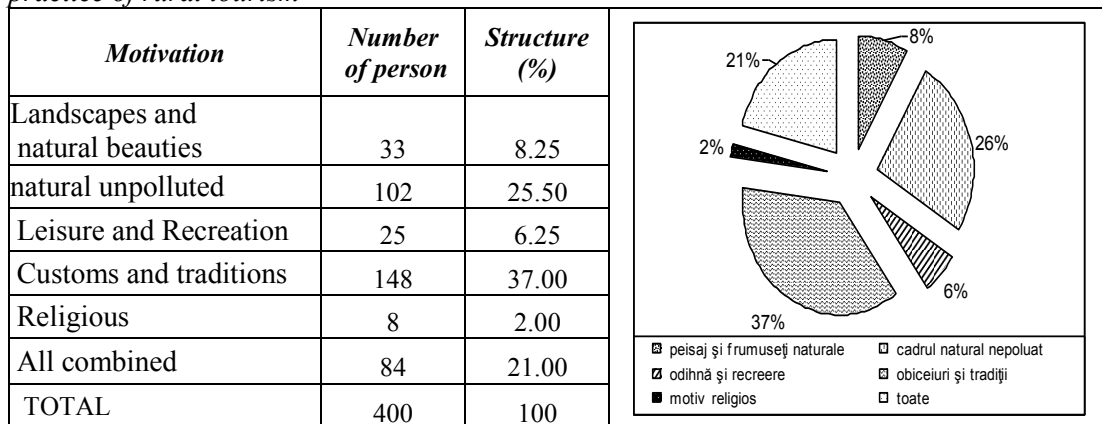
- calculating the coefficient of association $C_a = \sqrt{\frac{\chi^2}{n + \chi^2}}$.

3. Statistic end econometric analysis methods of the motivational influence factors on the rural tourism behavior

Statistic and econometric analysis methods of the motivational influence factors on the rural tourism behavior take into account the presentation of the structural reasons people interviewed after practice this type of tourism.

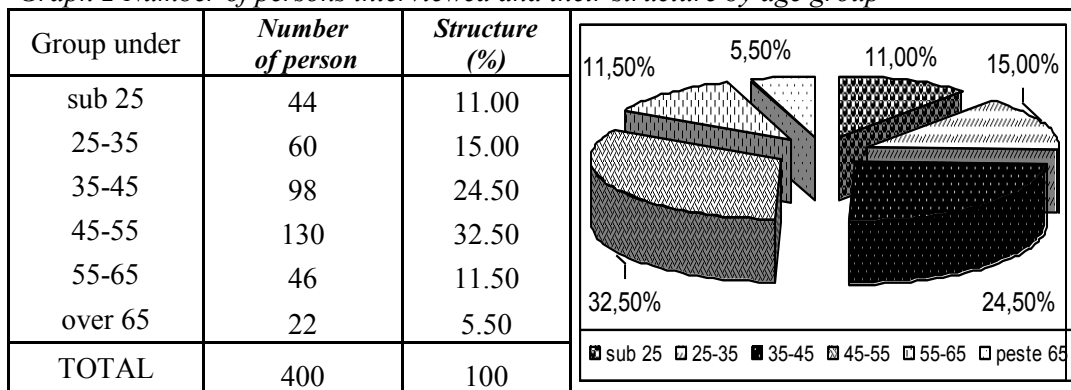
The number of responses on reasons for the practice of rural tourism is an important element of research, as a starting point for analysis and interpretation of results, especially those based on the correlation method.

Graph 1 Number of persons interviewed and the group after their motivation practice of rural tourism



The main reason who decided the choice of the type of rural tourism is the customs and traditions of the areas to which tourists are turning (37%) followed by the natural unpolluted by 25.5%, respectively, combined by 21%. Long-distance placed the desire to just admire the landscape and natural beauties (8.25%), the need for recreation (6.25%) or the religious duties which only 2%. The reason the practice of rural tourism is influenced by many factors, among which were noted in the study achieved only age and gender. In this context, to set the sample structure by age group, as follows:

Graph 2 Number of persons interviewed and their structure by age group



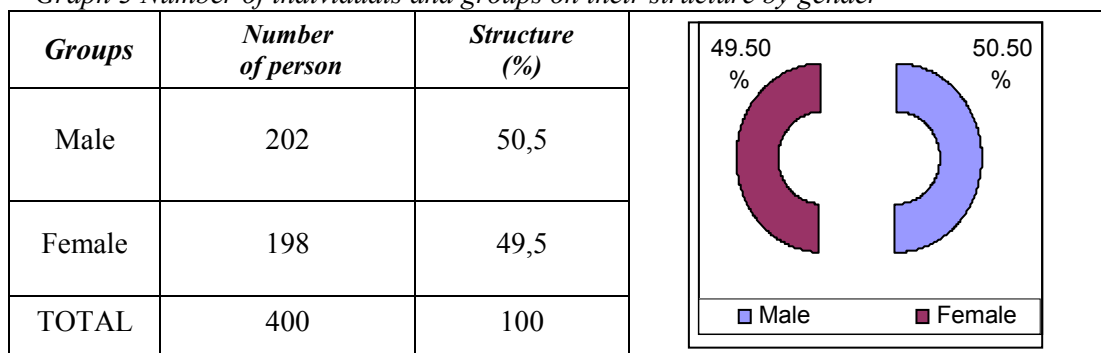
Among respondents who have practiced rural tourism majority (32.5%) were aged 45-55 years. In descending order, the following two age groups 35-45 years 24.5% 25-35 years 15%. Weights of 11.5% and 11% are persons aged 55-65 years and under 25 years, for over 65 years to practice rural tourism in the proportion of only 5.5%.

The second factor with significant influence on the motivations for establishing the practice of rural tourism is sex, whose structure is as in graph 3

The difference between the number of persons interviewed by gender is insignificant in the sense that they are also 4 men from the women's 198, which in relative value is 0.5% under these conditions share the male gender was 50.5%, while what women will return the remaining 49.5%.

As with tourism in general motivation or reasons for rural tourism travel include: need, impulse, intention, values and trends specific procedural nature, influenced by many factors.

Graph 3 Number of individuals and groups on their structure by gender



To highlight the influence of motivational factors on the behavior of the tourist population interviewed Bucharest, were established as a reference the two variables: age and gender, which have allowed the nonparametric correlation method.

Combination of reasons for the practice of rural tourism and age

Age influences the choice of the main reasons for the practice of rural tourism, as you know, in general, the older accept the most customs and traditions, and the young natural unpolluted.

Checking existence of an association between the reasons for the practice of rural tourism and age by the method of χ^2 nonparametric correlation test, started to specify the two hypotheses (null H_0 and alternative H_1):

H_0 - motivations for the practice of rural tourism does not depend on age tourists;

H_1 - motivations for the practice of rural tourism tourists depend on age.

Theoretical calculation function (f_i) allowed the determination of χ^2 calculated whose value was set as 279.02.

Determination of critical test (scales or theory) by taking the value of $\chi^2_{n,x} = \chi^2_{(6-1)(6-1);0,05} = \chi^2_{25;0,05}=37.65$ gives the possibility for the comparison with calculated value χ^2_{calc} . The comparison of the two values as $\chi^2_{calculat} = 279,02 > \chi^2_{tab} = 37,65$ encouraged to obtain the conclusion that the reasons for the practice of rural tourism are significant age tourists.

The extent to which reasons are determined by age is indicated by the result obtained by calculation coefficient Association, whose 0641 value shows that this association is the average intensity.

Combination of reasons for the practice of rural tourism and gender

Gender you can have it a significant influence on determining the reasons for leisure time practicing rural tourism, so this analysis can determine the combination and intensity of this link.

Methodology of verification of a combination of reasons for the practice of rural tourism and gender as a result of applying the method of correlation nonparametric test, is the starting point for specifying all the two hypotheses (null and alternative):

H_0 - motivations for the practice of rural tourism does not depend on tourist gender;

H_1 - motivations for the practice of rural tourism tourists depend on gender.

The second stage methodological concerns theoretical calculation function (f_i) test to determine calculated, whose value was set as 192.82.

Stage establish critical test (scales or theory) by taking the value of $\chi^2_{\text{tab}} = \chi^2_{n,x} = \chi^2_{(l-1)(c-1); \alpha} = \chi^2_{(6-1)(2-1); 0,05} = \chi^2_{5; 0,05} = 11,07$ permit to continue the methodology by comparing the value calculated, so that: $\chi^2_{\text{calculat}} = 192,82 > \chi^2_{\text{tab}} = 11,07$. Decision determined on the basis of this inequality leading to the conclusion that the reasons for the practice of rural tourism are significant sex tourists, a fact confirmed by the result of association coefficient whose value of 0.57 shows that this correlation is direct, the average intensity.

4. Conclusions

Motivational factors play a particularly important role on the demand of tourist services. It is due on the one hand that tourist services, by their nature, nontransferable; on the other hand, because they are consumed in the same time they are produced. Moreover they involve moving consumer producer often over large distances. Therefore the image perceived by those who have benefited from such services and how it is transmitted has significant influence over the buying behavior of potential future consumers.

The journey becomes, therefore, a means of meeting the needs and desires. Course and achieve a purpose, "activities" that will be carried out there are ways of meeting the needs and desires only partially aware. A desire becomes aware of the need, under the influence of information. Motivation occurs when the individual wants to satisfy a need. The reason involves an action by a target that means to satisfy needs

Criteria of choice of destination, as connection between reasons and alternatives, are used to define more precisely the alternatives, the criteria are the result of previous experiences and reception of information from social or commercial, is continuously transforming.

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EVOLUTION IN THE TRADE BALANCE OF ROMANIA DURING 1991-2008

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The analysis briefly presents the evolution of the trade balance in Romania for the past 18 years, starting with the evolution of the two indicators, the export and import of goods. Using statistical methods of calculation and analysis, there were highlighted the evolutions of the trade deficit with all the countries, distinct from the States of the European Union and for the main partners of Romania, as well as the evolution of the degree of coverage of imports with exports. The last year of the series, the second one as a member State of the EU, has been analyzed in more detail, both by main partners and sections of the Combined Nomenclature of products. Finally there were drawn the main conclusions.

Key words: FOB Export, CIF Import, Trade Balance

JEL classification: C10, F10, F49, O11

Introduction

The statistics of goods' trade represents an important element in calculating the balance of payments of a country, as well as for the calculation of the Gross Domestic Product, and in general it is a reference for the economic wealth of a nation. At the national level of economy, the state of equilibrium, determined by the economic and financial flows, is achieved through the balance of foreign payments, which remains the main instrument for measuring the external competitiveness of the national economy.

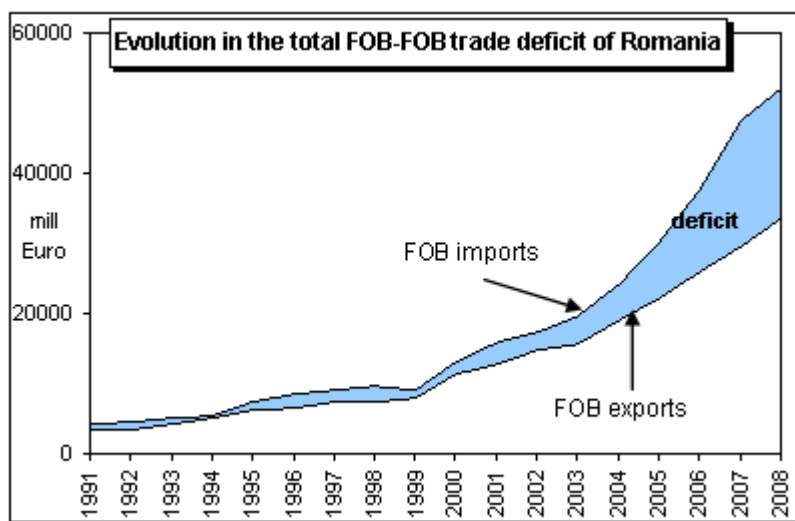
Data source and manner of expression

To highlight the balance of foreign trade, there should be observed both exports and imports of a country. If by the end of 2006 they had as source of data the customs declarations recorded through the National Authority of Customs, starting with 1 January 2007, the task for collecting foreign trade data for the flows inside the European Union was held by the National Institute of Statistics, and for the flows outside the Union it is used the old system. The statistical evaluation of the exports is made in FOB prices (free on board) and of imports in CIF prices (cost, insurance, freight cost, freight). In the case of exports, the value of FOB, or free-frontier exporting country, is the value of the exported goods at the place and time when the goods leave the statistical territory of Romania (value at which the goods were sold by the exporter, including transportation costs, insurance and other expenses for bringing the goods to the Romanian border and loading them on the ship). For imports, the value of CIF or free-frontier of the importing country, is the customs value of imported goods at the border point of entry into Romania (value at which goods are purchased by the importer, including transportation costs and insurance for bringing the goods to the Romanian border). Note that the imported goods under the conditions of CIF delivery, or free-frontier of the importing country, are assessed by value and in FOB prices, in order to calculate the trade balance under FOB-FOB conditions, by applying a conversion factor CIF/FOB of 1.0834, determined through a research conducted at the main profile companies. Goods imported under FOB delivery, or free- border country from which there are imported, are assessed in CIF prices by adding to the price of goods the expenses for transporting the goods to the Romanian border, and the expenses related the insurance of the goods. The foreign trade balance, which represents the external balance of the national economy, is the result of an analysis of the current account balance of foreign payments. Trade balance is

an evidence of growth or decrease in the performance of an economy. In the case of the Romanian economy, the trade balance holds the majority share in the current account balance, and briefly and quickly characterizes the economic development of the external balance: Trade Balance = Export - Import

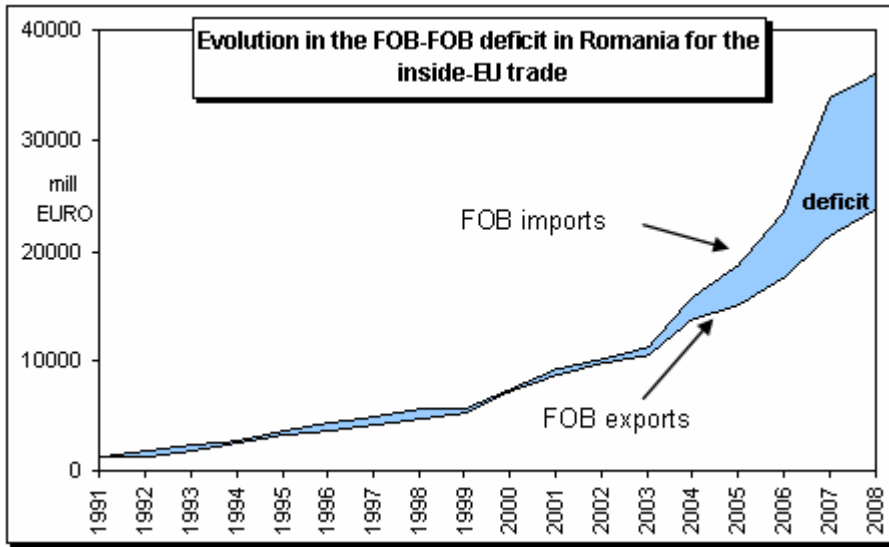
Evolution of the trade deficit in Romania during 1991-2008

Before we talk about a deficit of the balance of foreign trade operations, let's briefly analyze the developments of the two indicators, export and import for Romania. If in the last years of the centralized economy exports have evolved somewhat forced on an upward line since 1990, with the opening to the outside world created by the new political system, imports began to exceed the level of exports. Thus, 1989 was the last year with a positive trade balance. Everything restricted until 1990, could be achieved after year, the consumption desire of the people for all products outside our country have contributed to a massive increase in imports. On the other hand, the low degree of the technologization process of the Romanian industry, the reorganizations occurred afterwards, the increasing requests for the quality of products from other countries, have led to the reduction by half of the exports in the years 1990-1991 compared to 1989. In the first two years of the transitional period, the volume of production and investment decreases, there are lost the traditional market outlets for our country by abolishing the former Council of Mutual Economic Aid (CMEA), therefore the volume of export is drastically diminished. As a consequence of these developments, in 1993 it is recorded the greatest decrease in the GDP.

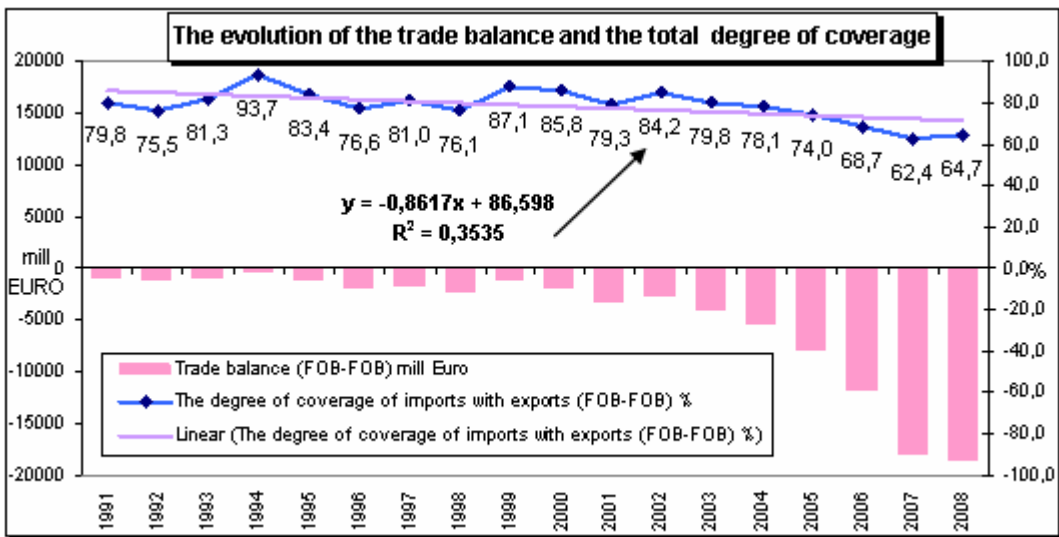


In the period 1993-1996, it is gradually stopped the economic decline, and there are attempts of boosting the production and exports. The years 1997-2000 represent a period of consolidation of the economic reforms, privatization of large state businesses, the liberalization of the exchange rate regime and reducing customs duties on imports, there are promoted by legislative measures the Romanian and foreign investments, leading to an export growth by over 70% in these four years. As it can be seen in the graphic evolutions, the export increases, initially slowly, but also increase in parallel the imports, maintaining the deficit in the period 1994-1999 at a relatively small level. Year 2000 marks the macroeconomic stabilization and the relaunching of the economic growth, leading to positive developments, due to the preparatory actions of Romania's accession to the EU. Period 2001-2006 brings an improvement to the business environment, external cooperation, especially with the European Economic Community, and an increase in the volume of investments in general and especially the foreign ones.

Comparing the developments in Romania's total deficit with the foreign deficit only with the EU countries, there is observed a better development towards this direction. The total negative trade balance, with the exception of 1994, was always greater than the trade inside the EU, its share in total swinging around 50%.



If at the beginning of the transition period the exports with the EU States represented only 58.7% of the exports with the States outside the EU, since 1995, it starts to outrun it, reaching from 2001 to be permanently over 2 times higher. Also, if in 1991 imports from the EU countries represented 40.3% of the ones from the states outside the EU; at the end it reaches to be 2.2 higher.

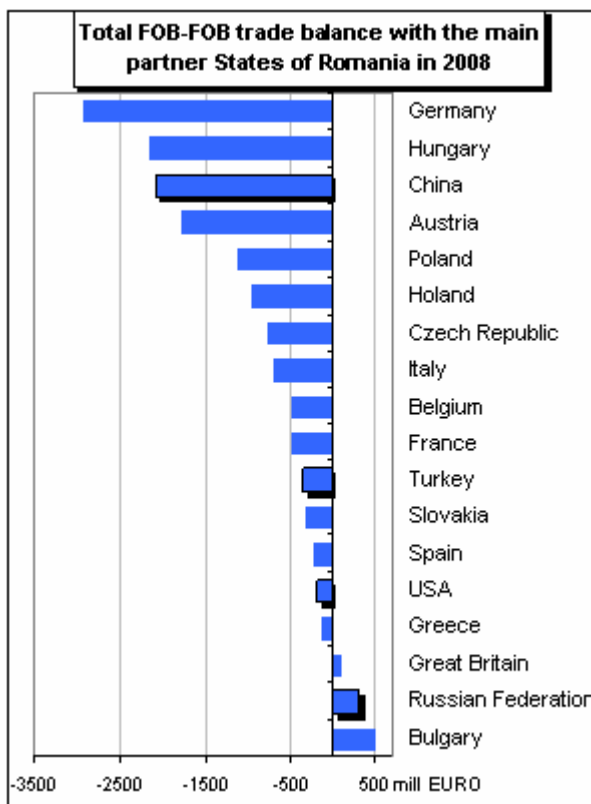


These developments have led to a positive FOB-FOB trade balance with the EU States over the period 1999-2003, while in the case of the trade with the States outside the EU, for the same period, the degree of coverage of imports by exports is maintained between 65 and 83%, largely influencing the total deficit of Romania. Analyzing the trend in total exports, it is observed an increase of 9,6 times over the entire period, with +1773 million euro as an annual average, while the growth in imports is 11,9 times, with +3.035 million euro as an annual average. Due to the growth of imports over exports in total in a higher rate, it also increased the trade deficit 20,8 times in those 18 years, bringing an average annual growth of the deficit of 1028,7 million euro.

Thus, in total, in 2008 it reaches a deficit of -18372 million and a degree of coverage of imports with exports of 64,7% compared to -885 million euro at the beginning of the period (1990) and 79,8% degree of coverage. The past three years also bring the greatest deficit, the coverage degree swinging around 65% in total. It also increases the deficit with the member States in recent years, reaching a coverage degree of 71,4% in 2008, while in the case of external trade it maintains itself between the old limits (67,2%).

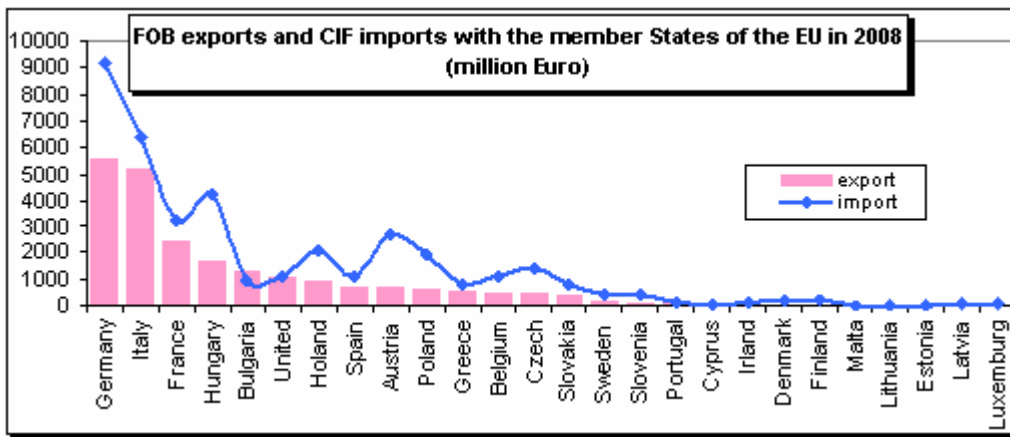
Romania's main partners in foreign trade relations

The first 20 partners ordered after the foreign trade balance from 2008 are presented in the graphical diagram below. Germany, which is also the main partner in both export and import, brings Romania a deficit of -2.928 million euro and a degree of coverage of imports with exports of 65,5%. In the case of trade with Hungary, the deficit is 2.148 million euro, followed closely by China. In fact, the only states which are not part of the EU and are in the top positions are China, Turkey and the U.S.A. for the deficit and at surplus we find the Russian Federation.

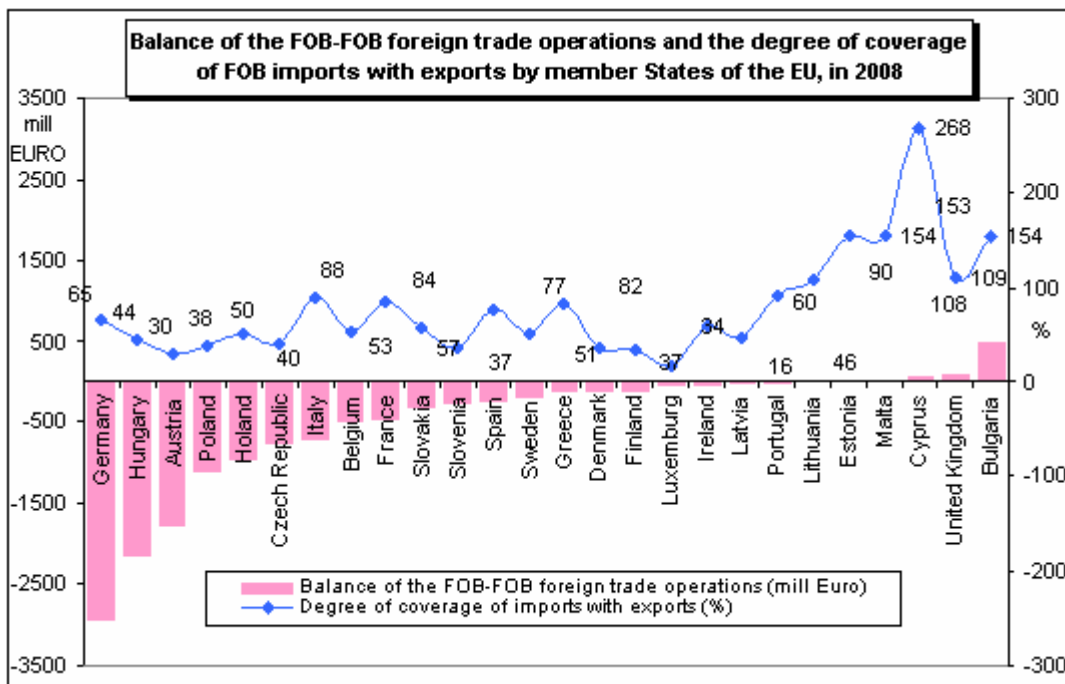


The export and import situation by member States in 2008 shows a surplus trade balance only in the trade relationship with Bulgaria, the United Kingdom, and in a much lower absolute volume with Cyprus, Malta, Estonia and Lithuania.

Even if imports exceeded exports in general in most States, it is very important the geographical shift in these years of transition, towards countries with a high degree of competitiveness. Penetration of the Romanian products on strongly developed economic markets also reflects an increased degree of quality, the influence of foreign investments in Romania in the second part of the period.



On the first places in Romania's commercial relations are consistently in the last years, Germany, Italy and France, these partners concentrating nearly 40% of the inside-EU exports and almost 50% of the imports.

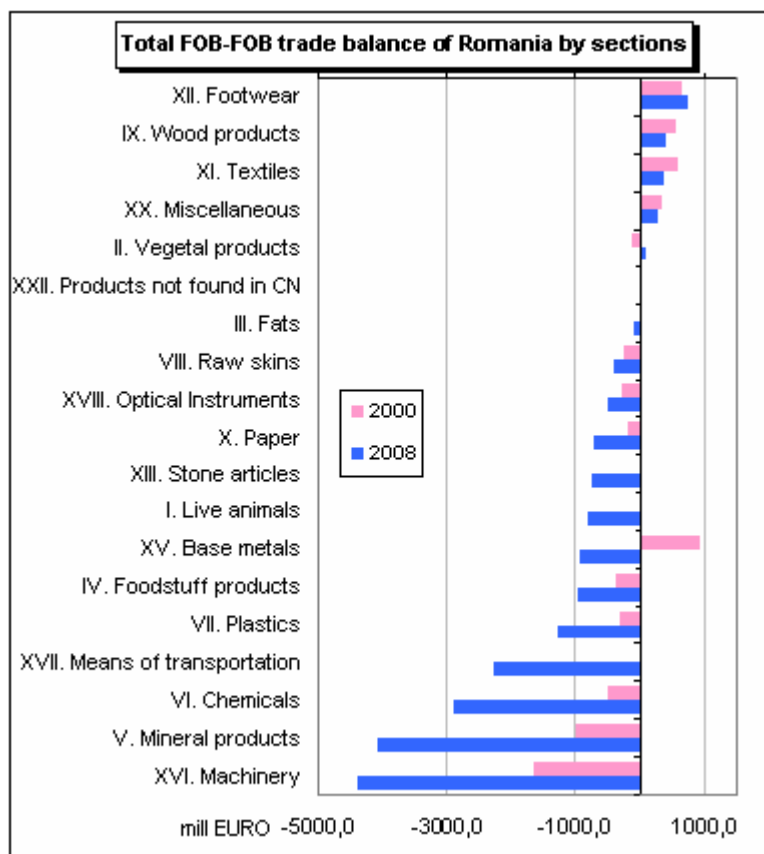


Trade balance deficit by sections from the Combined Nomenclature

The structure by groups of goods both for imports and exports has changed during the transition period, due to increasing competition, the reconfiguration of the outlet markets and also due to the shift of production activity. Relatively low costs in the textile industry, in the footwear, caused mainly by low labor costs, have led to an increase in the loan export type in the second part of the transition period. This led to an increase in both exports and imports of these product groups, because they are made in our country, with imported raw material, the products being entirely intended to the suppliers of the raw materials, bringing eventually a very little money contribution. For this reason, the degree of coverage of imports with exports to these groups is favorable, the difference consisting mainly of the additional manual labor to exports over imports. Therefore, in the first place in 2008, as a positive trade balance and a degree of coverage is situated the section of footwear (+725,4 million euro and a ratio between exports and imports

of 2,4 times, unlike 3,8 times in 2000, at a trade balance of 634,3 million euro). In the third place there is the textile section, at which decreases both the absolute surplus and the coverage degree in the past 8 years, from 127,2% in 2000 to 111,4% in 2008.

In 2000, the greatest degree of coverage is observed in the wood products section (excluding furniture), exports being 7,3 times higher than imports, due to the irrational exploitation of forests and also due to the export of products with a low degree of processing. This situation has been somehow hampered by restrictive legislative measures towards this direction, leading to an increase in imports during this period of 6,4 times, and in exports of only 1,5 times, reaching a degree of coverage of 170,4%. The base metals section had a negative trend from this perspective, from a degree of coverage of 200,3% in 2000 to 83,9% in 2008, mainly due to the decrease with -22,5% in exports. The greatest absolute deficit in all these years was brought by the machinery and electrical appliances, followed by mineral products, and in the last year also pointed out the group of chemicals, means of transportations and the plastics.



Conclusions

Although foreign trade relations have seen positive developments and especially qualitative ones after 2000, the trade deficit continues to show a still fragile economy from an economic point of view. Analyzing the latest evolutions in the balance of payments, the government has already drawn the development strategy, directing through financial leverage the foreign economic activity. It is estimated that starting with 2010, the trade balance would become positive by increasing the effectiveness of the measures taken in import-export operations.

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THE DETERMINATION OF GOODWILL FACTORS CONTRIBUTION USING ECONOMETRIC MODELS BASED ON THE SUBTLE SETS THEORY

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JEL Classification: D81, A110

In this paper, we proposed to demonstrate the possibility of correct determination of the goodwill size and the causing factors, through the use of econometric models based on the subtle sets theory.

This thematic approach motivation starts from the fact that this factor, essential for the value of an organization, is presently determined using a methodology which, according to its results, does not respond to the manager's needs for knowledge and information, whose will is not only understanding goodwill's value, but also its contributing factors and, if possible, their weight. The need is especially important for sales organizations where both the seller and the buyer expect to assess a correct price based on the market value of the organization. Starting from this practical requirement, the authors aim to develop and apply econometric models based on fuzzy and subtle sets, which determine the level of goodwill and provide information on the causing factors.

Keywords: fuzzy sets theory; dynamic index; average index; subtle sets theory, goodwill

1. Introduction

The goodwill, term with Anglo-Saxon origins adopted in most European countries, is the result of the additional profitability recorded by an organization and is generated by specific elements, particular conditions which it holds in addition to other economic agents in the field. In current Romanian accounting legislation it is being used the concept of commercial fund, which represents the fund trade not listed in the other elements of heritage, but which contributes to the maintenance or development of the organization, such as: the clientage, the commercial good custom, the commercial market, the reputation and other intangible assets. They are recorded in the accounts in a separate account for intangible assets (account 207 "Goodwill").

These intangible factors make an additional profit, higher than the mass interest that would result from investing an amount equivalent to the value of tangible assets. Excess profits, expressed in English language as *goodwill* and known as *survaleur* in French terms, is therefore the result of the additional yield compared with other agents in the field, which will benefit the owner organization. Understanding this excess profit and its causing factors continues to stand as a topic for research professionals. A solution for the correct issue of this problem is, as we mentioned before, the Econometric models based on the theory of subtle sets, which will be detailed in the following pages.

2. Econometric models, based on fuzzy and subtle sets, proposed for the determination of the main factors responsible for goodwill's practicability

To elucidate the role of fuzzy crowds in determining a more precise value of goodwill, we will examine some of the elements involved in obtaining the value of goodwill in a company.

2.1. The employees' loyalty towards he firm

To express the extent to which a worker of rank i , the employee of the company, is faithful to the company, it is introduced a status degree marked $\mu_F(i)$ which shows the employee's ownership i

to the D property to be true to the company. According to Zadeh's convention, $\mu F \in [0,1]$. This means that a scale was defined in which the highest degree of property membership to be true to the company is 1 and the worst is 0. The degree of belonging can be appreciated considering the worker's behaviour, as an employee of the firm, during all the period of the work contract. In the indefinite sets theory, a criterion easily measurable is being chosen and evaluated. Such a criterion could be the number of extra hours (h_s) performed by the worker from the first day of work up to the present moment of the analysis. In addition, the criterion of fidelity can be expressed by the seniority in the company, the quality of work, workplace discipline. The subtle sets make possible the analysis of all these criterion or a selection of them, whereas the fuzzy sets only accept one criterion analysis.

Turning to the criterion of the number of extra hours, a very simple method of calculating the degree of belonging $\mu F(i)$ based on this criterion could be:

$$\mu F(i) = \frac{h_s^i}{h_s^{\max}}$$

where: h_s^i - the amount of overtime incurred by the worker from time employment until now

h_s^{\max} - the maximum number of extra hours incurred by the worker as an employee of the firm

The fuzzy set AF of the company's loyal employees is the following:

$$AF = \left\{ \begin{array}{l} 1, 2, \dots, i, \dots, n \\ mF(1), mF(2), \dots, mF(i), \dots, mF(n) \end{array} \right\}$$

where: $\mu F(1) \geq \dots \geq \mu F(n)$,

1, 2, ..., i, ..., n - the employees' rank

The fuzzy sets bring in two subjective elements:

-the choice of criterion that considers the feature analysis (in the given example, the criterion chosen for assessing the fidelity characteristic is the number of hours provided). Experts can change the criterion that allows the determination of the analyzed characteristic depending on the pursued objectives;

-the choice of membership function. Typically, the choice is made by experts.

In order to create a unified theory of fuzzy sets in the last decade of the XX century, the Romanian mathematician from Chisinau, Petre Osmătescu, discovered the subtle sets. A subtle set can be defined, in the simplest way, as a set of fuzzy sets, which define the same feature, but using two different criteria.

In addition, in the case of employees' fidelity towards the firm, it can be observed that other criteria can be taken into consideration to define the same characteristic, of which we mention:

1. the seniority in the firm (v);
2. the percentage of wage increase offered by another firm, which would cause the employee to leave the current firm for the new company(sp);
3. the work discipline showed during the work time (v);
4. the degree of cooperation with colleagues, superiors and subordinates (gc).

The four criteria being analyzed it can be concluded that the first two are fuzzy sets and the latter are subtle sets. Therefore, to comply with the definition given, we decompose the criteria 3 and 4 into other small criteria that will lead to the fuzzy sub-set. As an example, the 3rd criterion "work discipline" could be divided into:

a) the number of unexcused absences (N_a^i);

b) the number of excused absences (N_i);

c) scraps, penalties for delayed handing over of papers, imputations and other prejudice brought to the firm (N_p).

For the N number of employees it can be set the maximum number of unexcused absences (N_a^{\max}), the maximum number of excused absences (N_i^{\max}) and the maximum accepted prejudices. For the 4th criterion “cooperation degree” it may be taken a survey among work colleagues, supervisors and subordinates, if necessary. Work colleagues rank j will answer questions of the form: how many years of collaborating? (t_{ij}); if the employee has fulfilled the requested tasks? (p_{sj}^{is}); if the employee helps colleagues in difficulty (D_{ij}); if they had disputes with worker i (L_{ij}); if a further cooperation with the worker I would be willable (C_{ij}). Responses falling into grades corresponding question (e.g. poor, good, very good and small, medium, large, etc.) receive a number of points (+,-). Admitting that 8 workers are being investigated, for each worker is valid the following:

$$NPC_i = \frac{1}{vi} \sum_{j=1}^n (Ps_{ji} + D_{ij} + N_{ij} + C_{ij}) t_{ij}$$

By analogy, calculating the number of points allotted to the employee by the superior (NPS_i) and, where applicable, the number of points allotted by the subordinate ($NPSB_i$). It is afterwards calculated the total number of points allotted to the employee, as follows:

$$NPT_i = k_1 \times NPC_i + k_2 \times NPS_i + k_3 \times NPSB_i$$

where $i = (1, 2, \dots, n)$, with k_1, k_2, k_3 are factors of importance given to colleagues, superiors and subordinates ($k_2 > k_1 > k_3$). For employees' set it can determine which is the maximum score NPT_{\max} .

Based on these determinations there can be calculated the degrees of membership for each fuzzy set and subset. Thus, for the work seniority is obtained:

$$\mu_{\text{seniority}}(i) = \frac{vi}{v_{\max}}$$

where v_{\max} – the highest work seniority of all company employees.

For the percentage increase S_p^i which determine the employee's decision of requesting the transfer the following is valid:

$$\mu_{\text{transfer}}(i) = \frac{S_p^i}{S_p^{\max}}$$

where v_{\max} – the percentage that determine even the most faithful employee to transfer.

Furthermore, the employees' degree of belonging depending on the discipline at work that they have proved (based on the a, b, c subsets) is determined. It acknowledges that the compensation law is multipliable, i.e.:

$$\mu_{\text{discipline}}(i) = \frac{Na^i}{N_s^{\max}} \times \frac{N_i^i}{N_i^{\max}} \times \frac{P_b^i}{P_b^{\max}}$$

For the degree of cooperation with other persons of the firm three sub-sets were considered (colleagues, superiors and possibly subordinates). In turn, these sub-sets were more analytically divided into five components. A points system was established, which was weighted by age collaboration and a first score was obtained on employees' class. By summing up the scores on employees' class a total score $NPCT_i$ and a maximum total score $NPCT_{\max}$ were obtained. As a result it becomes possible to calculate the degree of cooperation of the employee, as follows:

$$\mu_{\text{cooperation}}(i) = \frac{NPCT_i}{NPCT_{\max}}$$

The last problem to be solved is the composition of the five levels of membership: $\mu_f(i)$ calculated for the criterion of overtime, which was completed with the grades of membership for the four new criteria (the work seniority in the company, the wage growth that could cause the

transfer of employee, discipline at work and the degree of cooperation), which are $\mu_1(i)$, $\mu_2(i)$, $\mu_3(i)$, $\mu_4(i)$. Addressing this issue properly can be done after a long time by creating a system in which many processes take place, which will be listed below.

Firstly, the independence of the considered criteria should be verified (for example - the number of extra hours, the length of employment, the wage growth that could cause the transfer of staff, discipline in work and the degree of cooperation with other employees of the company). To prove this independence 25 coefficients of correlation γ_{ij} , should be calculated taking into account the five criteria. In the first stage, no statistical data needed, it can be done assuming that $\gamma_{ij} = 0$, $(\forall) i \neq j, i, j \in \{1, 2, 3, 4, 5\}$ and that for any parameter i the thread is not correlated with any difference.⁴⁰⁵ In fact it could be considered a multiplicative type law of composition, according to Cobb - Douglass, i.e.

$$\mu_c(i) = \prod_{i=1}^5 x_i \alpha_i$$

where α_i - exponents which are statistically determined. Before accurately determining these exponents it can be considered that $\alpha_1 = \alpha_2 = \alpha_3 = \alpha_4 = \alpha_5 = 1$.

In the second stage the first estimates of the coefficients of correlation are being performed. If $\gamma_{ij} \neq 0$ significantly, then the variable x_j is replaced with $x_j^1 = x_j^{\gamma_{ij}, \alpha_{ij}}$ because at the initial time $\gamma_{ij}^0 = 1$ $(\forall) i \neq j \Rightarrow \gamma_{ij}^1 \neq 0, \alpha_j^{(1)} = (1 - \gamma_{ij}^1) \alpha_j$.

Furthermore, by calculating the weight coefficient of correlation in the total amount of these factors, it is estimated the relevance of the criterion. It is calculated $\max \mu_G(i) = \mu_G^{\max}, i \in \{1, 2, \dots, n\}$ and $\min \mu_G^{\min}$.

The interval $[\mu_G^{\min}, \mu_G^{\max}]$ is divided into a number of parts, for example, five parts (approximately equal or approximately of geometric progression). When granted a pay rise for loyalty, then it is advisable to apply an incentive system for employees, such as its size being dependent on the degree of global belonging $\mu_G(i)$ associated to person i .

Based on these increases "prices" of loyalty can be calculated, reporting the increase to the degree of belonging $mg \mu_G(i)$, but applying a degree of confidence $g(i)$ calculated according to the recommendations above.

The results thus obtained will increase the value obtained by the method ANC property bearing the same name.

2.2. The creative and innovation ability of the organization staff

The existence of such a capacity at the personnel of the organization leads to profit increase by default, and, therefore, to the acquisition of goodwill.

A correct evaluation of the goodwill/ bad will factors of influence in an organization can be made using the method GERT (Graphical Evaluation and Research Techniques) assisted by subtle sets⁴⁰⁶, in which the scores method is applied. For each invention / innovation can be established both the profit increase ΔP obtained from its implementation and the total score PT given by the experts. The result is a statistical indicator of economic efficiency of the organization with rank i and form:

$$\Pi_i^e = \Delta P / PT$$

Similar to this, the organization efficiency of rank I can be assessed taking into account other global criteria such as environmental, ergonomic, psychological, etc.

In the case of multidisciplinary/ interdisciplinary teams of economists, technicians, ecologists, biologists, sociologists, psychologists etc., it can be established the growth of innovation / invention utility applied in the organization of rank i and noted ΔU_i . This way of expressing

405 If there is an auto-correlation with $\gamma_{ij} \neq 0$, then the number of correlation coefficients is less than 25

406 I. Ionita, C. S. Banescu and M. Stoica "Organizational assessment", pag: 173 – 202.

efficiency will be noted $\alpha_{i_s}^e$, $\alpha_{i_s}^{ec}$, $\alpha_{i_s}^{erg}$, $\alpha_{i_s}^{ps}$ etc. for global environmental, ergonomic, psychological, etc. criteria assessing the rank i organization's activity.

If these criteria are followed in the interdisciplinary dynamics team, efficiency indicators are obtained: α_{it}^e , α_{it}^{ec} , α_{it}^{erg} , α_{it}^{ps} etc. where $t \in 1, 2, \dots, T$, and T = the forecast horizon considered by experts. In this case, it is acquired only a partial development of not only global but also analytical performance of all disciplines who have formed interdisciplinary team. Following all developments of partial interdisciplinary teams in the world, it can be obtained a qualitative prediction "close" to the total one, case in which the interdisciplinary team tends towards what philosophers call trans-disciplinarily (cooperation of technical, economic, biological disciplines, etc. leads to positive developments of each of those participating) and exploit the ideas of several scholars of Romanian origin who had significant contributions to the development of world science, such as: Stefan Odobleja, Petre Osmatescu.

3. Conclusions

The analysis of goodwill calculating possibilities and the determining of causing factors should constitute a research topic of great interest to specialists in the field. In this respect, we consider important to establish and analyze the goodwill generating factors because they provide favorable conditions for the organization to achieve a profit that makes further compete with other companies. To this may be used, as shown in paper, econometric models based on fuzzy and subtle sets theory. By applying these models can be removed the main deficiency of current methods that do not provide information about goodwill generating factors.

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ECONOMETRIC ANALYSIS OF THE COMPANY ON STOCK EXCHANGE

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In this work are presented general concepts for determining the link between the volume of transactions and their value. On the basis of these concepts is the study of a simple regression model, which helps us to solve many economic problems. Based on data from the sample build Econometric Model, we estimate and test the parameters of the model, we calculate the correlation of determination and report using the statistical program SPSS.

Keywords: econometrics, linear multiple regression, autocorrelation, correlation report, determination report

Jel classification: C01, C13, C51, C87

1. Problem presentation

In a market economy, financial investors are interested in ongoing development activities on the exchange. Being a period of crisis, the share rate had chaotic variations. Consulting the data provided by the Bucharest Stock Exchange we notice that there is a diminution of the share rate variation, this one following a path upward.

An economic phenomenon can be influenced by one factor or more. The simple linear model is the most simple econometric model or the most simple explanatory scheme of the dependence between two variables. In economics there are situations in which a result or a phenomenon can be explained in a high only by the influence of a simple factor. This factor appears in the econometric model as an independent variable and the rest of the influences is taken by the residual variable.

The model of simple linear regression expresses the relationship between two variables and takes the form:

$$Y = \alpha + \beta X + \varepsilon \quad (1)$$

where: Y is the dependent variable, random variable X is independent, non-random variable and random error or residual.

The regression equation is:

- α is the ordinate which shows the value of variable Y when $X = 0$;

- β is the slope of the right, called the regression coefficient, $\beta = \frac{\partial Y}{\partial X}$.

In the regression equation α and β are unknown parameters. The sign β of the regression parameter indicates the direction of the link between the two variables correlated. A value of the conditional variable $y_i, Y_i | X = x_i, i = \overline{1, n}$ can be written:

$$y_i = \alpha + \beta x_i + \varepsilon_i \quad (2)$$

The value of the regression parameters is estimated based on the estimators $\hat{\alpha}$ and $\hat{\beta}$. Using data recorded on a sample of n pairs of observations on variables X and Y , we calculate the estimations a and b of the parameters α and β . The punctual estimation of the regression

equation parameters determined using the method of the least squares. Confidence interval for the regression coefficient β estimated for the observed sample is defined by the relationship:

$$b \pm t_{\alpha/2} \cdot s_{\hat{\beta}}. \text{ Analogous to the parameter } \alpha, \text{ we determine the interval: } a \pm t_{\alpha/2} \cdot s_{\hat{\alpha}}.$$

Testing of the model parameters and the model regression is performed by a classical scheme of the test process through the following steps: formulating hypotheses, choosing materiality α , choosing the appropriate statistical test, determining a theoretical value of the test, depending on the percentile and the threshold of significance chosen, calculating a value of test statistics based on data from another sample and applying the rule of decision for accepting or rejecting the null hypothesis.

Testing significance of regression coefficient β starts with the formulation of the following assumptions:

$$H_0 : \beta = 0$$

$$H_1 : \beta \neq 0$$

If you reject the hypothesis H_0 , with a threshold of significance α chosen, then the link between the two variables X and Y is significant. In economic practice is considered, usually one $\alpha = 0.05$, that is considered a risk of 5% to reject the hypothesis H_0 when it should be true. The link can be measured using correlation coefficient and correlation ratio. The value of correlation coefficient is between -1 and +1. Regression model assumptions are: the normality of errors, homoscedasticity, non-correlation errors, the lack of correlations between the independent variable and the variable error.

2. Descriptive analysis of model variables

To estimate the model we considered the evolution of the market shares transactions TGN during 1.04.2009 - 4.05.2009. In our analysis we took the varying volume of transactions and total value thereof.

Table 1. Evolution shares transactions TGN during 1.04.2009 - 4.05.2009

Date	Volume	Value
4.05.2009	2750.00	401701.4
30.04.2009	4515.00	647314.5
24.04.2009	2700.00	358336.1
23.04.2009	411.00	53384.00
22.04.2009	1499.00	195084.5
21.04.2009	4709.00	598495.7
17.04.2009	985.00	128282.8
16.04.2009	3579.00	456260.1
15.04.2009	5771.00	728165.7
14.04.2009	3851.00	487252.5
13.04.2009	2210.00	284856.6
10.04.2009	2585.00	329358.0
9.04.2009	1852.00	232824.7
8.04.2009	971.00	116784.1
7.04.2009	658.00	80218.50
6.04.2009	1634.00	203731.1
3.04.2009	1930.00	237887.2
2.04.2009	3313.00	402100.4
1.04.2009	1209.00	141461.9

Based on data from Table 1, we obtain Figure 1, which shows a direct linear link, between the transactions volum and the value of these transactions. Therefore, for the case considered, the estimation of the value of the transactions is carried out using linear regression equation: $y = a + bx + e$.

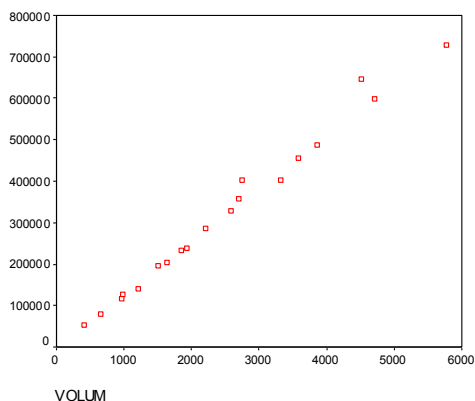


Figure 1. The relationship between volume and value of transactions
Daily values of transactions and the TGN are presented in Table 2.

Table 2. Indicators of descriptive statistics

Descriptive Statistics					
	N	Minimum	Maximum	Mean	Std. Deviation
VOLUM	19	411.00	5771.00	2480.6316	1491.2681
VALOARE	19	53384.00	728165.70	320184.2	196640.2538
Valid N (listwise)	19				

Volume of transactions is 2480.6316, and their average value is 320184.2.

The results of the market model estimation, using the method of the least squares, to the TGN transactions during 1.04.2009-4.05.2009 are presented in the following tables:

Table 3. Regression model variables

Variables Entered/Removed ^a			
Model	Variables Entered	Variables Removed	Method
1	VOLUM ^b	.	Enter

a. All requested variables entered.

b. Dependent Variable: VALOARE

Table 3 presents the model variables: volume is the independent variable and value is the dependent variable.

Table 4. Estimated regression model

Coefficients ^a								
Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95% Confidence Interval for B	
		B	Std. Error	Beta			Lower Bound	Upper Bound
1	(Constant)	-5034.86	9839.971		-.512	.615	-25795.4	15725.667
	VOLUM	131.103	3.424	.994	38.293	.000	123.880	138.327

a. Dependent Variable: VALOARE

The equation is estimated:

$$y_x = -5034.86 + 131.103x \quad (3)$$

Since *Sig.* Associated to *z* test for testing the ordonate at origin is less than the risk assumed by $\alpha = 0.05$ the hypothesis H_0 is rejected. So the ordonate at origin is significantly different from zero. To an increase of one unit of the indicator volume, the trading value increases by an average of 131,103 lei a day. According to Table 4, with a probability of 0.95 and the parameter of our model is covered by the (123.880,138.327) and (-25795.4,15725.667).

For a threshold of significance α , is read from table Student a theoretical value of the test $t_{\alpha/2;n-2} = 2.11$ to be compared with the value calculated from the observed sample. To test the significance of regression coefficient β is defined by using statistical *t* ratio, which is a statistic following a law *Student* percentile of 17 degrees of freedom. From Table 4 we have $t = 38.293$. For a risk $\alpha = 0.05$, if $t_{calc} > t_{\alpha/2;n-2}$ ($38.293 > 2.11$) H_0 hypothesis is rejected, ie the regression coefficient is considered significantly different from 0.

ANOVA table shows the estimations of the two components of variation, the corresponding degrees of freedom, estimations of the explained and residual variations, the calculated value of the Fischer raport and the significance of the test.

Table 5. Table ANOVA

ANOVA^b

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	688036348153.6	1	688036348153.559	1466.4	.000 ^a
	Residual	7976661249.561	17	469215367.621		
	Total	696013009403.1	18			

a. Predictors: (Constant), VOLUM

b. Dependent Variable: VALOARE

From Table 5, the value of *Sig.* for F test is less than 0.05, ie the model explains the dependence of the constructed variables by a linear relation, which is considered significant.

Table 6. Model summary

Model Summary^b

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.994 ^a	.989	.988	21661.3796	.593

a. Predictors: (Constant), VOLUM

b. Dependent Variable: VALOARE

The estimations of the correlation and determination ratio are presented in Table 6 $R = 0.994$ and $R^2 = 0.989$. High value of the correlation shows that the relationship between the two variables is very strong.

Kolmogorov-Smirnov test is used to test if the distribution of errors follows a law of normal distribution and in Table 7 is observed that the value *Sig.* is greater than the risk $\alpha = 0.05$, therefore, with a 95% confidence we can say that the assumption of normality of errors is acceptable.

Tabel 7. Kolmogorov- Smirnov test

One-Sample Kolmogorov-Smirnov Test

		Unstandardiz ed Residual
N		19
Normal Parameters ^{a,b}	Mean	-7.06723E-05
	Std. Deviation	21051.07617
Most Extreme Differences	Absolute	.257
	Positiv e	.257
	Negativ e	-.150
Kolmogorov-Smirnov Z		1.119
Asy mp. Sig. (2-tailed)		.163

a. Test distribution is Normal.

b. Calculated from data.

Testing the correlation between non-parameter $\hat{\varepsilon}_i$ and Volume_i , is performed using Student test and the results are presented in Table 8.

Tabel 8. Results of testing Spearman correlation coefficient between $|\hat{\varepsilon}_i|$ and Volume

Correlations

			VOLUM	Unstandardiz ed Residual
Spearman's rho	VOLUM	Correlation Coefficient	1.000	-.321
		Sig. (2-tailed)	.	.180
		N	19	19
	Unstandardized Residual	Correlation Coefficient	-.321	1.000
		Sig. (2-tailed)	.180	.
		N	19	19

Because $Sig t . = 0.180$, which is greater than $\alpha = 0.05$, Student test conducted on the correlation coefficient indicates The lack of a link between errors and the independent variable, ie the model is homoscedastic.

Autocorrelated testing is done with errors Runs test and the results of this test are given below:

Tabel 9. Runs test results

Runs Test

	Unstandardiz ed Residual
Test Value ^a	-4943.807617
Cases < Test Value	9
Cases >= Test Value	10
Total Cases	19
Number of Runs	8
Z	-.935
Asy mp. Sig. (2-tailed)	.350

a. Median

The significance test has the value 0.350, which is more than the threshold of significance 0.05, the decision to accept the null hypothesis is taker, ie the errors do not recorded autocorrelation phenomenon.

3.Conclusion

In this paper we analyzed the influence of the volume of TGN share transactions the period 1.04.2009 - 4.05.2009, ever the trading value of shares in a period of economic recession. Using the database provided by www.bvb.ro, and analyzing these data using a linear regression model,

we see that the transaction value of the shares is influenced significantly by the volume of transactions and for an increase with a unit of the volume indicator, the trading value increases with an average of 131.103 lei a day. The results of the testing Spearman correlation coefficient between $|\hat{\varepsilon}_i|$ and volume shows that the model is homoscedastic, and Kolmogorov-Smirnov test and Runs test show that the errors follow a normal distribution and they are not autocorrelations.

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VEC MODEL OF DEVELOPING COUNTRY INFLATIONARY DYNAMICS – AN EMPIRICAL STUDY – THE CASE OF ROMANIA

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One of the most difficult issues confronting that monetary authorities in many developing economies have to deal with is the management of a stable price environment. Inflation can create uncertainty, a low level of investment, and raise costs in general, thus lowering rates of growth. As a result, there exists a widespread need for understanding inflationary dynamics in any country of interest, especially in developing countries, subject to more significant and volatile price changes. This paper develops a VEC model for the Romanian economy, using CPI index and other macroeconomic data, in order to capture the transmission mechanism of inflation.

Keywords: inflation forecasting, monetary policy, developing countries, Romania, VAR model

JEL codes: E52, C32

Introduction

The primary focus of monetary policy has traditionally been the maintenance of a low and stable rate of aggregate price inflation as defined by commonly accepted measures such as the consumer price index. The underlying justification for this objective is the widespread consensus supported by numerous economic studies, that inflation is costly as it undermines real, wealth enhancing economic activity. This consensus is probably stronger today than it ever has been in the past.

The interest in empirical studies of monetary policy has increased in the last decade, possibly for the following two reasons. First, financial markets have been deregulated and monetary of the monetary policy process in a country with an inflation target may look something like the following. Official central bank inflation forecasts are presented to the public rather infrequently (e.g. in quarterly “inflation reports” as in Romania, Sweden or the U.K.). On these occasions attempts are made to measure and justify the overall stance of monetary policy, considering not only the development of inflation, but also other variables such as interest rates, the nominal exchange rate, indexes of “monetary conditions” (weighted averages of exchange and interest rates), and the “output gap” (the difference between actual and so-called potential GDP).

Forecasts of inflation will represent a key ingredient in designing policies which are geared toward the achievement of price stability. Moreover, such forecasts should be optimal in the sense that they make use of all relevant indicators and weight them correctly according to their reliability as predictors of future price developments.

Literature review

Previously, forecasting and policy analyses have been conducted using structural macroeconomic models developed along the lines of the Cowles Commission approach. These structural models, using hypothesized theoretical relations, show the main linkages in the economy. In the '40s and '50s, this was the traditional approach to econometric modeling of the monetary transmission mechanism, based on the quantitative evaluation of the impact of monetary policy on macroeconomic variables. The Cowles Commission methodology was based on the following three stages: specification and identification of the theoretical model, estimation of relevant parameters and simulation of the effects of monetary policy.

These models thus rely on economic theory, to determine the number of variables and their influence on the inflation. Under the Cowles Commission approach, if a particular structural form

or parameterization that is derived from economic theory fails to be identified by the data; the parameter space is then transformed such that each point uniquely represents distinct behavioral patterns.

Two famous critiques were given by Lucas⁴⁰⁷ in 1976 and Sims in 1980. Lucas notes that Cowles Commission models do not take into account expectations explicitly and expectational parameters are not stable across different policy regimes, so traditional macro-models are useless for the purpose of policy simulation. Additionally, his critique is related to the fact that this type of model „did not represent the data...did not represent theory ... were ineffective for practical purposes of forecasting and policy evaluation“⁴⁰⁸.

Sims⁴⁰⁹ critique is parallel to that of Lucas', but concentrate on the status of exogeneity arbitrarily attributed to some variables to achieve identification within structural Cowles Commission models. He argues however that "having achieved identification in this way, the equations of the model are not products of distinct exercises in economic theory."⁴¹⁰ The fact is that in structural models, to achieve identification, restrictions are often imposed which have no theoretical justification. Further, and more importantly, Sims asserts that such restrictions are not necessary for the intended use of macromodels (i.e. forecasting and policy analysis). He argues that economic interpretation and investigation may not be possible without incorporating nonstatistical a priori information.

Since the seminal work of Sims, structural-VAR and cointegrated VAR's have been applied to economic data to forecast macro time series, study the sources of economic fluctuations, test economic theories. Additionally, the failure of the Cowles Commission approach lead to a series of methods of empirical research such as VAR approach or RBC approach.

One of the first significant studies regarding inflationary dynamics in developing countries was conducted on Chilean data by Harberger⁴¹¹. That early paper interestingly points out that analyzing nominal data in level form could result in spurious correlations in equations estimated for highly inflationary economies. In order to prevent this problem, percentage rates of change were utilized in a linear regression framework. The model developed is nowadays known as the "Harberger" framework, and incorporates real income, current and lagged values of the money supply, and the opportunity cost of holding cash balances⁴¹².

The success of this first model based on Chilean data generated a series of studies for other developing countries. However, following numerous applied econometric studies utilizing this approach, it became apparent that the model based on domestic variables alone often explained only partial characterizations of developing country inflationary processes⁴¹³. Bomberger and Makinen⁴¹⁴ provide a thorough examination of the Harberger model using quarterly data for Korea, Taiwan, and Vietnam. To overcome these shortcomings, Hanson⁴¹⁵ proposes in 1985 a

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new model, extending the Harberger framework, incorporating an important missing component, import costs.

Hafer and Hein⁴¹⁶ compared the accuracy of three different inflation forecasting methods. These included a univariate time series models, an interest rates model, and the median forecast based on the American Statistical Association - National Bureau of Economic Research survey. The authors studied the ex ante forecasts of quarterly inflation rates using the GNP deflator for the period 1970: I - 1984: II, and the general conclusion was that survey forecasts provide the most accurate inflation forecasts. In another article published in 1990, Hafer and Hein⁴¹⁷ suggested that inflation forecasts derived from short term interest rates are as accurate as time series forecasts.

In 2003, Hahn⁴¹⁸ investigated the pass-through of external shocks, i.e. oil price shocks, exchange rate shocks, and non-oil import price shocks to euro area inflation at different stages of distributions (import prices, producer prices and consumer prices). The analysis was based on VAR model that includes the distribution chain of pricing. According to their results the pass-through was largest and forecast for non-oil import price shocks, followed by exchange rate shocks and oil price shocks. The size and the speed of the pass through of these shocks declined along the distribution chain. External shocks explained a large fraction of the variance in all price indices.

Vector autoregressive (VAR) models have been much used in empirical studies of macroeconomic issues since they were launched for such purposes by Sims. They are now widely used in all kinds of empirical macroeconomic studies, from relatively atheoretical exercises such as data description and forecasting, to tests of fully specified economic models.

Earlier VAR studies have in many cases been concerned with measuring monetary policy and its macroeconomic effects. Gordon and Leeper⁴¹⁹, Christiano, Eichenbaum, and Evans⁴²⁰, Leeper, Sims, and Zha⁴²¹, and Bernanke and Mihov⁴²² for further references.

The model

Our model is based on monthly data for inflation rate (measured by CPI), net average wage (NAW), unemployment rate (UR), broad money (BM2), narrow money (NM1), real interest rate on deposits with the NBR(IR), nominal exchange rate (USD/RON and EUR/RON – ERUSD, EREUR) for Romania between January 1999 and January 2009⁴²³. Net average rate and unemployment rate represent the structural influences on inflation, broad and narrow money as well as real interest rate on deposits with the BNR captures the monetary stance, nominal exchange rate is used in order to represent imported inflation. Data were computed in Eviews.

The data were tested for stationarity, using the ADF and the Phillips and Peron method. All eight series have one unit root I(1); Consequently they have to be differenced once to become stationary. The above mentioned tests confirmed that the first difference series were stationary. The Johansen cointegration without deterministic trend test was then conducted. The Unrestricted

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423 BNR Monthly Bulletins, available at <http://www.bnr.ro/PublicationDocuments.aspx?icid=1182> accessed at 30.03.2009 and INSSE Tempo Online series available at <https://statistici.insse.ro/shop/> accessed at 30.03.2009

Cointegration Rank Test (Trace) indicated three cointegrating equations and the Unrestricted Cointegration Rank Test (Maximum eigenvalue) indicated seven cointegrating equations at 0,05 level.

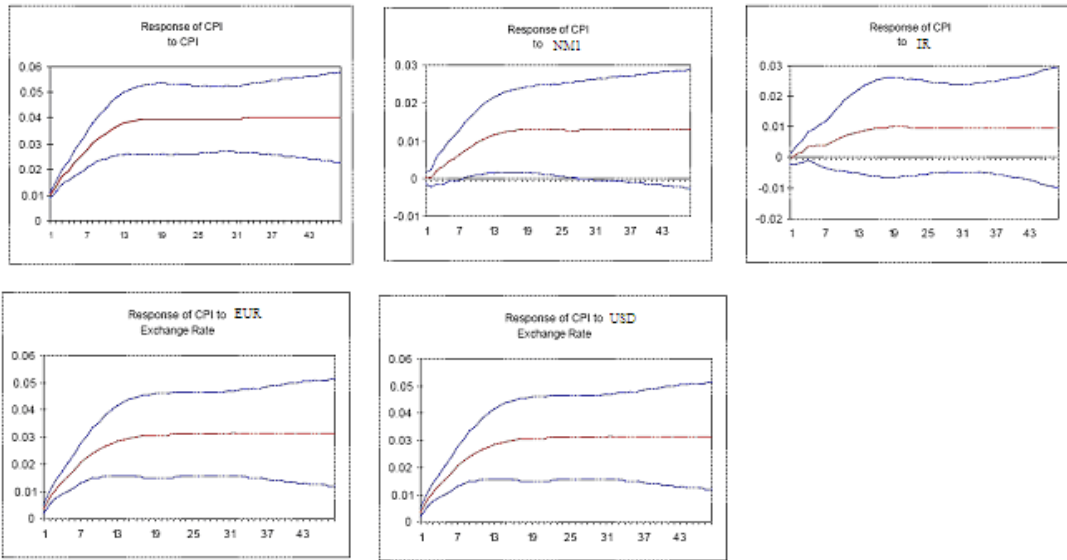
Given the results, a VECM Vector Correction Model with 3 cointegrating equations was estimated. Restrictions were placed on the coefficients of each cointegrating relation as well as on the adjustment coefficients, using the normalized cointegrating coefficients and adjustment coefficients. The VEC Granger causality /block exogeneity Wald test showed that the variables with significant impact on the evolution of CPI were the USD and EUR exchange rate, the interest rate and narrow money M1. We conducted once again the Johansen cointegration without deterministic trend test. The Unrestricted Cointegration Rank Test (Trace) as well as the Unrestricted Cointegration Rank Test (Maximum eigenvalue) indicated two cointegrating equations at 0,05 level.

The VECM Vector Correction Model with two cointegrating equations, 6 lags and deterministic trend in CE, no trend in VEC proved to be the one that captures the best the behaviour of selected variables. The diagnostic tests for the VECM equation confirmed its coefficient stability, the Jarque-Bera test did not reject the null hypothesis of a normal distribution of the residuals (at 5 percent significance level) and the Portmanteau test as well as the correlogram of squared residuals did not show any autocorrelation or ARCH in the residuals.

The dynamic property of the model is tested using variance decomposition and impulse response functions. Graph 1 shows the response of the inflation rate measured by CPI to a one unit shock to the exchange rate, narrow money, interest rate, net average wage. The x axis gives the time horizon or the duration of the shock whilst the y-axis gives the direction and intensity of the impulse or the percent variation in the dependent variable away from its base line level. This model confirms the existence of statistically significant links between the inflation rate and the selected macroeconomic variables. The reaction of CPI index is consistent with the macroeconomic data. The impulse responses meet a priori expectations in terms of the direction of impact. The graphs show that a positive shock to monetary variables or expansionary monetary policy, has a significant expansionary effect on inflation. The effect of a unit shock to base money on the cpi, occurs after approximately the first one to two months and reaching its peak between ten to twelve months.

Graph 1 Impulse response functions between CPI inflation rate and selected variables

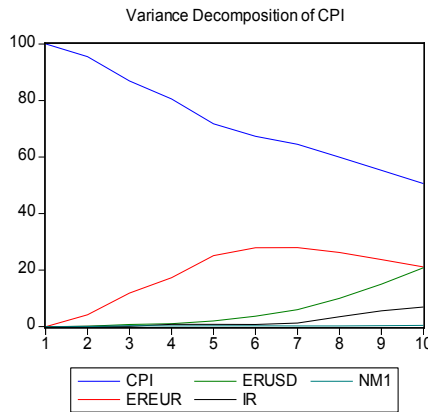
Response to Cholesky/One S.D. Innovations



Source: author’s calculations

Thereafter the cumulative effects of base money stabilize with the monthly CPI increasing by approximately one percent of its baseline level. The impact of the exchange rate is rather immediate and long lasting. A unit shock to the exchange rate causes the cpi in the first period to deviate by approximately 0.5 percent from its base level. The inflation rate accelerates rather rapidly in the first ten to twelve months as the CPI tends to a new equilibrium level. Increases in the interest rates tend to have a contractionary effect on prices. The more significant impact however manifests itself after five months with the response function trending away from zero.

Graph 2. Variance decomposition – percent of CPI variance due to



Source: author’s calculations

The variance decomposition is presented in Graph 2. The statistics indicate the percentage contribution of innovations in each of the variables in the system to the variance of the CPI. The results show that shocks to the CPI itself and the exchange rate accounts for most of the variability in the CPI over all horizons. Not much can be attributed to base money, although over longer horizons its relative contribution increases.

Conclusion

In the process of conducting monetary policy analysis, central bank economists are faced with a number of empirical questions. Does the nominal exchange rate help to predict inflation? Does the nominal exchange rate adjust in response to the difference between domestic and foreign inflation, to restore some equilibrium level of the real exchange rate? How useful are various measures of the output gap and of monetary conditions? How fast do changes in monetary policy affect output and inflation? These questions concern complex relations between variables which are all endogenously and simultaneously determined in the economic system. We do certainly not expect that there is any single model that can provide the best possible answers to all relevant questions in the analysis of monetary policy, or that it yields exactly the same answers when estimated for different time periods.

While many previously used inflation forecasting models depend on exogenous variables, the VAR approach endogenously determines all the variables which make up the system. Our VECM model has proven that the basic transmission mechanism runs from base money (via interest rates which affect the relative return on financial assets) to the exchange rate and then to prices.

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THE INFLUENCE OF THE EU INTEGRATION PROCESS ON THE UNEMPLOYMENT DYNAMICS FROM ROMANIA

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This paper points out the tendencies of the unemployment dynamics from Romania in the context of the integration in the European Union. After a presentation of the tools and methods of calculating unemployment, we carried out a diagnosis of the evolution of this important macroeconomic indicator in the post-accession period. The analysis is performed for the ILO unemployed as a consequence of the need of compliance with the EU regulations. Predictions have been carried out for the post-accession period followed by an analysis of the real evolution of the dynamics of the indicators in relation with the predicted values. High performing programs have been used in order to process and analyse the series of statistical data.

Keywords: ILO unemployed, ILO unemployment rate, active persons, employment

JEL Classification: E24, E27, J21

1. Introduction

The problem of employment and unemployment is an important side of the macroeconomic balance and an indispensable element of the macroeconomic and social policies.

Unemployment is defined in the economic literature, as being a negative state of the economy, carried out in a structural and functional imbalance of the labour market, where the labour force supply is higher than the labour force demand of the economic operators.

The emergence and the accentuation of unemployment have a multitude of *objective causes*, the most important being: the rhythm of economic growth; the technical progress, the economic crisis; the structural modifications of the economic branches and sectors; immigration and economic situation.

Unemployment generated by objective causes is manifested in different *ways*, according to its causes. The *cyclical unemployment* became highly important nowadays and is generated by the evolution of the economic cycle. In the crisis stage, unemployment grows as a consequence of the contraction, of the reduction in production, of the economic activities and of the growth of the number of bankruptcies especially for the small and middle enterprises.

One can assess that unemployment is a phenomenon which influences to different extents all the countries in the world and which has various *economic and social negative consequences*. The long-term chronic unemployment from Romania, which has led to the crisis in employment, needs an active employment policy, which should meet micro-and macroeconomic objectives.

Taking into account the utmost importance of this macroeconomic indicator, presented above, we think that it would be convenient to present the evolving tendency of the unemployment dynamics in the forerunning accession period to the EU but also to carry out predictions and analyses of the real evolution of unemployment related to the predictions from the post-accession period.

2. Methodological aspects regarding the calculation of unemployment

The active persons consists of all persons who supply available labour force for the production of goods and services in the reference period including the employed population and the unemployed. The number of active persons is calculated according to the formula:

$$\text{ActivePersons (AE)} = \text{Employment (E)} + \text{ILO unemployed (ILOU)} \quad (1)$$

The employed population consists of all persons of 15 year old and over who have carried out an economic or social activity producing goods and services for at least an hour in the reference period (a week before the interview), in order to obtain income under the form of salary, payment in kind or other benefits. It was adopted the “at least one hour” standard criterion recommended by the International Labour Office (ILO) in defining the employed population in order to provide better ways of comparison for the data at an international level.

The ILO unemployed are persons of 15 year old and over who meet the following conditions during the reference period:

- they do not have a working place and do not carry out any activity which results in income;
- they are job-seekers, using in the past 4 month different methods in order to find a job;
- they are available to start working in the next 15 days if they immediately found a job.

The ILO unemployment rate represents the proportion of the ILO unemployed in the active population.

Estimating the evolving tendencies. Extrapolation involves the determination of the estimative levels for the future periods using as a computation basis the parameters of the statistical-mathematical function where after its use in the analysis of the review of the studied phenomenon the formula $\sum (y - Y)^2$ had the lowest level.

In order to increase the degree of precision of the respective estimations, one can use the “predictive horizon”, which is determined according to one of the relations:

$$\pm \Delta_y = \pm \xi \quad \text{or} \quad \pm \Delta_y = \pm \frac{Y_i \cdot v}{100} \quad (2)$$

The trust interval settled with the help of this indicator:

$$(Y_i - \Delta_y) \leq Y_i \leq (Y_i + \Delta_y) \quad (3)$$

Y_i - levels of the functions used both for the analysis of the retrospective tendency and for the determination of the estimative levels for the future periods;

ξ - average error of estimation and v – variation coefficient determined with the help of the relations;

$$\xi = \sqrt{\frac{\sum (y_i - Y_i)^2}{n}}; \quad v = \frac{\xi}{\bar{Y}} \cdot 100 \quad (4)$$

The first relation of the predictive horizon is used for the linear tendencies and the second for the nonlinear tendencies. The limits of the first interval, that are: $Y_i - \xi$ and $Y_i + \xi$ are on parallel straight lines and the limits of the second interval: $Y_i - (Y_i \cdot v) / 100$ and $Y_i + (Y_i \cdot v) / 100$, are on curve lines, which are drawing off, if Y_i grows as it goes with the prediction in the future.

3. Analysis of the unemployment dynamics in the EU pre-accession period

In the last decade the evolution of the labour resources from Romania was under the impact of some demographic and social phenomena, as: the acceleration of the reduction in the birth rate and the high level of mortality, the growth of immigration, the reduction of the quality of medical services and of sanitary assistance. Information regarding the active population, the employed population, unemployed, and unemployment rate are presented in table 1.

The data for 2002 are not comparable with the ones from the previous years due to their estimations on the basis of the results of the census of the population and of the houses from March 2002, and also due to the review of the definition and of the area, according to the last regulations of the European Commission.

-thousands of persons-

	2000	2001	2002	2003	2004	2005	2006
Active persons	11283	11151	10079	9915	9957	9851	10042
Employment	10508	10440	9234	9223	9158	9147	9314
ILO unemployment	775	711	845	692	799	704	728
ILO unemployment rate- %	6,9	6,4	8,4	7,0	8,0	7,2	7,3

Source: Labour force in Romania. Employment and unemployment 2008, NIS

Table 1. The main unemployment indicators

The active population has met a decrease, except for 2006, when a low growth was registered with 191 thousand as opposed to 2005. The employed population registered a decreasing trend from 10508 thousand persons in 2000 to 9314 thousand persons in 2006.(Table 1), so that after 12 years of transition, it decreased with a quarter as opposed to the initial situation.

In the analysed period, the evolution of the number of ILO unemployed had an oscillating tendency manifesting a low decrease. For example in 2012, the number of unemployed reached the number of 845 thousands, the highest in the entire period, being 12,7% higher than in the previous year. The unemployment rate had the highest value (8,4%), 1,8% percentage points higher than in the previous year.

An interesting evolution can be found in 2004 when its was registered a substantial growth of the number of unemployed (107 thousands) as opposed to 2003, that is 15,5% higher although the number of active population has remain almost constant. This is the highest growth from one year to another in the analysed period, fact also proved by the evolution of the unemployment rate with 1 percentage point.

Due to the fact that Romania acceded top the European Union on 1 January 2007 and to the need of comparing it with the other Member States, has led to the use of the methodology of the International Labour Office (ILO) in calculating and analysing the evolution of the unemployment.

The statistical data series regarding the number of ILO unemployed does not allow for the identification of a certain trend. Therefore the implementation of the linear, parabolic, third-order polynomial models etc. have shown determination coefficients of low values, not higher than 0,3. The use of exponential levelling was used which for an adjustment coefficient of 0,4 has shown a form of the evolution of unemployed which allowed for the identification of a parabolic trend. This model assesses very well the evolving tendency on a total number of unemployed, the regression coefficient having a pretty low value (3,09) as compared to the level of the dynamic series (figure 1).

Fitted Trend Equation:

$$Y_t = 785,31 + 3,090 * t - 1,43316 * t^{**2}$$

R-Sq = 68,49% R-Sq(adj) = 52,69%

The ILO unemployment rate has a series of statistical data which does show in a simple analysis the identification of a tendency. The successive implementation of the linear and parabolic models has shown pretty low values for the determination coefficient (0,2840 and 0,3571). Applying the exponential levelling technique which an adjusting coefficient of 0,2 has led to a form where the tendency could be estimated with the third order polynomial model (figure 2).

Fitted Trend Equation:

$$Y_t = -0,0159*t^{**3} + 0,1437*t^{**2} - 0,4242*t + 8,0316$$

R-Sq =81,41%

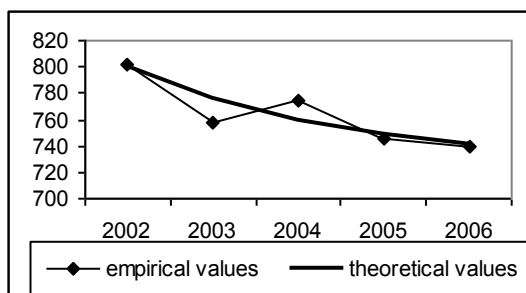


Fig. 1 Analysis of the ILO unemployment trend

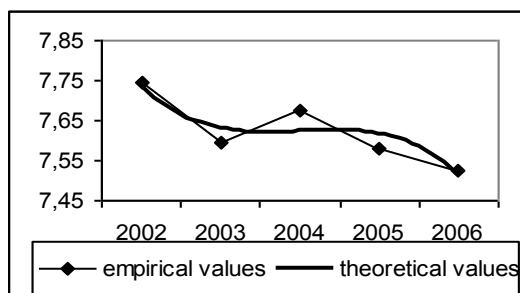


Fig. 2 Analysis of the ILO unemployment rate trend

The determination coefficient(R-Sq) has a pretty high value(0,8141), which means that 81,41% of the total variation is explained with the help of the model, the unexplained difference being the residual trend.

4. Considerations regarding the unemployment rate prediction

Taking into account the results from the previous paragraph one can predict the main indicators of unemployment, for the next four years after Romania's accession to the European Union.

With the information regarding the theoretical values and the statistical series of data related to this indicators and by using the function Trend Analysis of the program MINITAB 14.1 the following predicted values are obtained (table 2) for the period 2007-2010.

Period	ILO unemployment	ILO unemployment rate
7	730	7,2
8	718	7,0
9	705	6,8
10	695	6,7

Table 2. Predictions for the unemployment indicators

For the growth of the precision degree of the predictions, one can use the “predictive horizon” which helps to determine the levels of the predictive horizons (the most optimistic value and the most pessimistic value). The main elements used in the determination of these horizons are the average error of the estimation (ξ) and the variation coefficient (ν), calculated with formula 4.

The levels of the predictive horizons and the trust intervals for the next four years are presented in table 3 and figures 3 and 4 for the number of unemployed and the ILO unemployment rate. The obtained values are presented in table 4.

Year	ILO unemployment				ILO unemployment rate			
	$\pm \Delta = Y_i \cdot v / 100$	$Y_i - \Delta_y \leq Y_i \leq Y_i + \Delta_y$			$\pm \Delta = Y_i \cdot v / 100$	$Y_i - \Delta_y \leq Y_i \leq Y_i + \Delta_y$		
2002	38,67	791,33	830	868,67	0,29	8,11	8,4	8,69
2003	36,61	749,15	786	822,37	0,26	7,14	7,4	7,66
2004	36,42	745,28	782	818,12	0,28	7,72	8,0	8,28
2005	35,64	729,36	765	800,64	0,25	6,95	7,2	7,45
2006	34,71	710,29	745	779,71	0,25	7,05	7,3	7,55
2007	34,01	695,99*	730	764,01	0,25	6,97*	7,2	7,48
2008	33,45	684,55*	718	751,45	0,24	6,77*	7,0	7,25
2009	32,85	672,15*	705	737,85	0,24	6,56*	6,8	7,04
2010	32,38	662,62*	695	727,38	0,23	6,47*	6,7	6,93

*) Predicted values for the extrapolation

Table 3. Levels of the predicted horizons and the trust intervals

The limits of the interval for the number of ILO unemployed and the ILO unemployment rate are on curve lines as a consequence of the fact that for the assessment of the evolving trend of the active population a non-linear model was used. These lines are drawn off step by step as the predictions goes into the future.

The analysis of the results shows that this indicator will have a descending trend in the next period but the accuracy of the predictions will go down as we come to the end of the period.

We notice the fact that in 2007 and 2008 the real values show a descending trend for the number of unemployed and the unemployment rate, exceeding the limits of the trust interval, and the limits of the most pessimistic variant. This situation was registered due to a positive economic growth - Romania's GDP having values of over 6% each year - leading to the interdependency between the GDP rhythm and the unemployment rate which shows that if there is an economic growth the unemployment rate will go down.

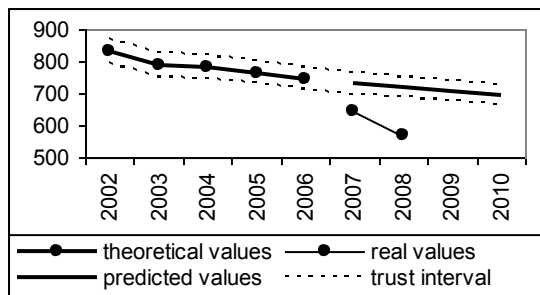


Fig. 3 Predictions and accomplishments for the ILO unemployed

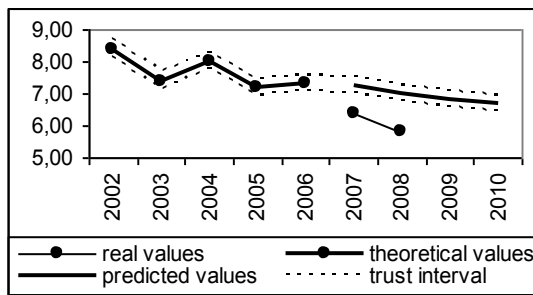


Fig. 4 Predictions and accomplishments for the ILO unemployment rate

A more detailed analysis shows that in Romania the effects of the global economic and financial crisis are also felt, starting with the last quarter of the year 2008. So in the 4th quarter, there was registered an ILO unemployment rate of 5,8%, 4 percentage points higher than in the previous quarter, but on the whole the unemployment rate in 2008 was lower than in 2007. Still, the values registered at the end of last year are higher in reality, but are not reflected in these percentages because a large part of the unemployed do not show off at the National Employment Agency in order to be registered as job seekers.

Year	Active persons	Employment	ILO unemployment	ILO unemployment rate - %
2007	9994	9353	641	6,4
2008	9805	9237	568	5,8

Table 4. Real values for the unemployment indicators

5. Conclusions

In the forerunning accession period to EU (2000-2006), the unemployment rate from Romania registered a slightly descending trend although there were a series of oscillations almost inexplicable due to the fact that the rhythm of economic growth was positive during the analysed period. Therefore in 2002 and 2004 the unemployment rate has grown although the active population decreased.

The economic predictions for 2007-2010 were based on the hypothesis that the business environment will remain stable and the economic growth will maintain the ascending trend. In consequence, the ain trend for the unemployment rate will continue to decrease, which has also happened in the first two years after the accession to EU (table 4). The descending trend was more persistent than predicted, the registered values exceeding the limits of the trust interval of the predictive horizon.

The emergence of the economic and financial crisis on an international level has led to major changes - in a negative way - in what the unemployment is concerned in Romania. The first signs have appeared from the 4th quarter of 2008 when the unemployment rate went up with 0,4 percentage points as opposed to the previous quarter.

The integration of Romania on the EU labour market will increase the mobility of the labour force, drawing and loosing worker. The reduction of the unemployment rate will be one of the main preoccupations of the Romanian Government especially in the current economic circumstances.

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In the last decades, theoretical research and managerial practice have intensified and permitted the crystallization of some concepts, methods and new instruments for analysis and prediction of the status and evolution of a national statistical system.

This paper presents the presently major identified tendencies of a statistical agency, its impact over the national statistical system's evolution, as well as a series of strategic elements of perspective.

Key words: The legal frame of official statistics, The national statistical system, Centralized and decentralized statistical systems

JEL Classification: K2

1. Preliminary considerations

The official Romanian statistics had to recover, after 1989, at least two essential handicaps: independence and credibility, both severely shaken in the 80's. The statistician's task was more difficult, as the economic, political and social environment in those years were unfavorable: economic downfall, social movements, syndical withdrawals and political disputes. With all the inherent difficulties, the actions were aimed toward change, for promoting the modern methods of statistical research, for processing and dissemination.

A new legal frame was adopted, where the fundamental principles of the workings of statistics would be found, wholly copied from the Governmental Ordinance nr. 9/1992 (with all the upcoming modifications and completions) and became the value set for the National Institute of Statistics (NIS), through which regaining the respect of different categories of suppliers were sought, as well as benefitting from statistical information and data of the public opinion.

The objectives, measures and actions enterprise were conjugated, concentrated and covered all these aspects:

- the change of concepts, instrument inventory and statistical research methods;
- the professional forming of statistical personnel and the management of human resources;
- the equipment of high performance and the administration of information technology;
- internal and international cooperation.

As a result, we're assisting to – presently – to the creation of a new image of official statistics, a slow, very difficult and sometimes contradictory process, through which statistical information is published through media and is accessible to all users, whatever their revealed tendencies.

Romanian statistics has engaged itself in the process of readapting to the European standards, through the harmonization and progressive integration in the European Statistics System (ESS). Thus, since January 1st, 2007, the National Institute of Statistics (NIS) in Romania is the beneficiary of ESS membership, actively participating in the European legislative process and statistics management.

2. The actual general context

In the last decades, theoretical research and managerial practice have intensified and permitted the crystallization of some concepts, methods and new instruments for analysis and prediction of the status and evolution of a national statistical system.

The starting point, in the present case, is the outlining of the three *major tendencies* identified for every public entity, but that much more for a statistical agency.

A. *The first tendency* consists of shifting from focusing managerial preoccupations almost exclusively on the internal situation of the agency, to subordinating the majority of activities to a considerable opening to the exterior, to the environmental factors with important impact. In our crosshairs we have at least two elements that, presently, can become both opportunities and threats:

1. On one hand, *the satisfaction of the users' necessities* for statistical information (The government, ministries, local authorities, the academic environment and scientific research, - the business environment, the press, the overall public, national institutions); their necessities - must be identified and studied differentially, for each category separately, then the types of - future demands must be anticipated, and the observations made be included in the - formulation of priorities in the plans of action; From this point of view, Romanian statistics - has to act in more directions:
 - satisfaction with the priority of European demands, in the context of a simultaneous
 - increase of the satisfaction degree of statistics data needs of the internal users;
 - the implementation of the statistics System of regional development in unison
 - with the adopted administrative, territorial and statistics structures;
 - the development of a high quality integrated simultaneous dissemination System,
 - comparative to the best systems;
 - the implementation of an opinion surveillance System, of positive or negative comments
 - addressed to the statistic, through research about the opinion and trust that data users
 - invoke in rapport with a series of statistics indicators;
 - contracting one of the acute risks, that of the apparition of imbalances between research and new statistical data (more and more numerous) and human and financial resources
 - available, through prioritizing activities in statistics and the optimal allocation of resources.
2. On the other hand, *the policy toward respondent targets* avoiding the useless delay of data - suppliers, through the reduction of "the burden of statistical reports"; Not excluded, should be - the possibility that, in the near future, *primary data collection will become the primary threat, - if it hasn't become already*. The more and more frequently met phenomenon of the growth of - the non-response rate, especially in the case of small enterprises and of the populations' - farms, it must be contracted through the improvement and diversification of data sources, - through identification and attraction in the international circuit, in greater measure, of - administrative complementary data sources.

B. *The second tendency* identified is derived from the characteristics of the period we live in, when continuity records inflexion points, discontinuities, movements more numerous and accelerated, of changes that know amplitudes and depths previously unreached (from an economic, political and social standpoint). From here results the obligation to raise the decisional reaction time, simultaneously with increasing the flexibility of actions, indispensable in case of unforeseen changes. The reactions of a national statistics system can be very different. The successful passing through a sometimes "turbulent" environment, most of the times "changing" and rarely "stable" are decisively influenced by the general characteristics of the statistic system: Coherence and force, or, oppositely, frailty and continuous pressure.

Counteracting the possible negative effects is done *by creating and actualizing a unified and uncontradictory systematic legal frame* of organization and function of a national statistical system that clarifies a series of problems and permits the overtaking of some dissfunctionalities and the elimination of voids:

1. The subordination/autonomy of the institution demands the existence of an independent statistical leadership (at a central and local level), uninfluenced by political groups;
2. The duration of an agency leadership mandate should not be similar to that of the executive; Thus, in some EU member states and in the USA, a limited (a number of years time) mandate is practiced, that can be renewed, not affecting the continuity of statistical programs;

3. The national statistical system components, the mechanisms and functional relationships between the primary actors of the system, as well as its slope of coordination and communication between different structures (interinstitutional committees and collaboration conventions); Thus appears the necessity of creating statistical compartments within public institutions' administrations, central and local, as well as other public authorities.

The adoption of a new statistics law, in concordance with the actual state of Romania as a Member State of the European Union consequentially appears as justified, with standards, mission, vision and functions that Romanian statistics proposes to exercise in the context of full integration in the European Statistical System.

As well, in this cadre, statistics will succeed in offering the adequate answers to challenges and ample changes present and in society's perspective, in the context of the economic and financial crisis, globalization, the competitively growing in intensity, the affirmation and development of international society.

C. Finally, *the third identified tendency* is that of *institutionalizing innovation*, finalized through the realization of new statistical research, as well as perfecting the existent research. This tendency must be encouraged through custom (specific) coordination instruments such as: methodologies, classifications and nomenclatures, statistical registries, information technology, the recruitment and professional personnel training. The crucial instrument for the increase of the innovation capacity is the budget of the agency (including the external unrefundable funds). In this context we mention the quantification efforts through statistical indicators of problems regarding durable development, rural development, globalization, regional development, competitively, the interaction of economic development – social development, the environment, etc.

The infusion of technical support, methodological and operational, has given Romanian statistics the possibility of making significant progress and touching, in more domains, the quality and comparability of the solicited data, compatible with that of the other EU member states, data aligned to the international standards.

In the future, actions must be made in the direction of totally implementing the European Code of Good Practice in Statistics and of all the elements of the Management of Total Quality.

3. The typology of national statistical systems

There's a diversity of statistical systems in the world.

- at one extremity there's the *centralized system*, where a single institution (usually an *autonomous* governmental agency) is responsible to the majority of official statistics (Australia, Canada, Mexico); even in this situation, the collection of some statistics lies within the responsibility of other institutions (the agricultural statistics, work statistics, environmental statistics, financial statistics, etc.);
- at the other extremity we meet the *decentralized system*, in which numerous statistical agencies are annexed on certain domains (USA). This is *institutional decentralization*, that demands the existence other profiled institutions, outside the agency, for example: demography and population counts, social statistics, external commercial statistics, price statistics, education and health statistics, etc., distinct institutions, that usually don't need the existence of a coordinating authority.
- there is, as well, a *territorial (regional) decentralization*, that needs coordination and control from the central statistical agency.

Regarding the role of regional offices, more possible functioning choices:

1. *decentralization*, that presumes a total subordination toward the central agency, the regional office taking on routine duties in the aspect of collecting primary data and eventually disseminating results;

2. *deconcentration*, which is met in at least two situations:

- in the conditions of a risen autonomy of regional offices, a case where *national centers (poles)* can be created, that tend to processing and dissemination of statistics regarding a certain domain, taking on the responsibilities of coordination and control of the central agency.
- in the conditions that the regional offices are in the *subordination of local authorities*; this situation must be avoided, the double subordination not being recommended; domains of local interest can be developed based on partnerships between regional offices of statistics, the local authorities and the economic agents.

4. Conclusions

1. No country in the world contains a single institution responsible for collecting and disseminating all official statistics.
2. Usually, national statistical systems aren't entirely centralized or decentralized, mixed statistical systems being often met, with asymmetry toward one or the other extreme alternatives.
3. There is no unique recipe, the final objective being the growth of a complete national statistical system, tight and coherent, comparable with similar systems in the countries of the European Union (with the exception of those in federal government systems).
4. A series of statistical system modifications are presently imposed on the national statistical system, based on a coherent strategy, with clear objectives on a medium and long term, targeting the total integration of Romanian statistics under methodological and quality aspect in the European Statistical System. The massive transfer of good practice in statistics will lead to the creation of a modern statistical system, organized on scientific bases and capable of offering efficiency, quality, promptitude and transparency to the official statistic.

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ACCEPTANCE CRITERIA FOR A COST ESTIMATING RELATIONSHIP

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The Cost Estimating Relationship (CER) is a mathematical expression which describes, for predicative purposes, the cost of an item or activity as a function of one or more independent variables. The methodology can provide accurate and supportable contractor estimates, lower cost proposal processes, and more cost-effective estimating systems. The contractor community uses parametric cost models, especially during product concept definition. These estimates are used for decision making regarding bid strategies. As part as the process of build of a parametric model the acceptance criteria are important.

Key words: parametric cost estimating, parametric cost model, acceptance criteria

JEL classification: C: Mathematical and Quantitative Methods; C5: Econometric Modeling; C51: Model Construction and Estimation

1. INTRODUCTION

The origins of parametric cost estimating date back to World War II. The war caused a demand for military aircraft in numbers and models that far exceeded anything the aircraft industry had manufactured before. While there had been some rudimentary work from time to time to develop parametric techniques for predicting cost, there was no widespread use of any cost estimating technique beyond a laborious buildup of labor-hours and materials.

The Military saw a need for a stable, highly skilled cadre of analysts to help with the evaluation of such alternatives. Around 1950, the military established the Rand Corporation in Santa Monica, California, as a civil "think-tank" for independent analysis. Over the years, Rand's work represents some of the earliest and most systematic studies of cost estimating in the airplane industry.

In the mid 1950's, Rand developed the most basic tool of the cost estimating discipline, the Cost Estimating Relationship (CER), and merged the CER with the learning curve to form the foundation of parametric aerospace estimating. This estimating approach is still used today.

A Parametric Cost Estimate derived from statistical correlation of historic system costs with performance and/or physical attributes of the system.

Defined, a Parametric Cost Model is mathematical representation of parametric cost estimating relationships that provides a logical and predictable correlation between the physical or functional characteristics of a system, and the resultant cost of the system. A parametric cost model is an estimating system comprising cost estimating relationships (CERs) and other parametric estimating functions, e.g., cost quantity relationships, inflation factors, staff skills, schedules, etc.

Parametric cost models yield product or service costs at designated levels and may provide departmentalized breakdown of generic cost elements. A parametric cost model provides a logical and repeatable relationship between input variables and resultant costs.

2. ACCEPTANCE CRITERIA FOR A COST ESTIMATING RELATIONSHIP

How good is a CER equation and how good is the CER likely to be for estimating the cost of new projects? What is the confidence level of answers at questions from the number estimated, i.e., how likely is the estimated cost to fall within a specified range of cost outcomes?

First, certain necessary conditions for a statistical analysis of a CER need to be stated:

1. There are more data points than coefficients to be estimated.
2. Error terms do not form a systematic pattern.
3. The independent variables are not highly correlated.
4. The form of the equation to be estimated is linear or has been translated into a linear form using logarithms.
5. The model makes sense from an economics and technical point of view.

The "t" statistic is also used for other applications. For example, in order to determine if two groups of data are from the same population or from two different populations.

When then degrees of freedom in a data set approach 30, the statistics of the "t" distribution approach the normal distribution. If it is not known whether a normal distribution is justified, the "law of large numbers" can be invoked that states that for a large enough sample (large enough cost database), the error term involved in estimating cost will approach a normal distribution. That is, the normal distribution can be used instead of the "t" distribution to test the null hypothesis. The "t" is of similar shape to the normal distribution, except that there is a larger probability of lower cost or higher cost (extreme outcomes) associated with the "t" distribution rather than the normal distribution.

Also, an analysis of the plot residual values can be useful. If a pattern exists, then correlation may be explained by other factors. If the plot of residuals is a scatter plot with no patterns, then the CER equation may be good if other factors are favorable.

Another important statistical measure is the bandwidth or confidence interval associated with the application of the CER cost estimates. The bandwidth of the cost estimate depends upon the confidence interval required or desired, the parameter value, and the degrees of freedom of the data.

3. ANALYZING A CER

3.1. CER Analysis

Cost estimating relationships (CERs) relate cost to some other program element in a definite way. Examples of CERs are per diem rates, "shop supplies", sales tax estimates, etc. CERs supposedly relate one cost to another or with a well defined parameter. When rolled into an interlocking algorithm, analysts have to probe both the estimate and the underlying data used to develop a CER. What distinguishes a CER from a conventional estimating approach is that CERs define a general relationship based on a set of data rather than a specific relationship based on a direct precedent. A CER may be less precise than a conventional estimating method but the cost savings resulting from the CER approach may be worth the potential loss of precision.

Within detailed cost estimates, CER's may be used for estimating small or derivative cost elements. CER's are also commonly used for budgetary estimates, "rough order of magnitude" estimates, and simple cost-benefit calculations when the preliminary or uncertain nature of the project discourages a costly estimating effort. However, well built cost models in the hands of a professional can be better cost predictors than detail methods because certain judgement and other biases are more controlled.

3.2. General Features

A CER can be a functional relationship between one variable and another and may represent a statistical relationship between some well defined program element and some specific cost. Since

most company overhead rates are percentages of direct labor expense, these are CERs. Computer and travel costs often show statistical relationships to engineering costs; design is frequently closely correlated to drafting costs and these, in turn, to the number of drawings, parts, size, weight, etc. Many costs can be related to other costs or non-cost variables in some fashion but not all such relationships can be turned into a CER.

A CER must have two characteristics. First, it should link in some rational way the underlying variable - the independent variable, and the cost being developed. Second, the CER should have a strong statistical fit and confidence interval, with the basis element.

3.3. Evaluating an Estimate

CERs are used in lieu of a direct substantive link between a cost element and some basis of estimate (BOE). Since CERs are developed from collections of cases and represent average values, CERs have uncertainty built into them. (A direct BOE to cost estimate extrapolation is preferred if the cost element is significant, if a good BOE can be found, and if some well defined extrapolation can be postulated between the BOE and the cost element.) The first step in an analysis of a CER influenced estimate is to identify how much of the total estimate is CER driven.

The second step in analyzing a proposal using CERs is to evaluate the CERs themselves. Since CERs supposedly relate an element of cost to some variable or factor, the analyst must determine whether the relationship is truly functional and statistical. If the CER is a factor implied by a functional relationship, the analyst needs an explanation of the function and support for the assertion of a relationship. Both deterministic and statistical support are required. In other words, does the relationship make logical sense and is the pattern of influence regular enough to be helpful? Base data must be available for examination, preferably original, "unsmoothed" data. Again, the purpose of a CER is to save time and effort. If the amount of the proposal affected by CERs is not great, the evaluation effort applied to the CER should be an appropriate amount.

In a "worse case" situation, the analyst may have to back track to the original data set used to develop a CER. In that case the analyst should attempt to see if all the relevant cases have been included and no "cherry picking" has occurred. In other words, what "risk" is involved by using the CER?

Assuming the original data set is available and complete, the developer of the CER must explain the theory of the relationship and the data processing performed. If "outliers" were excluded, the estimator needs to explain why. If the explanation of the exclusion is unsatisfactory, the analyst may want to develop a set of CER's with the outliers included. Ordinarily, outliers affect the deviation of the estimate rather than the value of the CER, but it is useful to check. If several data points have been excluded and if these influence the CER mean and standard deviation significantly, the CER may not be operationally useful even if theoretically valid. To illustrate, suppose a relationship is identified between variable K and cost variable C. Suppose the CER is $5 \times K = C$. If the value 5 is developed from an arithmetic average of a dozen values but three "outliers" have been excluded, then inclusion of the outliers may spread out the sample standard deviation to the point that confidence in the relationship may become suspect. The CER estimator should be able to supply the original data set and his/her analysis. The cost analyst may need to replicate the estimate to verify the calculation. If this is done, the CER statistics should be examined for:

1. The sample size. Confidence in the estimate will increase as the sample size increases.
2. The standard error of the mean (or the point estimate) should be shown along with the standard deviation of the calculated mean.
3. The standard deviation of the sample set. What is the range of the majority of the data points? Confidence in the estimate increases as more and more data points fall within a specified range.

4. If the CER is developed from a correlation calculation, the cost analyst can examine the coefficient of correlation. Correlation infers a link between the two factors but the relationship may be accidental. Standard statistical tests exist for checking the likelihood that a given correlation coefficient is accidental and should be used if the sample set is small, or if "R" is less than 0.8 ($R^2 = 0.64$) (R - coefficient of correlation and R^2 the coefficient of determination).

The last step in evaluation of a CER is calculating the effect which reasonable variations on the CER value can have on the estimate. If reasonable variations on the CER impact the estimate greatly, the analyst has to be skeptical of the explanatory power of the CER. The effect of this is to widen the actual range of an estimate.

CER analysis requires addressing the questions:

1. What is the proportion of the estimate directly affected by CERs?
2. How much precision is appropriate to the estimate in total and to the part affected by the CERs?
3. Is there a rational relationship between the individual CER affected variables and the underlying variables?
4. Is the pattern of relationship functional or purely statistical?
5. If functional, what is the functional relationship? And why?
6. If statistical, is the history of the relationship extensive enough to give a confidence that it operates in the given case?
7. Is the pattern of relationship statistically significant? And at what level of confidence?
8. What is the impact on the estimate of using reasonable variations of the CERs?

If the CERs represent a cost-effective response to an estimating problem and if they are rationally developed and solidly based, the CERs are valid and accurate tools for an estimate.

Assuming no "show stopper" problems are uncovered, the analyst can accept the concept of the CERs and apply such margins of variance as seem reasonable.

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ECONOMIC PROBLEMS OF CONDITIONED OPTIMIZING

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A lot of economic problems are reduced to the optimization objective function, a multitude of admissible solutions.

Conditional optimization problems are grouped into two categories / types:

Optimization condition, restriction of equality;

Conditional optimization with inequality-type restrictions.

Next we will briefly deal: If a general and practical application for the two types of conditional optimization.

Keywords: Objective function, conditioned optimizing, restriction of equality / inequality, Lagrange function, Hessian Matrix

JEL Classification: C61, D24, L21

1 Optimization with conditional equality type restrictions

The general case

Gives the functions:

$$f : R^n \rightarrow R; (x_1, x_2, \dots, x_n) \mapsto f(x_1, x_2, \dots, x_n) = f(x)$$

and

$$g_j : R^n \rightarrow R; (x_1, x_2, \dots, x_n) \mapsto g_j(x_1, x_2, \dots, x_n)$$

Required: optimization objective function $f(x)$, namely: $[\text{Opt}]f(x)=?$; when there restrictions:

$$g_j(x_1, x_2, \dots, x_m) = c_j; j = \overline{1, m}$$

Resolution: use the Lagrange method, which involves going through the following stages and understage / steps.

Stages and steps in solving:

$e_1) p_1)$ Economic problems associated Lagrange function, defined as:

$$L : R^n \times R^m \rightarrow R; (x; \lambda^*) \rightarrow L(x; \lambda) = f(x) + \sum_{j=1}^m \lambda_j [g_j(x) - c_j]$$

or developed:

$$L(x_1, x_2, \dots, x_n; \lambda_1, \lambda_2, \dots, \lambda_m) = f(x_1, x_2, \dots, x_n) + \sum_{j=1}^m \lambda_j [g_j(x) - c_j] \quad (1)$$

$p_2)$ Determine the stationary points as solutions of the equations, obtained by derivation of Lagrange function with respect to variables: x_1, x_2, \dots, x_n and of Lagrange multiplier $\lambda_j; j = \overline{1, m}$, namely:

$$(S) \left\{ \begin{array}{l} \frac{\partial L}{\partial x_i} = 0; i = \overline{1, n} \\ \vdots \\ \frac{\partial L}{\partial \lambda_j} = 0; j = \overline{1, m} \end{array} \right. \Leftrightarrow \left\{ \begin{array}{l} \frac{\partial L}{\partial x_1} = 0 \\ \frac{\partial L}{\partial x_2} = 0 \\ \vdots \\ \frac{\partial L}{\partial x_n} = 0 \end{array} \right. (+) \left\{ \begin{array}{l} \frac{\partial L}{\partial \lambda_1} = 0 \\ \frac{\partial L}{\partial \lambda_2} = 0 \\ \vdots \\ \frac{\partial L}{\partial \lambda_m} = 0 \end{array} \right. (S') \quad (2)$$

p_3) Calculate the hessian matrix for the position: $\phi(x) = L(x; X^*)$, namely:

$$H_\phi(x) = \left(\frac{\partial^2 \phi}{\partial x_i \cdot \partial x_j} \right)_{i=\overline{1, n}; j=\overline{1, m}} \quad (3)$$

p_4) It establishes the nature of symmetric matrix: $H_\phi(x^*)$

Phase II of / steps to resolve:

e_2) p'_1) Write form generated by the square matrix $H_\phi(x^*)$, namely:

$$d^2 L = (dx)^T \cdot H_\phi(x^*) dx; \quad (4)$$

Note: the relationship (4), differential order is the second function of Lagrange:

$$L(x; \lambda).$$

p'_2) Differ restrictions of equality:

$$g_j(x_1, x_2, \dots, x_m) - c_j = 0, \quad j = \overline{1, m} \quad (5)$$

p'_3) It establishes the nature of the square shape (reduced), which has only „n-r” variable.

Discussion:

Case I If the square shape is defined negatively, then the stationary point is a maximum.

Case II If the square is positive defined, then the stationary point is a minimum.

2. Practical application (the Lagrange method)

$$\text{Determine } (*) \left\{ \begin{array}{l} [Max] f(x) = ?, \text{ dac\u0103 } f(x) = \sqrt{x_1} \cdot x_2 \\ 2x_1 + x_2 = 5 \text{ (system of restriction)} \\ x_1 > 0; x_2 > 0 \text{ (condition of positive)} \end{array} \right.$$

Resolution: we will use Lagrange following stages and steps to resolve, described previously, the general case.

Phase I / steps:

p_1) Lagrange function, the problem associated data (*), become:

$$L: R^2 \times R \rightarrow R; (x_1, x_2, \lambda) \mapsto L(x_1, x_2, \lambda) = \sqrt{x_1} \cdot x_2 + \lambda(2x_1 + x_2 - 5) \quad (6)$$

or equivalent: $L(x_1, x_2) = x_1^{\frac{1}{2}} \cdot x_2 + \lambda(2x_1 + x_2 - 5)$

p_2) Determine stationary points as solutions of the system „3=2+1” equations with partial derivatives, obtained by derivation Lagrange function in relation to variables x_1, x_2 and the Lagrange multiplier λ , ie:

$$(S) \begin{cases} \frac{\partial L}{\partial x_i} = 0 \\ \frac{\partial L}{\partial x_2} = 0 \Leftrightarrow \\ \frac{\partial L}{\partial \lambda} = 0 \end{cases} \Leftrightarrow \begin{cases} [\sqrt{x_1} \cdot x_2 + \lambda(2x_1 + x_2 - 5)]'_{x_1} = 0 \\ [\sqrt{x_1} \cdot x_2 + \lambda(2x_1 + x_2 - 5)]'_{x_2} = 0 \Leftrightarrow \\ [\sqrt{x_1} \cdot x_2 + \lambda(2x_1 + x_2 - 5)]'_\lambda = 0 \end{cases} \quad (7)$$

$$\Leftrightarrow (S') \begin{cases} \frac{x_2}{2\sqrt{x_1}} + 2\lambda = 0 \\ \sqrt{x_1} + \lambda = 0 \\ 2x_1 + x_2 = 5 \end{cases} \quad (8)$$

Of the first two equations of system (S'), we obtain: $x_1 = \frac{5}{6}$ $x_2 = \frac{20}{6}$ (9) $\lambda = -\frac{\sqrt{30}}{6}$ (10)

p_3) Conclusion (part):

Stationary point $P(x_1^*, x_2^*, \lambda^*)$, with coordinates: x_1^*, x_2^*, λ^* , solutions of the system (S), becomes:

$$\begin{cases} x_1^* = \frac{5}{6} \\ x_2^* = \frac{20}{6} \\ \lambda^* = -\frac{\sqrt{30}}{6} \end{cases} \quad (11)$$

That it:

$$P(x_1^*, x_2^*, \lambda^*) = P\left(\frac{5}{6}; \frac{20}{6}; -\frac{\sqrt{30}}{6}\right) \quad (\text{stationary point}) \quad (12)$$

p_4) Write function expression

$$\phi(x) = L(x; \lambda^*) = f(x) + \sum_{j=1}^2 \lambda_j [g_j(x) - c_j] \quad (13)$$

$$\text{where: } \begin{cases} f(x) = \sqrt{x_1} \cdot x_2 \\ \sum_{j=1}^2 \lambda_j [g_j(x) - c_j] = -\frac{\sqrt{30}}{6} (2x_1 + x_2 - 5) \end{cases} \quad (14)$$

Replace: (14) \rightarrow (13) and obtain:

$$\phi(x) = \sqrt{x_1} \cdot x_2 - \frac{\sqrt{30}}{6} (2x_1 + x_2 - 5) \quad (15)$$

p_5) Hessian write the matrix expression:

$$H_{\phi}(x) = \left(\frac{\partial^2 \phi}{\partial x_i \partial x_j} \right)_{\substack{i=1, \dots, n \\ j=1, \dots, m}} \quad (16)$$

proper function $\phi(x) = L(x; \lambda^*)$

Note: The hessian matrix $\phi(x)$, in this case will take the form:

$$H_{\phi}(x) = \begin{pmatrix} A_{11} & A_{12} \\ A_{21} & A_{22} \end{pmatrix} \quad (17)$$

p_6) Calculating actual matrix elements $H_{\phi}(x)$, we obtain:

$$A_{11} = \frac{\lambda^2 L}{\partial x_1^2} = \frac{\partial}{\partial x_1} \left(\frac{\partial L}{\partial x_1} \right) = \frac{\partial}{\partial x_1} \left(\frac{x_2}{2\sqrt{x_1}} + 2\lambda \right) = \left(\frac{x_2}{2\sqrt{x_1}} + 2\lambda \right)_{x_1} = -\frac{x_2}{4x_1\sqrt{x_1}} \quad (18)$$

By similarly, for other items we have:

$$A_{22} = 0 \quad A_{12} = \frac{1}{2\sqrt{x_1}} \quad A_{21} = \frac{1}{2\sqrt{x_1}} \quad (19)$$

p_7) Conclusion (part):

Hessian matrix $H_{\phi}(x)$, becomes:

$$H_{\phi} = \begin{pmatrix} A_{11} & A_{12} \\ A_{21} & A_{22} \end{pmatrix} = \begin{pmatrix} -\frac{x_2}{4x_1\sqrt{x_1}} & \frac{1}{2\sqrt{x_1}} \\ \frac{1}{2\sqrt{x_1}} & 0 \end{pmatrix} \quad (20)$$

p_8) Symmetric matrix $H_{\phi}(x)$ is obtained by substituting relations (20), previously calculated values for x_1 și x_2 , respectively: $x_1^* = \frac{5}{6}$ și $x_2^* = \frac{20}{6}$;

That it:

$$A_{11}^* = -\frac{x_2^*}{4x_1^*\sqrt{x_1^*}} = -\frac{\frac{20}{6}}{4\frac{5}{6}\sqrt{\frac{5}{6}}} = -\frac{\sqrt{30}}{10};$$

Respectively:

$$A_{12}^* = \frac{\sqrt{30}}{10} \quad A_{21}^* = \frac{1}{2\sqrt{x_1^*}} = \frac{\sqrt{30}}{10} \quad A_{22}^* = 0 \quad (21)$$

Replacing the variables, data relations (28), in the symmetric matrix:

$$H_{\phi}(x^*) = \begin{pmatrix} A_{11}^* & A_{12}^* \\ A_{21}^* & A_{22}^* \end{pmatrix}$$

We have finally:

$$H_{\phi}(x^*) = \begin{pmatrix} -\frac{\sqrt{30}}{10} & \frac{\sqrt{30}}{10} \\ \frac{\sqrt{30}}{10} & 0 \end{pmatrix} \quad (22)$$

Note: The resulting expression matrix $H_{\phi}(x^*)$, under symmetric „theory” that:

$$A_{11}^* = -\frac{\sqrt{30}}{5} < 0,$$

that it:

The matrix $H_\phi(x)$ is of finite seminegativ (q.e.d). (23)

Phase II of steps to resolve:

p_1') Write square shape, generated by the matrix $H_\phi(x)$, which has the general form:

$$d^2L = (dx)^T \cdot H_\phi(x^*)dx \quad (24)$$

where:

$$\left\{ \begin{array}{l} dx = \begin{pmatrix} dx_1 \\ dx_2 \end{pmatrix} \\ (dx)^T = (dx_1 \ dx_2) \\ H_\phi(x^*) = \begin{pmatrix} -\frac{\sqrt{30}}{5} & \frac{\sqrt{30}}{10} \\ \frac{\sqrt{30}}{10} & 0 \end{pmatrix} \end{array} \right. \quad (25)$$

p_2') Substituting relations (25) relationship (24), we obtain:

$$\begin{aligned} d^2L &= (dx_1 \ dx_2) \begin{pmatrix} -\frac{\sqrt{30}}{5} & \frac{\sqrt{30}}{10} \\ \frac{\sqrt{30}}{10} & 0 \end{pmatrix} \begin{pmatrix} dx_1 \\ dx_2 \end{pmatrix} = \\ &= \left(-\frac{\sqrt{30}}{5} dx_1 + \frac{\sqrt{30}}{10} dx_2 \quad \frac{\sqrt{30}}{10} dx_1 + 0 \right) \begin{pmatrix} dx_1 \\ dx_2 \end{pmatrix} = \\ &= \left(-\frac{\sqrt{30}}{5} (dx_1)^2 + \frac{\sqrt{30}}{10} dx_2 dx_1 + \frac{\sqrt{30}}{10} (dx_1)^2 + 0 \quad -\frac{\sqrt{30}}{5} dx_1 dx_2 + \frac{\sqrt{30}}{10} (dx_2)^2 + \frac{\sqrt{30}}{10} dx_1 dx_2 + 0 \right) = \\ &= \left(-\frac{\sqrt{30}}{10} dx_1^2 \quad \frac{\sqrt{30}}{10} dx_2^2 \right) \end{aligned}$$

So: $d^2L = \begin{pmatrix} -\frac{\sqrt{30}}{10} dx_1^2 & \frac{\sqrt{30}}{10} dx_2^2 \end{pmatrix}$ (expression of the square shape) (26)

p_3') Differentiation restriction of equality $2x_1 + x_2 = 5$ and get:

$$d(2x_1 + x_2) = d5 \Leftrightarrow dx_1 = -\frac{1}{2} dx_2 \quad (27)$$

p_4') Replace (34) \rightarrow (33) and obtain:

$$d^2L = -\frac{3\sqrt{30}}{10} dx_2^2 < 0 \quad (28)$$

According to „theory”, stationary point $P\left(\frac{5}{6}; \frac{20}{6}; -\frac{\sqrt{30}}{6}\right)$ is a maximum, ie:

$$\exists \text{ Max}\left(\frac{5}{6}; \frac{20}{6}; -\frac{\sqrt{30}}{6}\right) \quad (29)$$

Phase III

Final conclusion: the coordinates of the maximum point of the problem data

$$(*) \begin{cases} [Max] f(x) = \max(\sqrt{x_1} \cdot x_2) \\ 2x_1 + x_2 = 5 \quad (\text{the system restriction}) \\ x_1 > 0; x_2 > 0 \quad (\text{the positive conditions}) \end{cases}$$

are:

$$\left(\frac{5}{6}; \frac{20}{6}; -\frac{\sqrt{30}}{6} \right) \quad \text{Q.E.D.} \quad / \quad (30)$$

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COLLECTION AND NORMALIZATION OF PARAMETRIC DATA

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Historical cost data are required as a basis for cost estimating, and parametric estimating is no exception. There are two types of data: Primary data which is obtained from the original source and the Secondary data which it is not obtained directly from the source, that it was derived from the original data. Once data has been collected there are normalized and calibrated. Normalization is the process to adjust the cost data for effects like inflation, anomalies, seasonal patterns, technology changes, accounting system changes, reorganizations, etc. Calibration is, in terms of a cost model, a technique used to allow application of a general model to a specific set of data. This is accomplished by calculating adjustment factor(s) to compensate for differences between the referenced historical costs and the costs predicted by the cost model using default values.

Key words: parametric data, data normalization process, calibration

JEL classification: C: Mathematical and Quantitative Methods; C5: Econometric Modeling; C51: Model Construction and Estimation

1. INTRODUCTION

A universal format for collecting technical and cost information is the Work Breakdown Structure (WBS). The WBS provides for uniform definitions and collection of cost and technical information.

Historical cost and labor hours data are required as a basis for cost estimating, and parametric estimating is no exception. Data should be collected and maintained in a manner that provides a complete audit trail, and expenditure dates should be recorded so that dollar valued costs can be adjusted for inflation.

Also required is Technical Non-Cost Data that describes the physical, performance and engineering characteristics of a system, sub-system or individual item. For instance, weight is a common non-cost variable used in CER's (Cost Estimating Relationships) and parametric estimating models. (Other typical examples of cost driver variables include horsepower, materials of construction, watts, thrust, length, etc.)

A fundamental requirement for the inclusion of a non-cost variable in a CER is that it be a statistically significant predictor of cost (that is, it should be a cost driver).

Relevant program data including development and production schedules, quantities produced, production rates, equivalent units, breaks in production, significant design changes, and anomalies such as strikes, explosions, and other natural disasters are also necessary to fully explain any perturbations in historical data. Such perturbations may exhibit themselves in a profile of monthly cost accounting data as the labor hour charging may show an unusual "spike" or "depression" in the level of charged hours. Such historical information comes from knowledgeable program personnel or program records (also known as program "memory").

The collecting point for cost and labor hours data is, in most instances, called the general ledger or a company accounting system. All cost and labor hours data, used in parametric CER's or cost

models, must be consistent with, and traceable back to, the original collecting point (the source). The data should also be consistent with accounting procedures and cost accounting standards.

Technical non-cost data comes from engineering drawings, engineering specifications, certification documents, or direct experience (i.e., weighing an item). Schedule, quantity and equivalent units, and similar information comes from Industrial Engineering, Operations Departments, program files or other program intelligence.

Inflation indices normally combine external and internal information. Examples of external information used in these determinations include the Consumer Price Index (CPI), Producer Price Index (PPI), Commodity Price Indices and other forecasts of inflation from various econometric models.

There are other external sources of data including databases containing pooled and normalized information from various places (other companies or public record information). Although such information can often be useful, weaknesses of these sources include:

- (1) The inability of the user to have knowledge of the procedures (i.e., accounting) used by the other contributors.
- (2) The treatment of anomalies (how they were handled) in the original data.
- (3) Knowledge of the manufacturing processes used and how they compare to the current scenario being estimated.
- (4) The inability to accurately forecast future indices.

Internal contractor information includes analyses such as private corporate inflation studies, or "market basket" analyses. Such interval information provides data specific to a company's product line(s) (i.e., radar products) that could be relevant to a generic segment of the economy as a whole (i.e., electronics); etc. Such specific analyses would normally be prepared as part of an exercise to benchmark government provided indices (the CPI), and to compare corporate performance to broader standards.

It is important to realize that sources of data can be almost unlimited, and all relevant information should be considered in a parametric analysis, if practical. Although major sources are described above, data sources should not be constrained to a specific list.

Any data included in calculating parametric parameters will vary between model developers. However, the way in which parametric models are calculated from historical data and the way they are applied in the estimating process should be consistent within individual estimating systems.

2. SIGNIFICANT ADJUSTMENTS TO PARAMETRIC DATA

What follows below are some of the more significant adjustments that may have to be made to historical parametric cost data.

Consistent Scope

Adjustments are appropriate for differences in program or product scope between the historical data and the estimate being made. For example, if the systems engineering department made a comparison of five similar programs and then realized that only two of the five had design to cost (DTC) requirements. To normalize the data, the DTC hours were deleted from the two programs to create a consistent systems scope and definition for CER development.

Anomalies

Historical cost data should be adjusted for anomalies (unusual events), prior to CER analysis, when it is not reasonable to expect these unusual costs to be present in the new projects. The adjustments and judgments used in preparing the historical data for analysis should be fully documented. For example, a comparison has been made to compare the development test program from five similar programs and then certain observations are made (from history and interviews) that one of the programs experienced a major test failure (e.g., qualification, ground

test, flight test). A considerable amount of labor resources were required to fact find and then determine the root cause of and develop an action plan for a solution. Should the hours be left in or deleted?

Improved Technology

Cost changes, due to changes in technology, are a matter of judgment and analysis. All bases for such adjustments should be documented and disclosed. For example, electronic circuitry was originally designed with discreet components, but now the electronics are ASIC technology. A hardware enclosure once was made from aluminum and now is made, for weight constraints, of magnesium. What is the impact on the hours? Perfect historical data may not exist, but judgment and analysis should supply reasonable results.

A careful analysis should be performed on the data to determine why it behaved the way it did. There may have been a strike, or possibly an unusual and serious engineering problem impacted production costs. In any event, careful analysis is important.

Inflation

There are no fixed ways to establish universal inflation indices (past, present or future) that fit all possible situations. Inflation indices are influenced by internal considerations as well as external inflation rates. Therefore, while generalized inflation indices may be used, it may also be possible to tailor and negotiate indices used on an individual basis to specific labor rate agreements and the actual materials used on the project. Inflation indices should be based on the cost of materials and labor on a unit basis (piece, pounds, hour) and should not include other considerations like changes in manpower loading or the amount of materials used per unit of production. The key to inflation adjustments is consistency. If cost is adjusted to a fixed reference date for calibration purposes, the same type of inflation index must be used in escalating the cost forward or backwards, from the reference date, and then to the date of the estimate.

3. DATA NORMALIZATION PROCESS

Specifying an estimating methodology is an important early step in the estimating process. The basic estimating methodologies (analogy, catalog prices, extrapolation, factors/ratios, grassroots and parametric) are all data-driven. To use any of these methodologies, credible and timely data inputs are required. If data required for a specific approach is not available, then that methodology cannot be used.

Given that all methodologies are data-driven, it is critical that the estimator know the best data sources. Here are nine basic sources of data and a description of what specific data can be obtained from each source. Definitions of the differences between primary and secondary sources of data are provided. Finally, there is a review of the type of information that should be available from an accounting system, and a description of how to collect and analyze data is also given.

The information presented will help the collection and analysis of the two data types (primary and secondary) required to specify, and apply a parametric estimating methodology. Remember - any data needs to be available, reliable and convincing before an estimating methodology can be chosen that utilizes the foundation data. The two types of data are:

1. Primary data is obtained from the original source. Primary data is considered the best in quality, and ultimately the most useful.
2. Secondary data is derived (possibly "sanitized") from primary data. It is not obtained directly from the source. Since it was derived (actually changed) from the original data, it may be of lower overall quality and usefulness.

When preparing a cost estimate, look for all credible data sources. If at all possible, use primary sources of data.

There are nine main sources of data and they are listed in the chart below:

	SOURCES OF DATA	TYPE
1.	Basic Accounting Records	Primary
2.	Cost Reports	Either (Primary or Secondary)
3.	Historical Databases	Either
4.	Functional Specialist	Either
5.	Other Organizations	Either
6.	Technical Databases	Either
7.	Other Information Systems	Either
8.	Contracts	Secondary
9.	Cost Proposals	Secondary

Collecting the data to produce an estimate, and evaluating the data for reasonableness, is a very critical and time-consuming step of the estimating process.

When collecting the data needed to integrate cost, schedule, and technical information for an estimate, it is important to obtain cost information, and also the technical and schedule information. The technical and schedule characteristics of programs are important because they drive cost. They provide the basis for the final cost.

For example, assume the cost of another program is available and a program engineer has been asked to relate the cost of the program to that of some other program. If the engineer is not provided with specific technical and schedule information that defines the similar program, the engineer is not going to be able to accurately compare the programs, nor is he or she going to be able to respond to questions a cost estimator may have regarding the product being estimated vis-a-vis the historical data.

The bottom line is that the cost analysts and estimators are not solely concerned with cost data. They need to have technical and schedule data available in order to adjust, interpret, and lend credence to the cost data being used for estimating purposes.

A cost estimator has to know the standard sources where historical cost data exists. This knowledge comes from experience and from those people, the so-called local experts, that are available to answer key questions.

A cost analyst or estimator should be constantly searching out new sources of data. A new source might keep cost and technical data on some item of importance to the current estimate. Do not hesitate to ask anyone who might know or be able to help, since it is critical to have relevant cost, schedule and technical information at all times.

The chart below summarizes important points about data collection and evaluation.

DATA COLLECTION, EVALUATION AND NORMALIZATION
- Very Critical, Time Consuming Step
- Need Actual Historical Cost, Schedule, and Technical Information
- Know Standard Sources
- Search Out New Sources
- Capture Historical Data

In order to develop a parametric model, a necessary requirement is to possess historical cost, schedule and technical data on a set of data points. The idea here is that generally more data is

better than less. It is necessary to know what trends exist, and to understand why the trends are as they are. Some models have been found to be based on the opinions of experts instead of historical data. Although the opinions of experts may be germane, sound historical data is preferable for model development, audit and analysis.

In addition to the historical data points, information on the cost, technical and quantity drivers needs to be examined to determine which does the best job of predicting cost. A statistical analysis on the data is accomplished to determine the strongest predictor(s) or driver(s) of cost, that is, the independent variable(s).

It is very important to note that when performing a statistical analysis, be sure that functional specialists can provide realistic and reliable parameters for independent variables, given the stage of the program being estimated. Illustrating this point, suppose a statistical relationship is developed that has very strong correlation, and a potential cost driver has been discovered. However, data for the same independent variable for the estimate is not available. The parametric model would not then help with the estimate.

Finally, knowledge of basic statistics, modeling skills and an understanding of analytical techniques is necessary to develop parametric estimating relationships.

The above information is summarized on the chart below:

TYPE OF INFORMATION NEEDED TO DEVELOP A PARAMETRIC MODEL

- | |
|--|
| <ul style="list-style-type: none">- Reliable Historical Cost, Schedule, and Technical Data on a Set of Data Points- Work Breakdown Structure (WBS), WBS Dictionary & Product Tree- Analysis to Determine Significant Cost Drivers- Knowledge of Basic Statistics, Modeling Skills and CER Development- Analysis Techniques |
|--|

To use a parametric model, the model needs to be well-documented. The documentation of a parametric model should include the source of data used to derive the parameters, and the size and range of the database. Additional information that should be included in the documentation of a parametric model are: how the parameters were derived, what the model's limitations are, the time frame of the database and, how well the parametric tool/model estimates its own database.. All of this information should be located in the source document of a parametric top functional experts knowledgeable about the program you are estimating to identify most-likely range for cost drivers to confirm applicability of parametric from technical perspective.

A parametric estimating methodology can be used at any stage of a program's life cycle. For example, a general parametric model may be utilized in the early, conceptual phase of a program, although the same parametric model could be inappropriate to use in the follow-on production phase of a program. However, a detailed parametric model used in production estimating that is based on the experience and actual historical data of two or three previous production lots, could yield excellent validity.

Hence, a parametric methodology can be used at any stage of a program's life cycle as long as the parametric model is based on the level and type of information available at that stage.

The methodology can be used for any WBS element, not just hardware and software. Parametrics can be successfully applied to Systems Engineering/Program Management, Test, Training and Data, etc., provided that historical data points are available to develop solid, statistical relationships that provide reliable estimates of independent variables.

4. CALIBRATION AND VALIDATION OF COST MODELS

Once data has been collected and normalized, cost models can be developed. There are two general types of cost models: internal (contractor developed) and commercially available. Internal, contractor developed models are derived from unique contractor data and generally do

not require calibration since they have been calibrated in a defacto manner. On the other hand, commercial models are based on more universal data, and almost always need some form of calibration to be useful.

The cost driver equation(s) utilized in a commercial cost model are based on a database external to the specific data being used to support the current estimate. Calibration, then, is the process of computing a multiplied(s), to be used with the general purpose equation(s), such that the combined equation(s) will predict the cost as reflected by the technical and programmatic data being used to support the estimate.

Specialized (Internal) cost models are based directly on the data being used to support the estimate. Since the CER's are derived directly from the supporting data, the model is, by definition, calibrated.

The result of calibrating an item, in a commercial model, is a calibration factor which is used in the commercial model's equations, such that the equations are then made to calculate the value of the item.

Cost models need to be calibrated and validated for acceptance. The validation of a cost model is a process which usually includes the following steps:

- (1) Calibrate the model to historical cost data.
- (2) Estimate the cost of past completed projects.
- (3) Compare the estimates with actual costs to demonstrate acceptable accuracy.

It is the combined use of the model with the estimating process that must achieve acceptable results to provide a basis for the validation of the model. It may also involve disclosure of how the model works so that the effects of scaling and heuristic analysis can be evaluated by management, customers or auditors.

Validation implies that interested parties have agreed that the model is a valid and acceptable estimating tool, and predicts costs within a reasonable range of accuracy.

5. PITFALLS TO THE USE OF A PARAMETRIC MODEL

When a parametric model is applied to values outside its database range, the credibility of the resulting estimate becomes questionable. In cost estimating, one rarely finds large, directly applicable databases, and the source document has to be evaluated to determine if the parametric can be applied to the current estimate. However, it is possible to develop parametric tools that relate cost based on generic complexity values or tables. Such generalized parameters, can be related to the task at hand by an experienced modeler that results in a good cost model, but a parametric model always needs to make sense for the present estimate.

Additionally and before using, one should validate models based on expert opinion. This is accomplished first by obtaining some actual, historical data points (technical, schedule, and cost) on completed programs similar to the current program. With this data in hand, apply the model to the actual technical and schedule information and see how well the parametric model.

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THE STATISTICAL-ECONOMETRIC STUDY OF TOURISTS' OPINION ON ACCOMMODATION AND THE AVERAGE DURATION OF THEIR STAY IN THE RURAL BOARDING HOUSES IN ROMANIA

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The paper presents a study of tourists' opinion on accomodation and on the average duration of their stay in Romanian rural areas depending on the age, the accommodation comfort category and the average duration of tourists' stay . The survey unit is represented by the ones included in the sample, therefore by the ones who live in Bucharest or transit it and who enjoy rural tourism.

The research is emphasized by the analysis of some correlations which, given the analysed variables (both qualitative and quantitative), represent an association that can be established between tourists' age and the accommodation comfort category, and the average duration of their stay, respectively

Keywords: survey, nonparametric correlation, statistic assumptions, χ^2 test.

Cod JEL :C19, R0

1. Methodological aspects of the survey conducted in Bucharest

Identifying the main aspects of this survey has led to identifying some of its objectives, such as:

- identifying tourists' preferences regarding the type of accommodation provided by this type of tourism;
- finding out the interviewed tourists' opinion concerning the degree of comfort of the accommodation provided by this type of tourism;
- establishing the average duration of tourists' stay.

Defining the hypotheses of this research is strongly connected to elaborating the objectives of the survey.

Given the fact that the features of tourist demand are identified and described, and that the differences between the needs, the attitudes and the opinions of Bucharest's inhabitants are identified, the research will be a descriptive one. It is addressed both to the ones living in Bucharest and to the ones transiting it.

As to the research on the preferences of the people surveyed in Bucharest regarding rural tourism, three interview locations were chosen: ROMEXPO – where the Tourism Fair was held; the following subway stations: Piața Unirii, Armata Poporului, Piața Sudului, Aviatorilor, Gara de Nord, 1 Mai; various “spots” in the following areas: Piața Unirii, Drumul Taberei, Bucur Obor, Televiziune, Piața Romană, Gara de Nord (in the stations of the means of transport, in the vicinity of markets, public institutions or big shops).

This selective research lasted 15 days (the period when the Tourism Fair took place, i.e. in the autumn of 2008).

According to the means of communication with the unit subject to this research a structured form of communication was chosen, i.e. a questionnaire containing 22 questions that the ones

interviewed were asked in the same order and using the same forms; the way of keeping evidence of the answers was the self-recording or the recording of the answers by the ones interviewed. In order to elaborate the sample, the method of simple random sampling was chosen. Thus, 400 persons were included in the sample.

After the questionnaire has been elaborated, it is usually tested before the survey starts. Testing the questionnaire will consist of a pilot-survey where 100 questionnaires must be completed and whose objectives are to validate all the elements used in the survey.

In order to measure the correlations chosen, the χ^2 test is used, which means identifying a hypothesis starting from a supposition not yet demonstrated, i.e. starting from that hypothesis that will be confirmed or not during the survey in the pre-established probability conditions.

Measuring the intensity of the correlations between qualitative and quantitative variables can be carried out by using the method of non-parametric correlation of χ^2 test. This is one of the most adequate theoretical methods that can be used in this survey and for the analysed variables.

If H_0 is considered to be the null hypothesis that admits the random character of differences, supposing that there are no essential differences, H_1 will be considered to be the alternate hypothesis that supposes that there is a difference between the values of the analysed variable.

After identifying the two hypotheses, χ^2 will be calculated and compared with the critical one, the decision to reject the null hypothesis presupposing that $\chi^2_{\text{calculated}} > \chi^2_{\text{theoretical}}$, then the correlation intensity is measured using the association coefficient (C_a).

2. Statistical analysis of the potential tourists' opinion on the accommodation and the average duration of their stay in the boarding houses of Romania

Identifying the dimension and the structure of the sample are the main elements that lie at the basis of elaborating the sample.

In this context the emphasis is placed upon structuring the sample according to participants' age, which will help to identify the participants' preferences regarding rural tourism, as follows:

Table 1. The number of persons surveyed and their group structure according to their age

Group	Number of person	Structure (%)
under 25	44	11.00
25-35	60	15.00
35-45	98	24.50
45-55	130	32.50
55-65	46	11.50
over 65	22	5.50
TOTAL	400	100

Most of the people surveyed who enjoy rural tourism (32.5%) are aged between 45 and 55. The second place belongs to the ones aged between 35 and 45 (24.5%), and the third to the ones aged between 25 and 35 (15%). The percentages of 11.5% and 11% belong to the ones aged between 55 and 65 and to the ones below 25, and the ones who are over 65 and who enjoy this type of tourism are very few (5.5%).

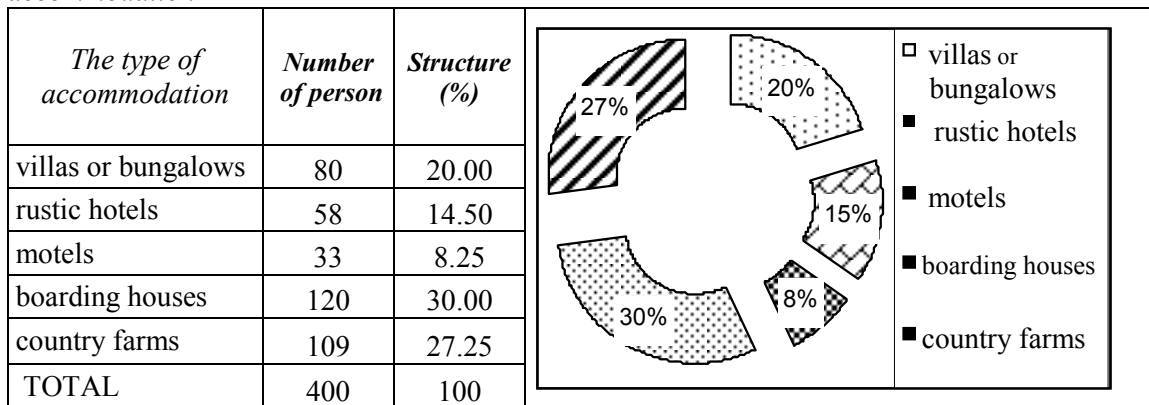
The development of rural tourism has led to the improvement of accommodation because it plays a significant role in tourists' decision to extend their stay or not.

One of tourists' top preferences in point of accommodation are rural households due to their exterior and interior design typical of certain ethnographic areas.

As regards the accommodation in rural households, the survey focused on two aspects: the type of accommodation and the degree of confort. Both are influenced by many factors such as tourists' age and occupation.

As for the **type of accommodation** that the people surveyed prefer, the following aspects were revealed:

Table 2. The number of persons surveyed and their group structure according to the type of accommodation

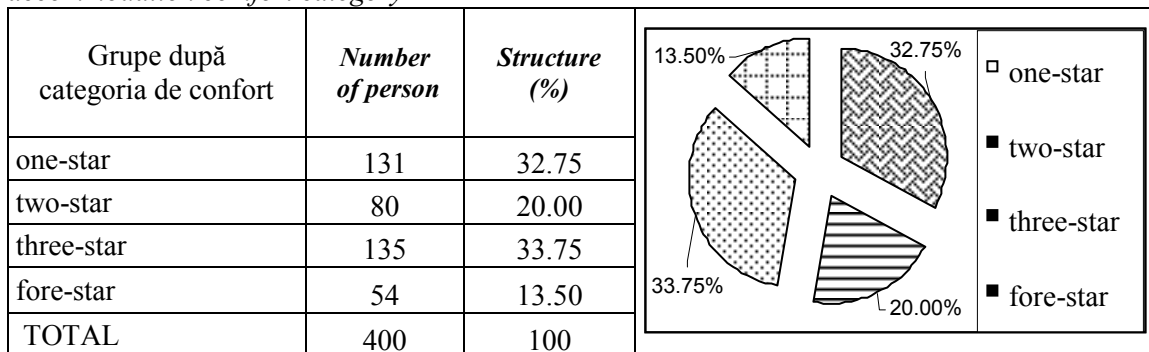


Most of the people surveyed preferred boarding houses (30%), country farms (27.25%), villas or bungalows (20%), while only 14.50% preferred rustic hotels, and 33.00% motels.

The results of the survey have revealed that the offers regarding the accommodation in rural dwellings could be more varied and are yet to be improved in order to attract a growing number of tourists.

The second important factor in choosing the type of accommodation is the **degree of confort**.

Table 3. The number of persons surveyed and their group structure according to the accommodation confort category



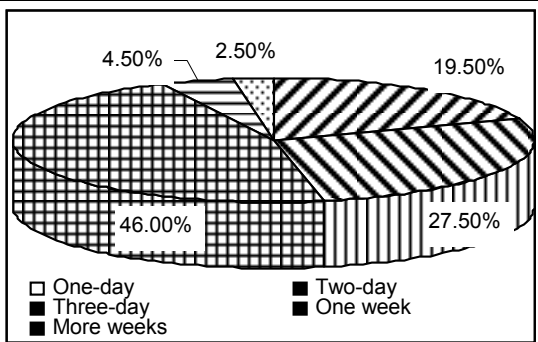
The survey has led to the conclusion that tourists preferred three-star accommodation (33.75%), as well as one-star accommodation (32.75%), followed by two-star (20.00%) and four-star accommodation (13.5%).

This proves that the people surveyed look for a relatively high degree of confort (three stars); one-star accommodation is second-ranked because many of the tourists are students, pupils and people having low incomes who do not pay much attention to confort.

The average duration of tourists' stay is a very important aspect both for social-economic life and for tourism activity. It stands as proof of rural tourism quality.

Table 4. The number of persons surveyed and their group structure according to the average duration of their stay

Average duration of tourists' stay	Number of person	Structure (%)
One-day	78	19.50
Two-day	110	27.50
Three-day	184	46.00
One week	18	4.50
More weeks	10	2.50
Total	400	100



The survey revealed that most tourists (46.00%) preferred a three-day stay in order to spend their spare time in a rural environment, in most cases the ones interviewed mentioning that they preferred to extend their stay over the weekend by arriving one day earlier. This explains the relatively high percentage of tourists (27.50%) who prefer a two-day stay.

Tourists who extend their stay to more than one week are the fewest (2.50%). The explanation of this phenomenon is that holidays are divided in such a way that employees could practice other forms of tourism as well in their spare time.

3. Econometric analysis of the potential tourists' opinion on the accommodation in the boarding houses of Romania

The research on tourists' accommodation and on the average duration of their stay in Romanian rural areas can be emphasized by the analysis of some *correlations* which, given the analysed variables (both qualitative and quantitative), represent an *association* that can be established between tourists' age and the accommodation comfort category, and the average duration of their stay, respectively.

The association between the accommodation comfort category and tourists' age

Age influences tourists' choice of the accommodation comfort category – it is known that, in general, youngsters are not demanding when it comes to comfort, while aged people prefer a high degree of comfort.

Checking whether there is an association between the accommodation comfort category and age by using the non-parametric correlation method - the χ^2 test, involves the following steps:

The two hypotheses are stated (null H_0 și alternate H_1)

H_0 - the comfort category does not depend on tourists' age.

H_1 - the comfort category depends on tourists' age.

◆ the calculation of the theoretical function: $f_i = \frac{\sum l \cdot \sum c}{T}$ (where: l = line, c = column, T = total);

The results being $f_{11} = 14,41$; $f_{12} = 19,65$; $f_{13} = 32,1$; $f_{14} = 42,58$; $f_{15} = 15,07$; $f_{16} = 7,21$

$f_{21} = 8,8$; $f_{22} = 12$; $f_{23} = 19,6$; $f_{24} = 26$; $f_{25} = 9,2$; $f_{26} = 4,4$

$f_{31} = 14,85$; $f_{32} = 20,25$; $f_{33} = 33,08$; $f_{34} = 43,88$; $f_{35} = 15,19$; $f_{36} = 7,43$

$$f_{41} = 5,94; f_{42} = 8,1; f_{43} = 13,23; f_{44} = 17,55; f_{45} = 6,21; f_{46} = 2,97$$

◆ determining the calculated χ^2 : $\chi^2 = \sum \frac{(f_e - f_t)^2}{f_t} = 67.73$ (f_e = empirical function, f_t = theoretical function)

◆ comparing the calculated χ^2 (67.73) with theoretical χ^2 ($\chi^2_{\text{tab}} = \chi^2_{(1-1)(6-1); \alpha} = \chi^2_{(4-1)(6-1); 0,05} = \chi^2_{15; 0,05} = 25$), in order to reach a final conclusion. The compared results, $\chi^2_{\text{calculated}} = 67.73 > \chi^2_{\text{tab}} = 25$, have led to the conclusion that choosing the accommodation comfort category depends on tourists' age.

The calculation of the association coefficient $C_a = \sqrt{\frac{\chi^2}{n + \chi^2}} = \sqrt{\frac{67.73}{400 + 67.73}} = 0.381$ emphasizes

the fact that tourists' age has a certain influence on their choice of the comfort category, but it is relatively small.

The association between the average duration of tourists' stay and their age

The conclusion we have reached so far is that the average duration of tourists' stay **depends** on their age.

The degree of dependence is identified by calculating the association coefficient, whose value – 0,527 – indicates a direct correlation of medium intensity.

Age can play a significant role in tourists' choice of the average duration of their stay, therefore this association can be analysed in point of its intensity as well.

Checking whether there is an association between the accommodation comfort category and age by using the non-parametric correlation method - the χ^2 test, involves the following steps:

The two hypotheses are stated (null H_0 și alternate H_1)

H_0 - the comfort category does **not** depend on tourists' age.

H_1 - the comfort category **depends** on tourists' age.

◆ the calculation of the theoretical function: $f_t = \frac{\sum l \cdot \sum c}{T}$ (where: l = line, c = column, T = total);

The results being $f_{11} = 8,58; f_{12} = 11,7; f_{13} = 19,11; f_{14} = 25,35; f_{15} = 8,97; f_{16} = 4,29$

$f_{21} = 12,1; f_{22} = 16,5; f_{23} = 26,95; f_{24} = 35,75; f_{25} = 12,65; f_{26} = 6,05$

$f_{31} = 20,24; f_{32} = 27,6; f_{33} = 46,08; f_{34} = 59,8; f_{35} = 21,16; f_{36} = 10,12$

$f_{41} = 1,98; f_{42} = 2,7; f_{43} = 4,41; f_{44} = 5,85; f_{45} = 2,07; f_{46} = 0,99$

$f_{51} = 1,1; f_{52} = 1,5; f_{53} = 2,45; f_{54} = 3,25; f_{55} = 1,15; f_{56} = 0,55$

◆ determining the calculated χ^2 : $\chi^2 = \sum \frac{(f_e - f_t)^2}{f_t} = 153.96$ (f_e = empirical function, f_t = theoretical function)

◆ comparing the calculated χ^2 (153,96) with theoretical χ^2 ($\chi^2_{\text{tab}} = \chi^2_{(1-1)(6-1); \alpha} = \chi^2_{(5-1)(6-1); 0,05} = \chi^2_{20; 0,05} = 31.41$), in order to reach a final conclusion. The compared results, $\chi^2_{\text{calculated}} = 153.96 > \chi^2_{\text{tab}} = 31.41$, have led to the conclusion that choosing the accommodation comfort category depends on tourists' age.

Measuring the intensity of the association of the two variables involves the calculation of the

$$\text{association coefficient } C_a = \sqrt{\frac{\chi^2}{n + \chi^2}} = \sqrt{\frac{153.96}{400 + 153.96}} = 0.527.$$

The conclusion reached is that tourists' age has a significant influence on their choice of the comfort category, the association between these two variables being of medium intensity. This is also proved by the value of the association coefficient, namely 0.527.

4. Conclusions

The research conducted on potential tourists in order to find out their opinion of rural tourism represents a starting point in determining the quality of this type of tourism.

The tourist who enjoy rural tourism are aged between 35-55 (total 57%) and the preferred accommodation structures are boarding houses and country farms (total 57.25%).

Concerning the degree of comfort, the preferences are approximately the same for one-star and three-star accommodation, followed by two-star accommodation.

On the other hand, choosing accommodation comfort depends on tourists' ages, but it is relatively small. Also, the average duration of tourists' stay depends on their age, having a medium intensity.

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ON THE CAUSES OF THE GRADUAL EXTINCTION OF THE MARKET ECONOMY – PART 1

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Based on several very well known theories and on more arguments of a logical and empirical status, the author of the present study claims that the gradual disappearance of the market economy has been and still is triggered, among others, by the transformation of the economic growth (under Keynes influence) into a high priority objective of governments, that of international competition etc.

Keywords: economic instability, distortion of market, centralization of capital, interstate competition

Cod JEL: A13

After WWII the economic growth has gradually become the main objective of the governments in most countries in the world, at least declaratively; but with many governments it was and still is an effective objective. Though during this period (since WWII) considerable economic results have been obtained in many countries in the world and especially in the developed ones, we believe it would have been better if the governments hadn't ever set such an objective as a priority.

Why do we hold this opinion? First of all, it is because this objective was, in its turn, a ground used by governments for justifying their interventions in economy. Indeed, after WWII, except a short while (when the United States were ruled by Ronald Regan and Great Britain by Margaret Thatcher), the interventions of the developed countries (but of some less developed as well) in economy were more and more pregnant and distinct. We however have to admit that some governments, as the Federal Germany one before 1989, but others as well, decided to limit their intervention in economy, at the same time with the production of (legislative) frame-conditions favourable for the market's functioning.⁴²⁴ The European Union currently does the same thing by means of more legislative measures and by the help offered in different ways to the small and medium size enterprises. Nevertheless, on a long run, we can notice an increase of the interventionism in economy. It culminates in some recent measures taken by the governments of some developed countries in order to save from bankruptcy certain banks or private enterprises and which is actually equal to their partial nationalization.

Consequently, politicians (but part of economists as well) are presently (year 2008) in a rather delicate situation: on one hand, under the pressure of the current crises they find themselves forced to intervene trying to direct it, inclusively by measures such as nationalization, and on the other hand, facing the incontestable arguments of the economic theory to admit anyhow, at least declaratively, the superiority of the competitive market economy. Thus they state that by such measures as allocation of budgetary funds for the private firms in order to save them from bankruptcy (which practically means their partial nationalization) they wish to save the

⁴²⁴ See Heinz Lampert, **Ordinea economică și socială în Republica Federală Germania**, Iași, Editura „Al.I.Cuza”, 1994, and Reinhard Blum, **Un al treilea drum**, Iași, Editura „Al.I.Cuza”, 1994.

competitive market economy!!!

So we can say, and some really state it, that we are confronted with a referential circumstance: either a competitive market economy or a directed and planned “market” economy! In our opinion this moment has not yet come and for a long while from now on the economies of the countries will continue to function under the title of market economies, but actually as economies more or less directed.

Resuming, why would it have been better if the governments hadn’t ever been preoccupied with the economic growth? What is wrong in the fact that the governments do care about the evolution of their economies stimulating them to produce more or taking care that they do not become too unbalanced or, as Lipsey and Chrystal would put it, “to avoid recessions and reduce unemployment”⁴²⁵

There are plenty of arguments against the governments’ intervention in economy, some pretty well known, and some less known. One of these arguments can be found in the theory of allocation formulated by the marginalists. As it is known, this states that no government in the world can assure a better distribution of resources on branches of activity than the one established by the market itself. It also says that without prices freely established on the market we cannot know which the appropriate form of resource distribution is. These prices are carriers of information without which the optimal allocation of resources would be impossible.

Though, the implication of governments in economy means distortion of market and diminishing of competition. Diminishing and deterioration of competition means in its turn that each year there will be fewer and fewer prices formed freely and, consequently, year after year, the allocation of resources on the branches of activity will be less optimal or less effective.

The governances and a great deal of economists, in favour of state’s interventionism, claim that the state’s interventions in economy are necessary in order to correct or mitigate the inconvenient and unwanted effects of the market’s “flaws”. A perfect competitive market – they say – has never existed, anywhere in the world. The market would be imperfect by nature and thus the governments have no choice, they are forced to intervene. This is how one of the most prominent economists formulates this idea: “We are aware that sometimes the market economy does more wrong than right, that there are «failures» of the market and that system does not always lead to the best outcome. One of the failures of the market economy – he says – refers to the monopolies and other forms of imperfect competition. Another failure of the invisible hand consists in the positive externalities, such as the scientific discoveries, or to the negative one, such as pollution, which influences the market. Finally, another bad point would be the politically or ethically unacceptable repartition of incomes.”⁴²⁶

Leaving aside the fact that these “failures of the market” which Samuelson talks about are obviously not non-accomplishments of the market or of the invisible hand, but rather aspects or features of some economic activities or of the human behaviour, exterior to the market (and thus requiring regulation by law), we still have to admit that perfect competition market, extended to the scale of the entire economy of a country, has probably never existed anywhere in the world. Even though, an almost perfect competition (at least regarding its theoretical terminology) and, by all means, much more extended than the current one has always existed, without doubt, in the developed countries or, at least, in the Great Britain of the time of Adam Smith and the other classics; otherwise, his political economy under the name of **The Wealth of Nations** wouldn’t have been possible and couldn’t have appeared. In our opinion, it continued to exist at least until the mid 19th century and in a restrained and slightly altered form even until WWI. Between wars and especially after WWII, it deteriorated and visibly restricted, without completely vanishing, though. What could be the causes of the gradual and, in some opinions, inevitable diminishing of

⁴²⁵ R.G.Lisey, K.Alec Chrystal, **Principiile economiei**, București, Editura Economică, 2002, p.614.

⁴²⁶ P.A.Samuelson, W.D.Nordhaus, **Economie politică**, București, Editura Teora, 2000, p.49.

the perfect competition market?

There are more theories regarding the causes of the imminent death of the competitive market economy. One of these belongs to Marx. Analyzing the evolution and the perspectives of capitalism, he shows how, under the pressure of competition and the inherent spectra of bankruptcy that threatens particularly the small or less efficient firms, there is a permanent process of concentration and centralization of capitals following which the number of companies remained in each sector of activity is in continuous fall and the dimension or their economic power in continuous growth;⁴²⁷ the competitive market of various products is thus gradually transformed into an oligopolist or monopolist market. The concentration of capital means increasing the dimensions of the firms by capitalizing profits and centralization means exactly the same but following the bankruptcy of small or less efficient firms (that cannot cope with the competition) and their being taken over by the winning firms. The conclusion is as clear as possible: competition will eventually trigger the disappearance of the competitive market economy and, as Marx foresaw, its replacement by socialist economy.

Another theory, emerged after WWII, states that the technical and the scientific progress have come to cost so much nowadays that only the big firms can afford to finance them; in the case of fundamental researches the costs are often so high that only governments (sometimes only more governments united) have the necessary funds. Consequently, it would be in the interest of each country that the governments support a continuous growth of the firms' size.

Perhaps there is a bit of truth in each of these theories. Thus, it is known as certain and could be noticed in practice that in a market economy bankruptcies are something inevitable and as normal as possible. Moreover, for the increase of performances or for the effective use of resources they are actually necessary. Usually, the insolvent firms are swallowed by the winning ones and the size of the latter increases afterwards. At the same time the size of the firms grows by means of fusions or by means of profits' capitalization. Both phenomena occur also because of competition because, as it is known, normally, the large firms go bankrupt less frequently as compared to small firms and thus their wish of being bigger and bigger is not else but natural. On the other hand, statistics show that, indeed, scientific research is more and more expensive, every day. This can prove sufficiently powerful reason for the governments to encourage or tolerate the increase in the firms' size together with their numbers decrease in each sector of activity; even if the price paid is, each time, the alteration or the diminishing of competition. Still, this theory (that states the technical progress is mostly due to the large firms) is rather controversial.⁴²⁸ Some economists claim that large firms, because of their solidarity and of the confidence they have confronting bankruptcy are more conservatory and rigid as compared to smaller firms. The latter would be more preoccupied with innovations and inventions as compared with larger firms. It is only this way that they manage to adept rapidly to the requirements of the market and cope with competition. Could this be the real reason why the European Union supports the SMEs or maybe, more likely this support has an aim in maintaining certain features of competitive market?

In our opinion, these are not, though, the main causes for the gradual deterioration of the competitive conditions. Competition generates indeed the disappearance of competition, as Marx stated, but only if it is allowed or helped to fulfil its objectives. Scientific research can also push the economy of a country in this direction, especially if there are no obstacles to the concentration and capitalization of capitals. The main cause of the gradual diminution of the conditions of competition is, though, different, namely **the interstate competition.**

It is known that the governments of the developed countries set up, as early as the latter half of

⁴²⁷ K.Marx, **Capitalul, vol.I**, București, Editura Politică, 1960; see especially **Legea generală a acumulării capitaliste**, Section 7, chap. 23 and **Tendința istorică a acumulării capitaliste**, chap. 24.

⁴²⁸ See D.C.Korten, **Corporațiile conduc lumea**, București, Editura Antet, 1998, p.249-250, see also R.D.Putnam et al., **Cum funcționează democrația**, Iași, Editura Polirom, 2001.

the 19th century, institutions and antitrust laws in order to stop the deterioration of the condition of competition on local or national markets, but how well these institutions succeeded in performing their tasks can be judged from the outcomes: day by day the market of the developed countries, but, as a matter of fact, the international one in general, are less and less competitive,⁴²⁹ despite the fact that, by the agency of World Trade Organization, the developed countries have managed to eliminate a series of barriers to their international trades.

The governments in the developed countries could have well put an end to the deterioration of the conditions of competition if they really wanted to, and that without the help any antitrust law. It would have been enough to implement a system of progressive taxation, differentiated on branches of activity, but applied not on firms' incomes or profits, if not on their size, rendered either by their turnover or by the value added or, eventually, by the measure of their own capitals and the attracted ones.⁴³⁰

For instance, when the number of firms in a certain sector of activity is reduced (by concentration and capitalization of capital, by purchases and fusions etc.) to a certain limit under which perfect competition would turn into, let's say, an oligopolist one, any other increase in the size of the given firm should be taxed double or even triple in comparison with the taxes levied on the firms that produce and sell under competitive conditions. The same taxation system could be applied to the natural persons when their contribution to the productive capital of a country (under the form of some firms, for instance, or of shares at certain firms) exceeded a certain limit, compared with the average productive capital on family.

Our point of view is that there is no desire for stopping the process of deterioration of competition, because of the interstate competition. On the international market, the firms are confronted with the same competition as in their home countries (perhaps even harsher) and with the same results or consequences in what bankruptcy is regarded. In such circumstances, how could the governments of the developed countries stay still and note passively the vanishing or the retreat of their own firms from the international market? Of course they could not. Consequently, they began to support or help them in different ways: remitting certain taxes, a method quite frequent even nowadays; subsidising them in certain situations, as it is currently the case with all agricultural product and others; and, especially, tolerating or even encouraging the concentration and centralization of capitals up to a level considered acceptable in rapport with the antitrust laws, though a level established in each country separately, by a governmental institution or, at any rate, just relatively autonomous from the government. The results can be easily seen. The free competition is extinct and in many cases it has already succumbed. It is the very governments that made this disappearance possible, by all means. Thus, now it is the time of the planned and directed economies. Marx's dream, and, in a way, that of Keynes, will soon come true.

These causes already discussed can be completed with several others: the delight of being a leader; the people's often exaggerated trust (or at least that of some people) in their intellectual and managerial capacities; the egotistic interests of those that govern, taken individually or as a group etc. At the moment when the crisis of 1929-1933 started, the economy of the developed countries was no longer, for a considerable while now, a purely competitive market economy, or, at any rate, was no longer as competitive as it had been by the latter half of the 19th century. The process of concentration and centralization of capitals started in the time of Marx had already shown its "results": the economies of the developed countries had already passed through more periods of crisis. As a consequence, in the eve of the Great Crisis, the pure or perfect competition market was rather diminished as compared to the time when the great classics lived and thus the

⁴²⁹ See D.C.Korten, *op.cit.*, particularly chap. 17.

⁴³⁰ Details about this subject can be found in our work: Gheorghe Olah, **Repere de politică economică**, București, Editura Economică, 2001, chap.2.

economies of the developed countries were not capable anymore to self-regulate and to self-balance themselves; at least not on a short run as the governances would have liked. So, Keynes was right: the state was compelled to intervene. But the famous economist did not have to fight against the physiocrats' principle (*laissez faire, laissez passer, le monde va de lui meme*) because it was bearing no blame; the physiocrats' principle is truly valid in a perfectly competitive market economy. Instead of asking the governments to intervene in economy in order to direct it, it would have been better if he had asked them to stop the deterioration of the conditions of competition or, even better, if he had asked them to recreate or rebuild these conditions. Instead, Keynes' ideas matched so well the governances' wish. This is what they, themselves, wanted: to intervene as much as possible in economy and direct it. "Politicians – state Dornbusch and Fischer – seek for economists that would support their position."⁴³¹

As aforementioned, people enjoy leading and often believe exaggeratedly in their managerial capacity. These traits characterise especially those that govern; and that is even more relevant considering that the latter never pay out of their own pockets the losses economy, and all of us, suffered as a consequence of their wrong decisions. How could they believe in the power of Adam Smith's invisible hand, when they could notice, together with Keynes, that the economies of the developed countries tend more and more often to become unbalanced and these unbalances are more and more profound? So, Keynes simply opened a track for them and, moreover, offered them relief: from now on they could intervene in economy with no fear as they had on their side the fundamental work of a famous economist.

Keynes provided economists with food for thought and jobs to take. He had presented some directions and means of intervention, but it was too little. Macroeconomics had to become an exact science. Economists got down to work and discovered (or invented) a series of instruments of intervention in economy to provide the governors. With each new discovery or with each new theory the optimism increased and when it finally reached a peak, disaster came: the global economy is experiencing a new recession. We most certainly refer to the current crisis. How was this possible?

We mentioned a little earlier that the individual or group egotistic interests of some people can be blamed for the depreciation of the conditions of competition. In the present case, we talk about the individual or group interests of those that govern. The interventions of the governments in economy are each time distributive or redistributive; any intervention of the state in economy results in a redistribution of incomes.⁴³² Unfortunately this distribution cannot be done following scientific criteria or, to put it differently, following equitable and at the same time effective criteria from an economic point of view, but as Samuelson admits, in the end of our quotation, following ethical and political criteria. Ethics is not a science though in the real sense of the word, it is rather – as Petre Țuțea put it – a sort of "rail travel guide": each gets down where considering appropriate.⁴³³ As for politics, it can be anything, and, if we are to observe the facts, it is most times the expression of certain interests.

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⁴³¹ R.Dornbusch, S.Fischer, **Macroeconomie**, Timișoara, Editura Sedona, 1997, p.542.

⁴³² For details see Gh.Olah, **Repartizarea bunurilor**, București, Editura Economică, 2008, chap.2.

⁴³³ P. Țuțea, **Între Dumnezeu și neamul meu**, București, Fundația Anastasia, Editura Arta Grafică, 1992, p.39.

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ON THE CAUSES OF THE GRADUAL EXTINCTION OF THE MARKET ECONOMY - PART 2

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Based on several very well known theories and on more arguments of a logical and empirical status, the author of the present study claims that the gradual disappearance of the market economy has been and still is triggered, among others, by the transformation of the economic growth (under Keynes influence) into a high priority objective of governments, that of international competition etc.

Keywords: economic instability, distortion of market, centralization of capital, interstate competition

Cod JEL: A13

In any economy, the results (production, productivity, efficiency etc.) are primarily reliant on repartition, as we hope we managed to demonstrate in another work.⁴³⁴ Thus, both in a market economy and in a planned (or directed) economy the results will depend firstly on the way of allocating the goods. Though, no government in the world can provide a better allocation of goods than the one established by the market. There are no doubts about this and no proves necessary; even if this allocation given by the markets will sometimes end in bankruptcies. Or maybe for that very reason! The allotment directed by the governments is, as shown before, primarily influenced by interests (personal or of the group) and by feelings, let alone the capacity. Our point of view, thus, stays firmly attached to the market economy characterised by perfect competition (or, at least, as close to perfect as it can get) and not by the pseudo post-war market economy of the developed countries!

I am not the only economist who claims that the ones that govern use their political power to distribute or redistribute incomes favouring their groups of interests⁴³⁵ and I do not think that any concrete evidence would be necessary to support these statements as we can permanently find such interventions all over the world. The problem is that together with these interventions they do not only generate a redistribution of the incomes but also a greater or smaller economic instability.⁴³⁶

If the governments confined themselves to clearly regulate the behaviour of certain economic agents that perform their activity outside the competitive markets, or to mitigate or even eradicate the undesired social consequences of their unethical behaviour, when for whatever reason such a conduct has nevertheless occurred, we would have no objection. Such interventions are compulsory and do no harm the market in any way, but on the contrary, are in its favour.

⁴³⁴ Gh.Olah, **Repartizarea bunurilor**, Bucureşti, Editura Economică, 2008.

⁴³⁵ see M.N.Rothbard, **Ce le-a făcut statul banilor noştri**, Bucureşti, Institutul Ludwig von Mises - România, 2005, p.61-97

⁴³⁶ for details see: M.N.Rothbard, op.cit., p.67; M.Friedman, **A Program for Monetary Stability**, Fordham University Pres, 1959, or **Capitalism şi libertate**, Bucureşti, Editura Enciclopedică, 1995, cap.3; Gh.Olah, **Repartizarea bunurilor**, Bucureşti, Editura Economică, 2008, cap.2.

Unfortunately, the interventions do not stop here. They often try – as we can witness happening at the present moment – to save certain companies from bankruptcy. Doing that they prevent the market from performing its duty: namely, to eliminate unprofitable or less efficient firms and by that to turn the economy as a whole into a more effective one. The governments do exactly the opposite: helping the insolvent firms by offering them money they redistribute the budgetary incomes collected from all the economic agents and firstly from the most profitable ones, to the insolvent economic agents, thus decreasing the overall efficiency.

On the other hand the governments try to stimulate and temporise production, thus generating, as already mentioned, economic instability. Certainly, the people at government will never admit this. They will claim that on the contrary, they intervene in order to correct the imperfections of the market or to ameliorate the unwanted and inconvenient consequences of these imperfections; still, they will by no means admit that some of those consequences are their very deed. If they were asked for instance how and where the current crisis has arisen from, they would answer they have no idea or that who knows what mysterious forces have triggered it. Some of them are right indeed: they are ignorant about how crises occur. Unluckily, even the economists regard cyclicity as fatality, as an intrinsic and relatively mysterious feature of the economic evolution. Governors indulge in this opinion. It is exactly what they want, namely that all economic unbalanced and instabilities occurred as a consequence of their wrong or intentional decisions would be perceived by the common people as fatalities. As far as we know, though, there are no mysterious powers with economic preoccupations! Natural factors (earthquakes, floods etc.), social factor (wars and revolutions) and the governments are the only forces that can drive economy to recession. And if we are to consider the fact that wars and revolutions are to a certain extent induced also by governments, then natural factors and governments remain the only forces.

When economy is affected by natural disasters people usually recover quite soon or in a reasonable period of time, even if rather often there are victims. They begin to resume their activities often during the very catastrophe, first by remedying its consequences. Still, when economy is affected by an economic crisis such as the current one, the recovery is much harder for the people that do not know what is going on or, especially, what is going to come next. They stay in expectation and they are right to do so as any decision can bring losses, though the absence of decision might cause damages as well.

The current crisis cannot be the result of natural factors; presently we do not have knowledge of any natural factor that could have been blamed to have produced this crisis. The conclusion draws itself: only governments or at any rate some governments can be guilty for the development of the current crisis. However, there are economists that foresaw it many years ago. They did not know precisely when it was to occur but they knew precisely that it was to happen sooner or later.⁴³⁷ But how do crisis appear?

Interventions in economy from the parties of the right when at lead usually come in favour of the employers, thus stimulating the exaggerate growth of production. Production can be stimulated by reducing taxes (VAT, tax on profit etc.), by cheapening credits and others. While production and offer can grow somewhat unlimited, especially on the basis of credits, the consumption is relatively limited. It is limited primarily by the consumers' incomes. It is nevertheless true that when credits become cheaper, consumption tends to decrease too (for that very reason) but consumers usually limit their requests for credits in accordance with their capacity of refunding them by instalments, a capacity, as we know, dependent on incomes. Consequently, there is a certain gap that appears between production and consumption, between demand and offer, a gap that should normally disappear. The elimination of this gap is done periodically by the recessions or crises the economies experience. Recession is thus necessary for balancing production and consumption and lasts as long as the market is overcrowded with goods. "What production

⁴³⁷ M.N.Rothbard, op.cit.

produces in several months takes market several years to absorb”, as Engels wrote, about the year 1870.⁴³⁸ It can be noticed that after all, production cannot, anyhow, grow unlimitedly either, but just for a while, which is still much longer than the period in which consumption can rise due to loans.

The parties of the left can themselves destabilise economy. They usually support their own electors, respectively the poorer classes. Redistributing the incomes in the favour of the latter, they disadvantage the chief employers, whose incomes will decrease at least in comparison with their previous incomes. Thus the opposite situation can occur, namely the demand being bigger than the offer and we witness an increase in prices or inflation. In fact, as it can be noticed, both the parties of the right and those of the left, often make use of inflation in directing incomes towards their interest groups. Inflation is, after the budget, the governments’ main instrument in redistributing incomes. It is at the same time the most relevant factor of economic instability.⁴³⁹

After a longer or shorter period in which a government produces inflation, there is inevitably a crisis, as Rodhbard says: “the bill has to be paid eventually, but in the form of disastrous phenomena that come as a reaction to the prolonged boom built upon inflation.”⁴⁴⁰

Some specialists state that the lack of regulations would be the basis of the current crisis and, in a way, we could say they are right. Indeed, in an economy dominated by monopolies and oligopolies and with a financial market so sophisticated as the nowadays one, on which a series of derivate instruments circulate, lack of regulations can generate chaos. In such an economy or on such a market the lack of regulations does not necessarily mean, however, as these specialists want to claim, more economic freedom (in the sense free action of the market laws) but, on the contrary, more anarchy. Even a perfectly competitive market supposes rules; rules as clear as possible and which necessarily have to be obeyed by all economic agents. Inasmuch as the nowadays market are so little competitive, these rule are necessary, and when they are absent the guilt stays solely with those that govern; the latter, as we have previously seen, are, on the other hand, to be blamed for the disappearance of the competitive market. Consequently, it is not at all absurd to think that lately, when chaos emerges, it is controlled and intentional. In whose favour? In conclusion, if the successes obtained by the developed countries are mostly connected to the competitive market economy and to the democracy, as it is usually termed (and, in our point o view, absolutely founded), then the governments of these countries have no pardon when they support or tolerate actions that finally lead to the alteration or the disappearance of the competitive market economy. Secondly, if the disappearance of the bankrupt firms is beneficial for economy, as demonstrated by the economic theory and known from the concrete reality, then it is beneficial whether it is produced due to the competition inside a country or occurs on a global market through the mechanisms or due to the international competition. Otherwise, globalisation can no longer be considered a positive phenomenon. Consequently, when a government supports, in a way or another, the domestic firms to reach a monopoly position on the international market, it not only helps the firma and that country’s economy to achieve unfair incomes on the expense of firms or economies of other countries, but also contributes ultimately to the disappearance f the competitive market and its replacement by the socialist or communist economy. Under these circumstances, however, the pressures exercised by the governments of such countries upon the others, for the total opening of the borders or for the renunciation at all barriers within the international trade, are pure hypocrisy or duplicity.

Nevertheless, we have to admit that the indolence and negligence of common people can as well be considered causes of the deterioration of the conditions of competition. We can notice that most of us are unaware of the evil they produce to themselves accepting passively the

⁴³⁸ K.Marx, **Capitalul**, vol.III, București, Editura de Stat pentru Literatură Politică, 1956, p.423.

⁴³⁹ M.N.Rothbard, op.cit., p.61-67

⁴⁴⁰ ibidem, p.104.

interventions of the governments in economy. Not only do they accept but many of us even expect government to solve all problems they are confronted with: jobs, salaries, homes etc. On the other hand, the fact that simple people have this attitude should not take us aback too much since many economists are themselves devotees of state interventionism. In such circumstances, the governments can allow themselves to ignore the isolated voices of few specialists and to expand their forms and means of intervention each year.

Summarising the things mentioned so far, we find that the transformation (with Keynes massive support) of the economic growth into a high priority objective of the governments has finally led to the gradual but more and more prominent expansion of the governments' intervention in economy, to the almost directly proportional and, again, gradual retreat of market economy and of the conditions of competition, to the less effective allocation of resources and to the increase in the economic instability with all the consequences it brings about. Among these consequences we can definitely count the exaggerate growth of the consumption of resources and of the level of pollution, the confrontation with the issue of exhaustion of several resources, the appearance of certain fatal diseases due to nutrition and pollution, the more and more pronounced spoliation of a part of population by the other and so on.

If governments had established as a priority objective not the economic growth but rather the maintenance or the recovery of the conditions of competition and the ceasing of pollution, all these negative consequences would not have existed or, at any rate, would have been much reduced. All in all, why is it a must that the economy shall grow? Why is the economic growth absolutely necessary? To solve the increase of unemployment – Keynes' followers would probably say – and to live better. But what does "to live better" mean? To eat more or to eat more products full of chemicals? To have no more air and no more clean water and to be full of illnesses? To hate one another more an more daily because of the unfairness generated by the implication on governments in economy? We are positive that most of us would happily waive these "benefits".

In what unemployment is concerned, this phenomenon has no real connection with economic growth if not with development, more likely. Economic development does not necessarily mean, though, the increase in GDP or in production volume but simply in labour's productivity. In other words, as a consequence of the economic growth, the same production can be obtained in a relatively shorter time or with comparatively fewer workers. The increase in labour's productivity is, in its turn, based, as it is well-known, on the technical progress and better qualification.

Employers are happy to dismiss part of the workers when they can, as thus they reduce costs and increase their profits. Unfortunately, this raises unemployment as well. So that unemployment should not grow, governments feel forced to generate or create new workplaces; i.e. to stimulate economic growth. Together with the appearance of new workplaces, there is an increase in the GDP, but there are also the other problems aforementioned. As a consequence we have to choose: either unemployment or economic growth. Luckily there is a third solution as well, and this is the shortening of the workday or workweek. We know that the technical progress is the result of the efforts made by the previous generations and that it has as an aim, besides growing work productivity, to reduce physical and intellectual effort of all those in work. This diminution can occur by two procedures: gradual transfer of physical and intellectual effort from man to machines and gradual reduction of the workday and workweek, decrease possible due to the increased work productivity. Such diminutions have been applied along history and will be performed again, even if the employers do not accept them too liberally as they affect their profits. Governments are, though, representatives of the entire society and from time to time they are compelled to accept reductions of this kind. When unemployment and unions will put a pressure big enough upon governments, the latter will be left no choice but accept the simplification of the workday or workweek. By now, the unemployment's sluiceway was the

economic growth, by extending services and exaggerate increase of production in older sectors. But everything has an end. After all, why should only employers benefit from the technical progress and not the entire society, as well, by the reduction of the work time? Wouldn't we all be more privileged?

The reduction of work time does not necessarily mean the decrease in production but still may mean the stopping of the economic growth and thus of the increase in resource consumption, of pollution, of the spread of diseases. The decrease of the work time can mean that society has reached the conclusion that they can produce enough products for everybody and there is no need to increase that volume except when there is a growth in the population's number. As it can be noticed, we are again to choose: either an increased consumption of products, but also of resources, together with a higher level of pollution, or a more moderate consumption, but healthier and with more spare time, for family (especially for children), for sports, travels, education and qualification etc. Up to now, society has opted for the former alternative; perhaps it is high time we chose the latter!

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