

**Emerging Markets Economics and Business.
Contributions of Young Researchers**

Proceedings of the 4th Conference of Doctoral Students in Economic Sciences

UNIVERSITY OF ORADEA
FACULTY OF ECONOMIC SCIENCES

Emerging Markets Economics and Business.
Contributions of Young Researchers

*Proceedings of the 4th Conference of Doctoral Students in
Economic Sciences*

No.1 - December 2013

Editor-in-Chief: Prof.Dr. Alina Badulescu

Oradea University Press
2013



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Editura Universității din Oradea este acreditată de CNCSIS, cod 149 / Oradea University
Press is accredited by Romanian National Council for Research in Higher Education, code
149

ISBN 978-606-10-1205-3
ISSN 2344 – 6617
ISSN-L 2344 – 6617

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Cover: Cătălin Zmole

Text revision: Drd. Roxana Hatos, Drd. Adelina Venig

PREFACE

Scientific research in economics presently plays, more than ever, an important role in generating solutions and models of economic and social development. Moreover, in the contemporary world, development is inconceivable in the absence of sustained research and development activities. Undoubtedly, scientific research must be conducted primarily in higher education institutions, in academic and research laboratories.

In this context, the scientific research of young people - students, master students and, in particular PhD students - acquires special meanings and its stimulation is a duty of honour to academics and supervisors at all levels.

Recognizing and understanding all these realities, in the Faculty of Economic Studies and Doctoral School of Social Sciences at the University of Oradea, there have been encouraged and supported the efforts and steps on the path of doctoral scientific research. Thus, since 2010 there is organized an Annual Doctoral Symposium of PhD students in Economics and related fields, and papers carefully selected after the peer-review process were published in a volume that encompassed the contributions of PhD students in Economics.

Now, we release the 30 papers selected from the scientific contributions of the PhD students, presented at the 2013 edition of the Doctoral Symposium Session and which received after the review process, the agreement for publishing from the Scientific and Editorial Board. The papers were presented, during the Doctoral Symposium, at three panels, namely:

Panel 1: Competition and competitiveness. Economic and social issues

Panel 2: Entrepreneurship, SMEs, labour and education

Panel 3: Economic challenges and sectoral insights

We release this first issue of the journal *Emerging Markets Economics and Business. Contributions of Young Researchers. Proceedings of the 4th Conference of Doctoral Students in Economic Sciences* with the belief that young researchers are, by training and audacity, a tank of opinions, viewpoints, and especially solutions and proposals, and aware that they should be encouraged and promoted as to enable them to confirm the hopes of their teachers and supervisors.

Last but not least, special thanks are due to Dr Adriana Giurgiu, Dean of the Faculty of Economic Sciences of the University of Oradea, for her continuous and important support, and also to the members of the Scientific and Editorial Board, to reviewers, to the members of the organizing committee, and to all generous fellows who supported the Annual Doctoral Symposium held in 22nd of November 2013 at the University of Oradea, and thus made possible the release of this volume.

Oradea, December 2013

President of the Symposium,
Professor Alina Badulescu

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COMPETITION, MARKET FAILURES AND THEIR POLICIES IN THE U.S.A. AND THE U.E.

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Abstract: This paper is a theoretical approach to the competition, its role in the market but also the market failure, its patterns of correlation between competition and the market failure, but also a comparison between the competition exercised in the U.S. respectively in the EU.

It's the force regulating competition, the most important of the market economy. Economic competition is linked to market transactions, demand, supply and Exchange process. The competition represents a phenomenon that is particularly important for the economic and social life, it is the engine that animates the existing people and businesses. The place of manifestation of competition is none other than the market what could be defined as a theoretical construction, a framework for promoting economic activity, a regulatory state that tends toward the economy, a complex system in which market mechanisms and laws conditioned. (Kirzner Israel,1973). Competition follows the meeting as advantageous to the need of production or consumption and getting the win. Market knowledge implies knowledge of demand, supply, and price competition. A coordinated market trial taking place in the economic system is that of failure. Failure includes all aspects of market inefficiency and inequity in the market mechanism occurring as a result of the bad functioning and disadvantages. (Bienayme Alain, 1998).

Keywords: competition; market failure; market mechanism; imperfect competition.

JEL Code: A1, K1.

1. Introduction

The competition is an open confrontation, rivalry between economic agents in order to attract their customers' side, exerts a constant pressure on undertakings to provide consumers a more varied offer at the best prices. The competition is part of the rules of a free market and is in the interests of consumers, the final beneficiaries.

Sometimes, businesses are trying to distort competition. In order to ensure the proper functioning of markets, the competent authorities, including the institutions must prevent or correct anti-competitive behaviour. The present paper aims to highlight the role of competition in both the US and the EU, the market failures in the two cases but also their policies, making even a difference between US and the competition in the EU.

2. Competition and market failure

Market failure accounts for situations where the results of the functioning of markets are not effective as a result of the existence of alternative solutions that can benefit some more beneficial economic actors and at the same time allow for compensation to those who are disadvantaged in this regard. Economic actors are influenced by different variables that manifests itself on the market, in economic life defending a number of phenomena and processes. (Israel Kirzner, 1997). Those who participate in economic life must respect the laws of the market and competition when acting in the market. Currently, in Romania, the economy is under the sign of the oligopoly, which means that market participants shall cooperate and coordinate their actions instead of compete with each other.

Market failure manifests itself both at the level of businesses, but also at the level of the economic system. Basically, it's about the inability of a market economic system to support activities required from the social point of view, or to remove unwanted ones.

With regard to the intervention of the State in the event of the failure of the market, we can say that „intervention in economics was and is a subject of fierce contention between different authors, both ancient and contemporary”. (Traian Brăileanu). Thus, in the 18th century is well known for his criticism of Adam Smith on the current mercantilist. He was of the opinion that the State should exercise strict control over economic policy, particularly on trade. But the liberal ideas of the Economist Adam Smith have had strong influence over many economists of the 19th century, such as John Stuart Mill and Nassau Senior. They quickly embraced the doctrine of laissez faire, according to which the State should intervene as little as possible in economic activity, leaving decisions on behalf of those who operate on the market. In some countries with a large State's implication in the economy, the public interest was not successful, while in other countries, where the State had a less influence, goods and public services were better. (Adam Smith, 1962). This contradiction has prompted Adam Smith to analyse its causes by issuing some statements such as: public interest can be achieved when every individual pursues its own interests. Each individual's own interest is a feature more obvious human nature than taking care of doing something good, and thus provide a more solid foundation for the Organization of society. (Pohoața Ion, 1995). In addition, individuals identify more easily what is better for them than what is best for society. The significance of Smith's ideas can be found in the following phrase: If there are certain goods or services on which individuals appreciate them and want them, but there are no products currently, then they will be willing to pay for them. In their struggle for profit is based on this aspect of human behavior. So if the value assigned to the individual of a particular product is greater than the costs required to get the product in question, there is the possibility of obtaining a profit, and the firms will produce that product. Similarly, if there is a way to produce something more cheaply than in the way it is done with the current arrangements, the company will be able to overcome its competitors and gain profit. In this vision no Government should decide whether to produce a good or not, the market must be that they do so. While the competition is reaching a high degree of efficiency on the market, which represents an important stimulus for innovation. The crisis of the 1930s in the USA showed that the market does not work so perfectly as well as followers of the liberal economic theory suggests. (Whish R., 1989) On the other hand, even if free market economy presents a number of advantages, however, it is obvious the failure it is due, in particular, market imperfection. With the increasing role of the State has increased its influence in economic life. Both private

property, capital, major private companies and State control over the factors of production are the driving force in the international economy.

In classical economic theory argues that the State in the economy due to the ability of the market to regulate single through its mechanisms. 30 years of crisis, and not only proved that this theory may not be valid for an unlimited period of time, and the State must intervene on the market with certain regulations to adjust market mechanisms (Balcerowicz, E.,2003). It is known that the market always fails to regulate, so that certain failures occur in the market, known as "market failures" and justifying State intervention in the market. To be able to speak of market failures, how can they be controlled by the action of the State, must first be analyzed the way in which market failures occur, how they can be manifested and the causes which they determine.

Although the free-market economy presents a number of advantages, its failure is observed, due to market imperfection. Market failure has two causes: market structure (occurs when more than one producer competition in a particular sector is not present) and the market (when the costs of production factors are different for certain producers or price system collapses as a reflection of the costs and benefits of production and consumption). The causes are considered to determine the failure of markets are:

-The difficulty of individualisation of the property;

-The existence of significant transactional cost;(Cocioc Paul,1999).

-The failure of the negotiation of agreements mutually advantageous exchange

1. The difficulty of individualisation of the property is determined by the fact that the ownership of an asset is owned by a group of people or there is a series of confusions and ambiguities concerning it, which leads to difficulties in institutionalizing the defense of property rights. In these circumstances, to achieve this objective, a series of expenditure on preventive actions, identification and punishment of those who seek to illegally use a particular good.

2. The existence of significant transactional cost is determined by the fact that the Exchange requires information that is optional and represent obstacles to carrying out of transactions and for ensuring an efficient allocation of resources through the market.

3. The failure of the negotiation of agreements mutually beneficial exchange is because instead to arrive at an agreement convenient for both partners, which requires mutual concessions and divestitures, each participant seeks to achieve for themselves as many advantages. (Michael Porter, 2008)

In most cases, large companies are focused on seeking opportunities for a paradigm shift to get an edge over the competition. In such conditions the market stabilizes and in this case all participants are equal in the competition process (slow and simultaneously reduce the quality of the services or property and may even raise prices without losing customers).

They are known mainly for four categories of market failures that determine the action of the State, namely:

- externalities

- monopoly

- public goods and services

- information asymmetry.

- slow and unstable markets

1. Externalities. There are cases in which an individual activity or actions influences the actions of other individuals or agent acting in the market. This influence can occur through the imposition of operating on the market for other costs or benefits, costs or benefits that

other agents acting on the market are not taken into account because they can preview and that are not internalized that it generates.

An externality is a benefit or an economic cost which is a "by product" of an economic activity, but it assigned outside the system of the market. As long as there are externalities, market allocation of resources cannot be done efficiently and that's why State intervention is necessary. In this situation, the State must intervene to internalise the costs, i.e., the benefits resulting from these activities on those it generates.

2. The monopolies, known as non-competition, is one of the most controversial issues concerning market failure and its effectiveness.

To exist Pareto efficiency there must be perfect competition, i.e. the existence of a sufficient large number of firms so that none of these firms do not have the power to influence prices in the market. (Bain Joe S.,1956).But in some areas, such as the production of computers, aluminum, tobacco, there are few companies or, one or two companies hold a large share of that market. When there is only one firm in this area we have a monopoly on the market, and when there are a few companies that have the oligopoly market. Where there are several companies on the market, but which produce goods similar, almost as a drop in demand for their product we are dealing with a market with monopolist competition type. In all these situations there is perfect competition where the price is not influenced by the companies (Moşteanu, T).

Imperfect competition leads to economic inefficiency. In the case of perfect competition, marginal revenue equals marginal cost, while in the case of imperfect competitive firms obtain an additional income, the marginal revenue equal to marginal cost. This additional income, it gives them an advantage over other firms that want to enter that market, so that they become increasingly stronger, covering with a segment of the market. The monopoly situation cannot, however, be avoided. There are a number of market goods which are more efficiently used by one producer than for many, even if it will be able to control this market segment. Also, the situation of monopoly is sometimes created intentionally to be able to control a particular sector of the market. This need not always viewed as a negative aspect of the functioning of the market; the most common situation of monopoly intended refers to the State monopoly on the production of certain goods and services.

3. Public Goods through their peculiarities are also a cause of market failures. There are some goods that cannot be provided by the private market, but only of the public (e.g. national defence) and even if it were offered, it would make in an insufficient quantity. They are called public goods. Public goods, compared to private ones, have two important characteristics. Firstly, there are rival basically marginal cost for additional quantities of consumption of a public good is 0. The second is the indivisibility of their property, that may not be excluded anyone from consuming a public good. Public goods are known as a form of manifestation of market failure in some elementary considerations. Normally in a market economy, when there is demand for certain goods and services, market operators act in order to meet this demand by offering production volume demanded by the market at a price level of which is determined by the market. Public goods are a category of goods that do not behave like any other on the market, mainly due to their characteristics mentioned above.

Thus, as the development of a greater diversity of needs, as well as a quantitative increase of the needs of society. Each developer on the private market provides that quantity of goods which is applied for on the market, but at the same time it seeks it's own interest, to obtain profit. Of these two reasons the prosecution's own interest to entrepreneurs and growth in the complexity of society, at a time appears on the market even if there is the

demand for a particular good or service, it can no longer be provided by the private sector. This happens because the production and provision of goods and services by the private sector would incur too high, and consequently their profits would be diminished. So this request is satisfied by the public sector.

4. Informational Asymmetry is represented mainly by the bad functions that occur due to the fact that those who act on the market have different interests, and often opposing, and content of an information, a message is perceived differently by those who act in this market and they are pursuing their own interest.

The most eloquent examples of informational asymmetry are those of insurance market and capital markets. Capital markets those credits are interested to recover the loan (plus interest). They however don't know in advance which of their customers are able to pay the amount requested (this problem is common in the U.S.A, especially in the case of loans for tuition fees). Banks generally have the following dilemma: if interest rates rise, the demand for credit from the market would fall, and those who would get a loan at a higher interest rate might be likely to fail to return the loan. If the interest rate is too high, a bank might be faced with a situation where market customers refuse to borrow at an interest rate too high. When there are certain asymmetries of information and financial issues concerning the non-fulfillment of financial obligations, these markets might cease to exist. The reasons for the disappearance of markets influences the way in which the Government can act to remedy these deficiencies. And the State can face problems like informational asymmetry of costs, although they are different from those in the private sector. So in terms of loans or capital market, the State must take account of the fact that most of the times it is less informed than you borrow.

In another conception there is a more thorough classification of market failures. Thus it states that there are six basic failures of the market, namely: -imperfect competition-public goods, externalities, incomplete markets,-the information incomplete (information asymmetry), and unemployment and other macroeconomic imbalances. The concept of incomplete markets explains that there are other public goods other than those that the private market does not offer even if the cost of production of those goods is lower than the price which individuals would be willing to pay to buy those goods.

The insurance market and the market of loans (borrowings). For example in the USA, beginning in 1933 as a result of the great depression, the State of the banking market by making bank deposits. So far this year, the market there is no guarantee for a bank deposit, and the State had to intervene through regulation, through the establishment of a reserve fund for banks that compulsory bank deposits if a bank became insolvent. Such rules have been established in our country as a result of unpleasant events (Dacia Felix, Caritas, etc.). The U.S. Government had to intervene and health insurance market, especially with regard to older persons, fire insurance, and more recently the insurance protection against the effects of inflation (Keen m. and m. Marchand, 1996).In the case of loans, the situation is just as delicate. For example, if the USA where it was necessary to intervene through a law in 1965 in order to facilitate the ability to get a loan to finance their studies. This type of credit in our country is not yet functional, although there are projects on the subject. All these types of failures are not necessarily separately, on the contrary it often happens that a category to represent the cause of other types of failures (e.g., informational asymmetry can be a cause of incomplete markets).

Market failures demonstrate once again that, even when the requirements are met for the efficient operation of the market, it is not able to provide the full range of goods and services with maximum efficiency (Swann, D., 1983).

3. Competition policy in the US and the EU

Despite a common thematic pattern (perfect market model), there are significant differences in the competition policies of different countries internationally and this suggests that political goals remain in the alternative. The most significant international differences are considered to be those between the U.S. and the European Union: the USA is traditional, representing the basic aim of competition policy is the welfare of consumers (E. Fox, 1981); the EU is also traditional, the fundamental objective of competition policy is to encourage rivalry between producers (McGowan Lee and Stephen Wilks, 1995). As the structure of the market, a market is competitive if there are a significant number of competitors, for example with 10 competitors market is more competitive than the one with 3 competitors, competition policy is trying to prevent the concentration of large competitors in the market as well as careful monitoring of the behaviour of the monopolists and oligopolists; can be reached from tools like "breaking" a monopolist, subsidizing less efficient oligopolists, compulsory licensing by oligopolist more efficiently, etc. (Porter M., 1990)

Table no. 1. Competition policy, comparison between the USA and the EU.

Competition policy in the u.s.	Competition policy in the European Union
<ul style="list-style-type: none"> • appears at the end of the 19th century ("Sherman Act"), and up in the 80 's is extremely interventionist • join in the starting period in full from the first perspective (competition structure), large companies were regarded with suspicion = objective policy was to "protect" the smaller competitors and consumers, "economic power" of these producers = cases like Standard Oil or Aluminium Company of America (Alcoa) • competition policy in the u.s. criminalises the behavior of individuals, policy makers in companies that violates the law (detention, fines, • promotes/encourages advertisers to "anti-competitive behaviour" affected to recover "damages" Court • operates ex-post = sanctioned "after" 	<ul style="list-style-type: none"> • born in the Treaty of Rome • starts from a "legacy" difficult: powerful public interventionism, State companies, public monopolies, etc. • seeks to support the political objectives fundamental and specific to other countries = creating a single market → special emphasis on vertical agreements, State aid and merger control • only applies to firms • traditionally, is exclusively the fines • has a strong ex-ante intervention role = "immunity" for companies for certain practices and the European Commission made the sometimes "block exemptions"

Source: created by author from the information found in the volume *The Americanisation of West Germany Industry*,. Berghahn V. R,(1986).

Experts are of the opinion that this policy is less "efficient" than the American to deter anti-competitive behaviour but often the violation of competition law is "profitable" from the point of view of a rational agent (Gheorghie Oprescu, Van Tran, 2004).

4. Conclusions

Relations between economic agents on the market, depending on their interests, constitute an economic system competition, in which everyone has the freedom to produce and sell

what suits them, under which it considers the most favourable. The competitive system represent the totality of the relationship between economic operators are in competition on the market, depending on their interests (Abraham-Frois Gilbert, 1998). If competition is beneficial to society or not may lie only in so far as, on the whole economy, so at the macroeconomic level, recorded a significant increase from one period to another, and at the level of the economic units, so at the microeconomic level, is seen winning a better competitive positions compared to the previous period. It is known that due to the existing competition in a market economy there will always be winners and losers as well. hus, the winner, the establishment or organization concerned will consider beneficial competition because it allowed him to mobilize all efforts, resources and capabilities at its disposal to achieve a superior competitive position by obtaining a certain competitive advantage over other competitors. With a leadership position or a given market challenger, the operator must be aware that the competitive struggle is not finished.(Dan Vasile,1997). He will have to continue to adapt to the competitive environment, be flexible to new changes in the environment to which they relate, to seek new competitive strategies, in other words to be "on alert" to seek new solutions to innovate so that they can keep the gained position.

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ROMANIAN COMPETITIVENESS ANALYSIS THROUGHOUT CERTAIN ENVIRONMENTAL IMPACT INDICATORS

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Abstract: Competitiveness is a key concept and also the contemporary society's continuous concern. This article targets the assessment of Romanian level of competitiveness throughout the environmental impact indicators. The first part of the article refers to the importance of all concerns regarding competitiveness. The first section also presents the method used to group those indicators that we consider to be suitable for describing Romania's competitiveness in the context of sustainable development. The second part of the paper outlines the set of applied indicators for describing the national competitiveness level considering their environmental impact in the context of sustainable development. The five proposed independent indicators used in this article are the following: emissions of greenhouse gases, the energetic intensity, sustainable energy's share in the total primary energy, waste recycling performance. The last section of the article presents the assessment results regarding the applied indicators and the conclusions of the analysis. For the last section of the article INS and EUROSTAT databases were used.

Key words: competitiveness; indicators; environmental impact; sustainable development.

JEL Code: Q56, O1.

1. Introduction

Economic literature regarding competitiveness covers a large number of definitions and interpretations, and the most popular have been presented in the Report nr. 1 entitled „The actual stage regarding competitiveness and sustainable development concerns” (Felea Adrian Ioan, 2011). The actual concerns regarding competitiveness are structured on all the plans of the socio-economic life: at national level, at regional level, at sector level, at economic entities level. Starting from the significance of sustainable development concept, that comprises three action pillars (economic, social and environmental), we hereby define and assess certain indicators that reflect a country's level of competitiveness. To describe the Romanian level of competitiveness, the trend and perspective in the context of sustainable development, the suitable indicators were grouped in five categories:

- Fundamental output indicators that reflect the GDP level, employment and work productivity;
- Market competitiveness (exports and imports);
- Indicators with environmental impact;
- Input indicators regarding the main influence factors of industrial competitiveness;
- FDI input / FDI output

This article presents in a much more complex method the indicators that have a certain impact on the environment in the context of sustainable development.

2. Applied indicators for assessing the environmental impact

The most suitable indicators used for assessing the environmental impact on the economic competitiveness, in the context of sustainable development are the following:

- Emissions of greenhouse gases;
- Energetic intensity;
- Sustainable energy's share in the total primary energy,
- Waste recycling performance

All the above mentioned indicators are suitable for calculating the actual value and also for calculating the time evolution rate. The actual value is usually calculated for a one year period, and assessing this values for successive periods may highlight the time evolution of this indicator. The time evolution rate of a certain (I_j) indicator will be calculated using one of the following relations:

$$i_j(t) = \frac{I_j(t) - I_{j0}}{I_{j0}} \times 100[\%], \text{ or } i_j(t) = \frac{I_j(t)}{I_{j0}} \times 100[\%], \quad j = \overline{1, 14} \quad (1)$$

where,

$I_j(t)$ - the value of I_j at the assessment time (t);

I_{j0} - the value of I_j in the reference year (t_0).

The emissions of greenhouse gases are those gases the emitted naturally or artificially lead to the overheating of the atmosphere. The main kinds of greenhouse gases are emitted by some specific processes: carbon dioxide (CO_2), Sulph biocide (SO_2), Nitrogen oxides (NO_x), methane (CH_4) and Sulph hexafluoride (SF_6). Beside this kind of gases, the European directives regarding the environmental impact also limit the dust (http://ec.europa.eu/environment/index_en.htm, 2013).

For describing the competitiveness of a sector of a certain industry in the context of sustainable development, the following indicators have been selected:

$$ges_k = \frac{GES_k}{PIB_k} = \sum_{i=1}^5 \frac{GES_{kj}}{PIB_k} \left[\frac{\text{tone}}{UM} \right] \quad (2)$$

$$ges_{kr} = \frac{GES_{kr}}{PIB_{kr}} = \sum_{i=1}^5 \frac{GES_{krj}}{PIB_{kr}} \left[\frac{\text{tone}}{UM} \right] \quad (3)$$

where,

$j = \overline{1, 5}$ - corresponds to the 5 greenhouse gasses mentioned above $\text{CO}_2(1)$, $\text{SO}_2(2)$, $\text{NO}_x(3)$, $\text{CH}_4(4)$ $\text{SF}_6(5)$.

The energetic intensity is defined as the necessary energy quantity for producing one unit of GDP (<http://businessday.ro/01/2011/intensitatea-energetica-sau-de-ce-economia-romaneasca-nu-este-competitiva/>, 2011). This indicator reflects the economy's sectors and subsectors efficiency. Therefore the energetic intensity is calculated as:

$$w_k = \frac{W_k}{PIB_k} \left[\frac{tep}{UM} \right]; \quad w_{kr} = \frac{W_{kr}}{PIB_{kr}} \left[\frac{tep}{UM} \right]; \quad (4)$$

where,

(W_k, W_{kr}) - the energy consumed in sector „k” (W_k) and in the „r” industry of „k” sector (W_{kr});

tep – tones equivalent oil (unit of measure for energy).

Sustainable energy’s share in the total primary energy is the share of sustainable resources out of the total primary energetic resources used at the analyzed level (national economy, sector, industry). The energetic resources are structured in two categories: exhaustible energetic resources (REE) and sustainable energy resources (RER). Using Exhaustible Energetic Resources has a negative impact over the environment, by the greenhouse gasses emissions and harmful dust, whilst the Sustainable Energy Resources have a lower environmental impact. The indicator will be expressed as it follows:

$$I_k = \frac{W_{REk}}{W_{REk}} = \frac{W_{REk}}{W_{REEk} + W_{REk}} [u.r] \quad (5)$$

$$I_{kr} = \frac{W_{REkr}}{W_{REkr}} = \frac{W_{REkr}}{W_{REEkr} + W_{REkr}} [u.r] \quad (6)$$

where,

(W_{REk}, W_{REkr}) - energetic resources primary energy (RE) used in sector „k” and in industry „r” of sector „k” [tep];

(W_{REEk}, W_{REk}) - REE energy and RER in sector „k” [tep];

(W_{REEkr}, W_{REkr}) - REE energy and RER energy in industry „r” of sector „k” [tep].

The indicators (I_k, I_{kr}) can be calculated also as a percentage [%]. Therefore:

$$I_k = \left(\frac{W_{REk}}{W_{REk}} \right) 100 [\%] \quad (7)$$

Waste recycling performance

Along the indicators used to describe the sustainable development level we can find indicators that refer to the waste. So, at the third level we consider the following indicators (http://strategia.ncsd.ro/docs/indicatori_eurostat.pdf, 2013):

- Radioactive products stock (theme 5);
- Treating household waste (theme 6);
- Generating dangerous waste on economic activities (theme 7).

Waste recycling performance is a synthetic indicator that reflects the waste recycling degree, or the share of total waste generated by a sector or industry that is recycled. In assessing this indicator we do not refer to the complexity of the recycling technology, the reuse and storage of the recycled waste. So according to its definition, we can also state that:

$$I_k = \frac{DR_k}{TD_k}$$

$$I_{kr} = \frac{DR_{kr}}{TD_{kr}} \quad (8)$$

where,

(DR_k, DR_{kr}) - the quantity of the recycled waste in sector (k) and in industry (r) of sector (k)[tone];

(TD_k, TD_{kr}) - the total quantity of waste produced in sector (k) (TD_k) and in industry (r) of sector (k) (TD_{kr}) [tone].

3. Results obtained

Describing the industrial competitiveness without considering its environmental impact is unrealistic according to the perspective of sustainable development strategies (EU and Ro) and also according to the main impact of the industry over the environment (figure 1).

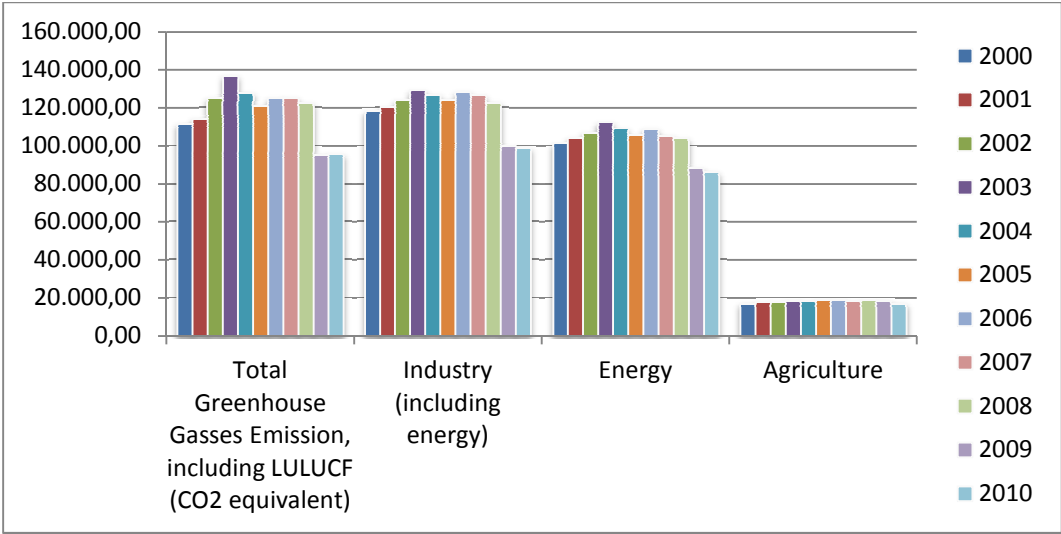


Figure no 1. Greenhouse Gas Emissions at economic sectors level in Romania [thousand tonnes]

Source: Author’s representation relying on INS data bases information

The above figure reflects the greenhouse gas emissions structured on each sector of economy over the 2000 – 2010 period in EU27. It can be noticed that the highest level of greenhouse gas emissions is registered in the industrial sector, followed by the energetic sector and agriculture.

The energetic intensity in Romania is still higher than the EU27 average (Figure 2) that states a lower efficiency of the energetic processes in Romania compared to EU27.

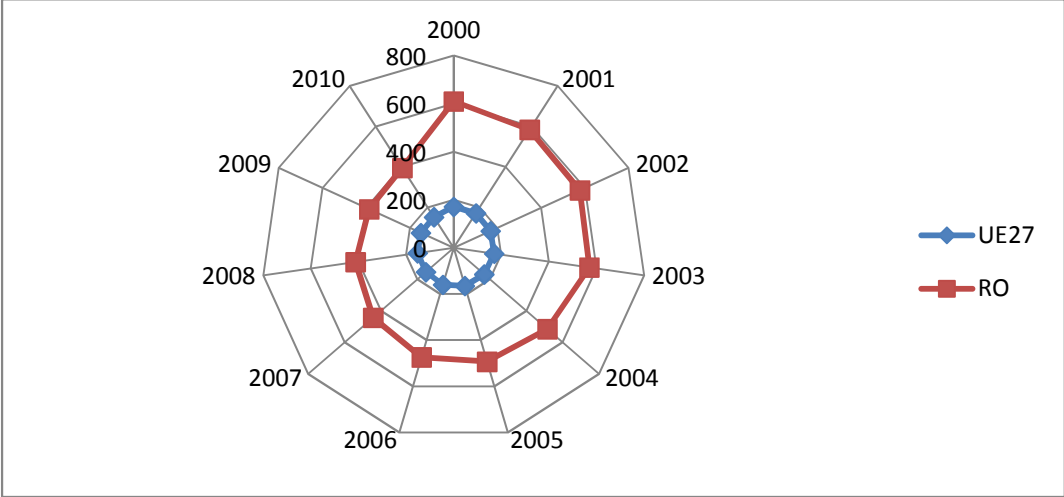


Figure no 2: Energetic intensity evolution / total economy (UE27 and RO)[kgEP/1000€]

Source: Author’s representation relying on INS data bases information

When referring to energetic efficiency, we think about the efficiency of the energetic processes. We can also notice the difference between EU27 and Romania, from the beginning of the analysis, a difference that reduces and doubling it’s value in 2010. The most important thing for Romania is that the energetic intensity value registered in Romania has reduced constantly, showing the utility of investments made in the modernization of processes and technologies in the industry. And the most important aspect is the continuous investments in raising the energetic efficiency, thus reducing the value of this indicator, at least at EU27 level.

Regarding the sustainable resources share in the total primary energy, Romania is more efficient compared to the EU27 average (Figure 3).

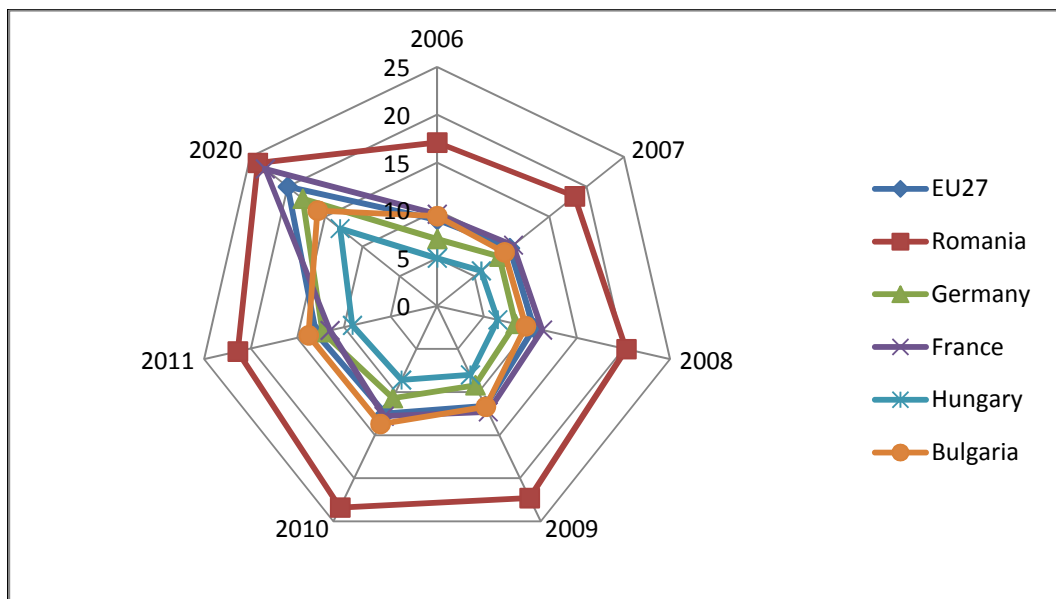


Figure no 3. RER share in the final energy consumption

Source: Author's representation relying on EuroStat data bases, IDD

As mentioned above, regarding the RER share in the final energy consumption, Romania exceeds not only the EU27 average, but also every country that was compared to. This fact is satisfying, but is not enough to state that Romania is the biggest sustainable energy provider nor the country with the biggest green energy consumption. Considering that we used the percentages, it is important to see Germany's total energy consumption compared to Romania. At macro level it is important to mention that all the analyzed countries have fixed a higher target for 2020, that reflects again the EU's orientation to alternatives to environmental beneficial effects.

Another indicator that reflects competitiveness in the sustainable development conditions is „waste performance”. Figure 4 reflects the waste generated by the economic sectors in EU27 and Romania.

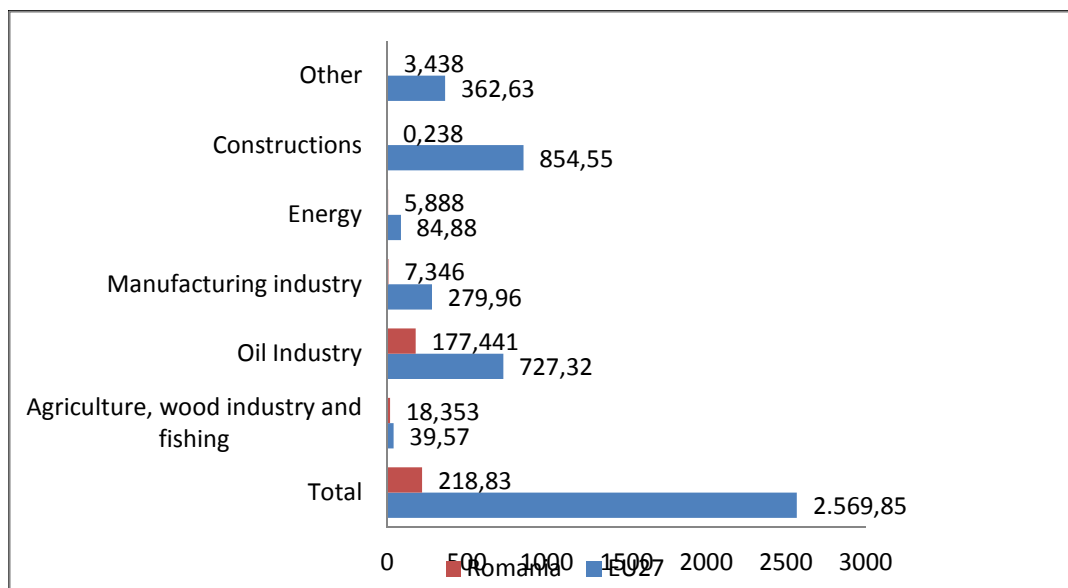


Figure no 4: Waste generated by economic sectors for Romania and EU27 [Mil tones]
Source: Author's representation relying on information published by EuroStat Yearbook, 2012

Regarding this indicator, Romania is under the EU level, in the energetic industry sector, agricultural sector and construction sector. If we refer to the average value of EU 27, we can notice that Romania exceeds the EU average. There are two sectors that need a detailed analysis. The agricultural, wood industry and fishing sector in Romania is 18 times higher than EU27 average, and reflects Romania's delaying degree. The major difference between the EU27 average and Romania can be also noticed in the Oil Industry. Romania must take severe actions immediately regarding this indicator. An important aspect to be mentioned is the relative level of generated waste (tones / pers) for EU27: 5,14 tones /pers and for Romania 11,52 tones / pers.

4. Conclusions

According to the criteria for selecting the independent competitiveness indicators (simplicity, relevance, concreteness and availability of information) it is recommended to use the following indicators to describe the impact on the environment: total greenhouse gasses emissions, energetic intensity, sustainable energy resources share out of the total primary energy, waste recycling performance.

The above mentioned indicators are suitable for describing the static and also the dynamic sector competitiveness and subsector competitiveness of the national economy. For all the mentioned indicators, this article presents the actual value calculation and also the time evolution rate calculation.

The conducted analysis reflects the following:

Romania's energetic intensity is higher than the EU 27 average, but it has reduced in the past 4 years;

In Romania, the RER share in the final energy consumption is higher than in EU27;

Waste recycling performance is lower in Romania compared to EU27;
The share of environment utility products out of the total exports volume is 3 times lower in Romania, compared to the EU27 average.
To sum up, Romania's position regarding the environment pillar of sustainable development is better than the one regarding the economic pillar of sustainable development, meaning that Romania has a competitive advantage regarding the revaluation degree of RER and the relative level of greenhouse gasses emissions.
Romania also has a limit compared to EU27 average, regarding the energetic intensity and waste recycling degree.

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INDICATORS FOR SUSTAINABLE MANAGEMENT OF NATURAL RESOURCES IN THE CONTEXT OF CURRENT CRISIS

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Abstract: In the context of current crisis, have been proposed a number of strategies for the sustainable development of society, especially due to the negative impact of mankind on nature. On this basis, it was promoted and applied the concept of sustainable management of natural resources. Through this study we performed a retrospective review of previous research and we presented the boundaries in the area, on which we have established the objectives of this work, namely, creating a general definition of sustainable management of natural resources, presenting the importance of natural resources and establishing a set of indicators that could be taken into account by decision makers in all their activities. This paper presents 56 economic, social and environment indicators for which has been assigned a degree of importance. The limit of this research is the subjectivity in establishing the indicators and the degrees of importance. In conclusion, sustainable management should be promoted and applied because the population is growing, resources are limited and the existence of future generations is questionable.

Key words: economic, social and environmental crisis; indicators; natural resources; sustainable management.

JEL Code: O13, Q5.

1. Introduction

Sustainable management of natural resources has emerged due to the need to apply the actions required by the sustainable development, which takes into account the economic, social and environmental issues. MMDR (2008) Sustainable development is a concept supported and implemented worldwide. It was promoted heavily after 1980 when it became known outside the experts' circle due to the United Nations, which started its promotion on a global scale through the Brundtland Report. Steurer et al. (2005); UN (1987) Previous studies do not provide a clear definition of sustainable management of natural resources, but, rather, definitions of various forms of this type of management, such as: sustainable forest management, sustainable water management, sustainable land management. MCPFE (1993); Bouma (2002) At the same time, does not exist a set of

general indicators for the sustainable management of natural resources, but are studies that presents various forms of criteria and indicators for sustainable management of a specific natural resource. Wolfslehner et al.(2005); Richter et al.(2003); Bouma (2002). Therefore, the objectives of this research are: developing a general definition of sustainable management of natural resources, presenting the importance of natural resources in the current crisis and establishing a set of economic, social and environmental indicators relevant in the field of sustainable management of natural resources. Of course, these indicators must allow a holistic comparison and evaluation of sustainable management of resources, which should be supplemented by specific studies on every resource in part. These objectives were achieved through the use of national and international statistical data to which was applied a number of criteria of extraction of only those data that were considered to be relevant to what we have proposed through this study. Therefore, we propose indicators for a holistic sustainable management of natural resources of an area, country, region, in this way allowing the establishment of some basics in decision making. Certainly this study has limitations, namely: subjectivity in establishing the criteria for analyzing key indicators relevant to sustainable management of natural resources and the fact that these indicators have not been yet tested in practice. Also, another limit consists in the number of the indicators considered as a set in the analysis. Are these enough? As they are more, the analysis is much relevant and, therefore, the taken decision will be more effective. However, to overcome these limitations is required the application of decisions based on this set of indicators at the strategic level for a long period of time, to take into account other indicators not considered in this study and, afterwards, to assess the effectiveness of each taken decision in the field of natural resources management.

2. Sustainable management and the importance of natural resources

By publishing the Brudtland Report in 1987, is placed a great emphasis on natural resources and, so, is dedicated a chapter of their importance in the sustainable development. It also brings into question the economic value of natural resources and of ecosystems which actually contributes to increase social welfare value, which exceeds billions of dollars each year. UN (1987) If natural resource management refers to the application of scientific knowledge in environmental resource management (Rist et al., 2007), then we consider that sustainable management of natural resources represents natural resources management by keeping in mind all the social, economic and environmental aspects, as well as, an active, fair and interdisciplinary involvement from all stakeholders. This concept takes into account setting targets and actions in the field, which contribute to the transformation of outdated regulations and institutions in the ones that aim sustainable development. Some specialists, as Rist et al. (2007), Muro and Jeffrey (2008), believe that sustainable management of natural resources, as a concept, should be replaced with sustainable governance of natural resources, because the latter puts more emphasis on communication and consensus between different actors involved in the decision process regarding the use of natural resources and, therefore, is a process of social learning, in which are involved a number of experts, professionals, politicians and other local actors who bring their contribution both scientific and non-scientific. However, we do not believe this, we think rather that sustainable management of natural resources should not be changed since we act in the context of sustainable development, but its application should be. To achieve an effective sustainable management of natural resources, specialists and experts in the field of environmental economics, such as

Carpenter et al.(2009), Hanley and Spash (1993), are continuously involved in research of holistic assessment methods of natural resources, namely the assessment of economic, social and environmental characteristics. But, so far they failed to reach a compromise on the use of a common method in assessing natural resources to allow a better comparison at the level of human societies in terms of space and time, this also because no assessment method is accurate due to the complexity of the social and environmental effects. To emphasize the importance of natural resources in a sustainable development perspective, we start from the most common classification of natural resources in economic terms. Thus, in the context of sustainable development, we believe that the most general and most useful classification from an economic point of view, which reveals otherwise the importance of resources in economy and is presented by various experts, such as Bran et al.(1996), is the distribution of natural resources in three categories: limitless resources, exhaustible renewable resources and exhaustible non-renewable resources. Firstly, according to the classification made above, the importance of a resource is given by its physical existence in nature, by the fact that policy makers need to manage that resource with greater efficiency, but also by reducing its use. Secondly, the sustainable management of natural resources is requested for food security and safety, which must be ensured in the context of global population growth and limited resources. We could say that the problem of resource scarcity underpins the economy, because these actually support human activities and therefore life on Earth. Also, natural resources can be used in production or as regulatory elements in an ecosystem or for the pursuit of leisure activities (Ioan et al.,2009), thus they have a role in raising living standards. Also, this type of management should be practiced to mitigate climate change progress. For example, forest resource has a major role in mitigating climate change primarily due to the fact that contributes to reducing greenhouse gases by absorbing CO₂. Therefore, in the context of economic, social and environmental crisis, that is still increasing, decision makers should propose and implement concrete measures of sustainable management of natural resources and also should achieve their assessments in time and space.

3. Setting the main economic, social and environmental indicators relevant in sustainable management of natural resources

Since 2008, worldwide was heavily manifested the economic crisis, which led to a reassessment of economic, social and environmental aspects. We believe that all these issues should be viewed in terms of the crisis that is present from the twentieth century and for which must be found viable solutions that allow to develop both countries and human communities and the conservation and protection of natural capital. Currently, at global level, exist strategies and policies that have the purpose of sustainable management of each resource in part, but these are still poorly implemented. We also believe that in assessing natural resources is a lack of a general set of indicators, which could take into account the sustainable management of natural resources as a unitary whole. So, we propose a general criterion to establish this set of indicators, depending on the type of the system on which sustainable natural resources management acts: economic, social, environment and more specific criteria which can apply to environmental indicators. From this point of view, in Table no.1, Table no.2 and Table no.3, we proposed a set of economic, social and environmental indicators for sustainable management of natural resources, which we consider vital to any economic analysis of natural resources and also for the welfare of an

economy. For each one of them, we established a degree of importance, which is subjective, but takes into account the practical aspects of each indicator.

Table no.1. Economic indicators developed for sustainable management of natural resources

No. Crt.	Name of the indicator	Unit of measurement	Degree of importance
1	GDP comparable prices (real GDP)	Millions Lei	High
2	Real GDP per capita	Lei/capita	High
3	Growth rate of GDP per capita	%	High
4	Annual consumer price index by category of goods	%	High
5	Average annual inflation rate	%	High
6	Energy dependence	%	High
7	The share of electricity from renewable sources in total electricity	%	High
8	Energy consumption per capita	Toe/capita	Medium
9	Electricity consumption in households	1000 toe or MWh	Medium
10	Net investments by national economic activities at section level and division, NACE	Millions Lei	Medium
11	Net investments achieved by source of funding	Millions Lei	Medium
12	Total expenditure on research and development as percentage of GDP	%	High
13	Trade balance FOB/CIF	Millions USD or Millions EURO	Medium
14	Balance of foreign payments by components	Millions USD or Millions EURO	Medium

Source: developed by authors based on data from Statistical Yearbook of Romania

The economic indicators influence the natural resources management through the possibility of attracting and using revenues in order to ensure sustainability. The first three indicators regarding GDP indicate the wealth of a nation and the welfare of population, which have a high importance in the sustainable natural resources management because take into consideration the investments, imports, exports, consumption reporting on market prices or on population and, as they are higher, it can be even more invested in promoting and implementing the objectives of this type of management. We considered a high degree of importance for the annual consumer price index and for the inflation rate because this indicators show the changes in the price levels of goods and services and, so, it is shown the evolution of the market based on natural resources. Therefore, is relevant to determine on what should be the focus in terms of decisions needed to be taken immediately. The degree of importance of energy dependence is considered high because shows the need of natural resources in an economy. This need is presented also by the energy consumption per capita and by electricity consumption in households, which are importante in the context of green economy that has a target among others also diminishing consumption. That is why the degree of importance for these two indicators is medium. The share of electricity from renewable sources in total electricity has a high degree of importance because resources are limited and must be encouraged the production and consumption of

renewable resources. We believe that the net investments have a medium importance in sustainable natural resources management because reflect the taken measures which are implemented by investment. The expenditure on research and development as percentage of GDP is very important because R&D is the promoter of an economy. The last two economic indicators, trade balance and balance of foreign payments, have a medium degree of importance because must be considered the way of using natural resources.

Table no.2. Social indicators developed for sustainable management of natural resources

No. Crt.	Name of the indicator	Unit of measurement	Degree of importance
1	Index of income inequality	-	High
2	Unemployment rate	%	Low
3	Literacy rate	%	High
4	Graduates by level of education and area of residence	No.persons	High
5	Degree of covering the population with access to sanitation services	%	High

Source: developed by authors based on data from Statistical Yearbook of Romania

The social indicators influence the natural resources management through the possibility of attracting and using the knowledges of population, the acceptance of new by the population and the standard of living of population in order to ensure sustainability. The four indicators with a high degree of importance are required to be taken into account in analysis because of the impacts that might be generated by decisions taken in favor of sustainable management of natural resources. So, this indicators show the understanding and opposing of population upon taken decisions and also the access or not to services.

In the case of the unemployment rate, we considered that has a low degree of importance because for Romania this indicator is irrelevant due to the fact that it does not reflect the reality since the number of registered unemployed is not real due to the implications of rural population, such as: not declaring unemployment or the lack of job.

Tabel no.3. Environmental indicators developed for sustainable management of natural resources

Type of indicator	No. Crt.	Name of the indicator	Unit of measurement	Degree of importance
<i>Indicators of biosphere</i>	1	The diversity of species	No. species/ unit area or No. species / habitat type	Medium
	2	Endangered species	%	Medium
	3	Index of abundance of common bird populations	-	Medium
	4	Rates of change in dominance of wild species compared to the domestic species	-	Medium
	5	Share of cultivated species	%	Medium

	6	Labor volume from agriculture	1000 annual work units	Medium
<i>Indicators of hydrosphere</i>	7	Water resources provided according to the degree of arrangement, by water resources	Millions cubic meters	High
	8	Quality of surface waters by quality class	Km	High
	9	The amount of water supplied to consumers	Thousands cubic meters	High
	10	The capacity to produce drinking water	cubic meters/day	High
	11	Share of fresh water taken in total water resources	%	High
	<i>Indicators of lithosphere</i>	12	Land area by use	Ha
13		Surface of protected areas	Ha	High
14		Share of ecologically cultivated surface in utilized agricultural area	%	High
15		The average yield per hectare for main crops	Kg/ha	Medium
16		Average yield of grapes per hectare	Kg/ha	Medium
17		Average production of fruits by tree species	Kg/ha	Medium
18		Average production per animal	Liter or kg or pcs	Medium
19		Forest area by type of land and forest species	Thousands ha	High
20		Wooden mass harvested from the forest	1000 cubic meters including rind	High
21		Annual net growth of standing timber	1000 cubic meters including rind	High
22		Primary energy resources by sources and types of resources	Thousand tons or thousand toe or millions kWh	High

<i>Type of indicator</i>	No. Crt.	Name of the indicator	Unit of measurement	Degree of importance
<i>Indicators of atmosphere</i>	23	Total emissions of greenhouse gases	Thousand tons	High
	24	Emissions of GHG emissions by sector	Thousand tons	High
	25	Total emissions of particulate matter	Kilotons	High
	26	Population exposure to air pollution by particulate matter	-	High
	27	Account of air pollutant emissions by NACE activities	Giga grams (thousand tons)	High
	28	Consumption of bio-fuels in transportation	Thousand toe	Medium

	29	The intensity of greenhouse gas emissions in energy consumption	thousand tons equivalent 50CO ₂ /thousand toe	High
<i>Other environmental indicators</i>	30	Resource productivity	thousands Lei in 2000 prices/ tonne	High
	31	Domestic consumption of materials, by types of materials	tons	High
	32	Domestic material consumption per capita	tons/capita	High
	33	Collected municipal waste per capita	Kg/capita	High
	34	Municipal waste recycling rate	%	High
	35	Environmental protection expenditure by NACE activities	Lei	High
	36	Environmental protection expenditure by environmental areas	Lei	High
	37	Agri-environmental indicators	Ha or kg of active substance	High

Source: developed by authors based on data from Statistical Yearbook of Romania, Eurostat and Ioan et al. (2009, p.24), 2013

The environmental indicators are the most numerous as sustainable natural resource management takes into account the obvious fact of protecting the nature in order to protect and/or use with responsibility the natural resources. So, we consider a medium degree of importance for the indicators of biosphere because all the species use in a way or another the natural resources and are linked with those through food chains. By extinction of species can occur major ecological imbalances, which later can lead to economic and social imbalances for humanity, and the purpose of sustainable development is to enable future generations to secure their needs. In what concerns the hydrosphere indicators, these have a high degree of importance because water resource is one of the basic resources necessary for survival of the planet living creatures. The indicators of lithosphere have a high and medium degree of importance depending on the general or specific character of the analyzed subject. These indicators are important in the context of ensuring food security and safety, as well as, of sustainable use of natural resources. Those atmospheric indicators with a high degree of importance were considered so because of the high impact of pollution on a global scale and because of the changes that might occur in natural resources availability. Withal, climate changes occur influencing all human activities and likewise biodiversity and environment. In establishing the environmental indicators we took into account also indicators for waste, environmental protection, resource productivity and agri-environmental indicators. These all have a high importance because in the context of limited resources and a sustainable management of natural resources must be forbidden the waste of resources, must be presented the efficient exploitation of resources, must be invested in environmental protection, must be presented the state of natural resources and based on all these issues must be implemented sustainable decisions in the management of natural resources. Finally, we considered all the economic, social and environmental indicators relevant for sustainable management of natural resources because must be taken and implemented decisions which first have to be analyzed to a macroeconomic level

while is satisfied the interdisciplinary character required by this type of management and then must be presented sustainable development scenarios based on those decisions.

4. Conclusions

Overexploitation of natural resources, population growth in the context of diminishing resources, impacts of increasing pollution on human health and on natural capital, increasing climate changes and increasing greenhouse gas emissions, are the current issues that require sustainable management of natural resources. In this paper, we defined this concept as representing the natural resources management by taking into account all the social, economic and environmental aspects, as well as, an active, fair and interdisciplinary involvement from all stakeholders and we presented the great importance of natural resources. We believe that their importance is given by the quantity of resources that exists in nature, by the need to ensure food security and safety in the context of population growth and limited resources and by the purpose of their use in supporting all human activities. Therefore, decision makers should apply sustainable management of natural resources and should base their decisions on the current situation and forecasts in this field through the use of a predetermined number of indicators. So, in this study, we established a set of 56 economic, social and environmental indicators which can evaluate the efficiency of sustainable management of natural resources. The choice of environmental indicators is obvious because the natural resources belong to the natural environment, but we have also taken into account the social and economic indicators because decisions in this field depend on as many as possible variables of the system. Of course, this research can be continued with an economic analysis of these indicators in the case of Romania, and then, with a comparative analysis of the application of these indicators in other states. Therefore, in sustainable management of natural resources, the relationship economy-human-environment has a vital role.

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EUROPEAN POLITICS IN ENERGY

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Abstract: Energy, a type of resource without which the civilized world cannot live and function optimally, has generated an immense level of interest. The depletion of the world's hydrocarbon reserves and the somber perspective that such a situation draws, but also the lack of confidence in the decisions related to the price of oil made by the *Organization of the Petroleum Exporting Countries (OPEC)*, decisions that could not be counterbalanced by the parallel oil stocks in New York (*NYMEX*), Singapore (*SYMEX*) and London (*IPE*) have led to an actually worldwide movement aimed both towards finding new deposits and/or the more efficient exploitation of the existing ones, and the more active involvement on the part of the major worldwide energy companies in developing new deposits and transport routes. A study carried out by the United Nations Development Programme shows that, at the current rate of exploitation, the energy reserves will be sufficient for another 45 years in the case of oil, 70 years in the case of gas and around 450 years in the case of coal. Each country has been constantly trying to reduce its dependence on hydrocarbon-based energy, in conformity with both internal politics and its actual possibilities, by introducing new sources such as liquefied petroleum gas (LPG) and solar or wind energy.

Key words: Energy; energy security; European politics; external energy politics; European security strategy.

JEL Code: N5.

1. Introduction

Even though it has been a well-known fact and not a rumor based on ignorance for quite some time now that burning fossil fuel leads to climate change and the whole world is making a significant effort to diminish the effects of hydrocarbon use, not to mention that alternative energy is becoming more and more popular and affordable, every country's economy is still based, for the most part, on oil and gas consumption. Thus, the share of necessary hydrocarbon in the developed countries' economies and societies is major, making it absolutely necessary to impose fast and viable solutions for ensuring the permanent availability of these very precious resources. The energy consumption per capita in the United States or Canada is 10-15 larger than the one recorded in Southern Asia, Africa or Latin America, more than twice the one in West-European countries and more than three times the one recorded for Central and Eastern Europe.

2. The European Security Strategy

In December 2003, the European Council adopted the *European Security Strategy (ESS)*. It established, for the first time, clear principles and objectives for promoting the EU's interests regarding security, based on the main values of the member states. This strategy has a broad approach and remains fully relevant. Ten years after adopting SES, the European Union assumes greater responsibilities than ever before. The EU remains an anchor of stability. Its expansion has spread democracy and prosperity on out continent, the Balkans have changed for the better, the EU neighborhood policy has created a strong framework for relations with the partners in the South and East, gaining a new dimension from the Union for the Mediterranean and the Eastern Partnership. Since 2003, the EU has made increasingly significant changes regarding handling crises and conflicts in places such as Afghanistan or Georgia. Despite all this, twenty years after the Cold War, Europe still is facing more and more complex threats and challenges. Globalization has created new opportunities but has also lead to more complex, interconnected threats. European society – like the information systems and energy supply – is more vulnerable. Global warming and environmental decay modify our planet's appearance. Moreover, globalization accelerates the changes in power and brings out the value differences. The financial crisis destabilized both developed and developing economies. *The report on applying the European Security Strategy*, adopted by the European Council in December 2008, consolidates and completes the ESS by identifying and approaching new threats to the Union's security, one of the most important ones being energy security. The concerns related to energy dependency have multiplies in the last years. Decreasing production in Europe means that, by 2030, up to 75% of the necessary oil and gas will have to be imported. These will be supplied by a limited number of countries, many of which are facing stability-related threats. As a result, the European Union is facing a series of challenges in terms of security, which require the responsibility and solidarity of every member state. The answer to these challenges must be an energy policy from the EU which combines internal and external dimensions. The Joint Report of the High Representative and the Commission of June 2006 established the main elements. In Europe, a more unified, interconnected energy market is required, paying special attention to the more isolated countries and the crisis mechanisms used to solve the problem of temporary disruptions in supply. It is also necessary to diversify fuel, suppliers and transport routes, together with good governance, respecting the rule of law and investing in source countries. UE's policies support these objectives through the commitment to Central Asia, Caucasus and Africa, and through the Union for the Mediterranean and the Eastern Partnership. Energy represents a major factor in the relations between the EU and Russia. Our policy should take into account transit routes, including those through Turkey and Ukraine. Together with the partners, including China, India, Japan and the USA, the EU must promote renewable energy sources, low-carbon technologies and energy efficiency, but also transparent and well-regulated world market.

3. Components of European politics in energy

The European Council of March 2007 set the following objectives for the European energy policy: increasing supply security, ensuring the competitiveness of the European economies and the availability of affordable energy, while promoting a durable

environment and fighting against climate change. The '*O politică energetică pentru Europa pentru perioada 2007-2009*' ('An Energy Policy for Europe for the 2007-2009 Period') plan adopted during this event contains numerous measures that contribute, directly or indirectly, to the objective of energy security. More so, it is essential to ensure the adequate implementation of this objective, since the actions decided upon on this day would contribute, on a long-term basis, to surpassing the difficulties related to the progressive depletion of certain fossil fuels. On May 23rd 2013, during the European Council, it was stated that "*In the current economic context, we must mobilize all our policies in supporting competitiveness, jobs and economic growth. In this sense, supplying our economies with durable and affordable energy is crucial. That is why the European Council convened today upon a new series of orientations in four fields that, together, should allow the European Union to stimulate its competitiveness and respond to the challenges represented by high prices and costs: urgently finalizing an internal, interconnected and fully functional energy market, facilitating the necessary investments in energy, diversifying Europe's energy supply and improving energy efficiency*".

Externally, the European Union must identify common messages in order to address large producing countries and transit countries, while aiming to diversify the sources and its supply routes. It is important that the Union and its member states find a common form of expression with third parties regarding energy-related problems. Internally, it must promote proactive policies to save energy, to efficiently produce and progress towards a unified and solidary energy space, especially improving the fluidity of exchanges. The energy and raw material resources are, in general, limited and unequally spread on the surface of the planet. There is a law regarding resource scarcity, which stated that the volume, structures and quality of economic resources and goods change at a slower pace than the volume, structures and intensity of human needs. The spectrum of energy depletion for the following years caused an important part of external and power policies to become concerned with the accessibility of ducts and terminals, future energy transport routes and partnerships (Nicolae Dolghin, Geopolitica. Dependentele de resursele energetice). These policies had to also take into account: identifying the most efficient ways of using hydrocarbons, the possibility of substituting them, and diminishing environmental imbalances caused by the exploitation, conditioning, processing and usage of resources. The various major initiatives that have been already launched will significantly improve energy security in the European Union. It is especially the case of the community plan for energy efficiency, adopted in late 2006, which aims to improve energy efficiency by 20% until 2020. Similarly, the climate/energy package will facilitate the development of energy sources low in carbon dioxide emission, which allows the European Union to limit fossil fuel consumption. A transparent and competitive functioning of the internal natural gas and electricity market is essential for transforming Europe into a unified and solidary energy space. In the end, applying the European strategic plan regarding energy technologies (the SET plan) will encourage the diversification of energy sources. What is more, the objective of improving European energy security, which is part of the IPEEC recommendations regarding the necessity to reduce greenhouse effect gas emissions by 80% until 2050, must also incite member states to set, collectively, ambitious objectives regarding carbon dioxide-free electric energy production for the year 2050. Both on a short-term and long-term basis, improving energy security, which represents an essential part of the European citizens' protection, requires a double effort of responsibility and solidarity on the part of Europe and its member states:

responsibility, because each member state, voucher for its own supply security, must not only take all the national measures to protect itself against the risk of a disruption in supply , but also be prepared to contribute to possible solidarity measures; and solidarity, in the sense that every member state facing a sudden and temporary interruption of energy supply must be able to count on the other member states' and the Union's support. Only on this condition can Europe-wide solidarity mechanisms be established. In order to improve the energy security and solidarity of Europe, the EU has decided to apply, as fast as possible, concrete measures that concern energy efficiency, energy source diversity, visibility regarding energy supply and demand, solidarity instruments, infrastructure, and identifying common external policy messages in this field.

3.1. Energy efficiency

Improving energy efficiency is the main priority. This represents one of the most efficient means of consolidating energy security, and constitutes the keystone of our ambitious policy in the fight against global warming, while also improving the companies' competitiveness and reducing the consumers' energy bill. In 2006, The European Union set the objective of improving energy efficiency by 20% in 2020 and adopted a plan that must allow saving, over time, over 250 million tons petroleum equivalent (TPE) and reducing emissions by 780 million tons of carbon dioxide per year. This plan must be firmly applied, especially in the fields of construction and transport; for this purpose, the European Union should rely on the report regarding the best practices released by the International Energy Agency at the solicitation of G8. The 25 recommendations in this report could be taken into consideration in drafting measures that must be adopted at community and national level. During the European Council from Brussels, held on March 23rd 2013, it was stated that *“The measures regarding energy efficiency can contribute significantly to the reversal of the current tendencies in the price of energy and afferent costs. Applying the Directive regarding energy efficiency and the Directive regarding energy performance of building is of major importance. The commission will revise the Directive regarding ecodesign and the Directive regarding energy labeling by the year 2014, in conformity with technological advancements. The measures and programs referring to energy efficiency must be promoted on all levels.”* Concerning the security of energy supply, UE expects that its dependence on imported natural gas will rise from the current 57% to 84% in the year 2030 and on petrol from 82% to 93% for the same period. The EU is becoming more and more exposed to the instability and rise of prices on the international energy markets, and also to the consequences of hydrocarbon deposits being gradually monopolized by a small number of holders. The possible effects are significant: for example, in case the price of oil rises to 100 USD/barrel in the year 2030, the energy import to UE-27 would cost around 170 billion EUR, which signifies a value of 350 EUR/year for every EU citizen (Romania's energy strategy for 2007-2020).

3.2. Energy diversity

Energy diversity, along with a well-interconnected, essentially contributes to energy security, not only through the fact that it prevents the rise in the level of the European Union's dependency, but also because it ensures a greater elasticity/reactivity in case of supply disruption or network accidents. Beyond their part in the fight against global

warming, non-fossil fuels play a very important role in this sense. The ambitious objectives related to renewable energy will allow a significant increase in the weight of indigenous sources: applying them must facilitate the development of complementary technologies, in order to raise the reaction capacity of the Union against the risks of supply disruption. Gros and Pearl define renewable energy as being “an energy source completely dependent on natural processes” (Grosh K. Tushar, Pearls A. Mark, *Energy Resources and Systems, Volume 1: Fundamental and Non-renewable Resources*). Developing renewable energy sources will also give the European Union competitive advantages and, as a result, allow ensuring jobs and incomes. Also, it is necessary to develop technologies that allow the durable use of Europe’s fossil resources. To maintain resource and technology diversity, it is opportune that the member states maintain a high level of competence and qualification in all these sectors. Europe’s energy policy will fully respect every member state’s liberty to choose its own energy mix. The World Energy Council presented various situations that allow future energy requirements and focus on economic growth, the technological process, protecting the environment and international ethics. Acknowledging the importance of developing a non-polluting energy sector, global investments in renewable energy have increased in recent years from 39 billion dollars in 2005 to 55 billion dollars in 2006 and 100 billion dollars in 2007, with further growth expected. According to a European directive, member states must gradually hybridize traditional fuel used in biofuel transport so that, by 2020, biodiesel will represent 20% of liquid fuel on the market (Antal Cornel (coord.), *Utilizarea durabilă a resurselor regenerabile de energie. Energia neotermală*).

3.3. Energy supply and demand

In order to facilitate investments and start a common and solidary action in the field of energy security, the information exchange regarding the long-term and short-term needs and resources is essential. The transparency of oil and natural gas stocks must be increased: since commercial oil stocks are discussed, it is essential that Europe fully contributes to the good functioning of the oil market, aligning its transparency practices with those of the United States and Japan. Beyond these measures, it is necessary to create a common vision on the future of energy, in order to analyze the short term and medium-term risks and to evaluate the investments that must be made in Europe. The Commission, whose Energy observer already offers detailed information on the production and use of the member states, should draft an estimative energy balance sheet regarding oil, natural gas and electricity, based on specific data from every country. Ensuring the quality of this information requires intensifying the dialogue between the public and private sector. There is a relation of interdependence between energy supply and economic growth. The development of the energy sector must be correlated with society’s needs. The International Energy Association (IEA) predicted that the energy consumption in Latin America and Africa will increase by 68% between 1997-2020 and the dependence on energy import will also continue to rise (United Nations, Guidebook on Promotion a Sustainable Energy Consumption: *Consumer, Organizations and Efficient Energy Use in the Residential Sector*). In the period between 1990 and 2008, the quantity of energy per capita calculated, worldwide, registered a 10% increase and the world population rose by 27%, which means a total increase of 39%. The largest increases were registered in: the Middle East – 170%, China – 146%, India – 91%, Africa – 70%, Latin America – 66%, USA – 20% and EU-27 – 7%.

3.4. Solidarity mechanisms

The existing oil stock legislation already existent in member states that are part of the IEA are the subject of a similar mechanism, but not completely consistent with the one applied in the Union. The two mechanisms function adequately, but their consistency should be increased. The legislation regarding natural gas supply security especially contains optional dispositions, for example regarding cross-border storage or cooperation. To efficiently combine solidarity and responsibility, it would be useful to establish a mechanism in which every member state can provide its own security margins that will allow the release, in case of emergency, of a certain percent of its peak consumption, either through stocks or by increasing production or import, or lowering consumption. Defining the technical procedures of carrying out this commitment would be the responsibility of each member state. In case of a supply crisis in one or more member state, this mechanism would be applied in the community, while respecting the usual market principles and procedures.

3.5. Infrastructures. The external component

A European energy security and solidarity policy requires adequate networks and infrastructures. This represents one of the main aspects of the third package regarding liberalizing gas and electricity which provides establishing a plan for European development of transport networks, introducing technical codes for the harmonization of network management networks in the European Union, but also many dispositions that will result in promoting the development of necessary infrastructures. Also, it is indispensable that the renewable energy flux can be integrated in the European network in a safe and reliable manner, referring especially to the important future offshore wind power capacities.

The energy-related challenges that Europe must face require a coherent external policy in order to allow it to play a more efficient international role in approaching the problems of energy partners of the whole world. A coherent external policy is essential for a durable, competitive and reliable energy supply. It would represent a break from the past and would show the member states' commitment to search for common solutions for common problems. The first step is reaching an agreement at community level regarding the objectives of an **External Energy Policy** and regarding both community and nation-wide actions necessary for reaching these objectives. Carrying out the infrastructure projects is firstly based on private initiative and financing, which requires that those projects are profitable enough. As a result, all the means of financing these infrastructures, including through long-term contracts or community financing, must be the subject of an evaluation. Also, the regulatory framework plays a fundamental role in the private players' decisions regarding investments; thus, the third package regarding the liberalization of gas and electricity places energy security among the general objectives that must be sought by national regulatory associations. The '*O politică energetică pentru Europa*' ('*An Energy Policy for Europe*') plan set a series of orientations regarding the external action priorities of the European Union, on the one hand, by expanding the principles of the internal gas and electricity market into neighboring countries and, on the other hand, by developing a balanced and constructive dialogue with all its partners in energy, whether these are main suppliers, transit countries or great consumer countries. In the context of cooperative

dialogues and measures, developing mutual knowledge of available resources, investment intentions and demand evolution represents a crucial element for the long-term security of the European Union. Improving energy efficiency everywhere in the world is the main long-term means of ensuring the European Union's energy security, contributing to the balanced and controlled management of resources. For this purpose, the new International Partnership for Energy Efficiency Cooperation (IPEEC) will play a key role. Consolidating the partnership with the countries in the Energy Community and the neighbor states of the European Union significantly contributes, by transferring the community *acquis* in the neighboring regions, to the consolidation of energy security. It must facilitate the development of interconnections and unifying the natural gas and electricity markets in South-East Europe and the Mediterranean region.

4. Conclusions

The weight of the necessary quantity of hydrocarbons in the economies and societies of developed countries is major, making it absolutely necessary to impose fast and viable solutions to ensure the availability of these very important resources. The energy consumption per capita in the United States or Canada is 10-15 larger than the one recorded in Southern Asia, Africa or Latin America, more than twice the one in West-European countries and more than three times the one recorded for Central and Eastern Europe. The dependence on hydrocarbon import is a very eloquent element, one that can lead to a better understanding of the global situation. Thus, the United States of America import between 60 and 70% of their necessary oil, the countries in the European Union (especially the West-European ones) imported 50% in the year 2001 and are estimated to reach 70% in 2015, and China will reach 10% of the worldwide demand for oil before 2020 and will match the United States of America in oil import before the year 2030. Besides, what can be observed among the problems raised by fewer and more expensive energy resources is the increasingly tough geopolitical game. The battle for energy will have fundamental consequences for the world economy (especially in the context of global economy), for the energy security of the United States of America, for the global role of Russia, for the future relevance of Saudi Arabia, but also on the Organization of the Petroleum Exporting Countries. Controlling energy means controlling its prices, which are extremely important in the new conjecture of global economy, and the way the current situation presents itself, it is very probable that they will rise.

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ENERGY SECURITY IN THE SPECTRUM OF SECURITY RELATIONS

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Abstract: For most, energy security means being insured in terms of resources, control of supply and distribution routes, and power alternatives. Generally, the concept is defined as “safe resources at an optimal price”, containing an issue that is much broader than the supply security – sustainability – competitiveness triangle. The existence and availability of sufficient resources represents a requirement without which the idea of security cannot exist. Any prolonged interruption of electricity supply damages economy, political stability, prosperity and the safety of citizens. The main aim of energy security is to ensure alternative power supplies, identify alternative transport routes, their security, and raising the share of alternative energies in the daily energy consumption. Energy independence thus becomes an utopia and this concept is replaced by Energy Interdependence. In the current geopolitical context, the basic principle of energy safety is complementarity.

Key words: The concept of energy security; Romania’s energy security; Ways to achieve the energy security; EU’s vision on energy security; NATO’s vision on energy security.

JEL Code: F5, N5.

1. Introduction

Energy security, together with food security, financial security, commercial security etc., is part of the broader concept of the issue of national and individual security, namely economic security. Reaching a certain level of security depends of the state’s ability to aggregate the resources on an internal level and earning or maintaining access to external economic resources (Kamila Proninska, *Energy and security: regional and global dimensions*, Disarmament and International Security, Oxford University Press, 2010, p. 216). For most specialists, energy security means being insured in terms of resources, control of supply and distribution routes, and power alternatives. Generally, the concept is defined as “safe resources at a reasonable price”, in other words, containing an issue that is much broader than the supply security – sustainability – competitiveness triangle. So, the existence and availability of sufficient resources represent a requirement of energy security.

The latest developments on the political scene and that of global economic relations have shown the importance of energy resources in a globalized world, one that still depends on a relatively small number of energy providers.

There is no doubt that any prolonged interruption of energy supply can significantly damage economic growth, political stability and the citizen prosperity of a nation. Therefore, the main aims of energy security are: to provide alternative supply sources and to identify routes (Daniel Yergin, *Ensuring Energy Security*, Foreign Affairs, March/April 2009, Vol. 86, No. 2, p. 70). The concept refers to the long-term security of access to

economic opportunities, markets and human, capital, energy, technology and education resources. However, the reality of the current period have shown that the main consumers should give up the utopia of energy independence and accept energy interdependence. The attitude towards energy security depends largely on the regional and global context and the position occupied in the economic circuit. So, consumers and energy intensive industries want reasonable prices and are afraid of supply interruptions. The major oil-producing countries consider demand security and income security essential parts of any discussion on energy security. The oil and gas companies state that the access to new reserves, the ability to develop a new infrastructure and stable investment regimes are critical elements in the process of ensuring energy security. Developing countries are vitally interested in the ability to pay for the resources necessary for economic growth and the shocks to the payment balance. The strong companies are concerned with the integrity of the entire grid. The decision makers' attention is focused on the risks of disruption of supply and infrastructure security, due to terrorism, conflicts or natural disasters. Similarly, political and economical factors pay much attention to overcapacity size, strategic reserves and infrastructure surplus. Therefore, along the economic circuit, the prices and supply source diversity represent critical components of energy security. A distinct role in the relation between the producer and the consumer is played by the intermediary, i.e. the state through which the energy vector passes. The intermediary aims to consolidate the economic advantages offered by this transit and, at the same time, establish the advantages in the political system of international relations. It is possible that, in the future, the role of intermediary will be taken on by the municipalities of transit states. From an optimistic perspective, the producer-intermediary-consumer relations might generate relations of interdependence which would constitute a solid support for solutions that would fortify security.

2. The dimension of security

The major players in the energy market have different views on energy security. For the USA, the term means, first and foremost, reducing dependency on the resources in the Persian Gulf. Europe can only have energy security on condition that the Russian Federation provides the necessary hydrocarbons, while the Russian Federation sees this as access to Western markets. For China, energy security means acquisitions and investments in the exploitation of African energy fields. Energy security is often seen as an « umbrella » that covers many concerns related to energy, economic growth and political power. Distinct, but overlapping dimensions of energy security, can be identified:

1. *the dimension of internal politics*, which refers to: investments in maintaining and developing energy infrastructure, intervention in case of energetic emergency, increasing energy efficiency, and orientation towards alternative energies.
2. *the economic dimension* aims for: clear rules for the functioning of markets, long-term contracts, source and route diversification, technical innovation in the field of energy.
3. *the geopolitical dimension* aims for: concerted action for securing the international energy resource trade, adopting a global legal framework in the field of transnational energy services, such as the Energy Charta Treaty of 1994 ; the tendency to nationalise deposits, infrastructure and energy corporations ; the necessity of strategic concepts and overall approaches, especially in the relations with fragile states.
4. *The dimension of security politics* is focused on close cooperation with states that are vulnerable to terrorist attacks on infrastructure or piracy, including information exchange,

training and debates on good practices. The major energy-consuming industrialized states should extend their commitment into the sphere of risk management abilities, responding to crisis and preparing military and police forces, either directly or with the help of the EU or NATO. These interdependent dimensions represent key elements of the process of ensuring the stability and security of energy supply. If appropriate multilateral measures are taken in good time, the negative impact of a possible energy crisis could be mitigated considerably. A sustainable energy security concept must bring together all these dimensions, starting from the economic and political aspects, to the entire spectrum of soft and hard instruments of security. A fifth *dimension*, is the *military* one, which is becoming an independent component of energy security, aside from the geopolitical one. It manifests itself internally in the defense policies of the most important players on the energy market, which aim to ultimately use military means to maintain vantage.

2.1. The characteristics of the security environment

The security environment is an integrative concept, which can be defined as the multidimensional space of historical, military, cultural, economic, institutional and geopolitical evolution that impacts human communities and, in the end, the person, as the subject and reference object of security; it includes both the zone where all the international players' areas of interest intersect and the one where the areas of influence overlap. The security environment has a complex structure, whose evolution depends on a multitude of national, regional and international factors. While during the Cold War the main threat to security, and implicitly to the security environment, was a potential nuclear confrontation, at the beginning of this century, the security agenda of the international players includes concepts such as: 'security of the individual', 'energy security', 'environment security' etc. The complexity of the international environment determines researchers to consider that nowadays "security cannot be analyzed in terms of political choice, of a state's capabilities and intentions, but the vulnerabilities, risks, dangers and threats to security have gained a systemic significance" (Alexandra SARCINSCHI, *Elemente noi în studiul securității naționale și internaționale*, Editura Universității Naționale de Apărare, București, 2005, p.5). A characterization of the security environment must start with a definition of security. There is a reason why we feel the need for such a thorough approach – and that is the great political weight of the concept of security, which impeded a unified approach and even its resolution. Renowned theorists in this field use redundant definitions such as "by 'security' we generally mean the absence of threats". To start, more elaborate definitions must be established:

- a. The security environment is a reality represented by the ensemble of political, diplomatic, economic, social, cultural, military, ecological and informational, both internal and international, conditions, processes and phenomena, which condition the level of protection of the individual, community, state, area, region etc., while promoting their own interests (Cristian Băhnăreanu, *Resursele energetice si mediul de securitate la inceputul secolului XXI*, Editura Universitatii Nationale de Aparare “Carol I”, Bucuresti, 2009).
- b. Security is a basic right of the human being. It represents a state in which the dangers and conditions that could cause physical, psychological or material damage are controlled in a manner that allows defending the health and well-being of the individuals and the community (Traian Pigui, *Securitatea economice si securitatea umana globala*, Colocviu Strategic, Nr. 10 (XXII), august 2004, - revista Centrului de Studii Strategice de Aparare si Securitate).

c. Oxford English Dictionary: Security is the condition of being protected from or not exposed to danger; a feeling of safety or freedom from absence of danger.

d. The Explanatory Dictionary of the Romanian Language (Dicționarul Explicativ al Limbii Române) defines security as "being sheltered from any danger; feeling of confidence and inner peace that one is given by the absence of any danger; protection, defense". In a recording released to the public right before the US presidential elections and authenticated by the CIA, Osama bin Laden gave the Americans notice: "Your security is not in the hands of Kerry or Bush. Your security is in your hands". It must also be noted that in 1991, at the NATO Summit in Rome, specialists decided on a five-dimensional approach on the concept of security: political, military, economic, social and environmental. However, after the energy crisis operated by Russia in the winter of 2005 and after the World Health Organization was forced to discuss the danger of a bird flu pandemic in the spring-summer period, it becomes more and more apparent that not even this five-dimensional division of the concept is nuanced enough and does not even completely cover the cognitive area delimited by this notion (Barry Buzan, *Popoarele, statele și frica*, Ed. Cartier, Chișinău, 2000).

3. Energy resources and economic power

The players of the international system, both governmental and non-governmental, approach the projects from the perspective of the concept of power. As a result, they have the tendency to seize as much as possible of this power's resources. Together with the military dimension, social stability, political coherence, economic growth, diplomatic influence, good functioning of institutions and adaptation to the dynamics of the security environment based on precise, timely and relevant information, energy is an important source of power. The flare in competition for energy resources was marked by the accusations made towards the US, claiming that the military operations in Iraq and Afghanistan are related to the American economy's thirst for energy. The crisis caused by Moscow in January of 2006, when Europe lost an important part of its natural gasses delivered by the Russian Federation, after Kiev refused to pay the high price that Gazprom was trying to set, only managed to state this tendency in very clear terms. Russia owns important natural gas resources. Together with the Middle East, Venezuela and Africa have oil-rich underground areas. The Middle East also holds important gas reserves. What all these areas have in common is the reduced economic growth, the democratic deficit and the fragility of state structures. The political heads of the states that own energy resources have the tendency to build their internal authority on control and their external influence on coercion. After the entirety of Europe was affected by Russia's decision to halt gas delivery to Ukraine, the subject of energy security was brought into discussion in the international community. The diversification and identification of new solutions for transport have become central themes of the debate. There were discussions on the security of the Black Sea, once a "Russian lake". In September 2005, at Stanford University, Traian Băsescu, the President of Romania, held a speech in which he stated that the Russian Federation treats the Black Sea like a "Russian lake", because it does not want to internationalize the problems in the area. Analysts consider that both the riparian states, and Georgia, Armenia and Azerbaijan are part of the Extended Region of the Black Sea and note that frontier-specific phenomena take place in the area (Dan Dungaciu, *Geopolitică și securitate la Marea Neagră – opțiunile strategice ale României și Moldovei*, in "Studii de Securitate"). Regarding this subject, the author makes a series of observations

that must be mentioned, even if only in a footnote: "*frontier* would signify, in the theoretical context used here, the dynamic aspect of a geopolitical evolution, respectively all the processes through which a historical expansion, a people, a civilization or an empire etc. manifests itself. The frontier, in terms of dynamism, triggers and maintains a wide range of spiritual or institutional processes, which we call *frontier processes*. The *border* is the static, stable aspect of a frontier's advancement. A frontier's advancement is fixed somewhere, on a border". Further, "*Such a frontier space is the Black Sea Region*. Nothing can be understood there if the advancement of the Euro-Atlantic frontier and the consequences that this advancement – and especially, the settlement of the artificial border on the Prut River – generate are ignored. Today, the Black Sea is, geopolitically speaking, a Euro-Atlantic border area". Project Nabucco, based on the gas supply in Azerbaijan, appears to be a solution to the regional energy security problems. 3,300 km long, with a capacity of 30 billion cube meters of gas, the duct was estimated at 5 billion dollars. But here, the frailness of the trust between the players in the international system manifests itself. Romania and Ukraine had a common problem when Russia cut back the gas distribution and Romania supported Ukraine in its attempt to resist the Russian Federation's blackmail. While visiting Romania in October 2007, the President of Ukraine, Viktor Iusenko, offered his country's support for the Nabucco energy project. Located in Ankara during the same period, the prime-minister of Ukraine, Viktor Ianukovici, assured Turkey regarding Kiev's support towards carrying out the same project. However, Turkey had announced that it may found a mixed society, in partnership with Iran or Austria, with the aim of delivering natural gas to European markets, using the Nabucco gas duct, still in the project stage. Discussions were carried out with both Austria and Iran, but there were no elements referring to founding a company. Let us note that, while Iran has the resource (oil), Austria has the distribution (the OMV network), and this significant contribution to Europe's energy security from Turkey might bring on a much more relaxed attitude in the Union regarding Turkey's adherence. After the explosions of some oil pipelines in Iraq caused significant fluctuations of the oil price, OPEC (Organization of the Petroleum Exporting Countries) took measures in order to stabilize the quote. The drop that followed was no a cause for concern among the members of OPEC. Saudi Arabia did not appear to be concerned due to the decline, while Damascus claimed that the market is functioning well, and that the recent measures for reducing production taken by OPEC are working. However, the price drop strongly affected Kremlin, where presidential elections were held in 2011. It must be noted that, from the late nineties (1997), the Russian Federation was advised to diversify their economy, in order not to remain a petrostate characterized by political instability, social upset and a weak functioning of institutions, at the mercy of the stock market game. In Nigeria, control over oil resources was taken over by Exxon Mobil, a multinational company, with hundreds of small subsidiaries, spread all around the world (thus built on the same principle as the Al Qaeda organization and spy networks). Before this, a tough, but secret battle took place for influence in the economy and authorities of this country. Still, Lukoil localized their interests in Algeria, the second biggest natural gas holder in Africa after Nigeria, while Gazprom attempted but failed to operate in Nigeria, being forced to withdraw, bot before, in December 2006, a bomb exploded in Port Harcourt, very close to the Agip and Shell headquarters. The following day, on the 19th, Shell announced their withdrawal from Sahalin. The areas of influence had been divided and everyone had a piece – the one they were capable of controlling. Beyond the political game, which is often even less subtle than play politics, in a certain context, Angela Merkel asked President Putin, with the typically Prussian lack of humor, to offer firm

assurance, if not even guarantee that he will not cause another energy crisis in Europe, after the Russian Federation had reduced the oil delivery to Kazakhstan. President Putin subsequently visited Alger, at the moment in which it was suspected that the aim was to create, alongside with a series of states that had once been under the influence of the Soviet Union, among which were some African states, a cartel similar to OPEC, whose status and objective provider would be the Russian Federation.

In June 2013, Romania was excluded from Project Nabucco because the company that operated the Şah Deniz (Azerbaijan) gas exploitation chose another export route towards Europe.

3.1. The relation between national security and NATO

If in the period of bipolarism, national security was carried out especially through its military dimension, presently, the dynamics of the international relations impose a process of rethinking of the concepts referring to national security and the practical attempts in order to carry them out, a necessity determined by the modification of the risk and threat configuration addressed to security and their perception. While not so long ago, the concept of security was associated with a limited set of factors, mainly military and territorial, presently it is imposed through a coherent system of components conformed to the systemic balance. Even the military domain of security represents itself deeply restructured, being included in the cooperation-dialogue-defense triad.

As a result, we consider the opinion of the Romanian specialists just ; they claim that obtaining a common vision of security is possible only by becoming aware of the fact that many of the current challenges are the result of common existing risks, threats and vulnerabilities, which require solutions of the same nature (Teodor Frunzeti, Vladimir Zodian (coord.), *Lumea 2007, Enciclopedie Politică și Militară*, Editura Centrului Tehnic-Editorial al Armatei, Bucureşti, 2007, p. 81).

The reference system of the security issues presently targeted consists of the major powers of the current international environment, respectively the United States, Russia, the European Union, China, India, Japan and the implications of their actions in the international environment. From this point of view, our analysis targets the behavioral and political changes, through the power, interests and perception of these great powers. Also, we consider this necessary, alongside underlining the tendencies in the security environment, because the adopted behavior and politics by these great powers can determine the creation, modification or replacement of not only the respective players' security strategies, but also those of the ones in their area of influence, generating at the same time, with the security dilemma as a background, changes on a global level, with direct and indirect implications in military actions. This issue in particular also affects Romania by default, both as a member of the European Union and of NATO, because, respecting the *principle of security complexes*, set by I.N. Sava, *the security of a group of states is so interdependent that one state's security cannot be analyzed without references to the others' security*. In the European perspective, taking into account the expansion of the European Union's territory, we can admit that security represents the systemic architecture specific to continental organization and functioning, designed and institutionalized in such a way as to exclude the possibility of any efficient threats or attacks of any nature towards one, more than one or all of the European states. In the area of NATO concepts, security is meant to ensure one of the indispensable bases for a stable Euro-Atlantic security environment, based on the growth of democratic institutions and the

peaceful resolution of disputes, in which none of the countries can intimidate or coerce another by threatening with force or by using force.

4. Conclusions

In conclusion, it can be stated that the modern world is currently affected by multiple background changes that remodel the entirety of the relations of interdependence based on which society evolves. The structural changes of humankind in recent years are generated by the active influence of two main phenomena:

- the emergence and development of regional economic arrangements;
- the deepening of the world economy's globalisation process.

Studies have shown that all global tendencies are very complex. This is the reason why unanimous and final estimations concerning the advantages and disadvantages of widespread phenomenon cannot be made. Frequent opinions, for and against, are expressed and argue the utility and impact of a tendency upon the respective era. It is certain that these phenomena exist, tend to amplify themselves, and the approach of the experts is to multiply the positive effects and limit the negative effects as much as possible. In this conjuncture, the European Union is not a solitary main player, as is supposed to be, because of the impediments that led to achieving a common energy policy. In such circumstances, every country member of the EU establishes and follows its own energy strategy, setting its own priorities and its own alliances. Thus, Romania, who imports half of its necessary energy every year, can play an extremely special part in the future European hydrocarbon transport structure, taking into account its favorable geographical position, but also the already existing infrastructure. Romania's current position in the global energy trade offers our country an important opportunity for durable and very fast economic and social growth.

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THE IMPLEMENTATION OF THE COMPETITION POLICY IN ROMANIA. CASE STUDY

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Abstract: The competition policy is one of the most important policies because maintaining a healthy competitive environment is essential for the proper functioning of a market. Fair competition can be maintained only by strict compliance with competition rules. The cartel and the abuse of dominant position are restrictive competition practices strictly regulated in Romania. This paper aims to analyze how the implementation of competition policy was achieved in Romania between 2001 and 2012. The research methodology used is the analysis of the competition law in the pre-and post-accession to the European Union, and the collection and interpretation of statistical data regarding the results of the Competition Council of Romania. The outcome of the research will result in underlining the way in which the competition policy was implemented in Romania between 2001 and 2012, and this is possible only by analysing the progress of the results registered by the Competition Council of Romania.

Key words: competition policy; cartels; abuse of dominant position; mergers

JEL Code: K21; L40.

1. Introduction

The objective of this paper is to analyze the way in which the implementation of the competition policy was accomplished at the national level, as well as to overview the activity of the Romanian Competition Council between 2001 and 2012. Throughout the paper the analysis will focus on each and every restrictive practice of competition, and also on the accomplishments of the competition authorities in Romania after applying the competition policy for each restrictive practice of competition.

In the first part of the paper the highlight is on the importance of a solid competitive national legislation, but above all, of a legislation harmonized with the EU competition law.

The second part of the paper points out the results achieved by the Competition Council after having rigorously applied the rules governing the field.

2. The Regulation of Anti-competitive Practices and Economic Concentrations in Romania

The competition law represents the pillar of the market economy by creating a normal competitive environment. In Romania the competition policy is governed by the Competition Law no. 21 of 1996. This law was republished in 2004, and in 2010 by means of the Government Emergency Ordinance no. 75 this law underwent a number of changes

and amendments. These amendments to the competition law were adopted by Law no. 149 in 2011. The harmonization of our national legislation with the Community law of competition began in 2003. The need for early harmonization of the competition law was a *sine qua non*, since at the time of the accession to the European Union, the Romanian companies had to be prepared to face the competition of the single market.

The guard watching over the interests of consumers in Romania is the Competition Council. It should be noted that originally there were two competition authorities in Romania: the Competition Council and the Competition Office. The Competition Council represented an independent authority, whereas the Competition Office was subordinated to the Government as specialized body. The two competition authorities were concentrated, all the tasks being undertaken by the Competition Council.

Chapter II and III of the *Competition Law no. 21 of 1996* regulate the anti-competitive practices, and the economic concentrations respectively.

Cartels or agreements among companies are governed in Romania by *Article 5 of the Competition Law no. 21 of 1996*. Both at national and at European level any horizontal or vertical agreements among economic agents, be it a tacit or explicit accord, which may distort competition, are prohibited. The ways in which cartels may harm consumers are: price fixing, market sharing, control of production and distribution, favouring certain trading partners over others, imposing additional conditions on prospective business partners, as well as preventing economic agents from entering a market, which eventually leads to the elimination of competition (competition Law. 21 (1996)). However, in cases where positive effects are significant and prevail over the negative effects, agreements among economic agents are allowed, but under certain conditions. The exemption granted by the Competition Council on agreements among economic agents mainly refers to is the benefits of consumers, especially those related to price.

Because of the difficulty with which a cartel can be identified, the competition authorities have adopted the leniency policy. Due to the leniency policy, some businesses may benefit from fines immunity. The requirements that a company must meet in order to qualify for immunity from fines are: it is the economic agent who first informs the competition authorities of the existence of an agreement he is part of, and of which, at the time authorities had no information concerning the alleged agreement, throughout the course of investigation the economic agent finds itself at the disposal of the authorities in the field, by providing the requested information, and meanwhile giving up involvement in the alleged cartel. If an economic agent does not fulfill all the conditions above, it may still benefit from a reduction in the amount of the fine.

Article 6 of the Competition Law no. 21 of 1996 regulates the abuse of the dominant position. Nevertheless, it is to be mentioned that the dominant position of a company is not penalized; it is only the abuse of dominance that is prohibited. The abuse of a dominant position is defined as the situation where one or more businesses exercise some abusive practices in the light of the dominant position it occupies in a given market. Such abuses refer to the following: price fixing, limiting production and marketing of products as well as limiting the technical progress at the expense of consumers, imposing traders unequal conditions for equivalent services; concluding contracts only if some additional benefits are offered, excessive pricing or dumping, refusing to work with certain customers or suppliers without reasonable motifs (the Competition Law no. 21 (1996)).

Economic concentrations are regulated by Chapter III of the Competition Law no. 21 of 1996, Articles 10 to 15. The economic concentration means merging two or more businesses or taking over a company by another company. In Romania the mergers that

harm the fair competition environment are strictly prohibited. The obligation of economic agents to notify the Competition Council regarding the merger occurs when the total turnover of the companies involved exceeds 10 million euros, and if at least two of the companies involved earn individually, in our country, a turnover exceeding 4 million euros.

Anti-competitive practices are punishable by law with fines of up to 1% and 10% of the total turnover of the previous year according to the seriousness of the offenses.

The failure to notify an operation of economic concentration, the refusal to provide information or providing inaccurate data to competing authorities, as well as the refusal of unannounced inspections is punishable by fines of up to 1% of the total turnover of the previous year. The violation of Articles 5 and 6 of the Competition Law no. 21 of 1996 and the performance of an economic concentration operation declared incompatible is punishable by fines of up to 10% of the total turnover of the previous financial year (the Competition Law no. 21 (1996)).

3. The Evolution of the Activity of the Competition Council

A constant concern towards the improving of the activity of the Competition Council of Romania has been noticed over time. This institution has made considerable efforts with regard to the harmonization of the national legislation with the Community law of competition. We will proceed at analyzing the activity of the Competition Council of Romania regarding the detection of anti-competitive practices, the investigations conducted and the sanctions taken.

Figure no. 1 captures the evolution of the decisions made by the Competition Council with respect to a breach of Article 5 of the Competition Law no. 21 of 1996 between 2011-2012. During the eight years studied a total of 86 such decisions were issued. The spearhead is the year 2002, with 29 decisions made, the opposite being the year 2009, when no such decision had been issued. Since 2006 the trend regarding such decisions has remained constant. In Figure no. 2 *The evolution of the decisions made by the Competition Council on the abuse of dominant position between 2001 and 2012*, it is to be noted that between 2004-2010 there was a decreasing trend, registering an increase in the number of decisions made, with a peak of 11 reached in 2012. During the reviewed period, 83 decisions were made with reference to the violation of Article 6 of the Competition Law.

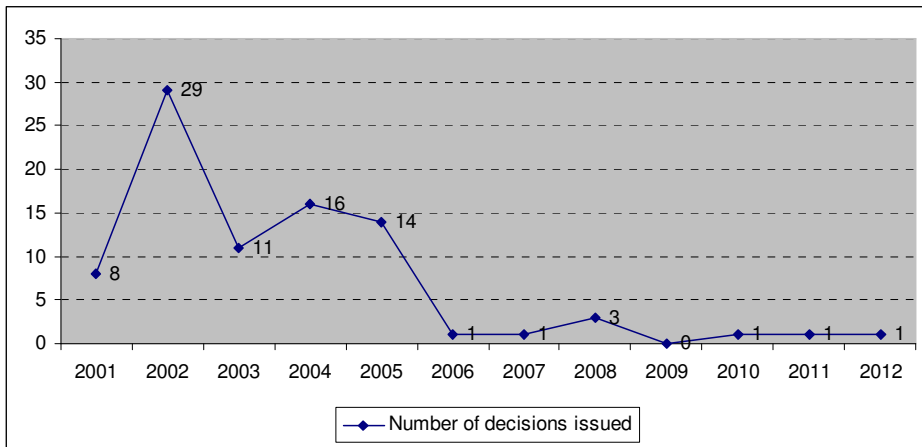


Figure no. 1. The evolution of the decisions of the Competition Council regarding the cartel, in the period 2001-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurrentei.ro/ro/publicatii/rapoarte-anuale.html>

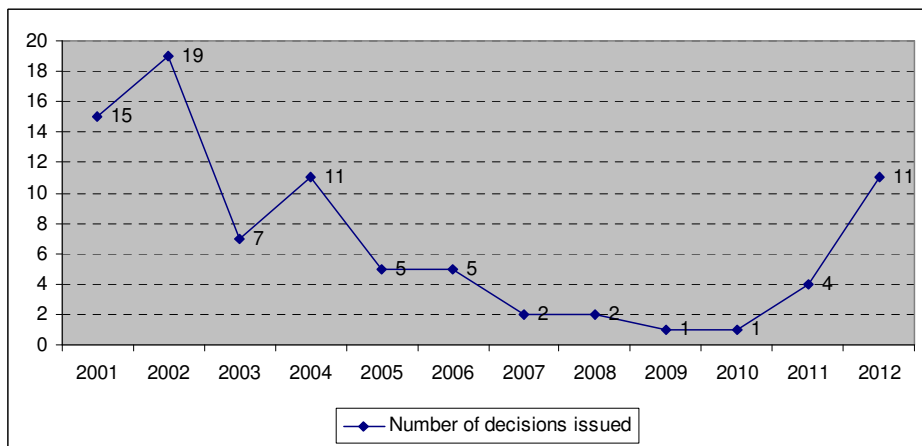


Figure no. 2. The evolution of the decisions of the Competition Council regarding the abuse of dominant position in the period 2001-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurrentei.ro/ro/publicatii/rapoarte-anuale.html>

In the third figure we can analyze the evolution of the decisions made by the Competition Council on economic concentrations between 2001-2012. When comparing the decisions on the violation of Articles 5 and 6 with those related to economic concentrations we can note that the latter are 14 times more. Meanwhile, the descending trend of these decisions can also be considered, during all these 12 years.

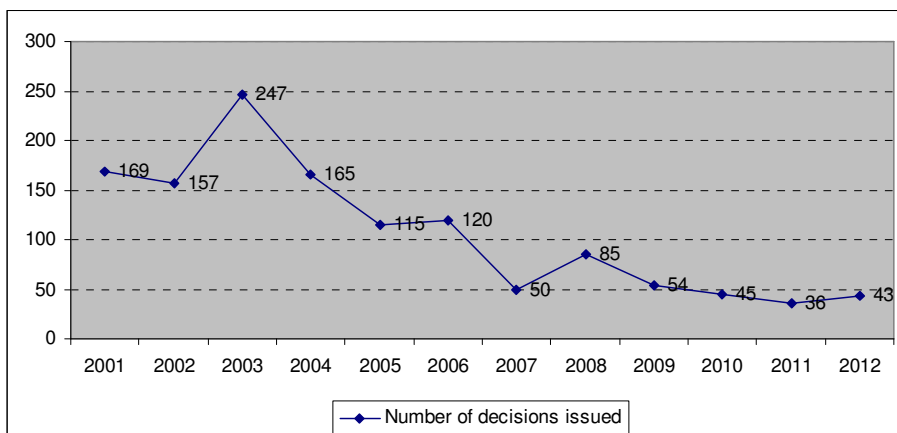


Figure no. 3. The evolution of the decisions of the Competition Council regarding economic concentrations between 2001-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurrentei.ro/ro/publicatii/rapoarte-anuale.html>

Figure no. 4 presents the way in which the opened investigations evolved, and the investigations successfully concluded by the competition authority during the post-accession period respectively. The number of opened investigations is greater than the number of the completed ones, except for 2012, when there were 24 concluded investigations compared to only 22 opened investigations.

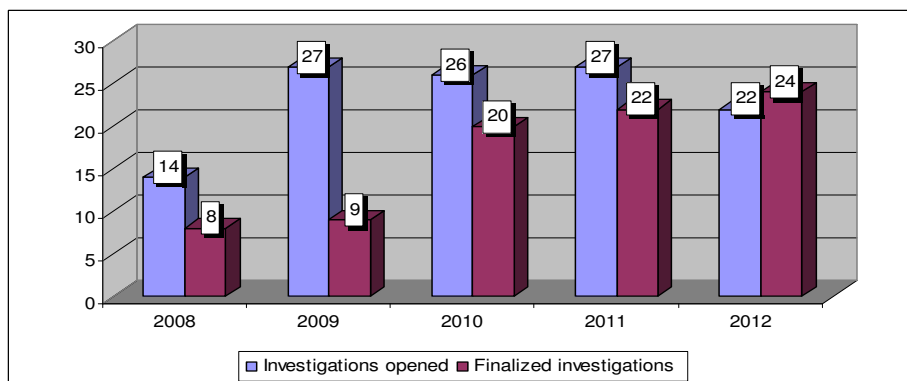


Figure no. 4. The evolution of the investigations opened and concluded by the Competition Council in the period 2008-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurrentei.ro/ro/publicatii/rapoarte-anuale.html>

The Competition Council has also adopted a number of sanctioning decisions and the evolution of these decisions is represented in Figure no. 5. Most sanctioning decisions

were made in 2003, namely 114. During the studied period the national competition authority has issued a number of 405 decisions to sanction.

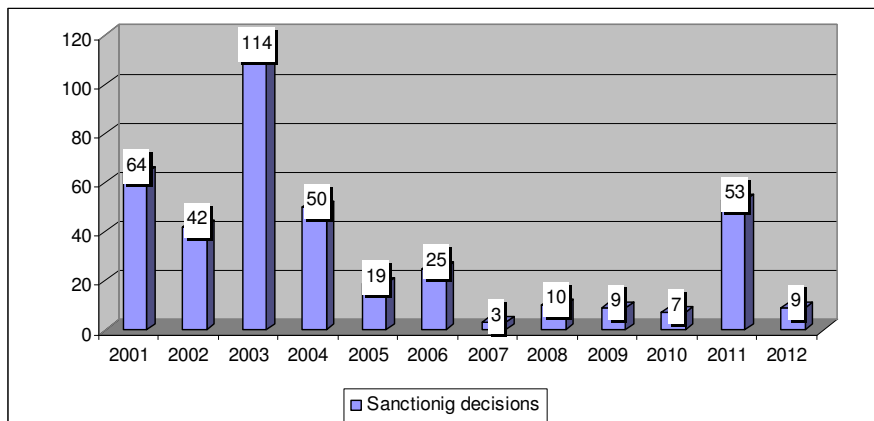


Figure no. 5. The evolution of the sanctioning decisions issued by the Competition Council in the period 2001-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurentei.ro/ro/publicatii/rapoarte-anuale.html>

Table no. 1. The amount of fines inflicted by the Competition Council in the period 2003-2012

Year	Penalty amount (euro)
2003	894.851
2004	2.165.853
2005	44.000.000
2006	15.671.729
2007	29.720.000
2008	30.800.000
2009	2.377.471
2010	31.490.000
2011	294.164.875
2012	6.781.160
Total	458.065.939

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurentei.ro/ro/publicatii/rapoarte-anuale.html>

Between 2003-2012 the amount of the fines inflicted by the Romanian Competition Council was of EUR 458 065 939. The highest value of the fines inflicted was reached in 2011 when the fines increased by almost 100% as compared to the previous year and by almost 300% as compared to 2003.

4. Conclusions

The role of the competition policy within a state is to maintain fair competition in the market, protecting the interests of the economic agents, and especially those of consumers. The task of fulfilling the objectives set by the competition policy is to be carried out by the competition authorities, in our country the Romanian Competition Council.

As we have seen throughout this paper, the work performed by the Romanian Competition Council was steady and sustained. The concern towards a continuous improvement of its activity is to be noticed through the variety of measures taken.

Figure no.6. reflects the work performed in the last 12 years of activity. 2,429 decisions were issued during this period of time, the largest share, 53% referring to the decisions made on mergers, while decisions regarding cartels and abuse of dominance amounted only to 7%.

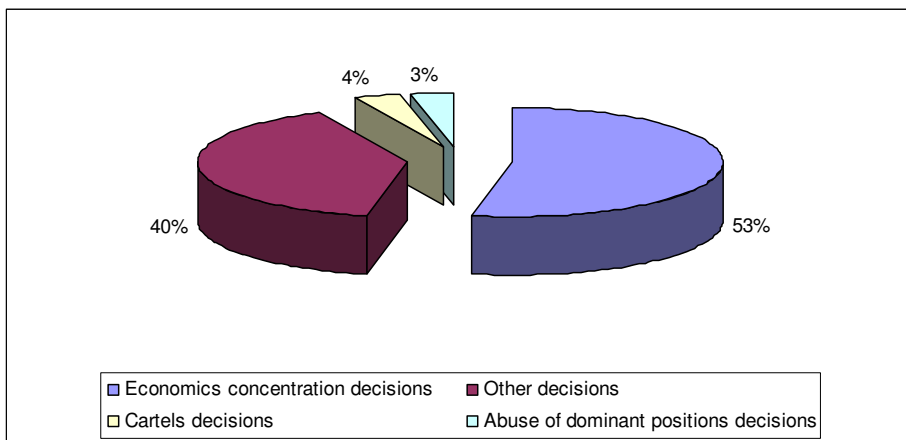


Figure no. 6. The ratio of the decisions issued by the Competition Council in the period 2001-2012

Source: carried out by the author based on statistical data presented in the Competition Council's annual reports which are available on-line at : <http://www.consiliulconcurentei.ro/ro/publicatii/rapoarte-anuale.html>

In the future the competition policy in Romania will have to permanently improve and harmonize with the EU legislation and with this will definitely have to deal the Competition Council.

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NATIONAL COMPETITION BEFORE AND AFTER ROMANIA'S EU ACCESSION

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Abstract: In this paper we present the main changes to the national legislation competition along with EU accession, when there has been a liberalization of markets, at which time the national institutions responsible for the competition were forced to align their standards with the standards of the Union. One of sensitive points which this paper was debated, it was the aid of state before and after accession. The competition law was introduced as a package of liberalization measures being incorporated as in the form of conditions. Adoption or consolidation of competition law has been associated with market liberalization. In this paper we will analyze the impact of European accession on competition policy. The studied years are those before and after accession, respectively 2004-2007, after that they will be studied the following years after accession until 2012. Highlighting the changes that our country has been during and after accession, is of special importance in knowing its future goals and possibilities of increasing the efficiency of the competitive environment.

Key words: competition; accession; conditions; legislation.

JEL Code: A1; K1.

1. Introduction

The freedom of competition is an important factor in the proper functioning of an economy, according to Adam Smith's invisible hand that with regulatory role in a market economy. For a normal competitive environment, it was necessary to create a strong competition policy, which is well promoted among market participants. A stable and competitive environment may be affected by the facilities provided by the Romanian state monopoly holding companies, facilities such as grants, tax exemptions and dues, so an important chapter in the Treaty of Accession it was granting the state aid that requires some modifications. Competition law was introduced as a package of liberalization measures being incorporated as conditions. The adoption or consolidation of competition law has been associated with market liberalization. In this paper we will analyze the impact of European accession on competition policy. The studied years where before accession in 2004-2007, respectively the following period until 2012 will be studied after accesssion. The main changes of the state aid legislation constitutes a intensely debated topic in this paper as well as the main activities of the competition authorities. The objective of this paper is to detect changes in the field of competition policy within the Union accession and the development of competition authorities to obtain a normal competitive environment.

2. Deficiencies in the national competition policy before accession

It was necessary to implement common policies in competition field within European Union. Another reason was the need to implement a competition policy representing the lack of national policies in the Member States, without which policies could't be highlighted anticompetitive phenomena and thus affect the trade between EU Member States. The objectives pursued by the competition policy are restricted to:

- a) supporting the internal market and economic accession;
- b) the maintenance of effective competition on the market.

The most sensitive issue before accession has been the State aid and the grant of their ailing companies would bring distortions to competition. Therefore the European Commission it was very strictly with regard to granting of State aid and imposed various conditions that may be granted without causing an imbalance in the market competition. In 2005 in Romania were awarded state aids worth 2.6 billion euros, and was 4% of GDP, while the share of EU did not exceed 1% of GDP (European Report Concerning State aid). The targeted fields granting State aid in the European Union are for research, regional development or the environment. In Romania were granted state aids mainly to subsidize uncompetitive businesses. In the Accession Treaty, the European Commission specifies that granting State aid is allowed only in certain fields and only with the notice of the competition authority, the Competition Council. It also specifies the Commission's desire is to give more state aids for research and development, fewer for enterprises. According to the report concerning state aid during 2006-2008, Competition Council notice a reduction in state aids, ie 1.749 billion Lei in 2006 to 0.947 billion Lei in 2008, with a more pronounced decrease in 2007 and 0.845 billion Lei. As a share of the Gross Domestic Product (GDP), the National State Aid had a continuing decreasing trend, from 0.51% in 2006 to 0.20% in 2007 and 0.19% in 2008. (Report to State aid in Romania over the period 2006-2008). According to Union requirements state granting of aid to undertakings in difficulty at the time of privatization has declined and the largest share of state aid is the research, development, innovation with a percentage of 56.13% (on State aid in Romania over the period 2006-2008). Declining, the granting of aids began in 2006 to align with EU requirements. The percentage for granting aids in areas such as development of improved research, innovation increases, which are considered less harmful in terms of competition. Granting of State aids in a small percentage from the total state aid of enterprises has the role of strengthen the private competition to face competition in the single market. In the report regarding the state aid for 2008-2011, we noticed that, granting the state aid in more environmentally competitive fields, called as horizontal objectives have a low share in the total granted aid, ie 24.77%, respectively 38.06% in 2008. In 2011 the share of the aid increases, registering a value of 54.23%. In 2008 it was registered the lowest values of state aid, one of the reasons being the economical crisis. The report on granting the state aid is one of the sustained efforts by Romania, in its attempt to align with to European legislation and take part in the processes of economic liberalization and deregulation. Evolution of the situation granting state aids it is one that meets the conditions imposed by the Union, and the areas in which they are granted also in line with the wishes of the Union. These reports are made annually and have the role of both the market participants and the European Union.

Regarding the existing competition policy in our country before accession, the problematic points were most pricing agreements between companies which have the

effect of reducing competition, abuse of a dominant position, the mergers control between firms that may lead to market dominance. For the economic success of the European Commission places a competition policy through determinant factors, but is assigned an important role and the competition authorities are responsible for implementing this policy. The European Commission quantifies the successful implementation of competition policy in consumer welfare.

The abuse of a dominant position represents an important distortion of competition, so there was a needed clear law which specifies the cases which may be considered abuse of a dominant position. This chapter has been approached in the Romanian legislation since 1996, in the Competition Law.

The control of mergers between firms as an issue being addressed by the European Union since 1950, this phenomenon is considered to be a positive one that should not be prevented. During time, the economists have realized that the negative effects of this phenomenon are greater and are considered positive, and once with the existence of economical concentrations, the competitive environment is damaged and cannot function normally.

3. The main changes of the competition policy with EU accession

Along with the accession process it was necessary to create a legal framework to ensure the normal development of competitive relations between economic operators. Because the operation of an economy in which the ratio of demand and supply to regulate itself without the intervention of the authorities is difficult to achieve in practice, it was necessary to establish certain rules whose purpose was to protect, maintain and stimulate competition in a normal competitive environment.

On 6 September 1996, it was constituted the Competition Council, the authority which manages and implements the Competition Law. There have been changes in competition policy, of state aids granted to sectors that were bankrupt, the termination of granting direct or indirect subsidies from the public sector companies. Since 2000, the Competition Council, as an Institute representing Romania in its relations in the competition field has expanded collaboration relations with similar institutions from other countries, particularly with those in the European Union. The competition policy is closely related for the increasing accession of the European single market: the accession makes the competition and the competition contributes to the proper functioning of the single market. The Treaty on European Union includes among its principles, also the one according to which Member States must adopt an economic policy "in accordance with the principles of open market economy based on fair competition".

The European competition policy objective is to ensure the unity of the common market and avoid monopolization of its sectors (through agreements and / or fusion). (The Accession Treaty of Romania and Bulgaria to the European Union). Thus the European competition policy focuses on four areas:

- a) elimination of agreements that have the effect of reducing the competition and the abuses of a dominant position (eg. pricing agreements between competitors);
- b) the mergers control between firms (eg. merger of two large groups results in their domination over market, any concentration from a certain level must be subjected to Commission approval);
- c) liberalization of monopolistic economic sectors (eg, telecommunications, gas and electricity, and rail transport);

d) monitoring of the aid given by the state (eg. the state ban the provision of subsidies for the retention of a company where there are prospects of rehabilitation of its situation. However, some types of assistance may be considered compatible with single market objectives if certain criteria are met for each case small and medium enterprises or regional support, etc.).

The changes imposed on the Competition Law with joining the European Union brought us a clearer definition of fair rules of conduct and ways of defense against anti-competitive practices. Report of the World Economic Forum in 2007, the period of Romania's accession shows a greater understanding in the implementation of the new rules owned by less developed countries (FEM Report 2007). In the light of international reports, liberalization and normalization of behavior in the Romanian economy had a slowly and tortuous way. World Economic Forum ranks Romania 67th in the world only from 125 countries, (Global Competitiveness Report 2007). Finally, in 2007 the efficient implementation of competition law proved to be relatively low relating worldwide. Top world was dominated by four European countries: Finland (1) Germany (2), Netherlands (3) United Kingdom (4) (Global Competitiveness Report 2007).

This report takes into account other indicators of perception of competition role to assess market efficiency, such as the intensity of an internal competition, we ranked on the 59 place. EBRD specialists they notice an improvement in the implementation of competition law, with a third point, reaching 2.67 index of competition policy in Romania. We placed over the average of the 29 analyzed ex-communist economies, but after all Member States of UE, 2007 is the base year for both competition as well as the implementation of policies for strengthening the structures supervisory authorities and applying competition rules. This is the first year of involvement of the Competition Council in the European Competition Network (ECN), in which communication takes place between national competition authorities and the EU in order to protect competition both within a country and the single market. Also took place the implementation of competition law with the signing of the agreement of accession in the European Union. The Council of Competition has intensified with the entering into the EU and he was the Romanian observer in the work of the OECD Competition. (Organization for Economic Cooperation and Development), the ICN (International Competition Network) and UNCTAD (United Nation Conference of Trade and Development). The Competition Council involvement in these organizations contributed to global and European law and competition policy development in Romania.

4. Implementation of competition law

2007 is a benchmark year for the competition law in Romania, because with the accession into the European have occurred a number of changes both the law and the way to promote community rules. We will try to illustrate the most important objectives of the Competition Council and the main changes to the Competition Act with the accession in the Union. According Journal No. 1. the Competition Council in 2007, the most harmful form of competitive environment is considered to be the cartel, ie agreements between two or more participants in the market to determine prices or market sharing. Competition Council to reduce cartel cases, or to be more easily detected in 2007 approached in which of clemency policy was specified that the market participants can provide information on cartels, they benefit from disclosure of different various exemptions or reductions in penalties for breaches of Competition Law. The state aid has undergone certain changes, namely transferring the powers of authorization by the European Commission. Attention to the

Competition Council has approached his new role immediately transposes the evolution cases of violation of the Competition Law. After analysis reports year since 2006, the Competition Council has been granted a particular importance of investigations to the worst distortions of competition, we can see that from Table 1, an increase regarding the number of initiated annual investigations, evolved from 10 in 2006 to 27 in 2011 and in 2012 opened level of investigations to be 22. In the years 2006 - 2008 in which is specified in the report of the Competition Council and the type of investigation we observe an increase in the number of ex officio investigations from 2-10 in 2008, which highlights the intensity of the Competition Council to implement competition policy and adopting a market investigation firm position for observing any irregularities that might upset the competitive process. We can also see that in 2006 have taken place only two ex officio investigations of the Competition Council, 2006 being the year in which efforts were made to harmonize national law with the EU Competition. The European Commission has recognized the efforts of the national competition authority to achieve the goal of accession on 1 January 2007". (Competition Council Report, 2006). During 2007 have taken place 11 investigations and a single complaint, which denotes a competitive attitude of market participants. In the following years both the number of investigations in progress and the completed increased, which indicates a high degree of complexity of the analyzed markets.

Table no. 1. Opened and finalized investigations of the Competition Council

Crt. No.	Year	Complaints no.	Request / Notification no.	Investigation office	Completed investigation
1	2006	4	4	2	14
2	2007	1	4	6	6
3	2008	-	3	10	8
4	2009		27		9
5	2010		26		20
6	2011		27		22
7	2012		22		24

Source: Competition Council's annual reports 2007-2012

5. Necessity of promoting of a competition culture

To become familiar with both the role of competition and the benefits of competition is necessary to inform market participants with the term culture of competition. Activities with which this culture to be promoted by competition authorities outside the scope of legal and moving more towards the commercial, in which every market participant has an easier access. Among the activities to promote this culture in Romania include: various written articles, press and seminars. To promote the competition culture it was necessary for the competition authorities to use other means than the application of competition rules (Competition Council, 2006). In Romania promoting the competition culture started since 2004 when the Competition Council adopted a strategy based on the need to obtain and maintain a normal competitive environment.

Posts submitted were going to reach consumers with the help of both media and academic judges and educational programs. Continuous communication with all market participants

had the role to ensure transparency and building confidence in the independence of competition institutions. In Figure 1 we can observe the evolution of promoting the competition culture activities since 2004 and until 2010. In 2004 have taken place a total of 39 promotions these are represented by organizing seminars, participation in national and international events and press releases. In 2005 there was a substantial increase in the number of actions to promote, being 235, so that in the course of 2007 to reach 1243. Once done the process of European accession also took place a greater promotion of competition culture, which was increased by about 52% from 2006 and 31 times since 2004. The most increased promotion after accession is due to the fact that the Competition Council, it was included in both the organizations and in The European international competition, thus gaining a wide interest in promoting practices that can lead to distortion of normal competitive environment.

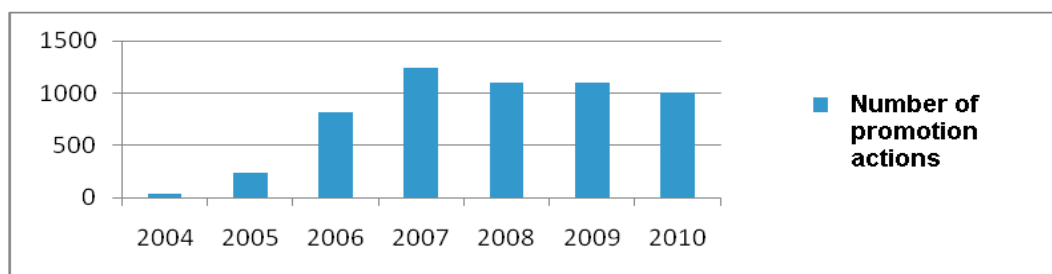


Figure no 1. Evolution of promoting competition culture actions

Source: The Competition Council Reports 2004-2010

The website of the institution had a special place in the development of promotion actions; it constitutes an accessible interface between users and annual reports, magazines, competition and information on changes of the Competition Law.

6. Conclusions

The chapter of the competition was highly debated before and after accession to the European Union, because to be part of the single market it was necessary a well structured legal framework, ensuring a normal competitive environment. To create this competitive environment, there must be a level playing field for the all market participants. In an effort to align with other European countries, Romania has made efforts to change the law on competition, thus establishing authorities dealing with regulation and market surveillance. The main changes that have taken place with the implementation of European legislation in competition matters, have proved to be beneficial for Romanian competitive environment, it came to be a competitive environment, whose participants are well informed about the competition policy. All these features are due to the competitive environment and promote the successful implementation of competition policy.

Since the establishment, the competition authority adopted up to 300 antitrust decisions, applying in this period fine of over 80 million euros. It is important to mention that were successfully managed some of the most important cases such as the case where was involved the most important company in the field of fixed telephony in Romania.

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A SHORT HISTORY OF THE SLOW MOVEMENT

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Abstract: One of the most important issues with sustainable development is its mostly theoretical concept and lack of practical activities related to it. The concept has not been able to cross the theoretical – practical barrier mainly because it hasn't been able to engage individuals. In the present paper we will try to present a new concept/philosophy which respects most of the principles of sustainable development and it has a high implication of local communities. The *Slow Movement* started from Slow Food, but has developed and matured, and presently can be found in other fields: tourism, urbanism, religion and even finance. In the paper we will present a short history of the *Slow Movement*, since its beginning in 1986 to the present day. Our focus will be on Slow Food, Slow travel and tourism and *Slowcitta*. We will also present examples from Romania for the activities of the Slow Movement.

Key words: tourism; slow; travel; food

JEL Code: L66, L83

1. Introduction

We consider sustainable development, in general, and sustainable tourism, in particular, to be mainly theoretical concepts, with a small number of examples, coming from the field of practice. In this scarcity, we have identified a new philosophy and an adjacent movement which try to reduce the crevasse between sustainability and everyday consumers. This new philosophy is based on the concept of slowing down, opposed to the “insidious virus Fast Life, which disrupts our habits, pervades the privacy of our homes and forces us to eat Fast Foods.” (Slow Food Manifesto, 1989) The movement started with the Slow Food movement in Italy in the 80s and 90s, but has extended to other countries in Europe and later the world. The concept of slow has been applied later in other fields: travel and tourism, urbanism, fashion, culture and even money and religion. The objectives of the paper are: to present the emergence of the slow movement, to review the stages of its development, to present Romania's perspectives in the field of *slow* and present some critics to the slow movement.

2. The emergence of the movement: *Slow Food*

Although there are authors who consider Krippendorf as being the first advocate for slowness due to his ideas: “switch off the time machine. Take off the watch. Get rid of time pressure, the deadline, the agenda. Escape from time” (Krippendorf, quoted by Lumsdon and McGrath, 2011), it is almost unanimously accepted that the father of the slow movement is Carlo Petrini. It all started in 1986, when the Arcigola foundation was founded by Petrini and other enthusiasts, to protest against the opening of the first McDonald’s restaurant in Rome (Heitmann et al. 2011). In the last 25 years, Petrini has been considered “the prophet and guiding light of the Slow Food Movement” (Popham 2009). The *de facto* moment for the emergence of the Slow Food Movement was the 10th December 1989, when the Slow Food Manifesto was read in Paris in front of delegates from 15 countries: “Our defense should begin at the table with *Slow Food*. Let us rediscover the flavors and savors of regional cooking and banish the degrading effects of *Fast Food*.” (Slow Food Manifesto, 1989) .The next year, the first Slow Food International Congress is held in Venice, Italy. In the years that followed, the movement has extended to several countries: Germany, Switzerland, Japan, etc.

Table no.1. Slow Food International Congresses

No.	Year	Town	Country
1	1990	Venice	Italy
2	1997	Ovieto	Italy
3	1998	Turin	Italy
4	2003	Naples	Italy
5	2007	Puebla	Mexico
6	2012	Turin	Italy

Source: http://www.slowfood.com/about_us/eng/history.lasso

The Slow Food Movement has several secondary projects. We will focus only on three of them: the Ark of Taste, the University of Gastronomic Sciences and Terra Madre Day. The Ark of Taste is launched in 1996 and it has the following objectives: „To protect the small purveyors of fine food from the deluge of industrial standardization; to ensure the survival of endangered animal breeds, cheeses, cold cuts, edible herbs - both spontaneous and cultivated – cereals and fruit; to promulgate taste education; to make a stand against obsessive worrying about hygienic matters, which kills the specific character of many kinds of production; to protect the right to pleasure.” The Ark of Taste consists of a list of products divided into several categories (breads, breeds, cheese, fish, honey, oils, pasta, spirits, and wines). At this moment, Romania has 10 products in the Ark: Cheese from the Bucegi Mountains, red onion of Turda, hearth bread, saxon villages preserves and several breeds of pigs, sheep and chicken (<http://www.slowfoodfoundation.com/pagine/eng/arca>). The second project is the founding in 2004 of the University of Gastronomic Science. Its objective is to “create an international research and education center for those working on renewing farming methods, protecting biodiversity, and building an organic relationship between gastronomy and agricultural science.” (<http://www.unisg.it/en/storia-e-missione/>) The University offers undergraduate, graduate and masters programs in English or Italian, focused on food, culture and sustainability. Terra Madre Day is celebrated each year on the

10th of December. It is a worldwide celebration of local food. In 2013, it was celebrated by over 185.000 people attending 750 events in 130 countries. (<http://www.slowfood.com/terramadreday/>) The day was celebrated in Romania, in Bucharest and Turda, where local dishes were cooked and tasted by participants. The Slow concept has been applied in several fields, but we will focus only on travel, tourism and slowcitta.

3. Slow travel and tourism

The philosophy of the Slow Food Movement can be easily applied to tourism. „Central to the meaning and concept of Slow Tourism is the shift in focus from achieving a quantity and volume of experiences while on holiday towards the quality of (generally fewer) experiences.” (Heitmann et al. 2011). There isn’t an exact moment when slow travel emerged, as in the case of slow food, but most academics agree it was first defined in the second part of the 2000s. Gardner (2009) author of “A manifesto for slow travel” considers that slow travel „is about deceleration rather than speed. The journey becomes a moment to relax, rather than a stressful interlude imposed between home and destination. Slow travel re-engineers time, transforming it into a commodity of abundance rather than scarcity.” From the perspective of Dickinson (2009), slow tourism consists of fewer vacations and longer stays, air travel is not used, but other forms of transport which are more environmentally friendly, and transport becomes part of the tourist experience.

Table no.2. Slow travel comparison

	<i>Characteristics</i>			
Mode of travel	Slowness	Travel experience	Environmental Consciousness	Sense of place
Walking/ cycling	Unhurried	Travelling through the landscape	Low consumption of fuels	Cultural exchange (attachment)
Airplane	Hurried	Travel corridor	High consumption of fuels	Minimal cultural contact (detachment)

Source: author’s adaptation of Lumsdon and McGrath (2011)

Heitmann et al. (2011) believes that slow tourism is characterized by “the enjoyment of discovery, learning and sharing. This ‘slowing’ of the pace of a holiday provides opportunities to interact and connect with local people and places on a deeper level.” Lumsdon and McGrath (2011) consider that slow tourism “In essence is about slowing down, travelling shorter distances and enriching the travel experience both en route to and at the destination.” Hall (2011) views slow tourism as a macroeconomic concept and it compares it to steady-state tourism, rather than a form of tourism. Also, slow travel can reduce the pressure on climate change, as it “could help create a modal shift in transport to the least polluting systems. Given that one such modality is rail, shifts may not be as difficult as imagined”. (Burns and Bigging, 2009). From the start we have to notice that travel and tourism are used simultaneously, but the reality is quite different. Travel involves the shift from point A(home) to point B(destination). So, the slow component is mainly observed in the means of transportation: avoiding air travel, and insisting on walking, hiking, cycling.

This is not the case of tourism. Because of its complexity, the slow component in tourism can be observed in several fields: transportation, accommodation (using small scale guest-houses), food (respecting the principles of slow food) and culture (engaging with the local culture and traditions). Slow tourism in Romania benefits from the image of former Olympic champion Ivan Patzaichin, who has become the promoter of this form of tourism practiced in the Danube Delta. Other destinations for tourists are Sibiu, Brasov, Dobrogea and the George Enescu music festival. Impressions about Romania are mostly positive, but significant difference can be noticed between Bucharest and rural areas of the province (<http://slowtalk.com/groupee/forums/a/tpc/f/>).

4. *Cittaslow* – a new kind of town

The concept of *slowcitta* is based on Petrini’s principles: „pleasure before profit, human beings before head office, Slowness before speed” (Honore 2004). The Movement of *cittaslow* was born in 1999 through the Paolo Saturnini’s brilliant intuition, past Mayor of Greve in Chianti, a little town of Tuscany. The following years more and more cities joined the movement, and by November 2013, the list of slow cities contains over 100 towns from 28 countries. (http://www.cittaslow.org/download/DocumentiUfficiali/CITTASLOW_LIST_november_2013.pdf). The towns on the list have no more than 50.000 inhabitants, as it was argued that small towns offer the best opportunities for easy, enjoyable living (Miella 2008).

Table no.3. Number of towns members in the Cittaslow network

No.	Country	Number of towns
1	Italy	73
2	Germany	12
3	Poland	12
4	South Korea	11
5	Turkey	9
6	France	8
7	Portugal	6
8	Spain	6
9	Great Britain	6
10	Others	37

Source: http://www.cittaslow.org/download/DocumentiUfficiali/CITTASLOW_LIST_november_2013.pdf

The CittaSlow manifesto contains numerous pledges for the member cities, such as: cutting noise and reduce traffic; increasing green spaces; supporting local farmers and the shops, markets and restaurants that sell their produce; promoting technology that protects the environment; preserving local aesthetic and culinary traditions; and fostering a spirit of hospitality and neighbourliness. (Honore 2004) .Romania is not yet a member of the network, but is considered by many to have a serious potential in order to implement the above mentioned pedges (Crangus)

5. Conclusions

As we could notice, the Slow Movement has spread throughout the world and is finding more and more supporters and fans that put its principles into practice. By respecting its principles, people learn to get back in touch with nature, they try to reduce the fast pace of life and enjoy social interactions. Unfortunately, the slow philosophy has a few flaws. Firstly, through *Slow Food*, we will not be able to feed 7 or 8 billion people. Although it represents a healthy alternative to industrialized agriculture, *slow food* can only be a choice for people in the developed world. At the same time, by consuming local products, consumers avoid imports from developing countries, for which agriculture might represent the only economic activity. Secondly, slow travel and tourism are increasing, but by avoiding air transport, several destinations (the Maldives, and other Small Island States) will have to face a decrease of the number of tourists, which will reduce the economic benefits for these countries (most of which are also developing). Also from an international point of view “among policy-makers there is little sign of acceptance of a developing alternative sustainability paradigm based on ideas such as degrowth, steady state tourism and slow tourism.” (Bramwell and Lane 2011). Thirdly, the Cittaslow eliminates from the start cities with population over 50.000 inhabitants, so it is not suitable for large human settlements. A second problem is the high level of concentration of the member cities (more than 50% of the members come from Italy). In conclusion, we consider that the slow movement with all its components represents one of the few actions of individuals towards a sustainable civilization. But, it is not *the solution* for all of the world’s problems and it cannot be applied world wide.

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http://www.slowfoodfoundation.com/filemanager/arca/manifesto_ENG.pdf
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BURNING POVERTY QUESTIONS – COMMON ANSWERS?

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Abstract: European Union in the last 20 years apparently has overlooked poverty problems of the Eastern-Central-European countries. The latter until recently often confronted with disapproval of European Parliament regarding individual strategies based on knowledge of recent domestic situation. Romanian and Hungarian poverty situation is similar in many ways. However not only we are in the same boot. Involving Romania, **Bulgaria** and **Visegrád Group** a new common strategy framework could be established for the treatment of increasingly pressing problems of extreme poverty that – being created by 6 EU member states – would hopefully direct the European community towards resolutions that are legitimate, very different from the current one, more effective and much more keeping in mind human rights. Currently every second child is born in an extremely poor family in Hungary. In what term will the above mentioned measurements be able to compensate the problem? What areas need still a renewal? How to create a social basis supporting necessary measurements? Considering that besides the status of immigrants also the problems of the Roma communities gain increasingly more attention in the EU, the position of European decision makers will be slowly, but inevitably changed. The question is how much time we need for that change of position. How long will government policies of individual countries be able to handle growing poverty and related waves of dissatisfaction?

Key words: poverty; unemployment; strategy; social politics.

JEL Code: J15, J80.

1. Introduction

In the last 20 years after getting rid of socialism most of Eastern-Central-European countries weren't able to give answers for increasing poverty problems. After transformations countries had to face the problem of increasing unemployment, vanishing domestic enterprises and – nowadays – a new form of capitalism which ruins homes (unredeemable loans in strong currency), and a crisis, which affect great amount of families living on social allowances even more, than others. Not hoping to involve new sources to social politics we have to think about new ways of redistribution.

According to many researches on topic Roma communities are most afflicted by the danger of deep poverty and additional disadvantages, so Roma population represents an extremely disproportionate share of the poor in Hungary and also in Romania. Hungary's steps towards solution may represent a good direction, but there is still a lot to do.

2. Map of problems and current ways of solutions in Hungary

Since 2010 Hungarian social policy gradually switched from aid-based social policy to labour-based or conditional transfers, like conditional unemployment benefits or family allowances.

Conditional unemployment benefit means that everyone has to work for the benefit at least one month a year. Health insurance is guaranteed for the term of supporting. Besides that Hungarian government provides also public jobs for everyone who has no income and assumes conditions. These jobs are sometimes not easy to do, but they serve community or give real knowledge to laborers which they can apply on future jobs in the private sector and a low wage (approx. 166 Euros) the laborers can surely count on. Now we just started a winter school pilot for workers, who lack essential knowledge, or want to get more than they have. They receive the same wage while learning.

Conditional family allowance means that every school-age children has to go to school regularly, for the parents to get the money-transfer.

Now the government is ready to legislate a second type of childcare allowances for undergraduates and newly graduated parents.

The changes of the tax system are also moving us towards a form of a social renewal: family taxation supports responsible families more, than others.

From the 1st September of 2014 visiting kindergarten regularly is going to be obligatory for every child over 3 years, so children suffering from deep poverty are going to be able to get relatively early childhood education which is necessary for them to catch up with other children in elementary school. Present situation shows that many children under 3 years who need proper education stay at home with unemployed parents – despite social workers' advices to use the benefit of free kindergarten service for their kids –, so they actually could get attention but in many cases they lack it.

3. Previous results

In the summer of 2013 we have made a research¹ on municipal mayors', social workers' and elementary school leaders' opinions and advices on alleviation of poverty in Hungary. Our sample contains 100 micro-regions out of 178, chosen by complex poverty thresholds. We used electronic survey, samples were representative for social workers and elementary school leaders; in competence of municipal mayors we asked every member of population therewith being able to get extremely important information on impact of governmental decisions regardless magnitude of settlements.

Goals of the research have been: building a consequent communication channel between local decision makers and the parliament; making local leaders' opinions and advices to appear more affectively in parliamentary decision makers work; making actors of society stick together for decreasing poverty.

Due the sensitiveness we experienced from European decision makers, we had to cut questions of our survey. Field of taboos in EU almost covers field of taboos in Hungarian social politics. We hope that a future research will give us space enough to talk about missed topics as well.

¹ TÁMOP 5.4.1-12. Szociális Szolgáltatások Modernizációja / mélyszegénység (Social Renewal Operative Program 5.4.1-12. Modernization of Social Services / deep poverty) – EU funds

4. Taboos in Hungarian social politics

Birth control

Human rights are often mentioned issues. They contain a right of the individual to dispose of her or his body. For a middle-class girl it is a matter-of-course to have any kind of birth control she wishes. But someone from the ghetto this right is just unattainable. A non-wished pregnancy can actually drop out a schoolgirl from school and she wouldn't be able to get a high school (and very often even an elementary school) degree. A non-wished pregnancy can drift a deeply indigent family to the edge and jeopardizes kids that the family already is growing up in relative financial safety and even keeping them growing up in the family. According to our experiences on local leaders' (mayors, social workers, elementary school leaders) opinions and advices birth control should be attainable for free for everyone, who is financially vulnerable.² Everyone who demands free birth control should get another (money) transfer, too, because of the act of demanding indicates the family's bad financial conditions.

Reform of family allowances

Hungarian government has already started to reform family allowances by forming the automatic (non-bounded to work) benefit into a conditional one (kids have to go to school regularly). In addition to this, besides the non-automatic (bounded to previous work) family allowances we are already going to have another one, the above mentioned benefit for undergraduate and newly graduate parents. But this is not enough. According to oral opinions of the respondents automatic family allowance has to be cut by the second child and the third one should give the family a higher tax relief only; strictly in an ascending system. Released money could turned for scholarships of poor kids (and their families) wherewith they got a better chance to finish school (hopefully even a good high school or a college), instead accepting pressure of growing up early and have children while they have no other opportunity for income. I think, we should think about this.

Differentiation in schools

For citizens suffering from poverty human rights should also include an education which enables them to get a job for a decent wage. Hungary tried to implement the well-known integrating model, but we failed, because the implementation was not complete: there is no money for that. So integration often means (by us) to load kids into a classroom and try to teach everyone the same way or just avoid them to hurt each other by the end of the day. Schools of our research have almost 30% multiply disadvantaged pupils and more than 55% disadvantaged pupils in total. Many of these kids have special needs, and many times they have to face incredible ways of segregation.

² Access to many state-given benefits requires a very low income of family computed by the whole income per a month and the number of family members. We use a multiplied amount of prevailing minimum level of old-age pension. If monthly per capita computed family income is not higher than 42.750 HUF (approx. 145 Euros), the family is extremely vulnerable and able to claim many kinds of allowances.

According to most colleges curriculum student teachers go to classes first in their third year of college. They could actually solve challenges of integration, if they could work with children from the first year and they helped teachers. On the other hand they could experience teaching real kids (and not only the "perfect" kids of practicing schools). It would be also a great redemption that schools which are not able to implement integrating model, could choose another one: differentiation. Differentiation could never be as useful for the society as a good and well-done integration, but it could help for very disadvantaged kids to be independent from state-given transfers and later raise their children to be able to learn in any kind of schools. If schools had the right to decide teaching method, we had a better chance to make more affective steps against exclusion and segregation in schools.

Explore a social basis for necessary decisions

After collecting information and potential solutions of increasing poverty, we intended to turn back experiences to respondents for sake of opinions and best practices being widely attainable for local leaders. Due we were not able to ask "inapposite" questions (for example about birth control), we had to insert many empty spaces under sections of survey to get additional information. Some of the results I have already mentioned above. On the other side we had a number of questions we were able to examine. One of these is a minimum age children can leave education with. In the middle of the '90s Hungarian government raised this age from 14 to 18 years for sake of every children to get a middle-level degree (graduation or skilled profession). The implementation failed: the number of skilled workers or graduated children barely increased, but many schools had to face the problem of late-teens sitting in elementary school classrooms. The end of 2011 Hungarian government codified the above mentioned level at 16 years. Our respondents' opinions are shown by the chart above:

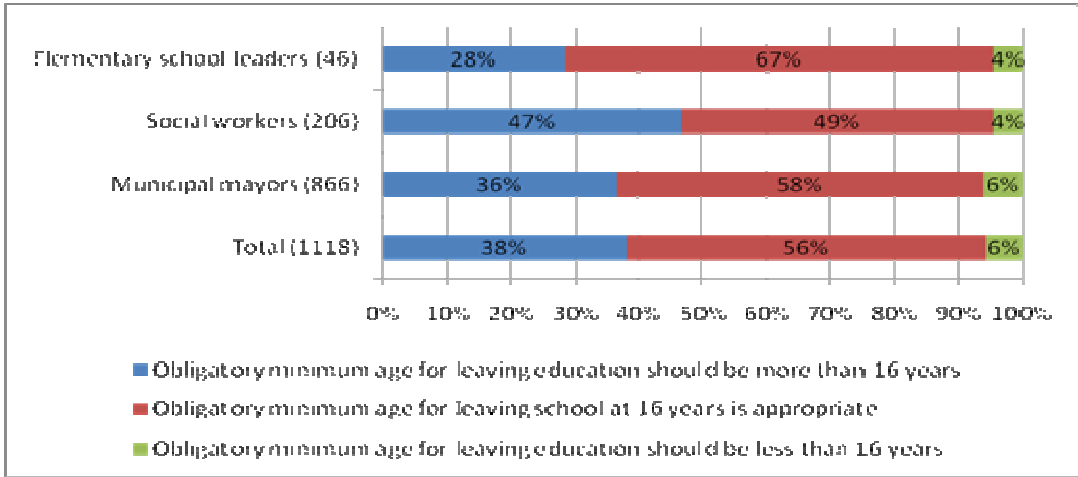


Figure no 1. Opinions about minimum level of age for leaving school (1118 respondents)

High rate of agreeing respondents gives a feedback to decision makers, that the new method is relatively supported by local leaders.

Another very important topic was integration in schools, which – avoiding misunderstanding – we examined by the following question: *How strongly do you agree with the following statement: in schools every child has to get the same kind of education regardless the level of socialization or abilities?* Answers are shown by the chart:

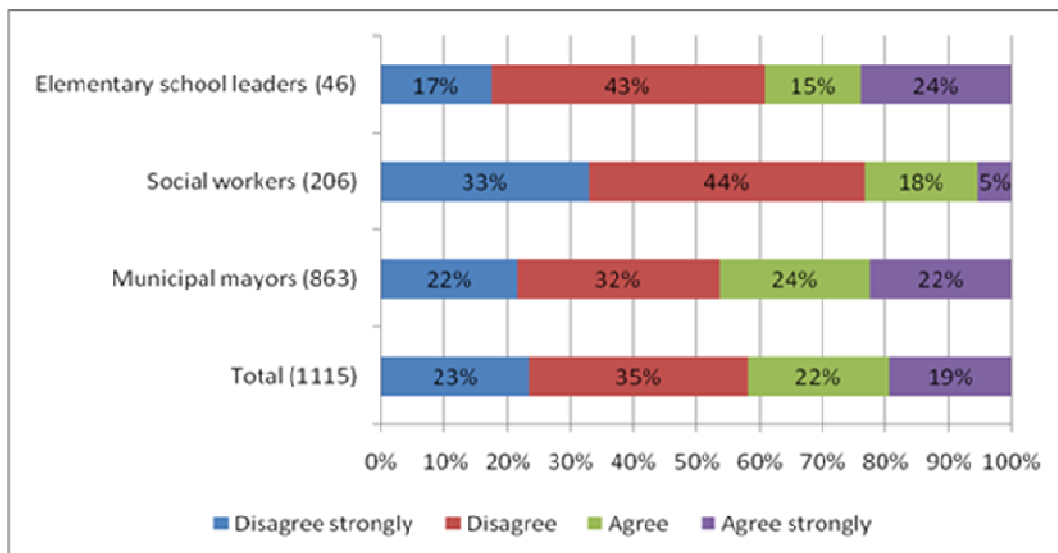


Figure no 2. How strongly do you agree with the following statement: in schools every child has to get the same kind of education regardless the level of socialization or abilities?(1115 respondents)

High rate of strongly or simply disagreeing respondents made us think about our current integrating (in reality: segregating and problem-blind) educating system being appropriate. These were only two examples for issues local leaders and policy makers seem to think differently about. We have the task to connect leaders of different levels and competences. Talking to governmental decision makers it became clear to us, that politicians are interested in solutions given by local leaders, the only thing they need is information.

Connecting leaders

Besides the problem of blocked information between local and governmental leaders we have another challenge: connecting local leaders. According to our informal and research experiences cooperation between Hungarian local governmental actors has almost the same kind and amount of difficulties than cooperation between local and parliamentary decision makers. Let me set an example: we examined the strength of relationships of social workers and local institutions. Answers are shown by the chart:

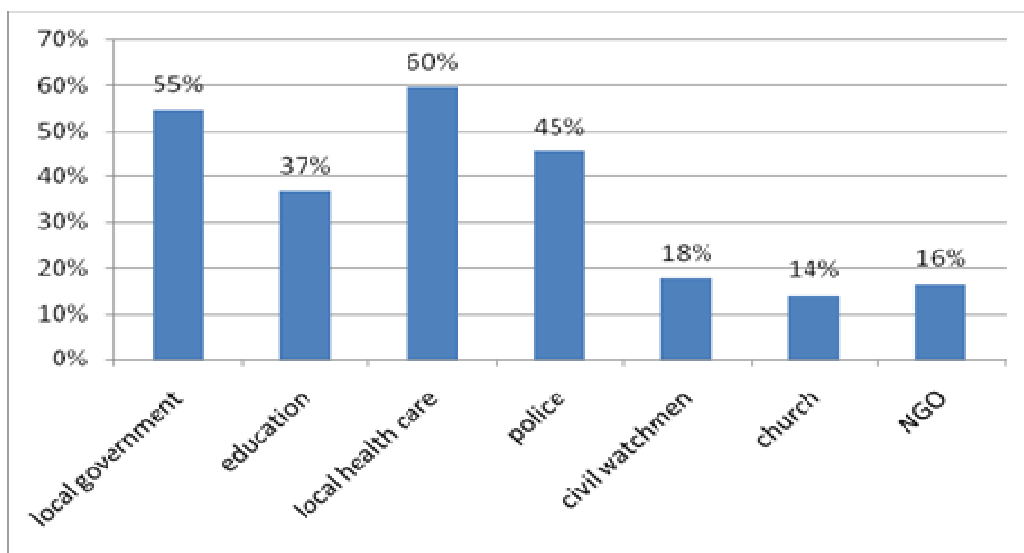


Figure no 3. Rates of "strong cooperation" answers of social workers on relations to institutions (422 respondents)

Low rates of strong relationships show a deficiency of local governmental network, which has to be changed by formal and informal actions.

Local health care seems to be out of line. Structure of local health care system explains this: health visitor nurses fall under general medical services. Besides that they often have joint parts of building, so they meet each other even not working on the same case at the moment.

Social field seems to incorporate all local and middle-level governmental network. So government has the task to make new frames of cooperation of local actors for sake of the care system being efficient and sustainable. For that to happen, all kind of local actors has to be asked about recent situation and insight.

5. Conclusions

Increasing poverty impacts everyone in a society, because a welfare society needs taxpayers. Governments won't have more money, but they could distribute money of social aids much more affectively and sustainably. Hungarian government has new ways on this, but we still have a lot to do. If the 6 countries had an agreement about ways, we would be able to persuade European decision makers to let us do what we need to. Let us show new roads to people suffering from deep poverty, and talk about problems.

Every second child in Hungary is born in indigent families. These kids are in lack of essential goods while growing up. Romania has the same problem. And this problem couldn't be solved by giving more and more aid for indigent families, because it is just not sustainable.

Social policy experts have the duty of giving feedbacks to decision-makers about problems and needs of society and the duty of helping them to make politics consequent. Sociologists are no politicians. We cannot make laws. But we can flick the billiard ball

next to the hole, and politicians can decide whether to toss it in or not. There is no time for a scientist sitting in the ivory tower and stepping back from real problems. I hope with this paper I could add the "Hungarian part" of following discussions.

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- Hungary possesses several prestigious research centres for sociology and many excellent experts on the field of social politics, poverty and childcare. In the last 20 years an outrageous number of publications and essays have been published in this topic. Giant quantity of knowledge and methods were inherited to future sociologists. Some of us are sure that besides that we have to find new roads

and methods, too, because former methods have not given answers for every burning question of ours.

BUSINESS ETHICS AND CORPORATE SOCIAL RESPONSIBILITY

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Abstract: In this paper we analyzed two concepts: business ethics and corporate social responsibility. The paper is a theoretical approach of the two concepts and of the principles that govern them. In the second part of the paper we tried to demonstrate the connections between the two concepts, we concluded that business ethics and corporate social responsibility are complementary because they are based on the same principles and their application results are found to involve the society in which they operate. The last part of the paper contains a case-study of a company, OMV Petrom, which has both: a highly developed CSR program, and has also implemented business ethics and principles that are reflected in the code of ethics of the company. Analyzing OMV Petrom, we believe that we have proved our assertion that business ethics and CSR are complementary.

Key words: business ethics; corporate social responsibilities.

JEL Code: M14.

1. Introduction

At the end of the last century there were two concepts for which the beginnings evolved separately: business ethics and corporate social responsibility. Both have appeared in the U.S. in response to the impacts generated by the companies on the societies where they operate in and on the environment. If the business ethics was developed as a response to resounding processes that have proved both companies and civil society that ethical measures are required to be applied by both managers and employees, CSR dates from the middle of the last century, when both academicians and managers began to see the impact that the company has in the society in which they operate. Although they have a short lifetime, both ways companies' involvement in the society, already have numerous positive effects on the community as well as the environment. Twenty years ago, as the community expectations have begun increasing, companies were no longer only responsible towards shareholders; they were accountable to a wider society, whose members, were represented by both employees and community.

2. The concept of ethics

Explanatory Dictionary of the Romanian language defines the ethics as "the philosophical discipline, the study of theoretical and practical aspects of morality, philosophical theory of morality." In the paper of Business Ethics, (Crăciun et. all, 2005) the authors make the following distinction: "Theoretical ethics is the discipline which studies the ideas of Good, Wrong, Responsibility, Justice or the attitudes, the characters, customs, and human

morality." Others think that the ethic of a system or a code of conduct is based on the moral constraints that regulate a certain conduct. (Josephson, 1995). De George (1990) defines business ethics as an "ethical perspective, as a default behavior or an explicitly announced, a company or an individual making business." Lewis (1985) defines business ethics as "a set of principles or arguments that should govern a business conduct, either individually or collectively". Crane and Matten (2004) propose a more concise definition: "Business ethics is the study of situations, activities and business decisions in which raises issues about what is morally right and wrong". Analyzing just these few definitions above, shown for some of the most famous of ethicists, we find that there are at least two different approaches to the concept: that of De George which places ethic in a declarative level, a description of what makes a company in relation to certain ethical considerations and a different approach (Lewis), who believes that business ethics relates to what a company should or should not do in business. Other authors (Iamandi, Filip, 2008) define business ethics as a particular form of applied ethics, a set of rules and moral standards aimed at traders` conduct of economic activity at both the individual and collective level.

Romanian authors (Mureșan, 2010) take into account business ethics as the moral conduct of individuals, members of the company, in their relationship with other employees and business partners on the one hand, and with customers and consumers on the other hand. Druță and Pop (2003) consider business ethics a fundament of business. Business ethics has grown in the last decades in the U.S. and in Western Europe; in the past years it began to develop in Eastern Europe and Asia, due to the expansion in the geographical areas of large corporations.

3. What is CSR?

A company, by definition, is a legal entity, not an individual. Under these circumstances how can a company be responsible having regard that responsibility is a human attribute? The point of view of Friedman (1970), presented in his article "*The Social Responsibility of Business Is to Increase Its Profits*", sparked many controversies over the years to divided opinions for a time in two different considerations, those who claim that the company is the only financial responsibility towards stakeholders and those who support social responsibility of a company towards shareholders. In recent years, these two views are not supported; most authors believe that businesses have a moral component, a social responsibility. In the conception of Crăciun (2005), companies are taking a number of social responsibilities to the extent that are beneficial to their profits. A socially responsible company that is perceived positively by the society can lead to a more diversified, even broader customers, which can lead to increased profits. A study of the three Canadian professors, Jones, Willness and Madey (2013) demonstrated that more and more people want to work for a responsible company. This wish of future workers is a source of competitive advantage for companies, as they greatly increase their chances of hiring top professionals. In addition to these economic arguments, we can also identify moral arguments: the companies have access to important resources, both financial as well as creative nature and also all their actions have a social impact. Carroll and Buchholtz (2000) define corporate social responsibility that "the company includes all expectations from an organization in terms of economic, legal, ethical and philanthropic in a certain time." They have found four types of responsibility, economic, legal, ethical and philanthropic are overlapping layered and social responsibility involves combination of all types of responsibility at the corporation level. Using this model, we find that the

conception of the ethical responsibility, mentioned by the authors above, is one of the types of responsibility that constitutes social responsibility. Other author (Pop Coșuț, 2008) considers corporate social responsibility one of the basic principles of business ethics.

4. Business ethics or CSR

If in the previous chapters we have defined business ethics and corporate social responsibility appealing to renowned authors in this field, in this chapter we will try to analyze the two concepts. Business ethics has appeared in the U.S. as a response to problems that have risen in the 80s, the U.S. having the biggest theoretical and practical experience in the promotion of ethical principles. Starting from this fact we consider that one of the objectives of ethics is to prevent wrong. Learning to recognize ethical issues is the most important step in understanding business ethics. An ethical problem is an opportunity that requires the individual to choose what action to undertake, which can be assessed as ethical or unethical. Ethics is also about the culture and society in which the company operates. As what for a person from Europe or from U.S. could be considered a bribe for a person from Asia, the same gift is normal and is even considered rude not to give a gift to business partners. In order not to leave to the discretion of every individual in an organization based on their conscience to decide what is good and what is wrong, companies have considered that the implementation of ethical rules could prevent conflictual situations. Thus, throughout the 90 years ethic codes have appeared, which are the instruments through which a company seeks to implement the moral norms that help to operate in compliance with the moral norms defining it. The most common situations that may raise ethical issues are relating to:

- Conflicts of interest,
- Bribes and facilitation of payments,
- Intermediaries,
- Gifts and hospitality,
- Gratuities,
- Competition and compliance of antitrust laws.

The Code of Ethics also develops a defensive mechanism of the company, providing the tools to identify potential problems, the code that clearly defines the boundaries of acceptable behavior, reducing the potential financial loss or image of the company. The corporate compliance officer is responsible for the application of the Code, he is the one that solves problems in application of the provisions, and because of this issue is directly involved in the application of the code and can identify some gaps which can minimize the risk of their recurrence. We mention that ethical programs are mainly applicable to members of the organization that it represents, which is primarily an internal tool, but is opposable to third parties. Approaching the corporate social responsibility from the same perspective, we find that if the business ethics is a defense mechanism developed by the company to protect itself also its employees in financial and image terms, CSR is a proactive mechanism. Through CSR policy, a company that develops this type of program aims to interfere in the community to which it belongs. CSR creates new business practices to initiate the change in the society in which they operate. Some companies make use of CSR as a marketing tool to increase their reputation.

Operating on a market, the company becomes a member of those local communities and must comply with the norms, values and local standards. Although the main purpose of a company is to increase profits, to refund for shareholders and investors, it shall act as a good citizen, also to increase the prosperity of that community. Such an approach recognizes the contract that arises between business and society, according to which the company assures company resources, and in turn it gives social benefits. As a member of society, companies need to help other members, especially to have technical support and resources to solve social problems. Given that socially responsible corporate decisions take some of the responsibility of the state, this may reduce the number of legal regulations in this field. In the future, companies must ensure their economic survival: for this they will need well-trained and healthy employees, customers with financial resources, suppliers with good quality products and services, companies must find ways to solve social and environmental problems that exist today in the society.

5. Study case: OMV Petrom

To exemplify everything we tried to demonstrate in the pages above, we studied OMV Petrom, which has the highest turnover company in Romania for 2012, according to INS. According to the company's philosophy, corporate social responsibility, as an integral part of Petrom's strategy is how the company intends to fulfill its responsibility for the society. The company develops CSR projects, the education, sports, environment, quality and local communities to support employees of Petrom. Through the projects they run the company shows interest towards both current customers as well as for future generations through his concern to support the efficient use of resources and energy products. The fields of interest of the company are:

- Education,
- Environment,
- Social,
- Sport (www.petrom.ro).

The most important CSR projects carried by Petrom, are:

- Parks of the Future - project to rehabilitate five parks in five cities of the country;
- Think Ahead – series of information and education campaigns of Petrom employees for environment protection;
- The National Campaign for Disaster Preparedness - information and training program of vulnerable communities to natural disasters, developed together with the Romanian Red Cross;
- Petrom Olympics - project that over 1,300 children and young performers in sport, art, literature, science, chemistry, physics, civics, foreign languages were supported with grants for affirmation in the nationally and internationally recognized competitions;
- Resources for the Future - a program for educating employees and communities about the responsible use of natural resources (www.petrom.ro).

Petrom promotes business ethics as one of the key components underlying values and culture. The Company has implemented a Code of Ethics. It is designed as a tool to apply the principles of business ethics. According to the OMV Petrom code of ethics, the management has assumed principle zero tolerance for any corruption. The Code regulates issues such as conflict of interest, bribery, gifts, competition and antitrust laws. For the efficient implementation of business ethics in the organization, the company has created a

compliance program, which aims to reduce risks for the company and has implemented communication pathways dedicated to this purpose.

6. Conclusions

We started by addressing this issue of Friedman's assertion according to which the only purpose of a business is to increase profits. Throughout the paper we approached the two concepts: business ethics and the corporate social responsibility, at first separately and then to conclude that the two are complementary: can not implement effective CSR programs that meet the needs of society in which they perform their activities, without ethical principles defined and applied by managers, as well as by employees. However, the sole existence of a code of ethics does not prove that the company complies with the principles of business ethics, the code should be implemented, and the most obvious way to see if its provisions are applied is an attitude of employees towards the company and the society in which they operate.

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ECONOMIC CRISIS AND THE RESOURCES OF THE RURAL SPACE

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Abstract: The economic crisis has led to the restructuring of economic systems. The transition from planned economy to market economy in Romania has made in recent years technical, economic, social and institutional changes. Entry into the EU imposed structural changes from the primary sector to the secondary or tertiary. Moreover, the EU's rural development policy for 2014-2020 is among the main strategic objectives of sustainable management of natural resources, territorial development of rural areas and agricultural competitiveness. These objectives can be implemented only through a better management of human resources. The purpose of this article is to make an analysis of the importance of human resources, and the natural ones in sustainable rural growth. The importance of human resources is given in relation to the need to make decisions that should have a positive impact on the natural resources of rural components.

Key words: Rural; Natural Resources; Romania; the importance of human factor; Human Development; economic crises.

JEL Code: Q1, Q2, Q3, Q4, Q5, P28.

1. Introduction

The rural areas have a substantial growth potential and a vital social role. Thus, the rural areas in Romania cover approximately 87% of the territory, about 200 000 km², including 46% of the population, that is over 9 million inhabitants. According to information published by National Institute of Statistics, in comparison to data gathered in 2002, the population of Romania dropped in 2011 by 1.5 million inhabitants, meaning 7.2% of the total population. The factors that determined this decrease was mainly the negative natural increase (approximately 25%), and the external migration (approximately 75%). If we, however, in terms of distribution in the territory, Romania has a more pronounced level of rural. So, given that in most EU countries are less populated rural settlements and smaller scale, is observed that the share of rural population in Romania reflects a higher incidence compared to other EU countries. In Romania the Rural communities contributes, to a lesser extent, to economic growth, but retains the social structure and traditional way of life. Romania's rural population is distributed unevenly. There are significant differences of population density. The most populated rural areas are the ones in the north-east of the country, where the birth rate is high, but also in the southern regions. Also there are big

disparities, determined mostly by topography on a regional and county level. Technical, economic, social and constitutional changes led to the restructuring of the economic systems. In Romania, in recent years, there have been structural changes from the primary sector (agriculture, mining), towards the secondary sector (industry) and tertiary (services). Entering the European Union imposed institutional changes, the transition from planned economy to market economy has generated new opportunities in terms of trade, new markets, technological changes, increased competitiveness, and social changes as well. After a decline during 2003-2008, the industry increased its contribution to GDP, in 2009-2013. But the share of industry in GDP is only 28%. At the same time, after increasing between 2003 and 2008, the services have reduced their contribution to GDP during the crisis, while the domestic demand has contracted. However, they have the highest rate, of about 50%. Another area whose contribution to economic growth has been declining in recent years, reaching only 8.6% of GDP, is the constructions area. Thus, in the years preceding the crisis, economic growth has focused more on consumption based on debt, and the share of services and constructions to GDP has increased, while the contribution of industry and agriculture has been declining. Romania is among the EU countries with the highest share of agriculture in GDP. And this, even though in the last year agriculture had a share of only 5.3% in GDP, only half of the one in 2003. According to EU 2020 and the overall objectives of the CAP (Common Agricultural Policies), the main mission of EU rural development policy in the 2014-2020 period can be stated in terms of three long-term strategic objectives relating to: the competitiveness of agriculture, the sustainable management of natural resources and the fight against climate changes, as well as a balanced territorial development of rural area.

2. Natural Resources

The natural resources of agriculture are land, water, biodiversity and climate factors. The most important natural resource, which is regarded as the most important renewable natural wealth of the country, is the soil. The territorial distribution of Romania in geographical areas is: 33% lowlands (up to 300 m altitude), 37% hilly area (300-1000 m) and 30% mountain area (over 1000 m altitude). In terms of total agricultural land, in the European Union, Romania ranks seventh; in the agricultural area fifth place, and in the tillable land per inhabitant sixth place. Of the agricultural land of Romania, about 3.7 million hectares (39%) have a good and very good favorability, 3.3 million hectares (35%) low favorability and 2.4 million hectares (26%) middle favorability. About half of the agricultural land (consisting of tillable lands, natural meadows and plantations) have medium and good fertility. Although some areas of agricultural land are considered disadvantaged areas, soil conditions are very propitious for agricultural activities of production in the southern and western regions of Romania. Most of the utilized agricultural area is tillable (8 million ha), pastures and meadows (over 4 million ha), permanent crops (less than 500 thousand hectares) and family gardens. (Source: NIS, General Agricultural Census 2010). Amid a continuous reduction of the whole agricultural area used, there is a slight downward trend in the share of tillable land and of permanent crops in the total utilized agricultural area, along with a slight increase in the share of pastures, hay fields and personal gardens. After 1990, in the last 20 years, the water resources have been a natural limiting factor of the agricultural crops in Romania. Romania's water resources present the particularity that 98% is collected in the river Danube, which has a length of 1,075 km in the country (out of 2860 km). Over the years,

the quality of surface and underground water, especially the groundwater has been affected by human activities. Only half of the total length of rivers monitored qualitatively can be used as a centralized supply of drinkable water. Of the total of potential resources, less than half are technically usable, especially due to the contamination of resources.

Rivers are mainly fed by rain and snow, less from underground springs, which leads to a high degree of dependency and vulnerability to seasonal climatic conditions. Water resources are unevenly distributed throughout the country with great variability not only seasonal, but year to year to as well. In the medium and long term, satisfying the water demand of the population, the industry, the agriculture and of the other uses in Romania, is not possible without the development of large-scale hydraulic works, allowing water accumulation during abundant rainfall. The climate is temperate continental, with significant regional variations (8-12 months a year with positive temperatures in the southern and coastal areas, compared to the 4 months of positive temperatures in high mountain areas). Rainfalls show notable differences between regions (high mountains to low agricultural areas), but also during periods of dryness and drought, sometimes during the same year (Fall 2011, Spring 2013), with periods of excessive moisture that causes significant damage (floods, landslides). The existence of areas where the average annual wind speed is high, and of other areas where the annual sunshine duration is high, leads to the possibility of using these renewable energy sources. Regarding the ecological structure of natural capital, we find that the current configuration (composition, weight ecosystem types, the spatial distribution) owns 53% of the natural and semi-natural ecosystems. They generate a wide range of resources and services to support and supply the population and the economic activities. Romania, in terms of biodiversity, has a valuable patrimony, with various species of plants and animals that are extinct or rare in other parts of Europe. Although the natural vegetation has a low share in the plains, plateaus and low hills, there are still significant areas where human intervention has been minimal (mountains and high hills, Danube's Delta, lagoon systems and floodplains of rivers). A fairly high level of biological diversity is maintained in the composition of the ecological structure of natural capital.

Given the territorial sustainable development indicators, on the National Institute of Statistics website, we can observe the percentage distribution of surfaces in the development areas occupied by Natura 2000 sites from 2005 to 2011. The information is summarized in the table below:

Table no. 1. Occupied areas of Natura 2000 sites

Macroregions, development regions	Occupied areas of Natura 2000 sites (percent)						
	2005	2006	2007	2008	2009	2010	2011
Macroregion 1 (northwest and center)	0	0	23,45	23,45	23,45	23,45	38,85
Macroregion 2 (northeast and southeast)	0	0	16,07	16,07	16,07	16,07	32,02
Macroregion 3 (south-Muntenia and București-Ilfov)	0	0	8,75	8,75	8,75	8,75	14,47

Macroregion 4 (southwest Oltenia and west)	0	0	18,70	18,70	18,70	18,70	33,24
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Source: National Institute of Statistics

It is noted that by 2011, these areas had a constant distribution, linear, and in 2011 the percentages had almost doubled.

Also, as indicated in the table below, the number of agricultural holdings in 2010 was about 10% lower than in 2005.

Table no. 2. Distribution of agricultural holdings macroregions

Macroregions, development regions	Agricultural holdings (number)		
	2005	2007	2010
Macroregion 1 (northwest and center)	1026820	932307	922844
Macroregion 2 (northeast and southeast)	1381647	1308883	1250592
Macroregion 3 (south-Muntenia and București-Ilfov)	907997	825296	833316
Macroregion 4 (southwest Oltenia and west)	921425	864864	849493
Total	4237889	3931350	3856245

Source: National Institute of Statistics

Change in number of agricultural holdings, as shown in the table can be outlined in the following graph:

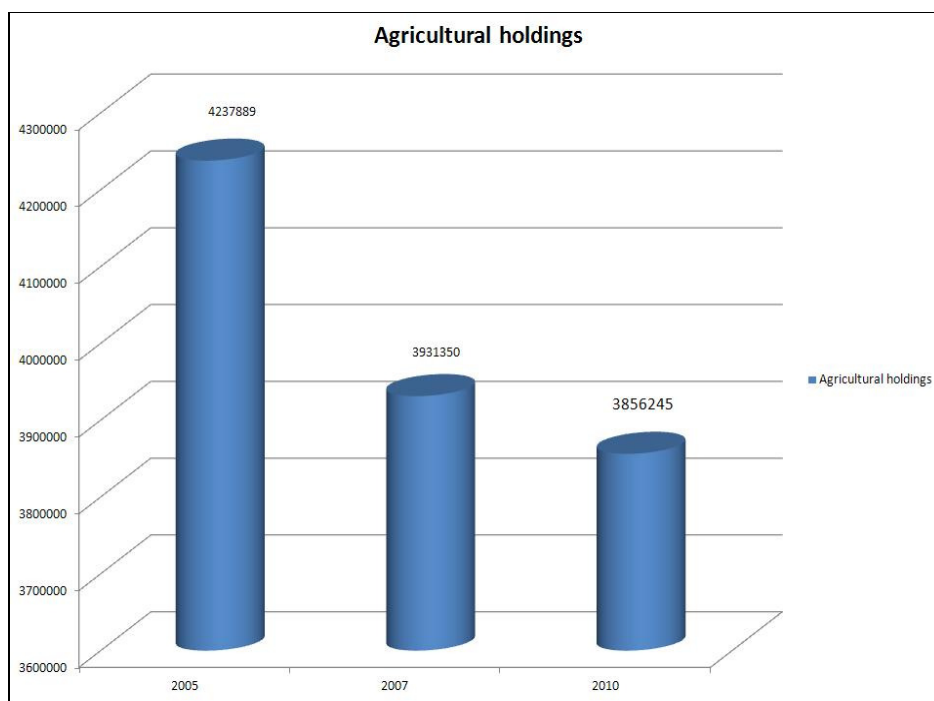


Figure no 1. Change in number of agricultural holdings

Source: conducted by the authors based on data from the website National Institute of Statistics

3. Human Resources

Romania has the highest share of rural population in the EU, about 45% of the total population. There are significant geographical differences in terms of population density, most municipalities that have fewer than 50 inhabitants per km² are grouped in the western part of the country, compared to the eastern and southern areas, where the predominant rural population densities are of 50-100 inhabitants per km².

Information on the Romanian population in general, and in particular to rural areas, suggests that life expectancy has increased, and that brief migration for work abroad reduced the temporary pressure on the necessary resources to cover the basic economic and social needs of the population and led to lower unemployment.

However, a large part of the population employed in agriculture is very socially vulnerable, being, at the same time, older and with an extremely low level of education. This leads to some rural areas of Romania demonstrating a state of poverty, due to the limited capacity of rural communities to attract investments. However, according to the data published by National Institute of Statistics, the aging index of the population has increased from 48.4 in 1992, to 79.8 in 2002, and to 101.8 in 2011³. Also, the demographic dependency report of the elderly has increased from 16.6 in 1992, to 20.6 in 2002, and to 23.7 in 2011⁴.

³ the index of population aging represents the number of elderly persons (65 years and older) in relation to 100 young persons (under 15 years)

⁴ the demographic dependency report of elderly people is given by the number of elderly persons (65 years and older) in relation to 100 persons of working age (15-64 years)

In the rural area, after processing the statistical data regarding the level of education of the inhabitants older than 20 years, the information can be synthesized in the table below:

Table no. 3. Level of education

Census	TOTAL	Superior	Post-secondary	Secondary	Without graduating high-school				
					Total	Out of which:			
						Professional	Gymnasium	Primary	No school
2011	7.055.242 (35 % of Romania's total population)	5,52	1,79	19,29	73,40	16,81	35,75	17,48	3,35

Source: conducted by the authors based on data from the website National Institute of Statistics

According to demographic projections, the rural population will decrease its number by 2015, followed by a pronounced decline in the period 2015-2050. These trends are explained by: declining birth rates, the changing demographic behavior of young couples opting for fewer children (one preferably) and that child born at an older age of the mother; massive drop of birth rate for mothers with high education and average level of living, increased elderly/adult dependency ratio; massive migration (especially external, but internal as well) out of less developed areas (rural areas, small towns, etc.) has produced imbalances and even depopulation in territorial when it was not compensated by birth rate; the aging of Romania's population, with strong negative effects on the performance of future work resources. During the last several years, it was found that the older population gradually replaced the younger one in rural areas. In the early 90s, people who migrated to urban areas came from all age groups. The trend changed after 1996, when the youth started leaving the rural areas, and older people started migrating to these areas.

In this way, the countryside is becoming more and more attractive for the population over 35 years old and especially for those between 45 and 54 years old, who are, usually, more vulnerable on the labour market in urban areas, and are moving towards rural areas, where the subsistence activities begin. However, some people prefer living in rural areas, compared to the urban agglomeration. The young, active population migrates to urban areas, in search of better jobs and more attractive way of life. In rural areas, economic and social implications higher than migration from urban to rural, are given by migration abroad. As such, major financial flows take place in the rural economy due to the substantial amount of money sent into the country by those working abroad. This money leads to both changes in attitudes regarding the migration abroad, but also pave the way for the modernization and development of the rural areas. Much of this money is invested in the purchase of housing and land, and in an attempt to raise the quality of life in rural areas and to provide a means of protection against potential financial problems. Those who have worked abroad (especially young people) are starting to develop their entrepreneurial spirit, and are willing to start a commercial or non-commercial agricultural activity. Even though there are advantages, we should state that there are disadvantages as well, represented by the social costs. More and more children remain in the care of relatives in the country and families separate often. From the point of view of the level of preparation, if one talks about the preuniversitary education, one can mention the following beneficial aspects: the increase of the mandatory duration of education to 10 years, the reorganization

and diversification of the formation ways specific to the professional and technical education; the increased degree of participation in preuniversity education and the degree of continuation of studies after the end of the mandatory period; the existence of affirmative educational policies for Roma population, which leads to an increase in access opportunities to preuniversity education; the existence of a legislation for education that gives national minorities the opportunity to learn their mother tongue in school and to receive education in their mother tongue, the adoption of the National Law of Education.

Actions to continue implementing a coherent and functional system to ensure the quality in preuniversity education are necessary, as well as the adoption and implementation of the National Qualifications Framework. Prerequisites were created at the higher education level for: the structuring of the higher education system in 3 study cycles compatible at an European level, according to the „Bologna Process” concept; the expansion of the network of higher education institutions, both public and private; the consolidation of the autonomy of universities, sustained by the introduction of a system that ensures the quality of the evaluation, both external and internal; the assurance of transparent qualifications, of transferability and comparability to the ones created at an European level, by introducing the diploma supplement. Some of the aspects identified at a national level have a correspondent at European level. Thus, taking into consideration the 2020 Europe Strategy, we notice that three aspects are closely related to each other: the smart development, durable and inclusive⁵. As such, the main challenges of Europe: the aging of population, the insufficiently level of qualification of the work force, the necessity to increase the degree of innovation, the relationship between economic growth and environment degradation, as well as energy safety, should be treated through an integrated approach⁶.

4. Conclusions

The analysis of Romania's natural resources can conclude that the climate changes in recent years, the increasing frequency of dry periods and drought, with extreme upper temperatures, determine the appearance and expansion of areas with high and medium risk of desertification. This implies the need for rehabilitation of the irrigation systems in drought affected areas. Also, due to the need to retain rain water, snow and to reduce the wind strength, it is necessary to create protective forest mantles in lowland areas.

Looking from another perspective, food security and safety can be achieved by proper exploitation of natural resources: soil, water, plant and animal biodiversity.

Due to an excessive proportion of the population employed in agriculture (about 30%), a rethinking of the importance of employment in sectors such as food processing, tourism services, storage and transport of goods is required.

The increased number of private investments in the food industry in rural areas may be the prerequisite for economic growth. This together with improved absorption of European funds for agriculture.

It appears that the main market for Romanian products (exports to the euro area) can no longer help the GDP anymore. It is believed that stimulating consumption can sustain economic growth. However, given the current structure of the Romanian economy, consumption growth would increase imports and lead to the deterioration of the current account deficit, as in the years of economic boom that preceded the crisis. Thus a more

⁵ *** EC (2010), *Europe 2020 - A European strategy for smart, sustainable and inclusive growth*

⁶ *** (2011), *Panorama Inforegio*

balanced growth should be based on both an increase in consumption (of domestic supply and not on imports) and on investment and exports alike.

For subsequent years it is expected a consolidation of the industry share in GDP, a decrease of the agricultural share and increased service activities.

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HUMAN RESOURCES AND EDUCATION

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Abstract: Human resources are the key factor of education reform. Investing in human resources should lead to improving the quality and efficiency of education systems, facilitating access to education and training. Without taking into account the human factor, can generate problems like loss of social welfare. Teachers and trainers are key players in any strategy that takes into account the fact or the development of a knowledge economy. Their proper training can help them meet the challenges of the knowledge society. There were increases for training and teacher participation in education and training programs.

Key words: human Resources; Education; Romania; the importance of human factor; Human Development.

JEL Code: I2.

1. Introduction

Since 2009, the European Union has established a strategic framework for European cooperation in education and training for the period until 2020 ("ET 2020"). The main goal is to support further development of education and training in the member states, so that they can ensure the personal, social and professional fulfilling of all citizens. Also, there are taken into account, the sustainable economic prosperity, the employability, the promotion of democratic values, the social cohesion, the creativity and innovation, the active citizenship and the intercultural dialogue. In 2012, the EU Council and the European Commission set out measures in order to mobilize the "ET 2020" process in the support of the Europe 2020 Strategy for economic growth and jobs, and they have identified a number of priority areas for European cooperation in education and training, for 2012-2014. Europe is facing a sustained economic crisis. The European Commission's latest forecasts predict a slower economic recovery than expected and peak unemployment of almost 11% in 2013, with levels of unemployment with 60% higher among low-skilled workers. In this economic climate, the increase of youth unemployment in Europe must be slowed down. At this point, youth unemployment is located at an average of almost 23%, but rises to over 50% in several member states. In recent years, there has been more and more evidence that the competencies offer does not meet the needs of the labour market. A proof of this is the existence within Europe of over two million vacancies. From this lies the need to establish future growth and competitiveness, under conditions of limited public finance, through more efficient investments in education and training, as well as in the field of undeniable social and economic benefits of these types of investments. The Council of the

European Union, has agreed, through the conclusions regarding the contribution of education and training to recovery, economic growth and the creation of more jobs, that the education and professional training sector, inclusive at a ministerial level, should play a more important role, both in defining approaches and common goals related to education and training, and in implementing aspects related to education and professional training of the European semester of the Europe 2020 strategy, as well. The Council of the European Union considers that member states should give a central role to education and professional training. The educational and professional training system can be the major factor of economic growth and competitiveness in the Annual Growth Survey 2013, taking into account the essential role of investments in human capital, in relation to its approach to prevent unemployment, and to prepare an economic recovery that generates new jobs.

2. Education – component of the Europe 2020

From the Annual Growth Survey 2013, results the need for differentiated fiscal consolidations. Thus, the Member States are required to maintain the future growth potential by prioritizing investment in education and training, and by enhancing them, where it is possible. Also, the Annual Growth Survey 2013 pass the message that the reforms should increase the performance of education and training systems, and the overall level of skills. This increase of the performance of education and training systems can be achieved through closer links between vocational and educational areas. Since there is no universally valid approach, we can conclude that some reforms may require a considerable period to work. At European level it is found that more countries attach an increasingly high importance to skills, education, training and lifelong learning, in order to increase the chances of finding a job and, also, in order to counteract and prevent youth unemployment. As it is well known, education and training systems can help in promoting social cohesion, sustainable development, active citizenship and personal fulfilling in the European societies. For this reason, it is therefore necessary for the member states to ensure that the social aspects of education and training are supported and that there are equal opportunities of access to a quality education. It is necessary to strengthen the role of education and training in Europe 2020, taking into account the annual growth and the specific recommendations of each country, focusing on improving the functioning of education and training systems, and, also, the overall level of skills and training. This can be done through a closer connection of the professional universe with the educational one, and by providing an effective communication and strong partnerships among relevant policy areas, education and training sub-sectors, social partners and different levels of governance. Another area of intervention could be the promotion of excellence in the vocational education and training (VET). An appropriate VET system in terms of quality, which includes a strong component of training at work, by exploring the possibility of developing short-term training programs for post-secondary or tertiary level, can lead to excellence at VET levels. These short-term training programs can cover areas identified as being characterized by growth potential or by lack of qualified personnel. The use of early identification strategies of persons with poor results in basic skills level, can lead to improved outcomes for young people with high risk of early school leaving and low basic skills. It may be granted, at the same time, personalized assistance by creating the possibility to validate the knowledge and the skills acquired in non-formal and informal contexts, but also by combating the causes of poor results using the affordable services of education and high quality care. Another area in which we can intervene is on reducing the

number of low-skilled adults, by introducing or increasing incentives for adult education, through the provision of information referring to lifelong learning. Such services relate to validation of non-formal and informal education, to vocational and educational guidance, and, also, to learning services tailored to individuals.

An innovative pedagogical approach, focused on the learner, since the first years of schooling until the higher education, can lead to the development of transversal competences and skills. The review and the strengthen of the profile of the teaching professions, through the introduction of coherent systems, which includes adequate resources for recruitment, selection, initial training of teachers, early career support and continuing professional development of teachers, can have good results on education and training systems. Of late years, it has been observed an increasingly high influence in the use of learning based on information and communication technology (ICT), in the support of teaching and of assessment practices based on ICT. The European Commission has expressed its support to member states, in their efforts to improve their education and training systems. Thus, to this end, they may use the EU programs in education and training, the structured contacts with the member states can be maintained, inclusive through bilateral meetings in key moments of the preparatory phase prior to the adoption of the Commission's draft recommendations for each country. In the "ET 2020", the work groups are focused on the identified major policy challenges, by ensuring a closer cooperation of the performed activities. New tools have been developed at European level (Monitor of VET and Forum of VET) for which, by examining the results of the first round of operation, it is desired to formulate proposals in order to ensure the achieve of an added value from the application of these new instruments during the European Semester.

3. Beneficial premises in education

From the point of view of the level of training, if we talk about the preuniversity education, we can mention the following beneficial aspects: the increase of the mandatory duration of education to 10 years, the reorganization and diversification of the formation specific to the professional and technical education; the increased participation in preuniversity education and the continuation of studies after the end of the mandatory period; the existence of affirmative educational policies for Gypsy population, which leads to the increase of the access opportunities to preuniversity education; the existence of a legislation for education that gives national minorities the opportunity to learn their mother tongue in school and to receive education in their mother tongue, the adoption of the National Law of Education. Actions to continue implementing a coherent and functional system to ensure the quality in preuniversity education are necessary, as well as the adoption and implementation of the National Qualifications Framework. At higher education level were created premises for: the structuring of the higher education system in 3 study cycles compatible at the European level, according to the „Bologna Process”; the expansion of the network of higher education institutions, both public and private; the consolidation of the autonomy of universities, sustained by the introduction of a system that ensures the quality of the evaluation, both external and internal; the assurance of transparent qualifications, of transferability and comparability to the ones created at the European level, by introducing the diploma supplement

Some of the aspects identified at a national level have a correspondent at the European level. Taking into account the 2020 Europe Strategy, we notice that three aspects are

closely related to each other: the smart development, durable and inclusive⁷. Thus, the main challenges of Europe are: the aging of population, the insufficiently level of qualification of the work force, the necessity to increase the degree of innovation, the relationship between economic growth and environment degradation, as well as energy safety. These challenges should be treated through an integrated approach⁸.

The investment in education and training of human resources is one of the most profitable investments. The premises are beneficial in this sense, if we consider that several learning programs are underway on the European and international level. Among them we can mention: Leonardo da Vinci, Erasmus, Grundtvig, PISA. When referring to investment in education and training, we have to consider the allocation of necessary funds for equipment investment as well. In this respect, based on the beneficiaries of the education and training act, we can consider important the large number of providers of education and training, the spaces they possess, and the material facilities. All these aspects are complementary to the investment in human resources, necessary for the implementation of education and training programs. It is a fact that more educated people are more likely to get jobs, are more productive, and earn more.

After processing the statistical data regarding the level of education of the inhabitants older than 25 years, the information can be synthesized in the table below:

Table no. 1. Level of education

Census	TOTAL	Superior	Post-secondary	Secondary	Without graduating high-school				
					Total	Out of which:			
						Professional	Gymnasium	Primary	No school
2011	14.457.168 (72 % of Romania's total population)	16,36	3,88	24,71	55,05	13,88	27,01	14,18	3,00

Source: conducted by the authors based on data from the website National Institute of Statistics

It is noted that the population over 25 years old represents 72% of the total population of Romania. Also, 55% of the population over 25 years old has not graduated high school, and half of them have only graduated middle school.

4. Conclusions

The European Commission wants to support the initiative of establishment of the European Alliance for the apprentices – which targets the improvement of training at workplace and which involves strong partnerships between education and employment, in particular social partners, the business environment and the VET providers, in accordance with the Copenhagen process. In education and training for adults it is aimed the analysis, together with the social partners from EU level, of the possibilities of increasing the level and the quality of the offer, in order to professional retrain and to improve existing skills of the workforce. Also, there is the intention to create the European space for skills and

⁷ *** EC (2010), *Europe 2020 - A European strategy for smart, sustainable and inclusive growth*

⁸ *** (2011), *Panorama Inforegio*

qualifications, in order to promote greater convergence between different instruments at national and EU level regarding transparency and recognition, so that the skills and qualifications can be easily recognized across borders. The use of ICT resources and the entrepreneurship education are fields in which exists promoting programs. Furthermore, investments in various sectors of education and training are, currently, the subject of an analysis of the efficiency of public spending on education and training. The Council of European Union considers that member states, together with the European Commission, can exploit the potential of cooperation through improved working methods, by avoiding duplications and by a better use of the membership of the EU member states to other international organizations, such as OECD, UNESCO and the Europe Council. Also, such an approach can be achieved through the activation of some structures and procedures which can increase efficiency, effectiveness and the level of ownership by the member states. A structured process, based on voluntary activity, of peer review, may focus on implementation of country-specific recommendations and may improve the experience gained within the pilot project of peer review, from September 2012. Moreover, it can be taken into account a regular feedback from all working groups to the Education Committee and/or to other relevant groups, the Council presentation on the essential findings about policy and, also, a regular communication between the Committee for education and all the thematic working groups, in order to ensure that the working groups are fully informed on the context in which they operate and on any development of the situation, relevant to their area of competence. Of late years, for a better dissemination of information, summaries of the results of the working groups are published in many languages.

Council of the EU supports member states in the stimulation of a constructive process of actions, through the regular transmission of the results of the cooperation mechanisms to the relevant policy committees (the Economic Policy Committee and the Employment Committee). Given the statistics on the level of education of the Romanian population over 25 years old, we believe that actions of rethinking the investments in education and training in Romania are necessary. Innovative solutions are required. Interventions must be directed toward partnerships between schools and universities in different areas. Because there is a difference between the supply of skills and the demand on labour market, there is a need to invite employers to these partnerships as well, in order to facilitate interactions between all actors that can intervene in the education and professional training process. We also believe that increasing the mobility of students and teachers can constitute an action that would help ensure the quality of education and professional training.

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GRANGER CAUSALITY ANALYSIS OF THE RELATIONSHIP BETWEEN GROSS DOMESTIC PRODUCT, UNEMPLOYMENT AND ENTREPRENEURIAL ACTIVITY IN ROMANIA

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Abstract: Granger causal analysis is a commonly used technique in investigating relations between time series, and it is based on the general assumptions that cause precedes effect and that the cause makes a unique change in the effect (Liu and Bahadori, 2012). We decided to use a Granger analysis to investigate the relationship between Gross Domestic Product (GDP) and unemployment and entrepreneurial activity in Romania. We investigated the 2001 – 2012 timeframe, using quarterly data in order to maximize statistical power. We concluded then a Granger-causal relationship exists between GDP and entrepreneurial activity, with a time lag of 18 months and that a bidirectional Granger-causal relationship exists between unemployment and entrepreneurial activity, leading from the first to the former at a 42 month lag, and from the former to the first on a 9 month lag. While Granger causality does not necessarily imply true causality, it is a relatively simple technique that offers evidence that such a relation might exist.

Key words: entrepreneurship; gross domestic product; unemployment; Granger causality.

JEL Code: L26, E27.

1. Introduction

Entrepreneurship is a relatively new research field, having become a distinct field only in the last century. However it is of current interest and importance, being associated with small and medium enterprises' (SME) activity. SME are currently 99% of the total number of enterprises in the European Union, and they employ 2/3 of the total workforce in the private field (Dodescu, Badulescu, 2009). This focus on SMEs is recent in nature, as before the 20th century researchers were focused mostly on large companies, and SMEs were considered to be declining, having low efficiency, low wages and low innovation rates (Faria et al., 2010). Entrepreneurship has many definitions and interpretations, starting with Schumpeter's classic definition as „the doing of new things or the doing of things that are already being done in a new way” (Schumpeter, 1947: p. 151) and leading

to modern functional definitions which define it as the activity of starting a new organization (Rocha, Sternberg, 2005) and including self-employed persons (Van Der Sluis et al., 2008: p. 803). In the context of our paper we will use the later definition; and so the entrepreneur, for the interest of this paper is the individual that starts a new enterprise. Therefore we consider entrepreneurial activity to be measured as the total number of new enterprises started in a certain timeframe. Unemployment is a common occurrence in the modern economy, being considered “a negative phenomenon, characterized by the inability of a country to provide work vacancies for all its work-able citizens” (Olah, 2004: pp. 194–195). The influence of unemployment on entrepreneurship has been suggested since 1940, by (1943), who claimed that entrepreneurship is “providing some individual with an escape from unemployment and others with an escape from the insecurity and humiliation that sometimes attach to employment in the business of another” (Oxenfeldt, 1943: p. 186). From a theoretical standpoint, two opposite effects are proposed. One is the “refugee” effect or the “push” effect (Audretsch et al., 2001), according to which when unemployment is high and vacancies are low, the optimum alternative for an unemployed individual is entrepreneurship. According to Knight’s theory proposed in 1921 (apud D. B. Audretsch & Keilbach, 2008), the individual can choose the optimum between three states: employee, unemployment or entrepreneurship. The second effect, called the “pull” or the “Schumpeter” effect (Audretsch et al., 2001), suggests that an increase in entrepreneurship will lead to a decrease in unemployment, as people get hired and also as economy will grow as a cause of the development of companies (Audretsch et al., 2001). Gross Domestic Product (GDP) is the most commonly used measure of economic progress of a country, being an estimate of production, calculated through several methods, the most common of which being the addition between private and public consumption, net exports and net capital formation (Constanza, 2009). Although GDP has major limits in expressing the total progress of a country, since, as expressed by Kennedy GDP “measures everything ... except the things that make life worth living” (Kennedy, apud Constanza, 2009), it still is the most commonly used indicator, for both historical reasons and the ability to offer comparable results between countries.

2. Previous research into the relationship between unemployment, GDP and entrepreneurship

Several studies investigate entrepreneurship and its relationship with unemployment, however these studies offer different results: some find a positive correlation, (Ritsilä and Tervo 2002; Brixly, Sternberg, and Stüber 2012; Theunissen et al. 2009), some find a negative correlation (D. Audretsch and Fritsch 1994) and some studies find no significant relationship (Noorderhaven 2004; D. B. Audretsch and Keilbach 2008). Regarding Romania, the relationship between the two seems to be a complex and non-linear one (Sipos-Gug, 2012). In function of the time frame we choose, the relation can be negative on the short term and positive on the long term. A common explanation for these differences between studies is that of a geographical factor, and some authors even claim that linearity of the relation might also vary between countries (Congregado et al., 2010; Faria et al., 2010). In respect with the causality of the relation, some studies bring indirect evidence, such as the fact that entrepreneurial development programs are significantly more effective for unemployed persons (Michaelides, Benus, 2012), however the contemporary approach is still largely correlational. Research into the relation between GDP and entrepreneurship causality is still new, with several types of interactions being

proposed. On the one hand, some authors find the entrepreneur to be the fifth factor of production (Veciana, 2007), with the large companies starting as SMEs, and the current SMEs are the largest private employer and use the production ability of the population (Nwakanma, 2010). These are seen as evidence that entrepreneurship acts as a cause of GDP growth. However some studies show that the relation between GDP and entrepreneurship is only positive for developed countries, and that in the case of the developing world the relation might be in fact negative, adding a layer of complexity to previous findings (Stel et al., 2005).

Therefore our study aims to bring further evidence into the causal relation between these variables, beyond the usual purely correlational design.

3. Granger causality

Granger defines causality as the property of the one variable to better predict the effect when it's present in the model, then it can be predicted by omitting the cause (Granger, 1969). This relationship can be instant, or have a certain time lag. This theory is based on a series of important assumptions, namely that the cause precedes the effect and that the influence of external variables is negligible. In reality, an important limit of this model is the influence of such external variables, which might in fact be the true cause, and influence both variables at different time lags (Liu, Bahadori, 2012). An important element in the Granger model is choosing the optimum time lag. Although there are several proposed ways of achieving these, often the choice is made based on theoretical and sometimes randomly (Liu, Bahadori, 2012). A multitude of methods exist for determining the optimum lag, however most of them rely on a series of known indicators, including AIC (Akaike information criterion), HQ (Hannan–Quinn information criterion), FPE (Akaike Final Prediction Error for estimated model) and SC (Schwarz criterion), also known as BIC (Bayesian information criterion). Several ways of choosing the best indicator in the case of Granger causality exist (Hatemi-J, Hacker Scott, 2010; Sheng, Nishimura, 2008), however the most frequently used method is that of finding a time lag n that is the maximum of all time lags for which the AIC is minimum. In our analysis we report all the four indicators, and choice was made based on the consensus between them. If such a consensus was not achieved, we gave more confidence to AIC.

4. Research methodology

4.1. Indicators

The indicator of entrepreneurial activity used was the number of new private entities recorded by the Romanian National Trade Register Office every month. The data was collected from the Registry online platform and covers January 2001 to September 2013. The data was summed quarterly, in order to make it comparable with GDP.

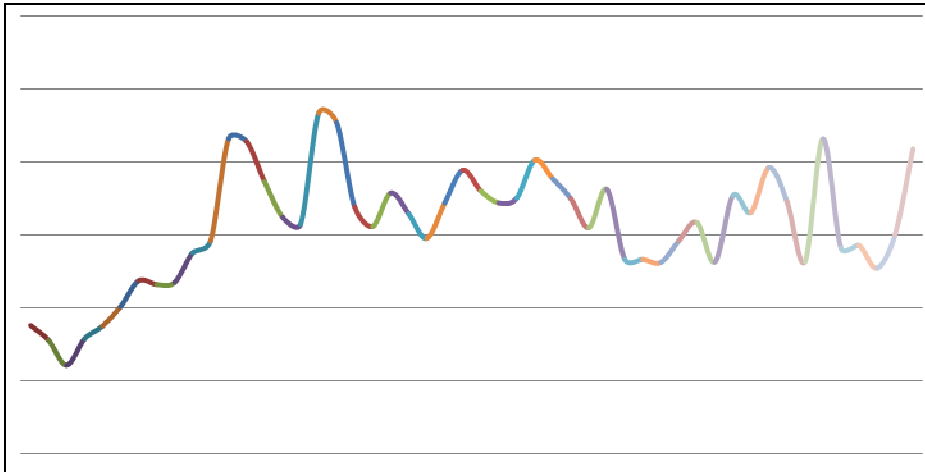


Figure no 1. The number of new companies recorded by the Registry of Commerce (I 2001 - II 2013)

Source: Romanian National Trade Register Office

The indicator we selected for unemployment was the total number of registered unemployed persons at the end of the month. The data was collected from the online platform of the Romanian National Employment Agency and covers February 1991 to September 2013.

The data was summed quarterly, in order to make it comparable with GDP.

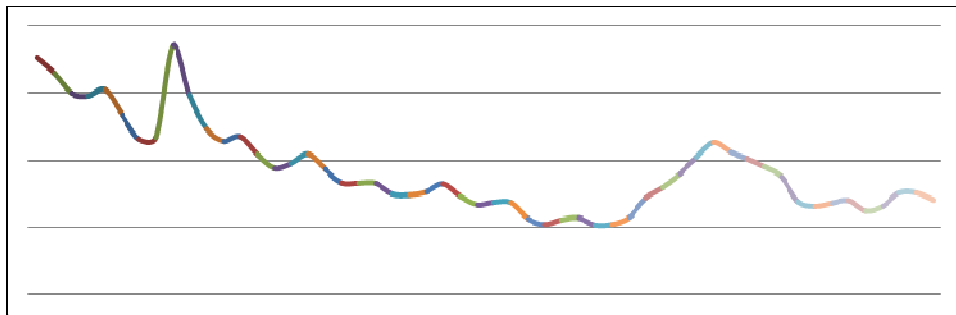


Figure no 2. Quarterly number of employed persons as recorded by the Romanian National Employment Agency (I 2000 – II 2013)

Source: Romanian National Employment Agency

The indicator we selected for GDP was Quarterly GDP at 2000 mean prices, as reported by the National Statistics Institute

Data analysis was performed in R 2.15.2 (VARs package).

4.2. Results

For the relation between GDP and entrepreneurial activity the instant causality Wald test has a value of $\chi^2 = 0.433$, with a $p = 0.51$, and therefore we cannot claim that a simultaneous causality relationship exists.

According to Table 1, the optimum time lag value is 6 quarters, with a consensus between all the four information criterions, and therefore this is the value we will use.

Table no 1. Information criterion values for the different time lags of the GDP and entrepreneurship relation

Qt.	1	2	3	4	5	6	7	8	9	10
AIC	33.87	33.77	32.94	31.35	30.52	30.32	30.50	30.56	30.54	30.33
HQ	33.96	33.93	33.16	31.63	30.86	30.72	30.96	31.08	31.12	30.97
SC	34.12	34.20	33.53	32.11	31.45	31.42	31.77	31.99	32.14	32.11
FPE	5.13 E+14	4.67 E+14	2.04 E+14	4.20E +13	1.85E +13	1.55E +13	1.91E +13	2.09E +13	2.16E +13	1.88E +13

The Granger analysis is presented in Table 2. One can notice that in the case of the relation between GDP and entrepreneurial activity ($p = 0.02$) we can claim that GDP Granger-causes entrepreneurship, however the inverse causal relation cannot be claimed ($p = 0.31$), at a 6 quarters (18 months) time lag.

Table no 2. Granger analysis of the relation between GDP and entrepreneurship

Direction of causal relation	F	df1	df2	p
GDP -> Entrepreneurship	2.68	6	62	0.02
Entrepreneurship -> GDP	1.2031	6	62	0.31

Regarding the relation between unemployment and entrepreneurship, based on the previous research conducted in the field on Romanian data (Sipos-Gug, 2012) that showed a complex and bidirectional relationship, we choose to use two different time lags. The Wald test for instant causality had χ^2 values with significance values higher than 0.05, and therefore we cannot claim an instant Granger relation exists.

For the short term relation we choose a time lag of 3 quarters (9 months), and the results are presented in Table 3.

Table no 3. Granger analysis of the relation between GDP and entrepreneurship on the short term (3 quarters)

Direction of causal relation	F	df1	df2	p
Unemployment -> Entrepreneurship	0.195	3	80	0.89
Entrepreneurship -> Unemployment	3.353	3	80	0.02

From the analysis we can conclude that in the case of Romania, for the investigated timeframe and on the short term, entrepreneurship is a Granger-cause of unemployment, while the reverse does not occur.

For the long term analysis we compared the information criterions for several lag values, and we choose the 13 quarters lag (39 months), as it can be observed in Table 4.

Table no 4. Information criterion values for the different time lags of the unemployment and entrepreneurship relation

Qt.	4	5	6	7	8	9	10	11	12	13
AIC	40.55	40.31	39.95	39.94	39.75	39.62	39.67	39.24	39.05	38.45
HQ	40.83	40.65	40.35	40.40	40.27	40.21	40.31	39.94	39.81	39.28
SC	41.35	41.29	41.11	41.27	41.26	41.31	41.54	41.28	41.27	40.85
FPE	4.19	3.35	2.41	2.49E	2.19E	2.10E	2.45E	1.85E	1.87E	1.37E
	E+17	E+17	E+17	+17	+17	+17	+17	+17	+17	+17

From the Granger analysis in Table 5, we can conclude that in the case of Romania, on the long term unemployment is a Granger-cause of entrepreneurship, while the reverse cannot be claimed.

Table no 5. Granger analysis of the relation between GDP and entrepreneurship on the long term (13 quarters)

Direction of causal relation	F	df1	df2	p
Unemployment -> Entrepreneurship	2.794	13	20	0.02
Entrepreneurship -> Unemployment	0.852	13	20	0.60

5. Conclusions

The current paper had aimed to investigate the relation between GDP, unemployment and entrepreneurship. We have achieved this goal through the use of Granger causality analysis. Regarding the relation between GDP and entrepreneurship in Romania, we have proved the existence of a Granger-causal relation with a 6 quarter time lag. Namely, GDP is a Granger-cause of entrepreneurship 18 months later, while the reverse does not hold. Therefore we have found similar results to other scientists investigating this relation (Stel et al., 2005), the added value of our paper being the inference of a causal relation. The relation between employment and entrepreneurship is however more complex. Starting from similar studies performed in Romania (Sipos-Gug, 2012), we managed not only to find a significant relation, but also to offer information regarding the causal relation between the two. It seems that entrepreneurship is a Granger-cause of unemployment 3 quarters later, while unemployment is a Granger-cause of entrepreneurship 13 quarters later. This is accordance with the current theories that propose opposite effects of "pull" and "push" between the two variables (Audretsch et al., 2001). In conclusion, entrepreneurial activity is Granger-caused by GDP (-18 months) and unemployment (-39 months) and in turn it acts as a Granger-cause for unemployment (-9 months). The major limits of our study are those connected with using the Granger model, and not a truly causal one. Although real causality is a worthy and important goal, it is difficult to attain. The Granger method, with its limits, it still offers valuable information regarding potential causality.

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THE EVOLUTION OF THE ROMANIAN TERTIARY EDUCATION AFTER 1990

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Abstract: The paper, which is a quantitative empirical piece of research, presents the development of tertiary education in Romania between 1990-2012. In order to understand the evolution of the number of academic undergraduates and graduates, we look at the main trends which influence the dynamics of tertiary education, presenting and discussing the number of people enrolled in any form of education, pupils and high school students as future undergraduates. Analyzing the data, it results that the number of undergraduates and graduates in tertiary education increases dramatically despite the diminishing numbers in primary and secondary education. The apparent paradox lies in the fact that more than half of the school population (between 19 and 23 yrs) is attending university courses in this period of time, which explains the expanding growth of those attending tertiary education.

Key words: tertiary education; development; quantitative research; Romania.

JEL Code: I23, I25.

1. Introduction

This paper, which presents the development of university education in Romania in the period 1990-2012, is a quantitative analysis that highlights relevant mutations in the evolution of the number of students and graduates of higher education institutions through the acquisition of liberalization and university autonomy. Raising the level of education and professional population is a prerequisite for improving the living standards of society. Easy access to higher education courses did increase the explosive number of students and university graduates by default, its purpose was to increase the supply of highly skilled labor in the labor market. By raising the level of education of the population, Romania follows the existing trend on the European labor market, increasing the level of training as a condition of integration into this market. The present analysis presents the evolution of higher education in relation to the variation of demographic data categories that affect directly the respective mutations, birth as a main source for the school population, school population structure, level of enrollment in the educational work of the school population and the rate of the number of students per 10,000 populations. These are the landmarks of this analysis, which will link fundamental and higher education development, the dynamics and variation of these indicators will directly influence the evolution of the number of students and the evolution of the number of higher education graduates implicitly.

2. School population in Romania

Statistically speaking, the school population consists of people aged between 3 and "23 and over", representing the population that should be registered in a cycle of education. As defined by the National Statistics Institute school population is made of "all children, pupils and students enrolled in training and education in early school / university education regardless of the form they attend (day, evening, part-time, open and distance) and the age" – (I.N.S. 2009, pg. 4). The school population, depending on the type of school you attend is classified on 7 levels (from level 0 - preschool to level 7 - higher education), according to ISCED classification (International Standard Classification of Education) (www.insse.ro). ISCED classification structure is the organization of information on education and training maintained by the United Nations Educational Scientific and Cultural Organization (UNESCO) as part of the international family of economic and social classifications United Nations. The school population is the population that attends various forms of education. The educational enrollment of the school population is a very important indicator because it shows the level of education of the population.

Table no. 1 presents the evolution of the school population - total and broken down by some form of education that they attend – relevant to this analysis. No data table. 1 point to the fact that during the period studied, the school age population is in a continuous process of decline, both in absolute and relative values.

Analyzing the population of school age categories, we find that, apart from students, all other categories have a downward trend. Picture no. 1, showing the dynamic changes in the period studied for different categories of students, which is a relative value analysis of the phenomenon of educational and demographic base year is considered the academic year 1990/1991. From table no.1 one can notice that the 1990-2012 school age population decreased in absolute score of 1,242,516 units, representing a decrease of 24.52% in relative values compared to the values recorded in the school year 1990/1991. Quantitatively, the number of school-age population is influenced primarily by demographic indicator of the birth population. To determine the source of this reduction should be an investigation of birth as the main source of population growth or decline in the school population with immediate impact. Since the category of the population of school age ranges from age 3 years to age at least 23 years, this indicator covers an age range of the population of 20 years. In order to correlate the data, that analysis must be made on a landing birth time 20 years old compared to the base year of the analysis. Since the base year is 1990 birth year for analysis we will consider 1970. Analyzing data from the Romanian Statistical Yearbook 2011 (NIS 2012 Table 2.6) on the development of the birth population during 1970-2012, we find that the demographic indicator recorded in 1970, has a total of 427,034 live births, with a sinuous decisive downward trend.

Table no.1. The school population. Distribution and dynamics of main components

Year	The school population	Of which:			Dynamic			
		Pupils - Total	High school	Students	The school population	Pupils -Total	High school	Students
0	1	2	3	4	5	6	7	8
1990/1991	5,066,031	4,121,080	995,689	192,810	100%	100%	100%	100%
1991/1992	4,805,367	3,847,909	778,420	215,226	95%	93%	78%	112%
1992/1993	4,664,860	3,677,128	714,013	235,669	92%	89%	72%	122%
1993/1994	4,569,285	3,607,062	722,421	250,087	90%	88%	73%	130%

1994/1995	4,594,513	3,623,837	757,673	255,162	91%	88%	76%	132%
1995/1996	4,703,277	3,669,248	787,211	336,141	93%	89%	79%	174%
1996/1997	4,688,311	3,674,597	792,788	354,488	93%	89%	80%	184%
1997/1998	4,643,351	3,659,208	765,903	360,590	92%	89%	77%	187%
1998/1999	4,631,164	3,598,666	718,017	407,720	91%	87%	72%	211%
1999/2000	4,578,383	3,509,449	694,376	452,621	90%	85%	70%	235%
2000/2001	4,565,279	3,421,091	687,919	533,152	90%	83%	69%	277%
2001/2002	4,554,466	3,356,231	710,663	582,221	90%	81%	71%	302%
2002/2003	4,496,786	3,270,786	740,404	596,297	89%	79%	74%	309%
2003/2004	4,472,493	3,214,999	758,917	620,785	88%	78%	76%	322%
2004/2005	4,403,880	3,108,634	773,843	650,335	87%	75%	78%	337%
2005/2006	4,360,831	2,996,029	767,439	716,464	86%	73%	77%	372%
2006/2007	4,345,581	2,911,213	780,925	785,506	86%	71%	78%	407%
2007/2008	4,404,581	2,846,904	791,348	907,353	87%	69%	79%	471%
2008/2009	4,324,992	2,781,039	784,361	891,098	85%	67%	79%	462%
2009/2010	4,176,866	2,735,424	837,728	775,319	82%	66%	84%	402%
2010/2011	4,029,226	2,682,489	866,543	673,001	80%	65%	87%	349%
2011/2012	3,823,515	2,610,022	888,768	539,852	75%	63%	89%	280%

Source: Romanian Statistical Yearbook 2012 (N.I.S. 2012 table 8.1) and statistical processing by author

Given the fact that the school population stands at 3 years of age and present analysis focuses on the analysis of the school population in higher education, we limit the analysis of live births by the year 1993, the year which saw a total of 249,994 births living level to the reference year 1970 is only 58.54 %, with a decrease in the relative values of 41.46 %, which represents a decrease of absolute 177,040 live births. In picture no.1 is the dynamics of live births in the period 1970 to 2011 marking the downward trend. The next category of the school population analyzed is the number of pupils enrolled in primary and secondary education. During 1990-2011, the total number of students meets the general trend of the school population, with a downward trend. The data in the table point to the fact that the school year 1990/1991 primary and secondary school is attended by a number of 4,121,080 students, their number decreases in school year 2011/2012 level of 2,610,022 students, achieving a reduction of 1,511,058 students, representing a decrease of 36.66% in relative values. Of the total number of students attending primary and secondary education, for this analysis is relevant the number of pupils in secondary cycle, i.e. the number of high school students, graduates of this form of education is the source recruitment prospective students. Also from table. 1, it can be seen that the number of high school students made a downward trend during the analyzed period, but decreases are smaller both in absolute and in relative terms compared to the total number of students. In the school year 2011/2012 the number of students attending secondary school was 8.92% lower than the school year 1990/1991, which represents a decrease in absolute 107,042 high school students. School years 1990/1991-2000/2001 mark the first time characterized by a decrease in the number of students to the school year 2000/2001. The next period is characterized by an opposite trend, which emphasizes continuous growth

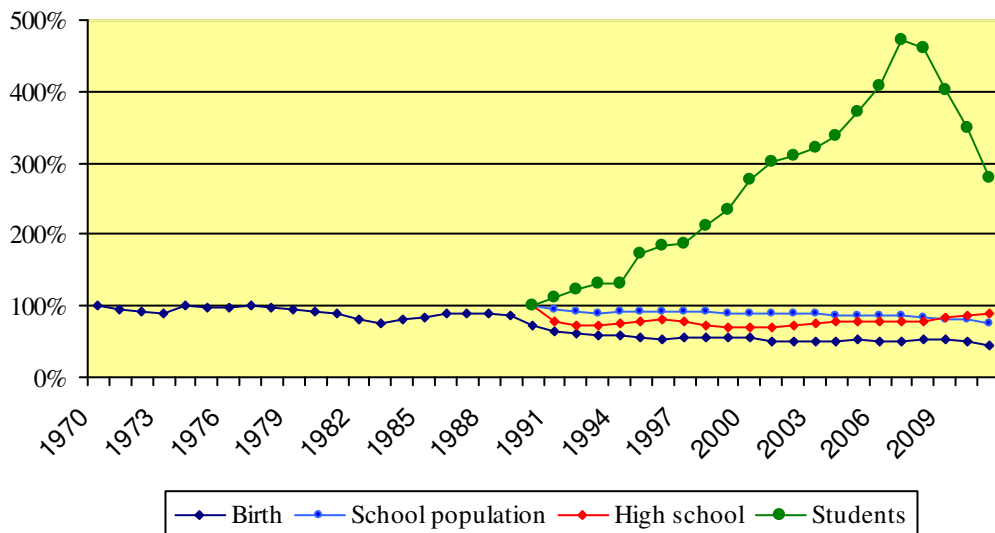


Figure no.1. Birth and school population

Source: graphic by author

Increasing enrollment in education and school age population in particular age group "15-18 years", creates the potential to raise the level of education of the Romanian population, expanding the selection for future students. All analyses conducted so far were intended to be the basis for research of the number of students and Graduates of higher education after 1990. Also, table no.1 shows the number of students to score spectacular growth after 1990, reaching a high point in the academic year 2007/2008. Note that up to this point, the growth is continuing. In the school year that marks the high point of the analysis is recorded a number of 907,353 students, representing an increase of 471% from the values in the academic year 1990/1991. In absolute values increased an additional 714,543 registered students.

This explosive growth in the number of students is achieved due to a continuous decline in the school population, the number of students (total) and the number of high school. None of these categories brought a justifying increase in the number of students. Previous analyzes have highlighted the continuous reduction in the size of the school population at all levels and age groups and attended courses except those relating to population attending higher education institutions. After the peak of 2007/2008 academic year, the evolution of the number of students is going on a downward trend, reaching in 2011/2012 a total of 539,852 students, dropping in these four years with 367,501 students. This level, in the last school year of the analyzed period, corresponds approximately to the level achieved in the academic year 2000/2001. At the end of the period under review, it is shown that the number of students in the academic year 2011/2012 is 347,042 higher than in the academic year 1990/1991, representing an increase of 280%. Data on school population dynamics in table 1 are plotted in picture no.1. Plot analysis highlights the fact that the dynamics of the school population, the total number of students, high school students and the number of comparable developments in a range from 100% to 65% of the school population, from

100% to 63% for the number students - all, and from 100% to 69% for the number of high school students following trends comparable developments. The discordant note is the dynamics of the number of students who, as discussed previously, has an explosive development in 1990-2007 within the range from 100% to 471%, followed by a sharp decline at a rate of 280%. The growth that has been highlighted contains a qualitative component, being a growth that marks the raising in awareness, education and professional training of the Romanian population.

3. The educational enrollment of the school population

A relevant analysis on school population refers to the investigation of the enrollment of the population of school age in the educational system. Table no. 2 shows in columns 1, 2 and 3 the data and the evolution and trends of this indicator in the years 1991 to 2011, data extracted from the Statistical Yearbook of Romania 2011 and National Institute of Statistics Portal, (<http://statistici.insse.ro>).

Table no. 2. The enrollment, graduates number correlations

Year	The educational enrollment of the school population			Graduates		DYNAMICS graduates		Rate the number of students per 10,000 population
	Total	15-18 year	19-23 years and over	High school	Higher Education	High school	Higher Education	
0	1	2	3	4	5	6	7	9
1991	59.90%	76.10%	12.50%	188,732	25,927	100%	100%	93
1992	60.00%	67.00%	15.10%	217,743	29,901	115%	115%	103
1993	60.00%	63.70%	16.60%	166,890	33,366	88%	129%	110
1994	61.60%	68.90%	14.00%	151,157	34,240	80%	132%	112
1995	64.00%	59.70%	22.60%	158,591	47,837	84%	185%	148
1996	64.70%	61.10%	24.00%	176,071	57,360	93%	221%	157
1997	65.10%	61.60%	24.30%	182,643	80,991	97%	312%	160
1998	66.30%	63.00%	26.70%	183,570	67,799	97%	261%	181
1999	67.30%	65.90%	28.90%	182,783	63,622	97%	245%	202
2000	68.90%	74.60%	32.90%	174,060	67,940	92%	262%	238
2001	70.60%	73.90%	36.40%	161,106	76,230	85%	294%	260
2002	72.90%	73.70%	40.70%	147,650	93,467	78%	361%	274
2003	74.20%	73.00%	43.30%	173,584	103,402	92%	399%	286
2004	74.90%	74.90%	45.70%	172,371	110,533	91%	426%	300
2005	76.00%	73.50%	51.20%	177,576	108,475	94%	418%	331
2006	77.30%	75.70%	55.90%	185,255	112,244	98%	433%	364
2007	79.70%	77.40%	63.80%	187,576	125,499	99%	484%	421
2008	79.60%	79.20%	63.30%	218,205	232,885	116%	898%	414
2009	78.70%	81.30%	59.30%	202,113	214,826	107%	829%	361
2010	77.60%	80.80%	56.00%	204,863	191,291	109%	738%	314
2011	76.00%	81.00%	50.30%	202,160	186,900	107%	721%	253

Source: Romanian Statistical Yearbook 2011 and statistical processing by author

The enrollment in an educational institution of the age group "15-18 years", mainly related as the group of high school students shows initially that this indicator decreased from a share of 76.1% achieved in 1991 period to a minimum which is found in 1995 indicating a minimum share of 59.7%, and during the following period there is an increase sinuous, almost continuous (with some periods of regressions in 2001-2003 and 2005) reaching in 2009 to its climax, or a rate of 81.3% respectively, of the school population in this category

attending education, to end periodically highlight a small decline, but data pertaining to cluster around a weighting of 81%.

Correlating these data with the number of high school students recorded in table no.1 we find that the coverage in the educational development of the population in the age group 15-18 years, account for and also confirm the findings on the evolution of the number of students in high school. The increase outlined in the second part of the analysis, namely the increase in the absolute number of students in high schools and the increasing school enrollment age group 15-18 are circumstances for quantitative growth of population attending a tertiary educational institution. Analyzing the coverage in the population of school age education - for the age group "19 to 23 years and over" which is the age group to which undergraduate students belong to, there is a continuous increase up to 2007 the proportion of people attending higher education in a share of 12.5% for the year 1991 up to a maximum weight of 63.8 % in the academic year 2007 investigated; at the end there is a share of 50.3%, which means that half of the population of that particular age is attending an institution of higher education.

4. Analysis of the number of graduates from secondary and higher education

Completion of work attendance rates of a form of education is to pass the final exam certifying completion of that form of education. The baccalaureate exams are important and undergraduate university exams. Table no.2 highlights the number of graduates of the most important forms of education, namely the number of high school graduates and the number of university graduates. Analyzing the data in table no.2, it shows that the number of high school graduates in the years 1990-2012 has two pairs of extreme values, i.e. 2 maximum and two minima. First peak is realized in the second year of this analysis in 1992, when a record number of 217,743 graduates, and over two years, in 1994 the first minimum, pointing out that the number of high school graduates is 151,157. For the period 1994-2002 the peak in 1998 when it recorded a total of 183,570 graduates, following by decrease until 2002, when it reaches the second period with a minimum number of 147,650 graduates, which represents the absolute minimum of the analyzed period. After highlighting the absolute minimum, the number of graduates increases continuously until 2008 when it highlights the second period with a maximum number of 218,205 graduates, which is the absolute maximum number of period. After this point, which marks the absolute maximum, there is a small decrease in the next year to 202,113 graduates continued with a period of relative stability in the next two years, at the end of the period under review, it is recorded a total of 202,160 graduates. The graph of the evolving number of high school graduates is shown in picture no. 2, in the view of the above analysis and trends indicators. In increasing the number of university graduates, it appears that this trend is strongly upwards. Compared to 1991, the first doubling of the number of graduates is achieved relatively quickly, over five years, respectively in 1996, when it achieved a growth rate of 221%.

The first shock in the number of graduates statistic appears in the following year, 1997, when, during a single school year, the number of graduates once again managed to triple the number of graduates from the base year, with growth of 312%, registering a number 80,991 graduates.

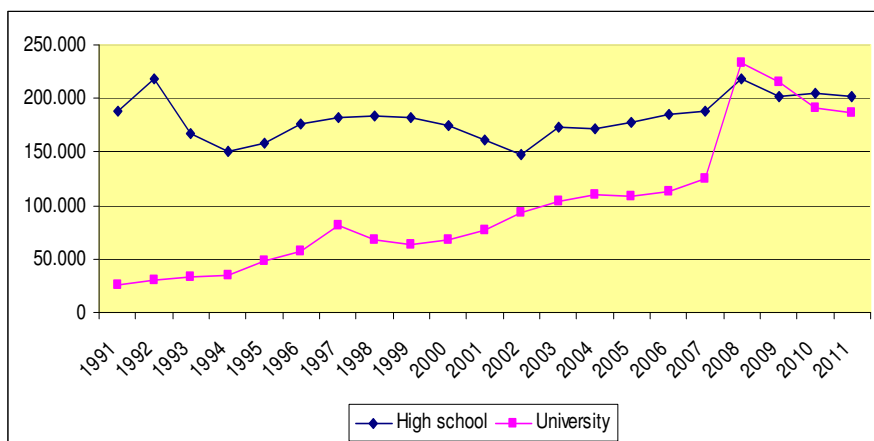


Figure no. 2. Evolution of the number of graduates

Source: graphic by author

In the period 1997-2004 the trend of evolution of the number of graduates is a convex parabola with a decrease in the number of students in the top of the parabola minimum in 1999, the number of graduates falls to the level of 63,622 representing "only" 245 % of base year and growth on the right side of the graph reaches the level of 110,533 graduates in 2004 representing an increase of 426 % compared to the base year. Note that in the analyzed period (1997-2004) the number of university graduates in 2003 still marks a significant increase once again multiplying the number of graduates from 1991, achieving an increase of 399%, registering a total of 103,402 graduates. In the period 2004-2007, the number of graduates show a decrease (-2.058 units) in 2005, followed by an increase in 2007 that makes it possible to report (almost) another multiplication of the number of graduates they reaching a of 125,499 which represents an increase of 484% since 1991.

The most spectacular growth of this analysis takes place in 2008, when the number of university graduates almost doubled from the previous year. In 2008, it was registered a record number of graduates from 125,499 to 232,885 graduates in the previous year. The absolute maximum is an increase of almost 9 times in the number of university graduates compared to 1991, representing an increase of 898% since 1991. After this boom in 2008, follows a period of decline that is maintained until the end of the analyzed period, the number of university graduates falls to the level of 186,900 graduates in 2011, which is still an increase of 721% since 1991. During the last three years of the analysis, it is shown a significant downward trend, but, in the general context of the analysis, the number of university graduates is still high, which shows a general tendency in raising the level of education and professional development of the population.

5. Conclusions

The analyses presented so far, have revealed the main demographic indicators for the development of the education in Romania after 1990. Higher education has been particularly characterized by an explosive growth, which is not found in any other form of education. This increase is based on the increase in the enrollment indicator highlighting the educational level of the school population, i.e. the age category "19 to 23 years and

over", which in 2011 showed that half of the population in this age group (50.3%), was attending a special form of education in higher education - a fact demonstrating that higher education is beneficial to record these significant developments for the future of society, because it requires a raising in education and professional qualifications of the members of society and thus to higher labor supply of highly skilled labor market. On the basis of the analysis, it has been shown that the most prolific period is in 2008 and is located in close vicinity of 2007 and 2009, when the analysis highlights the significant achievements, developments reaching the maximum of the analyzed data. Thus, in 2007-2009 is recorded the highest percentage for the indicator on "the degree of inclusion in education of the school population" on the 3 age groups analyzed, namely, 79.7% in 2007 to "total", 813% in 2009 for the age group "15-18" and 68.5% in 2007 for the age group "19 to 23 years and over". Returning to the analysis of activity of higher education institutions, we have reviewed the rate indicator on the number of students per 10,000 inhabitants, indicator showing a peak in the year 2008, of 414 units being 4.45 times higher than those registered in 1991. Like all indicators pertaining higher education, this has a tendency to decrease towards the end of achieving a level of analysis of 253 units, representing an increase of 272 % since 1991. Based on these analyses, it can be concluded that the number of students and university graduates grew massively on account of the increased public interest for socio-professional skills, which also led to a growth in the level of education by attending university courses.

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THE UNEMPLOYMENT IN ROMANIA – STAFF CATEGORIES, LEVEL OF EDUCATION AND GENDER

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Abstract: The present paper is a quantitative statistical analyses that investigates the evolution of unemployment in Romania, showing minimum and maximum points in the absolute and relative values of the unemployment rate and its dynamics.

The study is concerned with the employability, revealing how unemployment affects the active individuals and analyzing the phenomenon in relation to categories of staff, levels of education and gender. The aim is to determine the influence of unemployment on different categories of people that were currently in the labor force between 1991-2011 and to identify those categories of people prone to be more affected by it. Mathematical modeling is used to analyse some of the data in order to demonstrate that unemployment is more frequent with the male population that has a lower degree of schooling.

Key words: unemployment, labor market, quantitative analysis, Romania.

JEL Code: J64, J69.

1. Introduction

The emergence of some imbalances in the labor market, which happen because a certain socio-professional category of the active population fails to exploit its labor force in the productive economic circuit, generates the phenomenon of unemployment. This imbalance occurs directly when the labor supply is greater than the demand for labor in the labor market. Controlling and mitigating this economic phenomenon is an ongoing concern of the government in general and trade unions in particular, each acting through specific levers to develop measures and / or social and economic policies in this regard. The experience of these actors in the labor market is relatively low, considering the fact that the unemployment phenomenon has emerged, more accurately, re-appeared in Romania while the transition to market economy has occurred, and also the liberalization of the labor market and the establishment of competition in the economy. This paper intends to analyse this economic phenomenon by focusing on the quantitative side, the aim being to highlight the manifestation of unemployment for different categories of people who are on active labor market. The analysis aims to investigate a) if the unemployment phenomenon is identical for all categories of active population b) if there are certain categories favored or disfavored, whatever they may be c) if unemployment is influenced by level of education and gender.

2. Unemployment Romania during 1991-2011. Evolution and dynamics.

After 1990, the Romanian economy is undergoing substantial changes, the transition to a market economy causing the development and manifestation of new economic phenomena, the unemployment being such a phenomenon in a market economy, as a result of the actions of the labor market. The emergence and evolution of unemployment is caused by "deep economic crisis, caused by the transition from a planned economy system to a market economy, is the fundamental cause of unemployment in Romania" (Bădulescu, 1997). Key data on unemployment in Romania are presented in Table 1. The data show the evolution of this phenomenon and its completely broken down into categories based on the level of school education and professional workforce. The data analyzed come from employment agencies and are taken from the Romanian Statistical Yearbook 2011 (INS 2012 Table 3.18).

Analysing the above data, one can see that unemployment is manifested at random.

Table no.1. Number of unemployed and unemployment rate by education level

Year	Total	Number of unemployed by education				Unemployment total (%)	Unemployment rate by level of education (%)			
		Primary, secondary, vocational	Secondary and post	University	Undistributed		Primary, secondary, vocational	Secondary and post	University	Undistributed
0	1	2	3	4	5	7	8	9	10	11
1991	337440	223,776	34,198	8,004	71,462	3.0%	1.99%	0.30%	0.07%	0.64%
1992	929019	733,155	93,736	15,708	86,420	8.2%	6.47%	0.83%	0.14%	0.76%
1993	1164705	911,919	136,751	17,174	98,861	10.4%	8.14%	1.22%	0.15%	0.88%
1994	1223925	891,546	159,684	17,120	155,575	10.9%	7.94%	1.42%	0.15%	1.39%
1995	998432	628,244	134,443	11,534	224,211	9.5%	5.98%	1.28%	0.11%	2.13%
1996	657564	367,628	86,663	7,399	195,874	6.6%	3.69%	0.87%	0.07%	1.97%
1997	881435	497,861	142,460	15,682	225,432	8.9%	5.03%	1.44%	0.16%	2.28%
1998	1025056	592,173	180,812	20,033	232,038	10.4%	6.01%	1.83%	0.20%	2.35%
1999	1130296	832,275	265,307	32,714		11.8%	8.69%	2.77%	0.34%	
2000	1007131	725,890	248,822	32,419		10.5%	7.57%	2.59%	0.34%	
2001	826932	599,141	199,655	28,136		8.8%	6.38%	2.12%	0.30%	
2002	760623	584,470	152,110	24,043		8.4%	6.45%	1.68%	0.27%	
2004	658891	494,862	136,203	27,826		7.4%	5.56%	1.53%	0.31%	
2003	557892	420,197	109,054	28,641		6.3%	4.75%	1.23%	0.32%	
2005	522967	418,411	84,839	19,717		5.9%	4.72%	0.96%	0.22%	
2006	460495	369,808	73,197	17,490		5.2%	4.18%	0.83%	0.20%	
2007	367838	290,340	61,713	15,785		4.0%	3.16%	0.67%	0.17%	
2008	403441	311,904	70,819	20,718		4.4%	3.40%	0.77%	0.23%	
2009	709383	502,995	156,352	50,036		7.8%	5.53%	1.72%	0.55%	
2010	626960	441,603	135,588	49,769		7.0%	4.93%	1.51%	0.56%	
2011	461013	321,265	101,028	38,720		5.2%	3.62%	1.14%	0.44%	
	748164	531,403	131,592	23,746	MEDIA	7.6%	5.40%	1.40%	0.30%	0.60%
	100%	71%	18%	3%	Share	100%	71%	18%	3%	8%

Source: Romanian Statistical Yearbook 2011 and mathematical processing by author

To facilitate the analysis the graph in Picture no. 1 has been drawn to show the evolution of this phenomenon in absolute values for both the total number of unemployed and the main three groups broken down by level of education.

By looking at the graph, one can observe that there is a correlation between the total unemployment in Romania (blue line) and unemployment that occurs among the population with low levels of education; among the population that has an education level "primary, secondary and vocational education" (chart purple), this category achieving the highest levels of unemployment in the three categories mentioned. It appears that the trends in these two parameters is the same as the trend the graphs highlighting all three cycles of evolution characterized by increasing maximum, decreasing minimum cycle then repeats.

The cycles vary in length - time, first cycle demonstrating over five years, the second has a broader trend over 11 years, the last being the shortest cycle analysis, with a 4 year trend.

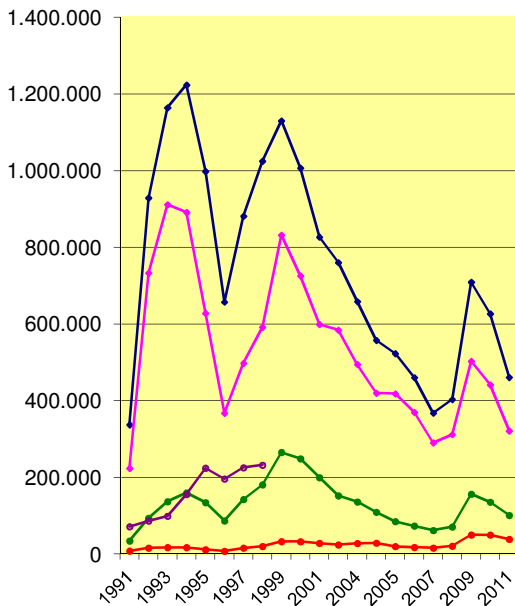


Figure no.1. Number of unemployed

Source: chart developed by the author based on data from table 1

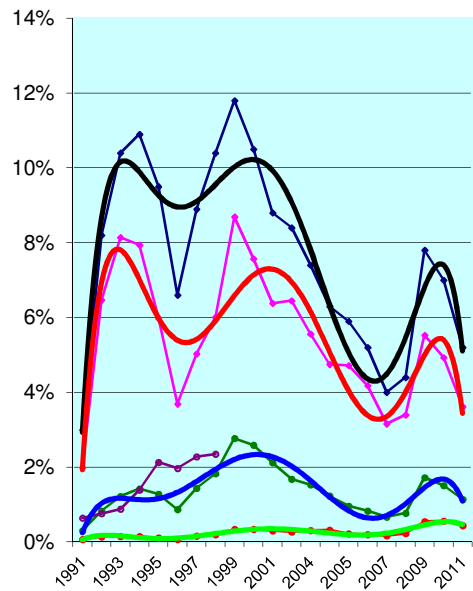


Figure no.2. Unemployment rate

Analysis of the number of unemployed highlights the rapid growth in the early years of the analysis. Thus, from 1991, when there is a number of 337,440 unemployed, in the next year this number increases by 2.75 times, recording a total of 929,019 unemployed. The peak of the first cycle is in the year 1994, when it registered a total of 1,223,925 unemployed, representing an increase of 3.62 times compared to 1991, the highest level of unemployment in Romania after 1990. The category of unemployed with low level education record 223,776 unemployed in 1991, a level that increases within 2 years by 4.07 times, reaching a maximum of 911,919 unemployed in 1993, being the highest level of this category unemployed after 1990. After the peak levels in the mentioned years, the drop period is characterized by a decrease to a level of no less than 53.72% in this reporting unemployed 657,564. The unemployed with low education level, reaches the 59.68%, the minimum level recorded in 1996 being of 367,628 unemployed. Looking at the second cycle, there is an increase comparable to the increase shown in the previous cycle during the period of manifestation (3 years), and comparable in magnitude, being similar, quick and sharp. Notable differences appear in the decrease phase when there is

slow but steady fall over a period of 8 years. The third cycle has a short increased of two years, followed by an identical decrease, with the increase in the amount of time in actual values being comparable. The other two categories of unemployed, i.e. unemployed with an average level of education (green line) and those with a higher level of education (red line) follow the trend of development of previously studied categories, moving all three cycles of development, but with amplitudes much flattened, indicating that the number of unemployed with higher levels of education have the lowest variation. A general feature of evolution is that over the years, the general trend is to reduce the absolute number of unemployed, although developments in the early years of the analysis were spectacular with steep and violent increase. Picture no. 2 plotted unemployment rate, representing the same distribution as in the previous chart, namely unemployment rate for all unemployed and also broken down into three categories determined by the level of education. It appears that, in general, these indicators are comparable with the chart graph indicators on the number of unemployed, the graphs being almost identical. To better explain the correlation between unemployment rates for the analyzed graphs made a mathematical modeling of the evolution of this indicator for two graphs, defined by a polynomial equation of degree 6, which defines line trend and plotted. The two graphs related to polynomial functions of degree six, numbered from top to bottom, $f_1(x)$ - black, $f_2(x)$ - red, represents evolving trends graphs for two categories of unemployed which consider that $f_1(x)$ is the trend line corresponding overall rate of unemployment, while $f_2(x)$ represents the development trend line corresponding unemployment for unemployed with low education. The mathematical equations for the two graphs that model the evolution trend are defined by the equations:

$$1. f_1(x) = -5E-07x^6 + 3E-05x^5 - 0,0009x^4 + 0,0107x^3 - 0,0665x^2 + 0,1939x - 0,1079$$

$$2. f_2(x) = -5E-07x^6 + 3E-05x^5 - 0,0008x^4 + 0,0104x^3 - 0,0652x^2 + 0,1838x - 0,1089$$

The analysis of the two equations $f_1(x)$ and $f_2(x)$ check previous statements that show that there is a very close link between the trend in the total number of unemployed and the number of unemployed with low education. From the mathematical equations of evolutionary trends of the graphs it is shown that they have coefficients of the variable "x" of the 2 equations similar values and comparable and at $x=0$ function values are almost equal, taken to be a constant term. For graphs that express the trend line of the two indicators analyzed and graphics that express the unemployment rate calculated coefficient of determination R^2 to check the intensity of the relationship between them. It is found that the coefficient of determination values are above 0.80 or 0.8636 for total unemployment rate chart, 0.8028 the unemployment rate with a low education level, unemployment, which indicates that performed mathematical modeling trends closely approximates the evolution of the characteristics studied, with a high degree of dependency.

3. The structure of the active population and unemployment by level of education

Given the structure of the active population by level of education, we will now make a comparative analysis of the structure of unemployment by level of education, wanting to see if the fixed proportion of the active population are unemployed in the same degree or if

there is a certain category of people with a certain level of education that is more affected by unemployment or if it is less affected as compared to the other categories. The data in table no. 2 show that unemployment affects different groups of people grouped by level of education, meaning that the most disadvantaged class and the most prone to unemployment is the population with low education.

Table no. 2. The structure of the active population and unemployment by level of education

Year	The structure of the active population by level of education				The structure of unemployment by level of education			
	Total	Primary, secondary, vocational	Secondary and post	University	Total	Primary, secondary, vocational	Secondary and post	University
0	1	2	3	4	5	6	7	8
2000	100%	53.0%	37.5%	9.5%	100%	72.1%	24.7%	3,2%
2004	100%	50.9%	37.0%	12.1%	100%	75.1%	20.7%	4,2%
2007	100%	47.1%	38.3%	14.6%	100%	78.9%	16.8%	4,3%
2009	100%	45.5%	38.1%	16.4%	100%	70.9%	22.0%	4,7%
Media		49.1%	37.7%	13.2%		74.3%	21.1%	4.1%
Increasing		85.8%	101.6%	172.6%		98.3%	89.1%	146.9%

Source: Cristian Orgonas (2011) - *Câți români au studii superioare și cum stăm în comparație cu alte țări?* [http:// Businessday.ro](http://Businessday.ro)

The analysis covers the period 2000-2009 during which people with a low education level with an average share of 49.1% of the active population is found among the unemployed at an average share of 74.3%. The other two categories analyzed exhibited a smaller degree of unemployment, namely an average of 37.7% of the active population, with an average level of education is reflected in the average rate of 21.1% among the unemployed, while population with a higher level of education has an average share of 13.2% of the active population is found in the average proportion of 4.1% among the unemployed, being the socio-professional category the least likely to be unemployed. The fact that the working population with tertiary education is the socio-professional category less exposed to unemployment, also results from the analysis of the time evolution of this phenomenon. In the period 2000-2009, the share of population with a higher level of education of the working population increased from 9.5% to 16.4% by 6.9%, the increase in 2009 was 1.72 times higher compared to 2000, while the share of unemployed with a higher level of education increased from 3.2% to 4.7%, achieving in 2009 a plus of 1.5%, which compared to year 2000, represents an increase of 1.46 times which is well below the increase of 172.6% in the share of assets.

The above findings are visually represented in the graphs in Picture No. 3, which illustrates the data in Table 2, respectively showing the evolution of the weights for the population with low education (left chart), with population a medium level of education (graph in the center) and the population with tertiary education (right chart).

In Picture no. 3 (left chart) is seen as the share of population with a low education level and the active population decreased from 53% to 46%, while the share of unemployed with

low education increases the number of unemployed at a time of from 71% to 79%, and then decreases at the end of analysis at a level of 71%, the mean period value being at 74%.

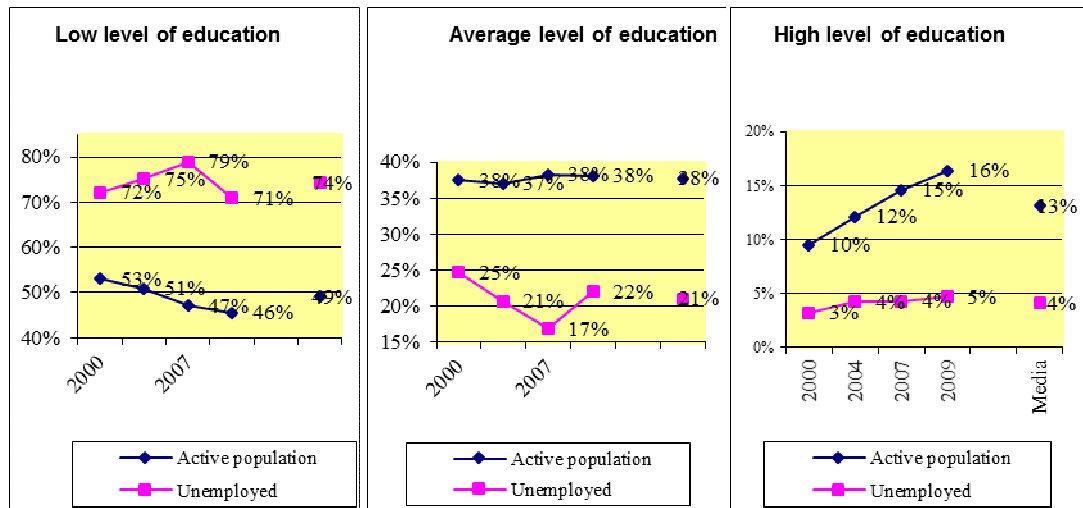


Figure no. 3. The weight of categories of population by level of education
Source: chart developed by the author based on data from table no. 2

The graph in the center we find that the share of the population with an average level of education in the workforce remains relatively constant around values of 38%, while the share of unemployed people with an average level of education in the total unemployed opposite developments achieved previously analyzed category, achieving the first stage a significant decrease from 25% to 17%, as the end of the period to record a share of 22%, a level comparable to the average share of the period is 21%.

The only socio-professional category is directly proportional developments is the category of people with a higher level of education achieved growth category of both indicators, the population share assets increased from 10% to 16% while the share of the unemployed grows less than 3% to 4%, development highlighted in the above lines.

4. Unemployment among active women

Unemployment manifests differently by gender. The evolution of unemployment among the female population during 1991-2011 is shown in Table. 3 which listed the values recorded in absolute and relative terms, the share of female unemployment values are within the total number of unemployed. This trend is shown graphically in picture no. 4. From the data presented it appears that at the time of unemployment Romanian market this manifested more strongly among women, unemployment being the majority in this category, with a share of 61.8% in the first year of analysis. Further, there is a continuous decrease in the unemployment rate of women, so that between 1996-1997, the share of unemployment is equal between the sexes. The share of female unemployment continues its downward trend, which will cause unemployment to become less frequent with women. In 2006, the female unemployment minimum point score analysis reference recording a

share of 41.6% with a total of 191,449 unemployed women was the lowest unemployment rate among the female population after 1990.

Table no. 3. Number and share of female unemployment

Year	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001
Total	337440	929019	1164705	1223925	998432	657564	881435	1025056	1130296	1007131	826932
Women	208457	563065	685496	693342	551492	355435	428620	485181	530119	471608	381139
Share	61.8%	60.6%	58.9%	56.6%	55.2%	54.1%	48.6%	47.3%	46.9%	46.8%	46.1%

Year	2002	2004	2003	2005	2006	2007	2008	2009	2010	2011	Media
Total	760623	658891	557892	522967	460495	367838	403441	709383	626960	461013	748164
Women	339520	286271	234592	219224	191449	166626	187228	302124	264401	203677	369003
Share	44.6%	43.4%	42.0%	41.9%	41.6%	45.3%	46.4%	42.6%	42.2%	44.2%	49.3%

Source: Romanian Statistical Yearbook 2011

After the minimum value recorded in 2006 unemployment among women is a sinuous evolution characterized by increases and decreases in periods of two years, but the trend is does not exceed the rate of 50%, unemployment among women is still a minority. Minority is the average unemployment period under review registering a value of 49.3%.

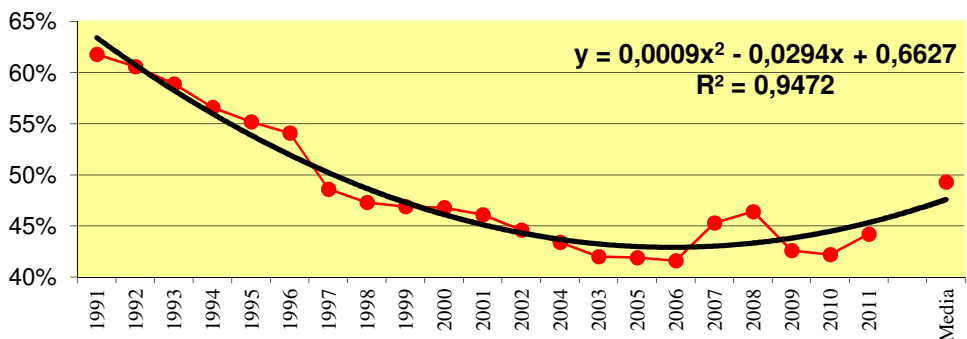


Figure no. 4. Share of female unemployment

Source: chart developed by the author based on data from table no. 3

The graph in picture no.4 illustrates the evolution of unemployment in the period 1991-2011 and the period average. Graph that represents the percentage of unemployment among women is a development that can be easily modeled mathematically. The curve representing the trend line in the total female population share of unemployment benefits (black graph) is a convex parabola, defined by a second degree polynomial function $y=0,001x^2-0,029x+0,663$. To check the dependence between the actual data in the development and value of the trend, a line was computed the coefficient of determination

R^2 , whose value is 0.947 compared to value very close to the unit value, which means a very strong dependence, the estimation is mathematically correct.

5. Conclusions

Analysis of unemployment in Romania during 1991-2011 highlights the economic manifestation of this phenomenon in the labor market. It is gratifying that, in general, this phenomenon has a decreasing trend. After a flying start, with a total of 1,000,000 unemployed in 1993-1994 and 1998-2000, the maximum value being 1,223,925 registered unemployed in 1994, with unemployment rates of over 10% achieved in the foregoing, maximum unemployment rate of 11.8% achieved in 1999, unemployment tends to decrease. Minimum values are recorded representing 367,838 unemployed in 2007 related to an unemployment rate of 4%, the number of unemployed, stabilizing in recent years between 400,000 and 600,000 unemployed. Although the absolute values are relatively low and the unemployment rate fell, yet the elevated mass due to reduced number of active population on the labor market in Romania, the active population decreased due to massive labor migration on the international labor market. From the point of view of the distribution of unemployment by level of education, it has been shown that people with low socio-professional category education is the most exposed of unemployment, while the population with tertiary education is at the other extreme, the socio-professional category less exposed to unemployment. In terms of the distribution of unemployment by gender, it was revealed that since 1997, unemployment occurs mostly among men.

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ANALYSIS OF THE CORPORATE GOVERNANCE FIRM MANAGEMENT AND THE BUSINESS JUDGEMENT RULE

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Abstract: Analysing the corporate governance system, one of the first emerging aspects is the complex set of relations that bind and influence the various company internal entities. More precisely, one of the most complex analysis about the corporate governance is the agency relation studying the behavior of managers and their relationship with the shareholders. In the context of the separation of ownership and control, in recent years an important study was developed about the manager's efficiency and their accountability for the decisions taken. In that sense in the present work we analyze the fundamental concept of the *business judgment rule* and the manager's duty of care. To do it we will proceed as follows: In the first chapter we will analyze the evolution of management concept in the corporate governance studies. It will include brief considerations on the Berle and Means' theories and Jensen and Meckling's theories. In the second and last chapter the concept of directors' responsibility will be analyzed in comparison with the Business Judgement Rule principle.

Key words: corporate governance; agency theory; business judgment rule; managers; shareholders.

JEL Code: G34, G32.

1. The metamorphosis of the study about corporate governance

The issue of control of the company has always prompted much discussions particularly on great power held by managerial group. The corporate governance structure transformed itself impressively becoming even more complex and suited to the company metamorphosis. Many are those who hold various positions and it is very complex the way with which can be adjusted the relation between them. Especially over time analyses were focused on the relationship between those who hold managerial power and actual owners. Observing the American capitalist development, in the book “The modern corporation and private property” of 1932 Berle and Means have treated the theme of the separation of ownership and control in the modern enterprise. The last two decades of the 1900 were in fact deeply marked by a dynamic and continuous process of mergers and incorporations that greatly influenced the organizational style within the enterprise. In fact, new organizational structures have a large number of workers employed under a single direction as well as enormous wealth of different individuals were placed under a single control. The immediate consequence was the creation of enterprises

composed and supported by a plethora of shareholders dependent on a few managers. With the increasing of the company size contextually raised the role played by managers and by the board of directors. The scholars Jensen and Meckling have pointed out that the relation was linked to the need for shareholders to instruct the managers in order to carry out useful tasks to manage the company. (Jensen, M.C., W.H. Meckling, 1976: 9) .Despite starting from the belief that both sides have a common goal, the Agency Theory developed by Jensen and Meckling first focused on the transparency with which the “agents” perform their jobs. Then the Agency Theory also delved into the effects that managers' decisions have on shareholders. It is indeed possible that “agents” take decisions considering only the long-term impact that they may have on their personal gain and not on the shareholders one. For example, the income that may arise from mergers and acquisitions, by various investments made or by the right choices between debt and equity could fall in to them and not to shareholders. In these cases the result would bring to a conflict interest. So, what is the managers' responsibility or the board of directors' responsibility in the above mentioned cases? On the basis of the task received, directors must act and decide for the shareholders and for the company, in the same manner in which the father takes care of his family - or at least so it should be

1.2. Director's responsibility and fiduciary duty

On the theme of directors' responsibility are many cases, often very similar to each other but which are governed in a totally different way. Although there are countless cases where the action of responsibility may be brought towards directors, all are related to the non-observance of the obligations laid down by the statute or by law. In the specific case we talk about directors' breach if they violate the ban to undertake new operations - as in the case of capital reduction - or for causing damage to assets or for having falsified the book keeping contextually creating a so-called “slush funds”. (Bonelli F., 1995: 328) Directors' responsibility is then measured in respect of shareholders but also in respect of stakeholders. In the presence of a damage it will be a judge's task to establish the breach of obligations prescribed by law or the Statute. Being managers considered as trustees, they must therefore comply with two fundamental obligations: the absence of conflict of interest and the diligent administration. So doing, they act on the basis of two fundamental principles: the *duty of loyalty* and the *duty of care*. (American Law Institute, Principles of Corporate Governance: sect. 4.01) .With the term duty of loyalty American company law described the principle that directors and company must be related by a relationship of trust to avoid possible conflicts of interest. The fiduciary duty should encourage managers to operate on behalf of their company and not aspiring to a personal gain: this is the case frequently encountered of executive compensation, disclosure to Shareholders or trading on inside information. The principle of duty of care, however, assumes that the manager is sufficiently careful and prudent in making decisions. The case of mismanagement, therefore, can be avoided if directors are able to identify the best investments, analyzing all informations collected on them and then carefully examined the impact that these investments under certain conditions can have on corporation. In addition to the duty

of care, the board of directors is obliged to fulfill a supervisory action towards all the choices or the actions taken. In conjunction with diligence and vigilance appears to be closely related the duty of intervention. Otherwise, also the negligence of the directors may be treated as breach of law, for example because they have not intervened against any decisions taken by managers. Company law and corporate governance rules, however, leave a wide margin of practicality - but also of error - to directors. So conversely, in the case in which the company is in a difficult situation as a result of risking decisions, if directors were diligent and careful it is the chance they are not object of a liability action.

In American corporate law this principle is called Business Judgment Rule and as well as in the United States also internationally it has drawn much controversy.

1.3. Some considerations about the scope of the Business Judgment Rule

Considering this principle, the object of the analysis is the way and the diligence with which decisions was taken by directors. Therefore, it is useful to point out that directors might be responsible not only for a breach, as in the case of conflict of interest, and for not respecting the principles of the duty of care, but for not having taken the necessary precautions or accomplished the preliminary analysis. Obviously, the scope of that rule is difficult as much. The control carried out by the judge must be exhaustive in examining the guilt of managers or the boards of directors. In the case of responsible action, by the judge's assessment must emerge a considerable presence of negligence of managers as an expression of *mala gestio*. (Bonelli F., 2011: 5). The implementation limit is also in the principle of directors' action freedom and in the principle of responsibility normally contemplated by company law. In order for a proper evaluation must be taken into account in advance the conditions under which the manager is appointed and the type of task entrusted to him by the company. Once reviewed these conditions the judge must examine the possibility of applying a social responsibility action. In the assessment of directors' behaviour it must be also considered the margin of error in which they may succumb. Obviously, the question is to understand where the limit takes the end of the so-called excusable error. This analysis is useful to avoid that there are so-called "interference" by the judge in the sphere of directors' action freedom. the judge's analytical task seems not to be so easy considering before the instance of *mala gestio* for negligence or irrationality. Analyzing the most resounding cases in the United States and in Italy, however, it was observed that the prevailing trend is a sort of average between the judge's opposition with a willful action of responsibility and a less hostile request to directors demonstrating that the actions taken were not adopted for lack of negligence (*enhanced scrutiny*). (Bonelli F., 2011: 27)

This practice is understandable if we consider what is expressed in the Principles of Corporate Governance promoted by the American Law Institute. It reports that the decision made by a manager or a board of directors must be considered in good faith if it finds that are not conditions of personal interest in the business; if it ensures that directors were knowledgeable about the business and about the circumstances of the application and finally if business has been considered of great importance for society. (Branson D.M., 2002: 634)

2. Conclusions

Studies on the corporate governance topic have made considerable progress over time, trying to understand the evolutionary trend of corporations. Considered the importance that they have to global economic level it is necessary a deep analysis about the relationships that connect the various internal parts but also and above all about the repercussions that decisions taken by managers have not only on the shareholders but also on corporation. Managers, and more generally the board of directors, have huge decision-making powers from which descend, however, many responsibilities. It is on the basis of these considerations that the corporate law and studies on the corporate governance have developed rules that regulate the different roles but also the possible impact the choices made. Analyzing the great panorama of legislation relating to company law and corporate governance, it is clear how well delineated is the discipline concerning liability for decisions taken by managers or by the board of directors. Responsibility for the obligations and duties violation laid down by the Statute was widely contemplated. This allows to shareholders and stakeholders a greater security to assert their rights in the event of *mala gestio*. However, there are still margins that cannot be delineated with general evaluation criteria. Such is the case of the Business Judgment Rule which finds in the international context a wide range of interpretations without having a defined position. It is referred not only to the judge's ability to look for considerable clues useful for a liability action but also to the directors' ability of showing their good faith. In fact, being foreseen the use of the good father's diligence, directors may avail themselves of the right to prove that the choices were made in accordance with the duty of care.

The discretion in this sense makes it more difficult the task of evaluating when an investment or a decision were appropriate to the circumstances. In conclusion, taking in consideration whow is hard to debate on this subject, it is feasible to consult external experts. This makes it possible to get aid in identifying valid conditions more suitable to make an investment and - in this way - the choise can be better defended from hypothetical attacks. However, though acting in this way the discussion on responsibility implementation linked to Business Judgement Rule still seems to be a chapter open and debatable.

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LABOR MARKET IN ROMANIA IN EUROPEAN EMPLOYMENT POLICY CONTEXT

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Abstract: This article aims to present employment situation in Romania and make an analysis of employment policies. The EU recognized that unemployment is not only a social problem is an economic problem. These policies reflect the belief that only a strong competition will lead to economic growth and productivity. The objective of employment policies seeks to promote quality and decent standards of living for everyone in an active, healthy and inclusive society. Employment policy actions can be grouped as follows: wage policies, policies against unemployment and policies to increase the quality of employment. Data on Romania, presented in this article are both quantitative and qualitative analysis. Quantitative data analysed are comparisons between the situation in Romania and the EU. The limits of this article relates to the fact that it is not a comprehensive analysis of the economic and social determinants of employment, but aims to make a simple analysis of employment and employment policies of Romania's EU membership.

Key words: labour market; employment; employment policy; working conditions; quality of employment.

JEL Code: J41, J80.

1. Introduction

Joining EU structures involves creating ways to address common problems of the labour market, according to developments in the economic and social, national and European level. Analysing unemployment in Romania, A. Bădulescu (2006) points out that unemployment must be tackled through active programs and measures by the public authorities "to ensure both Romanian connection to the European economy and social changes needed to create a business environment healthy and modern". Designing new employment areas in Romania should take into account labour market trends and European employment policy objectives. The objective of this article is to present employment situation and employment policies in Romania, analysing quantitative data (Eurostat and INSSE-National Institute of Statistics) and qualitative data (report ICCV- Institute for Research on Quality of Life 2010).

The concept of employment is complex, and the analysis of employment policies cannot be made without referring to elements that explain it. Although EU economy experienced a relatively inauspicious period, the number of new jobs has increased in recent years, due to employment policies. More people employed will increase the economic potential of the EU on the welfare of a large number of people and at the same time will help the Union to deal with an aging society. In this context UE policies will have to consider the measures on employment for older people.

2. Employment and social policy

In 1965, T. Marshall (1965) defined social policy as the use of political power on the economic system to achieve certain results based on values other than those determined by free market forces. Banting (1995) revealed the role of social policy in state-building, characterizing it as an effective tool in statecraft or politics. For Tsoukalis (1997) social policy is at the centre of ideological division between left and right politics.

Systemic differences between social policies practiced by developed countries have allowed the concept of social policy regime. In 1990, Esping - Anderson (1990) highlight, in a famous paper, three social policy regimes: liberal (USA), which focuses on work ethic, participation in the labour market, lack of involvement in social inequalities (meritocracy and equal opportunities), conservative (Germany), who invented social security and income security and emphasizes the cooperative vision, social democratic (Sweden), which focuses on social security and social partnership that promotes egalitarian vision intended to secure income and a wide range of social services. Differences between EU countries as regards the system of social and labour market regulations are much smaller than between them and other developed countries, which supports the concept of the European social model.

Pelkmans (2006) sees social policy in connection with the principles and concepts such as equity, social cohesion and economic convergence, and he believes that there are three main components or areas of social policy which deal with economic sphere: social transfers, labour market regulations work, aspects of institutional and social partnership. Instead, Purdy (2000) believes that social politics is much broader and can be divided into two broad categories: labour market, which includes macroeconomic management (incomes policy), active in the field of human resources, industrial relations (collective agreements, social dialogue), the terms and conditions of employment, the fight against economic discrimination, social exclusion; or as the welfare state, which includes social services (education, to social housing), social transfers (explicit and implicit), family support, etc.

3. Employment policy objectives

The objective of social policy and employment work is to promote a quality and a decent standard of living for all, an active, healthy and inclusive society. Social policy and employment work reflects the conviction that only a strong competition between companies will improve productivity and will lead to economic growth, but at the same time, the need for solidarity among citizens for improving the conditions that lead to social inclusion and a stable and prosperous society are necessary. Social and global competitiveness through knowledge-based economy is one of the EU ambitions.

Among the major objectives and activities specified in the Treaty of Amsterdam are included: promotion within the Community of a high level of employment by developing a concerted strategy in this regard, human resource well-trained, skilled and adaptable and labour markets responsive to economic change. Treaty put employment at the centre of EU economic policy. Although the Treaty of Amsterdam introduced coordinated action in this regard and should be noted that the responsibility lies with each member of the UE to combat unemployment. Treaty introduced some new goals for social policy such as anti-discrimination or excluded for helping people to find their place in society, reflecting the

commitment to an inclusive society, in addition, equality between men and women in all spheres of social life made a major objective of Community policy.

European Employment Strategy was launched at the summit of the Member States of Luxembourg (November 1997) and had the following priorities: employability, entrepreneurial spirit, adaptability and equal opportunities. Synthesizing action employment policies they can be grouped as follows: wage policies, policies against unemployment and policies to increase the quality of employment.

Less intrusive proactive measures to avoid crisis in the labour market involve prognosis of supply and demand in the labour market. Reducing uncertainty on the number and percentage of certain specialists, on the one hand, and the number and share of employment in certain specializations on the other, it is an instrument of social and employment policy, and can provide corrective suggestions for educational intervention. Liberal market economy differs significantly from coordinated market economy in terms of labour relations and organization specificities of human resources training (R. Hatos, 2012).

4. Employment in Romania

To achieve the employment picture in Romania we used statistical analysis of direct and indirect quantitative and qualitative analyses. The employment situation in Romania in 2012 is one characterized by major changes. Based on existing data (Eurostat, 2013) we analysed occupancy comparative data between Romania and the EU average. These data reflect the fact that Romania is below the EU average in terms of occupancy, but growing steadily, keeping the upward trend of the European Union. Existing data, based on analysis performed in SPSS, reveals the total active population is engaged mostly in agriculture, followed by industry. Compared with 2000, the share of population employed in agriculture in the European Union fell by about 25% and in Romania between 2003 and 2010 it decreased by about 7%.

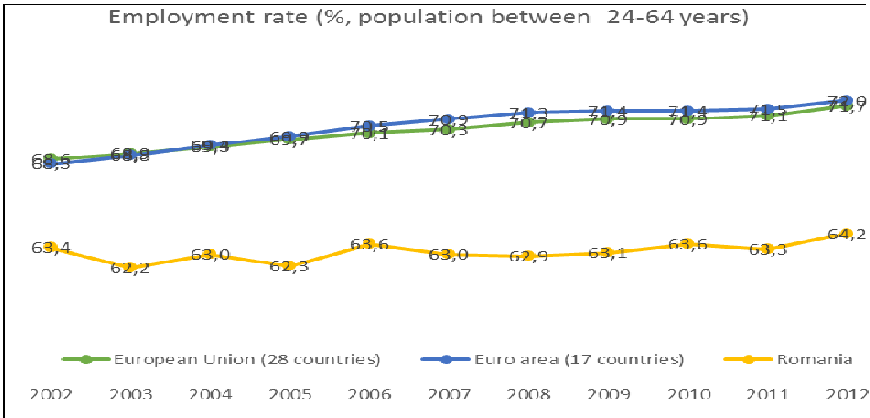


Figure no.1. Employment rate

Source: Eurostat, 2013

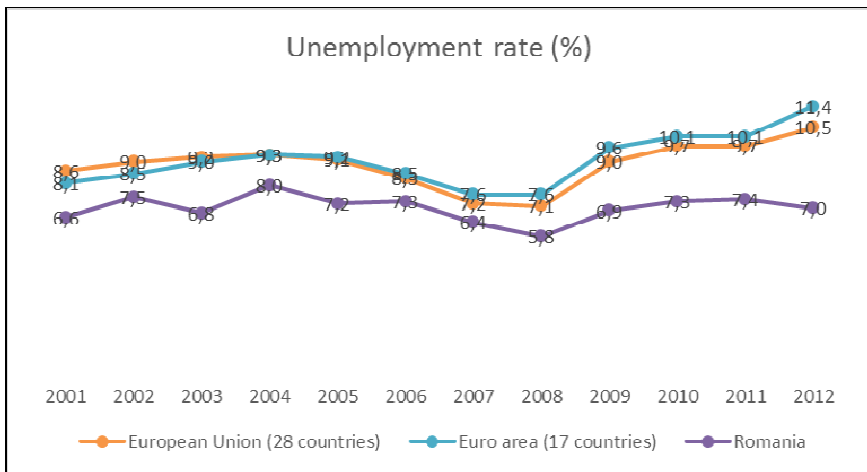


Figure no.2. Unemployment rate

Source: Eurostat, 2013

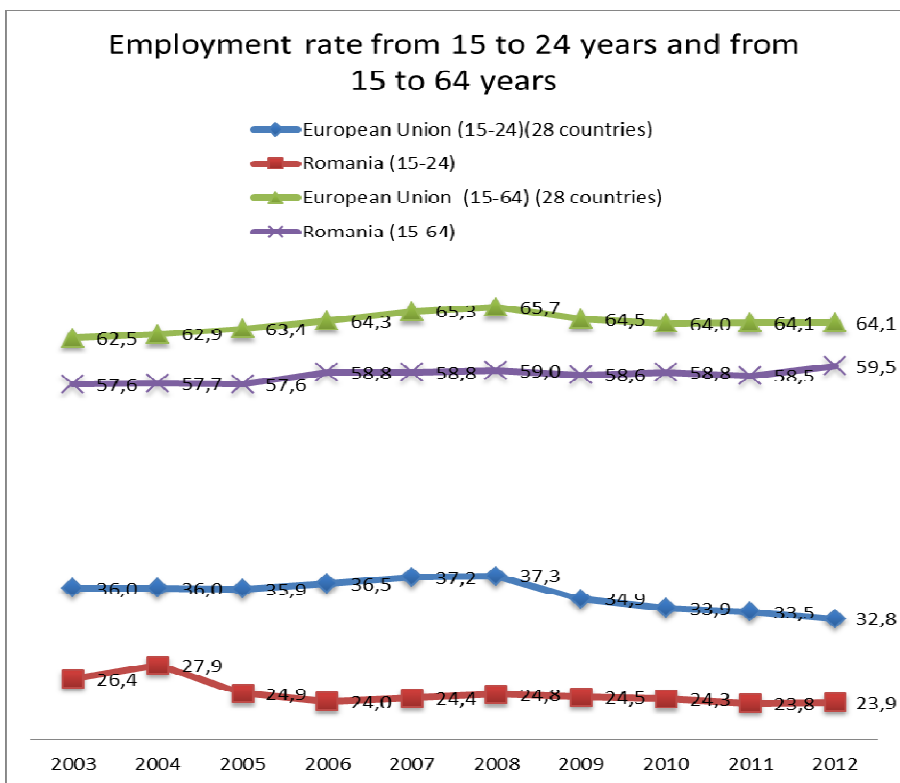


Figure no.3. Employment rate from 15 to 24 years and from 15 to 64 years

Source: Eurostat, 2013

Employment rate by age in Romania compared to the EU can be seen from the analysis performed in two age ranges, from 15 to 24 and from 15 to 64. If we look at the age range

15-24, Romania has been relatively stable from 2005 to 2012 regarding employment. When referring to the same age range for the EU, there is observed a decrease from 2008 which can be interpreted by the economic crisis. If we look at the employment rate for the 15-64 range at EU level a decrease in employment from 2008 but less steep than for the 15-24 age range. Romania, age range 15-64 years recorded a slight upward trend in the interval 2003-2012.

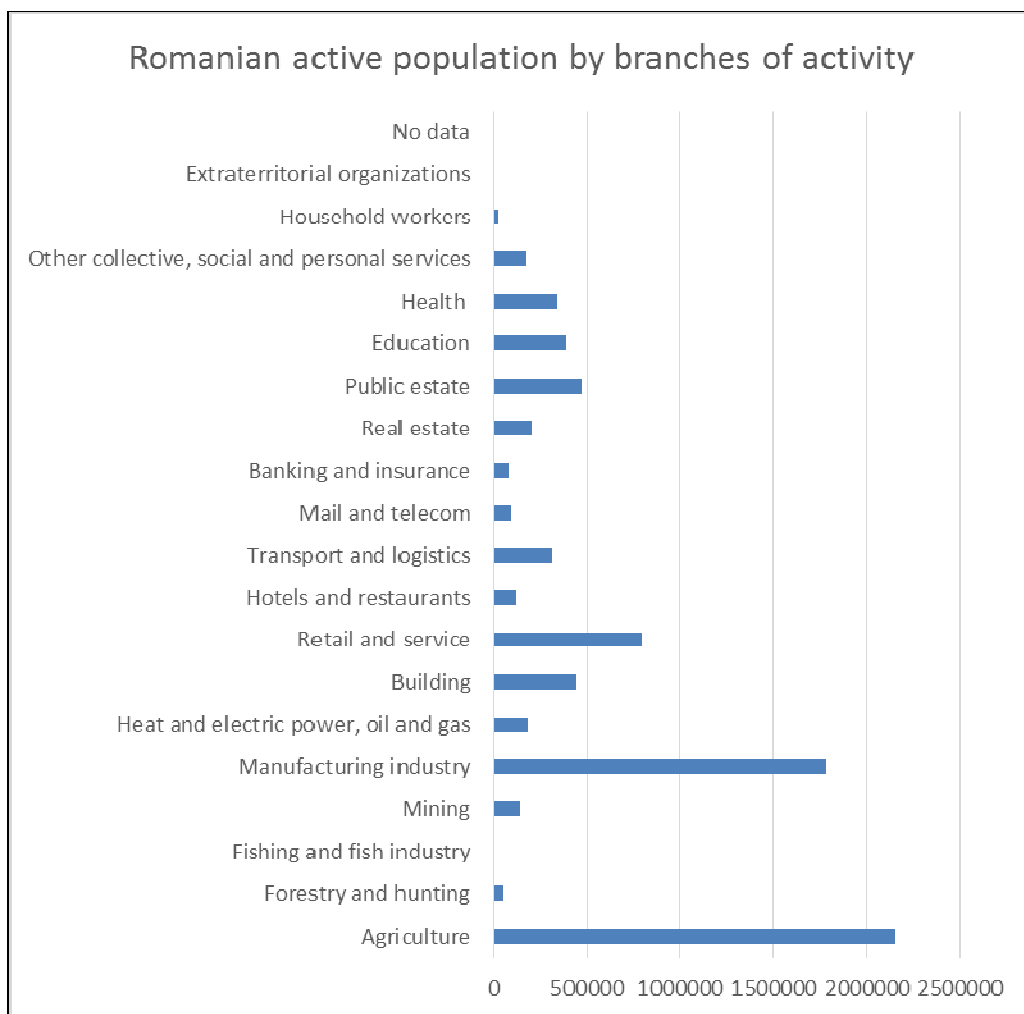


Figure no.4. Romanian active population by branches of activity

Source: INSSE, 2010

Regarding subjective assessments they relate to satisfaction regarding labour issues, analyses that we can find in ICCV report from 2010. Assessment of working conditions is a very important indicator of perceptions regarding satisfaction with working conditions and comparative data indicate an improvement in the way people appreciate working conditions, compared to previous years. 8% of respondents consider very good while 85% of subjects deemed at least satisfactory. Those with higher education are considered the

most satisfied with working conditions and the opposite, most dissatisfied with regard to working conditions are those with no education.

5. Issues and legislative measures of employment in Romania

In the Romanian labour market have occurred many changes. From the centralized labour market regime, to a labour market that is trying to adapt to social and economic changes at national and European level change and even global. To coordinate the employment is needed to identify problems and to establish legislative measures to mitigate problems in terms of employment. At the national level, they identified a number of problems in terms of employment such as: unemployment, working conditions, wages, and labour market discrimination. All these issues raised align a series of legislative measures that Romania has adopted. So, regarding unemployment we have measures like participation in vocational orientation courses, participation in business incubators. Also in terms of unemployment we have unemployment insurance system and employment stimulation. Another issue that was sought to be resolved by legislative action is related to working conditions. Measures that need to be taken by law enforcement are assuring safety and health protection, prevention of occupational risks, workers information and training; ensure organizational framework and resources for safety and health in work. Also regarding the issue of working conditions, are stipulated 40 hours of working per week, the right to paid holidays and the right to weekly rest. Remuneration is legislative measure found in Labour Code 2003, 2006 sets the minimum wage. Law No. 48 of 2002 envisages labour market discrimination and its public education measures in the spirit of equal opportunities and punishment of any form of discrimination.

6. Conclusions

By imposing by the European Union, of a common occupation policy, Romania aligns common goals governing wage policy, against unemployment policies and policies to increase the quality of employment. These employment policies through their objectives seek to regulate the common market.

European employment policies derived from national policies that are focused on the needs reflected nationally. To achieve the objectives of employment is necessary to understand the employment trends.

The labour market is in a continuous dynamic and crisis prevention must take into account elements such as labour market monitoring, educational planning consistent with economic planning, demographic factors and any other factors possibly disruptive.

The limits of this article are related to the fact that it seeks to make a simple analysis of employment and employment policies without making a comprehensive analysis of the economic and social determinants of employment. This paper is part of a broader analysis of the labour market in Romania, which is the concern to complete the PhD thesis.

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MOTIVATIONS OF ENTREPRENEURIAL BEHAVIOUR. A COGNITIVE APPROACH

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Abstract: There are a number of cognitive factors that may influence individual motivation and entrepreneurial initiative. These schemes participate actively in the construction of social and economic representations play a predictive role on entrepreneurial behavior. Decision making and selection of an actionable alternative in the entrepreneurial behavior plan implies the use of specific cognitive schemes. Phenomena such as unemployment, massive layoffs, economic instability, and improper management practices of a competitive society entail ineffective entrepreneurial cognitive scheme. Our study aimed to observe the extent to which emphasized entrepreneurial behavior can be made significantly related to self-confidence and attitude of satisfaction with their own work perceived by students in marketing management specialization. The results confirm that the entrepreneurial inclination correlated with the tendency to link the results of their own efforts and the level of personal performance and success in entrepreneurial activity in general.

Key words: entrepreneurial behaviour; cognitive schema; entrepreneurial motivation; self-confidence.

JEL Code: M2, J6.

1. Introduction

Together with the change of general economic framework and further explosive changes of technologies and computerization generalization processes, entrepreneurial behavior and managerial decision system have suffered changes. Decision making and selection of an actional alternative in entrepreneurial behavior plan involves the use of specific cognitive schemes. Phenomena such as unemployment, massive layoffs, economic instability, and improper management practices of a competitive society entail ineffective entrepreneurial cognitive scheme. We are currently witnessing deep changes in the occupation of entrepreneur. The act in which decisions are subjected to continuous restructuring. "Making decisions is equally focus of economists, sociologists and psychologists" (Miclea, 1999, p 265).

2. Motivation and entrepreneurial attitude

In these frameworks, it is appropriate to analyze the motivations that structure the entrepreneurial decision. For young people who are specialized in economic studies and intends to engage in entrepreneurial activities are probably few dominant cognitive schemes. Due to certain theses put into circulation by the literature we can appreciate that there is a link between the level of entrepreneurial motivation and entrepreneur's

psychological predisposition towards innovation and creative act "preparing students to be entrepreneurial innovation are superior in terms of the studying the economy in general, thus most of them wish to become entrepreneurs and their colleagues tend to a chair in a corporation "(Sexton and Bowman, 1983, 1984 Văduva, 2004: p 61). At this level the forecast function does not occur based on actual data and economic realities but rather links to a number of beliefs that young people assume based on the basis of social and personal experiences. Young people decide to engage or not in entrepreneurial activities based on a normative model. They take into account the expected utility. Between value and utility are obvious difference: as shown Miclea (1999), the value is a given objective, subjective perception of the usefulness of certain values. " The expected value is calculated benefit - usually cash - decider on the subject it is considering a variant under selection. Expected value is a numeric expression and a feature of objectivity, in that it is independent of subjective perceptions of individuals involved in the decision " (Miclea , 1999, p 266).

Entrepreneurial propensity significantly correlated with the tendency to link the results of their own efforts and the level of personal performance to the entrepreneurial performance and succesful activity in general.

The mental model which a young man have about the possibilities on which he can decide is essential in understanding and anticipating his own behavior. Chell (2008) states that behavior can be understood as a learned response and that previous experience has a particularly important role on how people interpret situations and react to it.

Of course, decisions can be interpreted in light of several sciences such as mathematics, economics, cybernetics, logic and psychology. However the decision is an intellectual activity that binds strongly to personality structure. Therefore, a young entrepreneurial behavior which is to open a business can be analyzed psychological perspective. This means that, along with thinking process intervene other processes specific to individual psychology.

There are a number of cognitive factors that may influence individual motivation and entrepreneurial initiative. These schemes actively participate in the construction of social and economic representations and play a predictive role on entrepreneurial behavior.

The literature identifies several categories of cognitive factors which have major significance in the decision making. Of these the most important cognitive factors appear the following: cognitive schemes, anchoring alternatives and the availability of alternatives.

Cognitive schemes organized blocks of knowledge actively intervene in the processing of information to which young man has access. Cognitive schemas develop and reinforce motivated by their concrete effects resulting from the selection and interpretation of information. A cognitive scheme once developed and strengthened entail selective processing of information. "Almost all of our behaviors are governed by routine scenarios on how they should be executed" (Miclea, 1999, p 254).

Based on schemes the individual can ignore the present data but inconsistent with the scheme and sends preferential often to the nonexistent items but consistent with that scheme. Any item (present or absent) consistent with the assumed cognitive schema are then identified as key elements of decision and respectively to entrepreneurial behavior. Entrepreneurial motivation and the decision to start a business requires the prior existence of a cognitive scheme based on which the economic reality find its place in a broader conception of the economy in general.

It has been proven by experimental research (Tversky & Kahneman 1981, 1983) that the human subject show a constant tendency to provide high probability of variant behavior or event that is easier to remember. It is obvious that not all the knowledge available at the cognitive system are as accessible. Some may be more easily recalled, other more difficult. Entrepreneurial motivation is the result of an algorithm, however clearly the decision to do business and individual preference for entrepreneurial behavior depends on a number of cognitive factors.

3. Objectives and hypotheses

Our study aimed to observe the extent to which emphasized entrepreneurial behavior can be made significantly related to self-confidence and attitude of satisfaction with their own work perceived by students in marketing management specialization.

To test the working hypothesis, the chosen instrument is a questionnaire investigating subjective perception towards their work results and that subjective inclination to believe that in the near future may initiate and manage a successful business. The questionnaire will also follow a Likert scale to assess the individual's expectations and estimates regarding the use of professional skills related to the need for advanced technology entrepreneurship subject.

The model of working hypotheses starts from the premise that an entrepreneurial behavior is based on a cognitive schema that presumed causal link between self-confidence and professional skills respectively the openness to the use of modern technologies and enhanced propensity for entrepreneurial behavior.

The study aims to capture aspects of thinking styles and identification of decision trees that appear to be typical for entrepreneurial behavior.

Research hypotheses refer to: a direct link between the availability of subjects to actively use modern technology and confidence in personal ability to understand and use these high technology and entrepreneurial success. It is assumed that there is a significant relationship between satisfaction with the results represent the work and entrepreneurial inclination.

4. Research methodology

Subjects: The sample consisted of 41 students from the Faculty of Economics, Management, Marketing Specialization, male and female, aged 20-30 years. None of the subjects not effective entrepreneurial activities.

Instruments:

In this study we used two questionnaires: one for determining cognitive factors involved in shaping entrepreneurial behavior (leading indicators that we wanted to identify them are expected utility of using technology in entrepreneurship, business making the decision in a cognitive scheme and given value of self-confidence) and to capture entrepreneurial intentions and satisfaction with the results of their work and self-confidence scale. Students completed the questionnaires in paper-pencil version.

5. Data analysis and interpretation

To verify the first hypothesis that the motivation for entrepreneurial behavior is linked directly proportional to increased satisfaction of their work and respectively to increased

willingness for use in entrepreneurial activities new technology have applied to the statistical processing and frequency analysis of cognitive factors that motivate entrepreneurial attitudes and behaviors.

Entrepreneurial attitude and motivation were classified hierarchically according to their scores in three categories: 1. Entrepreneurial behavior emphasized, medium and low.

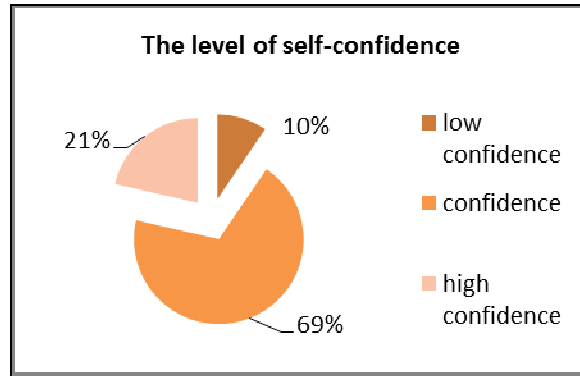


Figure no 1. Level of self – confidence

As the statistics show, the distribution of confidence comply with the principle of Gauss. Among subjects with confidence - 29 subjects (69% , Fig. 1), 22 subjects were satisfied and very satisfied with the results of work carried out past year while 6 subjects reported on the work done in the last year that are neither satisfied or very satisfied.

Two of 29 subjects with self-confidence were reported less satisfaction with the results of their work. From the analysis of the questionnaires it appears that lower scores obtained in self confidence questionnaire correlated with poorer judgments projected on the results of work carried out last year. This trend is confirmed by the 4 subjects who scores were very low in self-esteem questionnaire. The 4 subjects who received between 32 and 34 points (corresponding to low confidence) said they were less satisfied neither satisfied nor dissatisfied of their work results achieved in the past year.

Among subjects who had high scores on self confidence questionnaire (50) appreciation for the work done in the last year the results, with one exception, are satisfied and very pleased.

The vast majority of subjects aware of the impact of new technologies on business activity so that regardless of the scores considers the use of modern technologies in the implementation and development of entrepreneurial success is very useful. It is interesting to note that although all subjects aware of the importance of modern technology, those who achieved to the questionnaire self confidence lower scores tend to declare very modern technologies useful rather than very useful. The higher the self confidence level, the greater the tendency of modern technologies to consider as very useful.

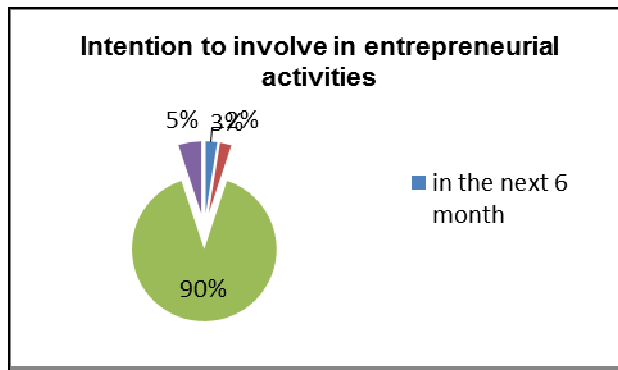


Figure no 2. Intention to engage in entrepreneurial activities

The vast majority of respondents declared that they intend to open a business in the next five years. 5% of respondents declared that they never intend to carry out entrepreneurial activities. Subjects responded to this either got inferior limit scores to the self confidence questionnaire (38) or in the case of higher scores and were already thinking professional line atypical (seek to engage in large firms already established).

To the question regarding the usefulness of education and professional competence in entrepreneurial activity, the majority answered desirable considering them very useful and helpful. It should be noted that this question studies and professional competence were declared less useful by subjects who received the lowest score from the questionnaire of self-confidence. Bridge et al. states among other things that many individuals do not choose an entrepreneurial career precisely because it has not occurred and that this could be corrected by entrepreneurship education programs (in Parker, 2009:119). Among subjects with excessive self-confidence were selected and those who said they plan to engage in entrepreneurial activities and to open a business in the next six months.

6. Conclusions

A general conclusion shows that pronounced entrepreneurial behavior in general are motivated by a flexible attitude towards innovation and implementation of new technologies that a positive attitude of appreciation for the results of their own efforts held in the last year. Entrepreneurial inclination significantly correlates with the tendency to link the results their own efforts and the level of personal performance and success in entrepreneurial activity in general.

Limitations and suggestions: Such a large experimental study is limited and provides a fine analysis of the involvement of cognitive factors in the decision entrepreneurship and entrepreneurial behavior. We note here that there is a methodological gap on this issue. The main limitation is manifested in the lack of validated instruments for measuring cognitive schemas impact on attitudes and entrepreneurial behavior. The small number of participants makes it extremely difficult if not impossible contravalidarea results. I believe that work is a pilot study, the results constitute only prerequisites for more research. Involvement of cognitive schemes in entrepreneurial decision making and working to identify a cognitive model of the entrepreneurial profile is still a topic of great interest.

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ON THE PRINCIPLE OF CITIZENS PARTICIPATION IN DECISION-MAKING PROCESS AND ITS IMPLEMENTATION IN ROMANIAN PUBLIC INSTITUTIONS

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Abstract: Successful governance of public institutions based on the efficiency and effectiveness of structures, mechanisms and management techniques, but must take into account the rules and ethical principles. The model is based on the principles of democratic governance such as participation, accountability, transparency, rule of law, subsidiarity and equality of opportunity and treatment. It means not only public services but also the respect of citizens, fostering democratic participation and social dialogue, local sustainable development and quality of life. In this paper we analysed the one hand main theoretical contributions in the field of participatory democracy in local governance institutions, accumulated practical results and challenges of their implementation in Romanian society. In the national, European and global context, we consider as an essential depoliticizing the decision making process, minimizing the influence of management structures and an emphasis on the practices of active participation of citizens in decision-making interest.

Key words: local governance, participative democracy, transparency, decision-making.

JEL Code: H41, L33.

1. Introduction

Decentralization, delegation of tasks and responsibilities has generated both opportunities and vulnerabilities for local government. To meet the challenges of globalization, decentralization and the emergence of new technologies, local institutions should reconsider their role in meeting the needs of local governments (OECD). This justifies the key role of principles, best practices in the relationship between public bodies, political and citizens. Principles that should govern the relationship between bidders and consumers of local public services involving: active participation of consumers of public services in making decisions of common interest, promote transparency in the governance of public institutions, ensuring efficiency and effectiveness of public services, promoting good common consensus and equal treatment. The success of public institutions of governance cannot be reduced only to the efficiency and effectiveness of management structures and mechanisms and management techniques, good governance of public institutions should be based on the rules and ethical principles.

2. The principles of local governance institutions. Preliminary considerations

According to Surendra Munshi (2004), a good governance is characterized by a "participatory governance, operating responsibly, transparently based on principles of efficiency, legitimacy and consensus to promote individual rights of citizens and public interest to ensure the material well-being and sustainable development of society". Other

specialists consider democratic governance model is based on principles such as participation, accountability, transparency, rule of law, subsidiarity and equality of opportunity and treatment.

Decentralization, delegation of tasks and responsibilities has generated both opportunities and vulnerabilities for local government. To meet the challenges of globalization, decentralization and the emergence of new technologies, local government should reconsider role in meeting the needs of the local public. This justifies the key role of principles, best practices in the relationship between public bodies, political and citizens.

3. The principle of citizen participation in making and implementing decisions

Good governance of local public institutions means more than providing quality public services, means preserving life and liberty of citizens, creating space for democratic participation and social dialogue, promoting sustainable development and improving local quality of life (Mila Freire, 2007). The U.S. experience reveals a governance model for public institutions based on active participation of civil society in decision making.

Creighton (2005) believes that citizen participation is "involvement in the sphere of public concern, the needs and values are incorporated into governmental and corporate decision making. It consists of an interactive and two-way communications and end with the adoption of better decisions accepted by the public".

In the literature it is often the concept of "citizen-centred governance" obviously based on citizen involvement in public decision-making. Citizen participation in decision making is an important step in the modernization of local public institutions, rethinking the relationship between citizens and public institutions in providing public services, combating poverty and social exclusion and promotes social cohesion. Through involvement in decision making is put a diverse, empowerment of citizens towards the common good. Only by this means can reflect citizens' complaints about public services offered that can make suggestions for their improvement. The aims pursued by involving citizens in decision-making include:

- improving public services both in form and content to their terms so as to increase citizens' satisfaction;
- Increased vertical cooperation between local providers and beneficiaries and horizontal cooperation between community members thus promoting social cohesion;
- Improving the quality grounding local decisions of general interest and also promote legitimacy, accountability and democracy in the governance of local public institutions (Foot, 2009).

Although the basic goals of the active participation of citizens would be those mentioned above, in reality citizens in decision-making often have different ideas about what governance is often generating confusion and limitations of public legitimacy of its governance. Public participation in decision-making should be constructive, promoting rapprochement between the management structures of public institutions and citizens. According to real opinions, public participation in decision-making should be a definite aspect, meaning more than mere idle observation and participation of citizens. The public is not a passive actor therefore must intervene to influence the management of "public affairs" (Arnstein, 1969).

The participation of citizens should be emphasized in the planning stage of a project forecasting of local interest. In this regard, public institutions and local governments must create early participation mechanisms (United Nations Economic Commission for Europe,

2008). The quality of citizen participation is enhanced by the knowledge and experience that are endowed persons involved in the decision justification. According to the functional approach, participation is seen as a process of obtaining all relevant knowledge to the problem considered in making and implementing decisions (CIPFA, 2004). No pattern of governance of public institutions could provide maximum protection against bankruptcy risk management process. Risk mitigation can be achieved with the inclusion of a maximum number of participants in substantiating and implementing the decisions of common interest (Renn and Schweizer, 2009). Participation in decision-making should not only stop the involvement of citizens, taking into account the recommendations of employees, auditors, representatives of the private sphere can increase the efficiency of public governance. According to Pierre and Peter employing several authors in decision making is the cornerstone of a style of governance based on promoting the company priorities, coherence, and accountability (Pierre and Peters, 2005).

4. Application of the principle of participation in public institutions in Romania

Arnstein classified interaction between citizens and public institutions on eight levels. The author presents the eight levels in the form of ladder, considering that the base at the lowest level is found participation style characterized by (1) the handling and care. This level is in fact non-participation, participation illusion characterized by limiting citizen participation in local foundation and implementation of public policies. The second level is characterized by (2) information and consultation at which emphasizes the possibility of involvement of the marginalized or excluded. Although it is possible to speak to the community members, public monopoly decisions remain in the helm management structures. We consider this step as a formal public involvement because in reality their views, their aspirations are not taken into account. The next level is (3) reconciliation and advice citizens that level decision makers in the public sphere, the degree of consideration of their proposals is definitely higher than the previous level. Appropriate step information, consultation and reconciliation step is known as *tokenism*⁹. Significant progress last two levels to influence public decisions by citizens. At the next level, citizens can initiate (4) partnerships with public institutions. This facilitates active involvement in specific activities of the public sphere and public accountability. The last level is occupied by (5) delegation of power and control level is characterized by partial or total delegation of management tasks and exercise exclusive control (Arnstein, 1969).

We believe that whatever the form of participation of citizens in decision-making, as long as it helps to increase benefits, the positive to the community, a public institution, it must exist.

Participatory democracy is a concept and a practice also increasingly used in developed countries. This is based on the direct involvement without intermediaries' citizens in solving local problems. Important role of this model of participation is to increase transparency and accountability in decision making in the public sphere (Anirban Pal, 2007). In Romania last years, experience relevant public institutions without the involvement of citizens in the decision justification interest. The only manifestations of the

⁹ Tokenism - the practice or policy to make more effort or symbolic gesture in providing opportunities to minorities equally with those of the majority, available at <http://dictionary.reference.com/browse/tokenism>

interests of citizens are voting. There are other forms of involvement of community members: debates and public meetings, public opinion polls etc.

Following a study of local communities in Romania has outlined the most important role in decision making of local interest is owned by the mayor and the county council. An equally important role in decision-making is played by local council, deputy mayor and council president. As long as local board members, chairman of the county mayor are elected by public vote and they perform an important role in decision making and the exercise of control we can say that there is a tendency partial consideration of options local citizens (Haruța and Radu, 2010).

Emerged from this study, the degree of direct participation of citizens in decision making Romanian local interest is low. The study found that the relationship with the local council's citizens closer relationship compared to the county council. The study also shows that the level of participation of citizens in decision- making and implementation of public institutions in cities is higher as opposed to the level of public involvement in policy.

In the practice of public institutions in Romania the situation encountered collaboration between citizens and institutions takes the form of speech problems and shortcomings of community problems or too little considered by the decision-making structures. The situation, where the citizens are not correctly on time informed on the objectives of public policy, often born their dissatisfaction with the decision- making process (Haruța and Radu, 2010). In most cases the information available to the general public are incomplete and ambiguous. But there is the opposite situation when the information is available to citizens accurate, complete and timely but passivity, indifference them do not contribute to productive decision-making and local policy. Following a study by the Association of Assistance and Programs for Sustainable Development on the implementation of the transparency law decision of local public institutions found that only 14% of respondents have initiated cooperative relations with local authorities by attending public meetings or issuing recommendations (Raport , p.11). We conclude that Romanian citizens are very reluctant to opportunities to get involved in local decision making.

Although Law 52/2003 on transparency in public administration underlines the importance of timely information to citizens on the substantiation of decisions so that they have the opportunity to issue recommendations regarding possible in reality things are not so. In the context of a democratic state, we believe that it would be necessary to reconsider the decision making process to involve the public in light of this. Failure of cooperation and communication between the decision-making structures and citizens can be blamed on several assumptions. One of these assumptions is the fact that decision-makers often do not understand the difficulties, problems, needs citizens and therefore disregard them. Citizens in turn believes that deciders mainly addressed a particular narrow interest group are concerned about their needs. This approach is flawed because public institutions cannot favour one particular group of people or to discriminate against another group of local decisions must satisfy the entire community, even if it is sometimes very difficult. Another important issue specific public institutions in Romania is that management structures and decision-making while pursuing their own interests through the decision making process, even a small group. This situation is common in Romania, is unfortunately worrying. A stage marked the history of the relationship between citizens and local institutions are profound changes that occurred after the reform of 1990. Since the 1990s, the modernization of the administrative system has become a priority for the Government of Romania. Thus modernization of public institutions dragged itself a new approach to participatory decision-making process of local interest.

Definitely cannot deny the involvement of citizens in making and implementing the decisions of local interest, emphasizing that this phenomenon of 1990, but we must recognize that its influence is a moderate one. According to Arnstein 's classification , Romanian citizen participation practices can be judged to be more consultative in nature. This suggests an early practice of involving citizens in decision-making of public policy, which reinforces the need to strengthen communication, cooperation and partnership relationship between local institutions and citizens. In the interest of promoting the common good is paramount "breaking the walls" and eliminate conflicts between community members and local institutions. The role of public participation and private sector representatives is increasing the provision of public services designed to meet local interests. In the context of the rise of competitive influences in the provision of public services, information, consultation and consideration of the needs and preferences of citizens should be a priority.

5. Conclusions

The increasing quality of public services is the decision shows the effective functioning of the mechanism. Information, consultation on matters of local interest should not be confined to a small group of people with the same characteristics. The sample population should be characterized by diversity both in terms of age groups and in terms of social class, thus ensuring a high degree of coverage of the different needs of local community members. In the context of globalization, and strong growth needs considered essential members of society de-politicization of decision making, minimizing the influence of management structures and practices an increase active participation of citizens in decision-making interest.

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*** http://www.oecd.org/about/0,3347,en_2649_37405_1_1_1_1_37405,00.html

*** <http://dictionary.reference.com/browse/tokenism>

THE PRINCIPLE OF TRANSPARENCY IN DECISION MAKING AND IMPLEMENTATION OF PUBLIC INSTITUTIONS - FROM REQUIREMENTS TO REALITY

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Abstract: The principle of transparency is one of the essential principles of modern public administration activities and an objective condition in the construction of public credibility in the public service. In the context of European integration, there is a compelling need to reconsider the size of the relationship between citizens and public institutions. Promoting transparency in public governance is essential given that in Romania, most normative acts issued by the executive. If local public institutions in Romania there are gaps in the implementation of this principle, which requires a rethinking of public governance process. Another aspect that has the effect of reducing the correlation targets decision-making structures are involved in decision making. Even if the data and information derived from surveys and systematic research shows an improvement in the application of this principle are made steps for opening orientation to citizens' needs external communication, responsiveness, innovative spirit and interactive features become basic Romanian public institutions.

Key words: local governance, transparency, decision-making, Romanian public institution.

JEL Code: H41, L33.

1. Introduction

In the opinion of the UN, the principle of transparency, along with integrity and accountability, is one of the key principles underlying the any government. Transparency refers to unrestricted access of the public to timely and reliable information about the decisions and actions of the public sector. The principles of transparency and accountability are the cornerstone of a democratic and participatory governance style. Globalization has fostered more rapid spread of best practices that take into account transparency, accountability and integrity in public institutions. Good governance is based on a transparent background and public service decision public on strengthening anti-bribery actions and promoting integrity in public institutions (Armstrong 2005, p.6). This paper aims to build on the understanding of how this principle is conceptualized and applied in practice democratic countries with public systems, well-structured and functional, to sketch an analysis of the situation of the Romanian public institutions. Also, based on the analysis of legislative changes and their impact in relation to citizens, are drawn some main lines to be followed in reforming these institutions, the promotion of transparency in public institutions in Romania in order to meet citizens' needs.

2. Transparency and participation in public institutions policy

Transparency and active participation are defining features of contemporary public institutions governance process characterized by dynamism, innovation and openness to citizens. Therefore, a model of open government is a direct consequence of the principle of transparency. According to some authors open government principle is one that encompasses broader transparency. Thus, while transparency refers only to access to information and public services, openness means more than that, it represents various forms of cooperation and communication between citizens and government (Gorazd Trpin 2000, p. 411). The principle of openness was introduced into European law by Article 1 of the Treaty of Amsterdam. According to this principle decisions taken by EU institutions should be taken as openly as possible and as close as possible to the citizen.

However, transparency is an objective condition in building credibility citizens in public service. Transparency is an essential in solving possible conflicts between citizens and local community helping to restore confidence in local democracy. Enhancing credibility legal regulations directly contribute to increased compliance with the law and also to deepen the collaboration and cooperation between citizens and public institutions, governance structures. In the opposite direction, ignoring the effects of transparency in the governance of public institutions materialize without public confidence in laws and also increasing the level of non-compliance, which feeds legislative instability, a phenomenon specific to Romania today (Școala Națională de Studii Politice și Administrative Facultatea de Administrație Publică, p. 34).

Transparency is an essential requirement to be considered in all phases of public governance, from the stage of formulation of the objectives and methods of making them, the implementation of projects and quantify results. Transparency in the governance of the public contribute to combating corrupt practices and at the same time promoting the democratic participation of citizens in a community. Both in practice and in Romania developed countries, citizens' access to information, public order was pronounced on regulations under freedom of information legislation (OECD 2008, p. 26).

Regulation of the right to information and freedom brought about a fundamental change in the process of governance of public institutions, emphasizing the importance of quality of service to citizens, promoting accountability, transparency in decision making and greater citizen involvement in the foundation and implementation of decisions of interest public (UNDP 2010, p.36 – 50). Although in practice many countries citizens refuse to acquire this right, promoting the right to information is essential to support democratic governance, open and transparent public institutions. Impact assessment decisions in a transparent and public participation are much easier. Thus by promoting transparency ensures citizens service improvement process. Promoting an open governance model based on transparency and active participation sometimes face problems that are due to inefficient public consultative processes. The failure of the public consultation process may generate additional costs without improving the quality of decision making (Bojan Bugaric 2004, p. 39).

3. Transparency and participative democracy in the European and national public institution governance

In the context of European integration, there is a compelling need to reconsider the size of the relationship between citizens and public institutions. Thus in order to align the

practices developed European countries, compliance on access to information, consultation and active participation of citizens is fundamental. The concept of multiple authors, these essential requirements come together under the umbrella of transparency in public institutions Romanian.

In Romania, the efforts to implement a transparent materialized by Law no. 544 of 2001 on free access to information of public interest Law 52 of 2003 on transparency in public administration. According to Art. 3 of Law no. 544 of 2001 public authorities and institutions should ensure access to public information ex officio or upon request by the department for public relations or the person designated. Therefore we can distinguish information from public institutions and the office at the request of the public. The public information covered by Law no. 544 of 2001 are: normative acts on the organization and functioning of public institutions , the organizational structure of local public institutions, functions of departments, program operation , the name of persons occupying senior public institutions, financial information such as budget and balance sheet. Concrete forms that ensure access to public information are displayed at the public institution, publication in the Official Gazette or in mass media, in their publications and on its website, and consultation at the authority or public institution in specially designed for this purpose. Public institutions are required to respond to requests for public information within 10 days after the event more than 30 days (Centrul pentru Politici Publice 2008).

Promoting transparency in public governance is essential given that in Romania, most normative acts issued by the executive. The regulations of this law created the framework for the principle of transparency in administrative authorities. Although the means by transparency and access to public information , the main citizens right conferred by Law no. 52 of 2003 is to actively participate in decision making in the public interest , regardless of race , nationality , religion , sex , political affiliation . In the practice of public institutions in Romania, this does not imply active participation in decision-making roles change , decision-making power structures belonging governing public institution. Through active participation means an emphasis on consultative processes opinions, needs citizens who rather take the form of recommendations. The result of the adoption of transparency requirements in public decision results in an annual report required more: the number of recommendations received, the number of recommendations received and included in decisions , the number of participants in public meetings , public hearings , etc. number . Therefore the rights conferred by law on decisional transparency is reflected in attendance at meetings, the right to speak in public debate and express written opinion on the regulations that influence life and work.

According to Law no. 544 in 2001, public institutions also have to prepare and update newsletter containing information of general interest to hold regular press conferences to inform the public. There are situations that are not covered by Law direct . 52 of 2003 on the transparency of the decision therefore omit the public consultation phase. They refer to laws whose adoption should be immediate, because otherwise could seriously harm the public interest. Obviously the nature of these laws is to force majeure: crisis, earthquake, disaster, etc. Another novelty brought by Law no. 52 of 2003 refers to central and local government requirement to publish draft regulations before they are adopted. This allows recipients of these regulations to make suggestions and recommendations on the regulations in question. Thus this mechanism facilitates collaboration and cooperation between issuers and recipients of adopted regulations.

Access to information, electronic auctions , the declaration of assets of public servants, civil servants and code transparency in government decision-making are key regulators

aimed at increasing transparency in the governance of public institutions in Romania (Mitrică 2006, pp. 186-190). In order to improve the transparency principle, Law 52 of 2003 on decisional transparency in local government provides mechanisms to punish those who violate the rights of citizens. These tools include the possibility of sanctions challenge in the court of public institutions, the right to request public official sanction that can punish people participating in public meetings which do not follow them (Law 53 2003) and (Institutul pentru Politici Publice 2009, pp. 19- 31).

Bear in mind that local public institutions in Romania there are deep gaps in the implementation of the principle of transparency, which definitely requires a rethinking of public governance process. Often unclear objectives participants in decision-making can damage the quality of governance transparency and public institutions. Another aspect that has the effect of reducing the correlation targets decision-making structures are involved in decision making. Thus the objectives of political structures differ significantly from the requirements of the public, and this situation often generates conflicts. Compliance with requirements for transparency in public institutions in Romania can be quantified using a transparency index, which expresses the number of authorities to court for not operated in terms of data of public interest. According to a study by the Public Policy Institute, there is an improvement in compliance with the principle of transparency in 2009 compared to 2008. Thus, if in 2008, have been sued a number of 10 institutions in Romania for failing to provide information of general interest in 2009 the situation has improved significantly, the number of institutions in court accused of breach of the principle of transparency of only five public institutions. The possibility of quantifying the principle of transparency is an important step in identifying weaknesses found in public institutions in Romania and disposal. Quantifying these issues to assess performance and comparability between different local institutions in Romania in providing services of general interest, which contributes significantly to improving the transparency of public institutions and extend good governance practices to promote this fundamental principle of public governance (Institutul pentru Politici Publice 2009, pp. 19- 31).

4. Conclusions

We believe that the principle of transparency should mark the profound relationship between citizens and local government. Practicing an open initiative in providing public services, free and unhindered access to public information should be a priority for every public institution in Romania. In order to deepen the relationship between public institutions and citizens, public governance structures should initiate public information campaign on the right of access to information, public information campaigns on the right to participate in the rulemaking process, as well as making decisions, public education programs on the exercise of these rights; training programs for civil servants to implement legislation on access to information and transparency in decision making (Camera Deputaților 2012). Although the Law no. 544 of 2001 and Law no. 52 of 2003 provides the framework for the promotion of transparency, public institutions in Romania who really want to be citizens needs to make considerable efforts in the cultivation of transparency in the provision of public interest. Openness, external communication, responsiveness, innovative spirit and interaction are some of the basic features of public-oriented needs of citizens.

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THE CROSS BORDER COOPERATION PROGRAMME ROMANIA-HUNGARY- AN IMPORTANT INSTRUMENT IN ENSURING THE TERRITORIAL COHESION AND DURABLE DEVELOPMENT OF THE BORDER AREA

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Abstract: The novelties brought by the cohesion policy for 2007-2013 consist of: a more strategic approach, more trust within the Member States and rules simplifying the cohesion policy (European Commission, 2005; European Union, 2007). According to the multi-annual programming documents (European Union, 2007), the objectives of the EU cohesion policy for 2007-2013 are: convergence, regional competitiveness and employment and European territorial cooperation. European territorial cooperation means a balanced development of the whole community territory, through encouraging the cooperation and exchange of good practices among all EU regions, organized on three axes: cross-border, transnational and interregional cooperation. Cross border cooperation is not only about funding and creating infrastructure, but it is also set to strengthen cooperation: one of the key ideas behind cross-border cooperation programmes is to facilitate the joint development of areas that geographically belong together, share resources (and also risks) but are separated by artificial borders. I use an approach that builds on a combination of evidence – vision and indicators (result indicators, output indicators and impact indicators) to show the impact of the use of funds to achieve a sustainable economic development on the Hungarian - Romanian border.

Key words: Cross border cooperation; Funds; Projects; Romania; Hungary; Indicators.

JEL Code: O 19; R 11.

1. Introduction

The objective of the CBC Programme is to bring the different actors closer to each other in order to better exploit the opportunities offered by the joint development of the border area. Therefore, the expected outcomes are complex and the economic effects of the Programme are mostly indirect.

The aim of this paper is to present the Cross Border Cooperation Hungary-Romania Programme and a short evaluation of some of the most relevant indicators for the results obtained until present within the projects developed in this programme.

2. The Cross Border Cooperation Hungary-Romania Programme (BRECO 2013)

The border between Romania and Hungary lays on over 443 km in the south-south-east direction. The border line starts near the Batar river (close to the border with Ukraine), on the east side of Halmeu village and ends close to Serbia and Montenegro, in corespondance with the Mures river. The towns situated in direct neighbourhood with Ukraine belong to the four counties: Satu Mare, Bihor, Arad and Timis, which have Satu Mare, Oradea, Arad and Timisoara as their main cities. The Hungarian counties situated at the border are: Szabo-Szatner Bereg, Hajdu-Bihar, Bekes and Csongrad, which have Nyiregyhaza, Debrecen, Bekescsaba and Szeged as their main cities. The Romanian population living on the border equals 9.7% of the total population (22.327.000 inhabitants), while on the Hungarian side this equals 18.5% of the total population (10.044.000 inhabitants).



Figure no. 1. The eligible area for the Cross Border Cooperation Hungary-Romania
 Source: made by the author of the paper following the model shown on the internet site: www.ec.europa.eu/regional_policy/images/maps

The cross-border cooperation between Romania and Hungary started in 1996 with the implementation of a PHARE CBC pilot programme which allocated 5 million EURO for the projects developed on the Romanian and the Hungarian side.

During 1996 and 2006, the PHARE Cross Border Cooperation projects have been implemented, the sums allocated to the two countries have been distributed as shown here :

- PHARE CBC 1996 / HUNGARY: 4.530.000 Euro
- PHARE CBC 1999 / ROMANIA: 5.000.000 Euro
- PHARE CBC 1999/ HUNGARY: 5.000.000 Euro
- PHARE CBC 2000 / ROMANIA: 5.000.000 Euro

PHARE CBC 2000 / HUNGARY : 5.000.000 Euro
PHARE CBC 2001 / ROMANIA: 5.000.000 Euro
PHARE CBC 2001 / HUNGARY: 5.000.000 Euro
PHARE CBC 2002 ROMANIA 5.000.000 Euro
PHARE CBC 2002 HUNGARY: 5.000.000 Euro
PHARE CBC 2003 / ROMANIA 2.450.000 Euro
PHARE CBC 2003 / HUNGARY: 5.000.000 Euro
INTERREG 2004 - 2005 - HUNGARY: 16.271.940 Euro
PHARE CBC ROMANIA 2005 - 4.730.241,65 Euro
PHARE CBC ROMANIA 2006 - 4,453,245.28 Euro
INTERREG IIIA HUNGARY: 2006 – 1.349.875.411 HUF

The 2007-2013 CBC Hungary- Romania Programme, with a total budget of 275 million EURO, was adopted by the European Union on the 21st of December 2007 This programme aims the cooperation in the eligible area consisting of four Romanian counties (Timis, Arad, Bihor, Satu Mare) and four Hungarian counties (Csongrad, Bekes, Hajdu-Bihar, Szabolcs-Szatmar-Bereg) in fields such as the transport and communication infrastructure, environment protection, economic and social development through partnerships between actors on both sides of the border line.

The European Territorial Cooperation (ETC) Objective replaces the INTERREG III.A. (HU) and PHARE CBC (RO) 2004 Community Initiatives for the 2007-2013 period, reconfirming in this way the importance of promoting territorial cooperation as an integral part of the EU cohesion policy.

The programme is financed through the Regional Development European Fund (RDEF), completed by the national co-funding of the two member states participating in the programme, Romania and Hungary. The total amount allocated to the programme consists of 275 million EUR.

In consequence, within the Third Objective of the PHARE CBC programme – European Territorial Cooperation for 1996-2003, a total amount of 28 million EURO (for the Romanian border) and respectively 34 million EURO (for the Hungarian border) were allocated for cross border projects. During 2004-2006 several projects were implemented: 40 projects in 2004, 48 projects in 2005 and 50 projects in 2006. In this period, Hungary benefited from 32 million EURO and Romania from almost 20 million EURO. During 2007-2013 a number of 472 projects were approved within the CBC Hungary – Romania Programme which were selected within five auctions, with a total of 211 million EURO being allocated. The present situation is the following: from the total amount of approved projects, a number of 451 projects have been contracted in 2013.

For the 2014-2020 period, the funds allocated for the territorial cooperation will be increased by approximately 15%. The distribution method of these funds, their prioritization and the main domains of intervention are some of the subjects which are still in debate and there is no consensus of the European Commission on this subject until present.

3. Evaluation indicators of the CBC Programme for the 2007-2013 period (KPMG Tanácsadó Kft, 2013)

The indicator system includes six indicator sets (Programme level indicators, Horizontal indicators, Programme indicators for PAs, Mandatory indicators, Other indicators and

Project Specific indicators). In this chapter I will present some of the most relevant indicators for the evaluation of the programme until present.

GDP in eligible area – represents a context indicator, defined as the GDP/inhabitant in PPS (EU25=100). This indicator reaches a level of 44% and it is commonly accepted and widely applied context indicator at Programme level. The values are only available after three years, therefore the 2013 target value will be available in 2016. The indicator is relevant and fulfills the quantity, quality, time and target group criteria set.

Level of economic co-operation – represents an impact indicator, defined as the percentage % of growth in the share of Romania in the annual foreign trade turnover of Hungary and vice versa. The eight counties cover 15.2% of the territory of the two countries. This indicator reached 7% in Romania in 2011 in comparison with 6,3% in 2007 (a growth of 0.7 %). In Hungary, in 2007, the indicator reached 3.3% and 4.7 % in 2011 (a growth of 1.4 % was observed). Moreover, the interventions have limited effect on the indicator value, since most of the projects have indirect economic effects.

Promotion of equal opportunities – represents a result indicator defined as the number of people employed related to the project. As level of achievement, 52% of the new workplaces are occupied by women (281 workplaces were established, from which 146 are occupied by women employees). The objective of the indicator was to measure the permanent new work places created by the various projects. In several cases, the definition is misleading because only those full time equivalent workplaces should be included which are sustainable after the implementation of the projects. The indicator values provide valuable information about the achievements of the Programme. However, the quality and time of the indicator lead to misinterpretations.

Promotion of sustainable development - represents a result indicator defined as the number of projects with positive environmental impact or adding positive value in terms of environmental good practice (128 projects enter this category, that is 34 % from total number of projects). According to this indicator only 62% of the projects of the *Promotion of environment* KAI (Key Area of Intervention) are promoting sustainable development. Taking into consideration the characteristic of the intervention, almost all projects should fit the requirement.

Improved cross border accessibility - represents a result indicator defined as the number of people with improved cross-border accessibility. This indicator reached 1.8 million people in total. In this case the geographical location is not obvious and also the measurability is questionable as for several projects, beneficiaries interpreted the indicator with the amount of the expected traffic on the new infrastructure leading to the lowering of final numbers.

Level of business cooperation - represents a result indicator defined as the number of businesses involved in cross-border cooperation projects. The indicator reached 10.2 thousand businesses involved in cross-border cooperation. The indicator fulfills the quantity, quality, time and target group criteria set.

Improved environmental situation - represents a result indicator defined as number of Ha of land with improved environmental situation and reached a level of 0.9 million Ha. Although the indicator value is relevant, for the impact on non territorial areas, a different indicator should be found in order to provide a better measurement unit.

Improved cross-border communication - represents a result indicator defined as the number of people reached by joint communication initiatives (infrastructure building and services). Until 2013, this indicator reached 4 million people. Despite the clear definition, several beneficiaries have wrongly provided the number of the potential target group.

Joint RTD activity – represents an output indicator (number of projects type of indicator) defined as the number of joint RTD projects. From the 451 projects, 75 represent RTD projects. This indicator measures the number of committed projects in the *Promotion of cooperation in the field of* Research and Development and Innovation.

Tourism co-operation – represents an output indicator (number of projects type of indicator) defined as the number of joint tourism development projects, and reached a number of 26 support joint tourism development projects from the total of 451 projects. This indicator supplements the Cross-border business cooperation indicator.

New road, reconstructed road, new bicycle paths, renewed bicycle paths – represents an output indicator, defined as the length of roads built (new road), length of roads renewed (reconstructed), length of bicycle paths built (new path), length of bicycle paths renewed (reconstructed). The levels of this indicator until 2013: 29.3 km new roads, 66.7 km renewed roads, 119.9 km new bicycle paths, 0 km bicycle paths renewed. The indicator fulfills the quantity, quality, time and target group criteria set.

Health centers developed - represents an output indicator defined as the number of health centers developed and until 2013, a total of 14 health centers have been developed. The indicator is relevant and fulfills the quantity, quality, time and target group criteria set.

Cross-border business cooperation – represents an output indicator defined as the number of projects encouraging cross-border business co-operation. From the 451 projects, 46 projects have been encouraging cross-border business co-operation (excluding the development of tourism projects). Two separate indicators were defined to measure the number of projects supported under the *Support for cross-border business co-operation* KAI. (Cross-border business cooperation and Tourism-co-operation).

Tourism attraction - represents an output indicator defined as the number of tourism attractions and reached 8 projects promoting tourism attractions and 25 projects developing tourism attractions from the total of 451 projects. About half of the projects support developments while the other half promotions. These two activities should be separately measured. The indicator should measure both of these activities separately.

Increase of visitors - represents a result indicator defined as the increase in the number of visitors of jointly developed / marketed destinations (%). The level reached until 2013 is 290% (727.7 thousand new visitors). The indicator's unit was defined in percentage. However, several projects are promoting or developing new tourism attractions or thematic tours which were not available before project implementation. The number of visitors reflects the characteristic of the *Development of tourism* action.

New research center, existing research centers – represents an output indicator defined as the number of new research and/or technical centers established and the number of existing research centers with new infrastructure facilities. This indicator reached a number of 12 new research and/or technical centers established and 7 existing research centers with new infrastructure facilities. The indicator reflects the intervention type and provides valuable information of the achievements. The indicator is relevant and fulfills the quantity, quality, time and target group criteria set.

Joint education and training – represents an output indicator defined as the number of joint education and training projects and is represented by 60 projects from the total of 451. This indicator counts the supported projects within the *Cooperation in the labour market and education* KAI.

Level of people to people co-operation – represents an output indicator defined as the number of people participating in joint events (joint organizing activity; joint participation). This indicator reached a level of 156.7 thousand people participating in joint

events. The quantity is clear, however in several cases the measurability causes difficulties, as the number of participants can only be estimated. In each co-operation Programme the joint participation at events is a valuable indicator of success because one of the basic elements of the Programme is to bring people closer to each other.

List of acronyms

HU-RO CBC	Hungary-Romania Cross-Border Co-operation
AfR	Application for Reimbursement
JMC	Joint Monitoring Committee
JSC	Joint Steering Committee
JTS	Joint Technical Secretariat
KAI	Key Area of Intervention
ERDF	European Regional Development Fund
PPS	Purchasing Power Standard
R+D	Promotion of co-operation in the field of Research and Development and Innovation

4. Conclusions

Within the CBC Hungary-Romany Programme 2007-2013 a number of five project auctions were organised leading to the contraction of 451 projects until July 2013. Taking into consideration that the length of the border between Romania and Hungary is of 443 km, a simple calculation shows that there is more than one project for each km of border emphasizing the high interest for the funds and the success of the CBC HU-RO Programme in both countries.

If we refer to the sets of indicators, the Programme level indicators do not cover entirely the characteristic of the Programme, since only the economic context is measured. Most of the indicators are in line with the quantity, quality, time and target group criteria set; however, some of them were vaguely defined and the measurability of some units is not provided.

In the case of the result indicators, the achievements significantly exceeded the targets. Until the end of 2012, the Programme was able to reach the target payment level set by the N+2 / N+3 rule. However, the reimbursement for major infrastructure operations is still low, which is due to the longer average project durations and the high complexity of these projects. In case of the infrastructure projects, ensuring continuous cash flow and successfully executing public procurements caused challenges. Although the over commitment could assist reaching the full absorption, it also contains a financial risk. If the Programme is not able to reach its financial target at the end of 2013, and the Commission reduces the total budget of the Programme as a consequence of the decommitment regulation.

In conclusion, taking into consideration all the risks and accomplishments existing until present in the implementation of the cross border projects, the fact that the beneficiary of

each CBC project contributes with only 2 % of the total eligible budget of the project, makes the CBC RO-HU Programme an element of durable development and a primary instrument of funding for public administration, universities, hospitals, schools and NGOs during this period of economical crisis.

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THE TRACEABILITY OF FOOD THROUGH THE SMART RFID TAGS

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Abstract: Food crises of recent years have had a major impact on the food industry. From this reason food safety and traceability are currently at the forefront of government and industry discussions all around the world. So in the following years traceability will become a necessary precondition for business success in the food industry. As a modern solution, the RFID technology can be useful for perishable food traceability applications. This could be implemented with rewritable RFID tags.

This paper aims to study the main requirements of traceability, examine how the RFID technology can perform these requirements and presents a way for creating a model, regarding the perishable foodstuffs traceability using the RFID technology, that will make traceability feasible and easily deployable across a supply chain.

Key words: logistics; supply chain; traceability; RFID tags; demand.

JEL Code: M110; R410.

1. Introduction

In the 14th century of Europe, the animal origin products were carefully monitored especially during plague, considered by some as being transmitted to and from animals. Despite of being mandatory the identification of live animals, health authorities in those times were not concerned with identifying animal products. However, the export of animal products could not be achieved without being accompanied by a certificate of origin to ensure safety. During the major epidemics of the 18th century, some contaminated products (meat, animal skin) were cut into pieces, or covered with lime to indicate that the product was unsuitable for trade or consumption Blancou (2001).

The modern agriculture and food industry have two important features: a special concentration in large farms / processing plants, and the development of integrated supply chains linking producers with consumers Opara (2002). Following the intensification of agricultural production up to an industrial scale, the appearance of genetically modified organisms and the demands of the modern consumer to be ensured with fresh, tasty, nourishing food, in safety conditions, raised a new challenge for the production and processing practices that promote balanced approach to the problems of food quality and safety and environmental management issues. Thus appeared the need to ensure the traceability of supplied goods "farm to fork". Traceability of food refers to collecting, documenting and maintaining information on all supply chain processes in a way that provides a guarantee to consumers and other interested parties on the origin, location and history / route of a product, such as giving assistance in crisis management in the event of a breach of safety and quality rules.

Nowadays businesses need to find original and effective solutions to manage the flows of goods and services, from the research and development phase to the final customer. Currently the management of companies are turning their attention to the supply chain and sales processes (supply chain management) to reduce costs and improve overall business performances. To be successful, innovative models in logistics should be regarded not only as a idea generating process but a way to improve all activities throughout the supply and sales chain.

Progress in information technology provides opportunities and challenges for agricultural engineers to develop technological innovations to ensure the food traceability from farm to fork. There are already modern technological innovations that can be applied to develop and implement an integrated system of traceability of food products. Such innovation is the RFID technology which initial cost can still be limitative for the most farms, small and medium enterprises in our country.

Pursued objectives were: deepening theories in terms of innovative logistics models creating a model regarding alimentary perishable goods using the RFID technology. The research methodology compound of documentation from national and international speciality literature in order to identify peculiarities and the effect of using innovative models and the new electronic technologies in logistics, identifying the importance and contribution of using innovative models in generating competitive advantage in the bussines world.

2. The RFID technology, applicability and advantages

RFID is an automatic identification and wireless data collection technology. Radio frequency identification (RFID) is an important area for the development of the data support, with next-generation systems and products that offer considerable potential and low costs for data applications RFID Journal (2013).

An RFID system consists of four components: the antenna, readers (each consisting of transceiver, decoder and antenna) RF tags that is electronically programmed with unique information and the computer network that are used to connect the readers.

The antenna emits radio signals to activate the tag and to read and write data on it. Antennas control the data transmission and reception from system.

Readers may be portable or may be stationary mounted on a device. The reader emits radio waves in a range from one inch to 100 meters or more, depending on its power and the used radiofrequency. When an RFID tag passes through the electromagnetic zone it detects the reader's activation signal. The reader decrypts encrypted data from integrated circuit of the tag and datas are passed to the host computer for processing.

RFID tags exist in a variety of shapes and sizes. RFID tags can take one of three forms, active, passive and semi-passive, although the two commonly used forms are the active and passive tags.

Active RFID tags are powered by an internal battery and generally shall be read / written, ie, the tags data can be rewritten and / or modified.

Passive RFID tags operate without a separate external power source and obtain operating power generated from the reader. Consequently, passive tags are much lighter than active tags, less expensive, and offer a virtually unlimited operational lifetime. The compromise is that they have much lower reading intervals, than the active tags and require a high power reader.

Semi-passive tags are similar to active tags, but the battery is used to run the circuit of the microchip, but does not emit signals to the reader. Some of these tag conserve the battery life switching into "hibernation" mode, until they are awakened by the reader signal. Semi-passive tags can be mentioned as battery-assisted tags Convery (2004).

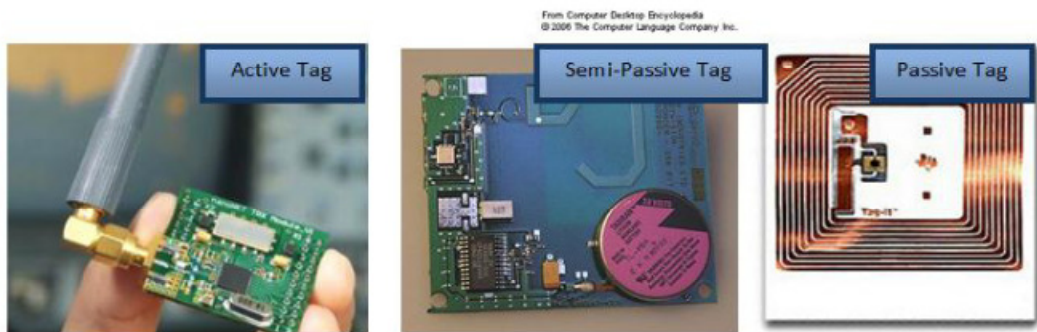


Figure no 1. Different types of RFID tags

Source: Computer Desktop Encyclopedia

Using RFID technology supply chain members can decide for enabling automation of manual tasks to reduce human errors and improve traceability and availability of items (goods, boxes, pallets, etc.), generating savings for all members of the supply chain. This is possible because RFID is a non-invasive data capture methodology. That means it is a process that does not require human intervention, achieved by automated readers which gather information from RFID tags attached to items. Also, it is known to be an "invisible" technology, and may have both reading and writing options in the same equipment item. Radio waves are used to make this technology invisible, which means that the tags can be read, even if they are not visible to the reader.

RFID tags were also proved to be incredibly resistant. They were tested for physical, and environmental attempts and in the every day life. The included physical tests were stacking / placing them in piles, throwing / falling from a height, and vibration. Even after being the subject of these robust tests, the overwhelming majority of tags remained functional. Tests regarding temperature changes and extreme humidity, were used during the environmental tests. During the extreme testing were found alteration of the a reading rates. Every day life tests included, damaging several tags by scratches and throws. The defects which have occurred in the tests did not significantly reduced the performances of the tags.

The significant advantage of all types of RFID systems is that they work without contact, the invisible nature of this technology. Tags can be read through a variety of substances and environments, such as snow, fog, ice, paint, crusted grime, and other challenging visibility and environment conditions, where barcodes or other technologies with optical reading would be useless.. Furthermore, RFID tags can be read in challenging circumstances at remarkable speeds, in most cases responding in less than 100 milliseconds.

Another significant advantage of an active RFID system in interactive applications is also the ability to read / write, such as in of tracking and maintenance process works. Although it is an expensive technology (compared with barcodes), RFID has become indispensable for a wide range of automated data collection and identification applications that would not otherwise be possible.

Considering the activities of enterprises which implement and use this technology, one can say that it allows the creation of a truly global supply chain. Management activities of the supply chain system require new solutions in identifying the withdrawn goods from service and sent to recycling or prepared for other uses. The use of RFID technology makes possible to collect the amount of information that allows accurate tracking of the flow of returns, which is very useful for building their inverse supply chains.

Non-profit organizations such as EPC Global are making efforts to form in the future a global supply chain, focusing on unifying technology standards by supporting the development of RFID technology in two directions: on the one hand there are efforts to unify the data so that they could be worldwide easy to read, on the other hand are suggested global standards (RFID protocols) for communication between tags and readers Shepard (2004).

RFID technology can ensure that the right products are delivered to the right place at the right time and in the right conditions. It can enhance the security of freight, guarantees lower transport costs and better quality and reduces the incidents caused by the lack of inventories or too high stocks.

RFID solutions may be used both by the producers in all kinds of industries, as well as distributors or retailers offering them many benefits. RFID systems work as well in modern armies, for example were used to oversee logistical operations during the war in Iraq. In the daily life are used to automate search the optimal route from A to B through satellite navigation system. The inverse logistics chains (on backflows), due to RFID technology, each product can be identified. Deposithalls can be scanned to locate products that are close to the expiration date, which should be dropped or withdrawn from sale and returned to the manufacturer. If the customer returns the product, antecedents and delivery history can be traced, where, when and how the product was purchased by identifying and eliminating potential scams.

RFID technology is used profitably in production and distribution processes, because offers a large amount of automatically and wirelessly collected data, works at temperatures up to 200 ° C, and the tags can store more information about products which, can be retrieved in a database.

It is possible to connect this technology with other sensors to measure climatic factors of temperature, humidity or vibration. These information can be used later to mark the shipment or production process and automatically target the damaged goods.

The fields of application of RFID systems would be inventory management, asset tracking, supply chain security, using smart cards: in banking, the management of public transportations, as flights and ski tickets, electronic access control, in managing cross-border rail transport, in international containerized freight management, in managing gas cylinders and containers for chemicals, in waste disposal management, in animal identification, in organization and proper management of large-scale sporting events, in burglar and electronic immobilizer, in automation of industrial manufacturing and others. Finkenzeller (2010).

3. RFID solution for food traceability

Food crises in the early 90s - UK BSE crisis which peaked in 1993 with 1,000 new cases per week Brown (2001) or those of the recent years as avian flu pandemic Rijswijk (2008), or swine flu Cicia (2010) had a great impact on the food industry. Deficiencies of

foodstuffs have led not only to contamination (accidental or intentional), but also in some cases, even to illness or death of consumers Brown (2001).

In the 2004 – 2008 period pandemics of avian flu, swine flu, or more recently crisis of horse meat Stone (2013), and crisis of contaminated milk with aflatoxin Danone (2013) in the first place led to a dramatic decrease in sales, highlighting the vulnerability of the Romanian food industry and how poor quality can affect not only the physical health of the consumer but also commercial health of the business sector.

At the European Union level, traceability is governed by Directive (EC) 2001/95 regarding General Product Safety (integrally transposed in national legislation by Law no. 150/14.05.2004 concerning food safety, regulating obligations to Romanians in this direction) and Regulation (EC) no. No 178/2002 on General Food Law, applied from 15 January 2004 and 1 January 2005 in all EU member countries Kelepouris (2007). In the recent crises all EU Member States must verify through DNA tests conducted from 1st March 2013, if the data on the label of a meat product, corresponds with the content and simultaneously will be improved the EU legislation in this field. Mediafax (2013). Thereby, in the coming years traceability will become a preliminary and necessary condition for a successful business in the food industry.

RFID technology can be useful for traceability applications. A modern solution for food traceability can be implemented on rewritable RFID tags, which have enough memory to allocate and store for each product unique identification number and other information about him. RFID tags can be updated with time stamping and transaction registration to create electronic genealogies. Tags may also be provided with sensors for recording the main storage conditions. RFID data collection is very accurate (accuracy often over 99 percent), which can help prevent errors of picking orders and for shipping, affecting the agro-food industry Pleşea (2007).

The narrow definition of traceability in the EU for the food industry since 2002 is: the ability to trace an alimentary product, animals that are processed by the alimentary industry, animal foodfd manufacturing units or substance intended to be incorporated into a food or feed for animals in all stages of production, processing and distribution Schwagele (2005).

The new technology of radio frequency identification (RFID) offers great opportunities for designing the tracking food traceability efficiently and effectively. Based on automated data capture, traceability information can be obtained faster, reducing significantly the labor costs, while increasing accuracy and delivery precision.

The main element of the proposed solution for food traceability is a readable/rewritable active RFID tag. By construction, the memory allows registration of each site only once, but also allows adding further information. Therefore the RFID tag become an electronic journal of goods throughout the supply / retail chain. Each entity, part of supply / retail chain can read previous information of the RFID tag and has the ability to add its own information, if knows the validation key, which is received over the Internet from the provider. It is also possible to implement an internal system to monitore storage conditions. Taking into consideration that RFID tags are expensive, they can be useful and profitable only for products with critical storage conditions such as meat and fresh fish, dairy, fruits etc. The scheme of the proposed solution is illustrated schematically in Figure 2.

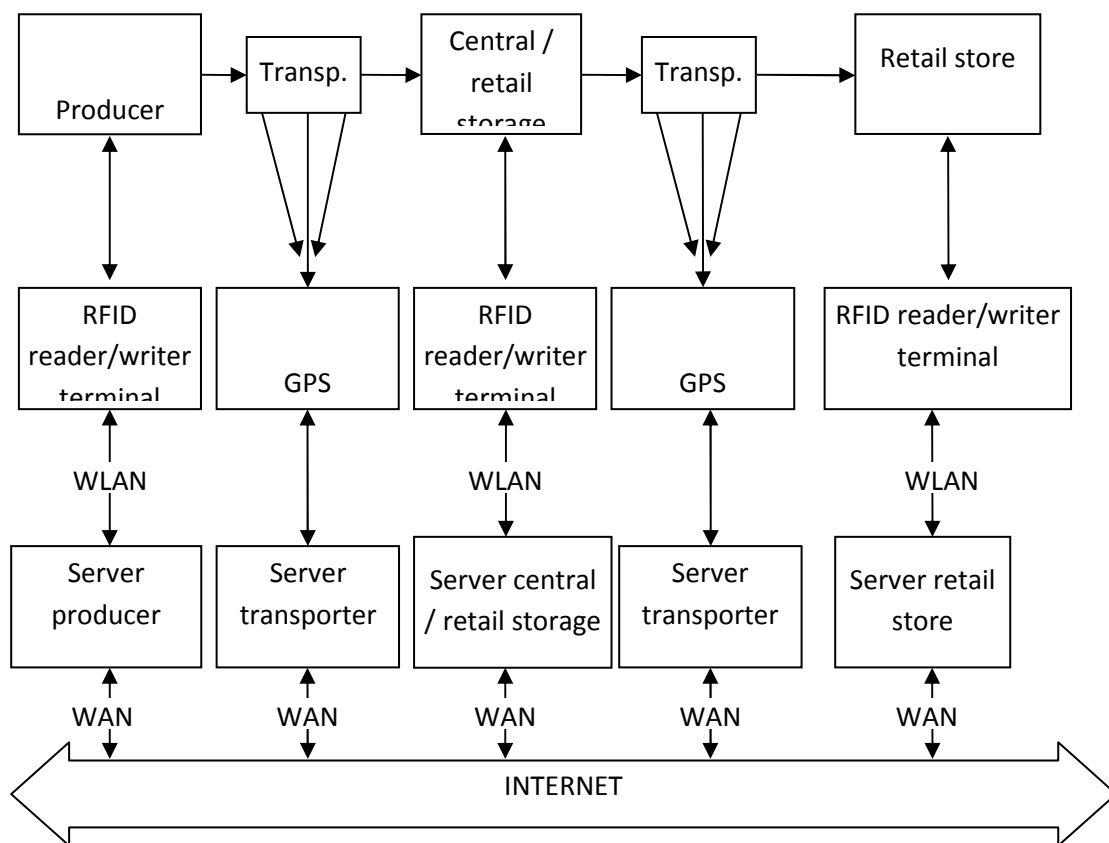


Figure no 2. The proposed model for perishable food traceability

The proposed model uses a management system supported by RFID to monitor cargo and a vehicle-mounted GPS system for monitoring transport and fleet management in order to support distribution.

Manufacturer shall affix RFID tags of food batches, and while traveling on the production / distribution line in their memory are included different information of interest to traceability for product such as a unique identification number (for example, a number of unique identification of the at which is located the batch), temperature conditions and times spent in those conditions (which are recorded automatically without the possibility of changing the recorded data), a part of the validation key, production date and expiry date, storage conditions (temperature, humidity, etc.), the result of the quality control analysis, batch number of raw materials and incorporated materials etc.

The goods prepacked in boxes, pallets, containers, returnable etc., the RFID tag also contains information on the owner, and a unique identification number is automatically assigned to the product to facilitate further tracking. The validation key serves to prevent frauds, such as writing or modifying existing information by unauthorized entities. The validation key consists of two parts, one part is written in memory of the RFID tag and the second part is sent through the Internet with the shipping documentation electronically. Only entities that have both sides of a validation key can add information in the memory of RFID. Each transport vehicle, has an RFID tag attached to the GPS, which provides

visibility of the transportation fleet in a real time, so you can follow exactly each vehicle and you can prepare the goods for delivery due time.

When the carrier reaches the manufacturer / distributor and is positioned in the loading dock terminal the RFID tag identifies the vehicle and confirm that the vehicle is authorized to take over the deliverable goods.

The RFID reader communicates also with the tag of each batch / product package and thus is achieved a final inventory at the loading dock, and in the memory of each label of batch / package products, shall be enroll information with delivery date, vehicle and delivery conditions.

The onboard computer of the vehicle receives all information about the goods received and, if necessary, establishes and adjusts addecvate transport conditions, and periodically records the information in the RFID tag of each batch / product package regarding the storage conditions during transport. At the same time, the server of the producer sends to the beneficiary the electronic transport documentation (including the second part of the validation key).

The beneficiary receives the information about the transport (estimated time of arrival, the delivered inventory, validation key) through the Internet. At the arrival of the transport to the discharge terminal of the beneficiary, the RFID reader receives all the transport information and also about the production process, handling and storage of goods delivered earlier.

If the goods have been stored / transported under proper conditions, the RFID of the terminal accepts the delivery and with the correct validation key, the goods are received. As long as the products are kept (azt jelenti hogy „sunt pastrate”) in storage and distribution centers, or in the retailers warehouses or of other entities of the the supply / sales chain, periodically shall be written on each RFID tag information about the storage conditions.

During sales / delivery from warehouses and distribution centers, RFID reader can automatically detect stocks decline below a certain predetermined threshold and automatically the server initiates additional request for providing Internet products.

The proposed solution eliminates some of the problems such as: receiving altered or incorrectly delivered goods, receiving late delivered goods or with expired guarantee, difficulty in locating goods in warehouses, effort in order to precisely reconcile physical goods to customer orders, thefts, inaccurate forecasts of demand for goods (breaking of stocks or the need to maintain expensive volume of inventories in retail stores and distribution centers).

4. Conclusions

To ensure the traceability of food is necessary a tight cooperation between all participants of the supply chain of the respective products.

RFID technology can ensure that the right products are delivered to the right place, at the right time and in the proper conditions. It can enhance the security of freight, less transport costs and of better quality and there are reduced the incidences caused by lack of inventories or too high stocks.

RFID solutions can be successfully used in the management of food traceability both by producers and distributors or retailers, offering them in addition to the above mentioned general benefits, safety. Because the costs of tags will be reduced, being standard products, requests for RFID technology will expand, no doubt.

However, the limitations of this study should be pointed out: that the proposed model should be applied and tested in practice to demonstrate traceability to the final customer. Also must be verified the implied costs in implementing the model, effectiveness and efficiency to achieve maximum benefits in terms of the loyalty and trust of the customer.

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<http://www.rfidjournal.com/glossary>

ROMANIA ON THE ROAD TO CONVERGENCE: WHERE WE ARE AND HOW MUCH MORE WE HAVE TO GO

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Abstract: Convergence is one of the main milestones of the European integration strategy. This concept is translated by diminishing differences between the economic indicators of various countries belonging to a certain geographical area. Based on this concept, in this paper we will try to present what is the current situation of Romania in terms of real and nominal convergence and also to determine the period of time that our country still has to go in order to reach the EU level. Taking into account the gap that distances Romania from the developed countries, the real convergence must be treated with special attention. In order to realize a relevant analysis, we have studied Romania's situation according to three entities EU – 15, EU – 25, EU – 27, as well as to the most developed country of the EU, meaning Germany, starting from simple connections regarding the growth of the GDP per capita of the two entities with initial levels and different average annual rates of growth.

Keywords: nominal convergence; real convergence; convergence time period.

JEL Code: C15; E10; O11; O40.

1. Introduction

Since the adoption of the Maastricht Treaty, the notion of convergence occupies a central place in the economic policy debates, thus inspiring the whole progress of economic integration, from its very beginnings.

In the literature regarding economic growth, globalization and economic integration, the notion of convergence occupies a central role in regards to the description of various economical entities, compared to the most efficient entities. The analysis of convergence deals with reaching the levels of economic, social, monetary, financial and performance indicators of the developed countries, the insurance of the reduction of the gaps in the levels of development, the insurance of the monetary and financial stability in all countries, as well as the closeness and compatibilization of the structures and institutional and administrative mechanisms of the various countries. Iancu (2006)

Convergence represents a dynamic process, based on the application of certain socio-economic policies that are meant to diminish the disparities between the regions and the countries in a certain area. This is accomplished by the application of certain structural policies with the purpose of obtaining a number of parameters of increased economic growth in the peripheral regions, named so not because of their geographical location, but because of their endowment with factors and economical performance regarding their use, that have went through a period of economic decline or did not manage to reach certain economic performances required by the region they belong to. Funar and Lutaș (2006).

This paper analyses the way in which Romania fulfills at present the required nominal criteria, respectively the real convergence criteria, as well as the way in which it manages to identify the time period needed to accomplish this convergence. An increasing number of studies written on the subject of convergence have tried to answer the question whether the poorer economies will reach the richer economies in time, and have also tried to determine whether the European integration would have a positive or a negative impact on the long term growth of the member states. In such a context measuring any inequalities between the countries or the regions presents a high interest.

2. Romania's Current Situation in Terms of the Real Convergence and the Nominal Convergence

Regarding the current situation of the Romanian convergence process, it had a delayed start, due to the slow implementing of structural reforms, such as the delayed privatizations and price liberalization. Before the start of the negotiations with the EU, the GDP per capita, expressed through the parity of the standard purchasing power was 23.2% of the level registered in the Euro region in 1999 Isărescu (2007). In 12 years time, the economy of Romania grew faster than the developed economies of the European Union. Expressed at the nominal exchange rate, the GDP per capita level, which was of 5800 Euros in 2010, places Romania in the proximity of the EU average, of 4.89%. A more relevant indicator is the GDP per capita expressed through the parity of the purchasing power standard, which, according to Eurostat, was of 11400 Euros, places Romania, in 2010, at a level of 49% of the EU-27 level. The excessive forcing of the GDP growth will not get Romania closer to accomplishing the long term objective. Instead, by adding to the economic growth differential of a certain level of real estimation, the issue of shortening the time period can be addressed.

In the context in which Romania's commercial exchange in 2010 and 2011 has intensified, the degree of economic openness, calculated as the sum of the import and export of goods and services, related to the GDP, reverted to superior values compared to the 76.8% in 2010, and 75% in 2011. In spite of all this, regarding the Romanian economy, this was much less open than that of Bulgaria (116.1%), Hungary (165.7%), Czech Republic (132.4%) and Slovakia (163,7%), for the latter the external commerce plays a much more important role, and in 2006 Poland (82.6%) registered a higher level of economic openness (according to Eurostat). It is predicted that the measure of export and import for the GDP will continue to increase, and the Romania economy will become much more open, similar to that of the small and medium sized countries in the EU.

Regarding the trade weight with the EU in the total of the foreign trade, Romania is in a favorable situation compared to other criteria. Therefore, the total trade share of those incurred with the Member States was over 70% in the last three years. According to this indicator, Romania is close to Hungary or the Czech Republic. However, aggregate figures are not significant in the structure of the trade with EU countries. While Hungary's foreign trade is based on industry, intra-industry trade and appliances, Romania's foreign trade is mostly based on the low-processing products such as clothing, furniture, and metal products. Through a sustained process of attracting foreign investments in areas with high added value, this drawback could be overcome structurally.

If we analyze the structure of the Romanian economical sectors, it will show that in the sectoral structure of the GDP, agriculture continues to play a much too important role, 12% to 14% of the GDP. Although its contribution to the GDP declined during 1995-2007, it is

still three to four times higher than in the Central European countries. Also, half of the structural gap with the EU is explained by the relatively low weight of services in the GDP, which contributes more than 50% of the GDP in Romania's case, the net result is lower compared to the other countries in the region.

As we have seen, Romania is considered to be a peripheral country in respect to the developed European countries, in terms of economic growth.

Table no 1: GDP per capita at purchasing power parity (in % of UE-27=100)

Year \ Entities	2004	2005	2006	2007	2008	2009	2010	2011
UE-27	100	100	100	100	100	100	100	100
UE-25	106	105	105	105	105	105	105	105
UE-15	120	119	118	117	116	117	116	116
Romania	13	16	19	23	26	23	23	24
Luxemburg	277	290	303	313	323	320	325	326
Bulgaria	12	13	15	16	19	20	20	21
Average countries acceded to the EU in 2004	41	43	45	49	53	52	52	52

Source: Eurostat, 2004-2011

In 2008, in Romania, the GDP/capita regarding the purchasing power parity compared to the EU 25 average was at 26%, 4.6 times lower than the average of the developed European countries. If we consider the average of the 10 countries that joined the EU in 2004, the GDP/capita of Romania in 2011 was 2.1 times lower than the average of the 10 countries. In 2008, when Romania had the highest economic growth since 2000 until today, the GDP/capita was two times lower than the average of those countries. In the hierarchy of the 27 EU member states, Romania occupies the 26th place, ahead of Bulgaria, in terms of the GDP per capita calculated on the basis of the PPP in euro. GDP/capita at purchasing power parity, expressed as a percentage of EU-27 = 100, in Romania in 2011 was of 24% and in Bulgaria, 21%.

Regarding the nominal convergence, it has been privileged in relation to the real convergence since its implementation requires a smaller time horizon. The term nominal convergence brings to mind the monetary economy, which are macroeconomic indicators that characterize the sustainability of an economy. The fundamental objective of the common monetary policy and exchange rate policy, set by the Maastricht Treaty is, on one hand, price stability and, on the other the support for the general economic policies of the EU to achieve real convergence by catching up with the developed countries.

Table no 2. Degree of attainment of the Maastricht criteria

Nominal convergence indicators	The Maastricht criteria	Romania	Romania
		2011	May 2012
Inflation rates (HICP) (percent, annual average)	No more than 1.5 percentage points higher than the average of the three best performing member states of the EU	5,8% (criterion: 3,1% ¹)	3,4% (criterion: 3,1% ¹)
Long term interest rate (percent per year)	No more than 2 percentage points higher than in the three lowest inflation member states	7,3% (criterion: 5,8% ¹)	6,7% (criterion: 5,1% ¹)
Exchange rate	+ / -15 % (ERM II)	+ 3,9%/- 3,3% ²	+ 5,4%/- 7,6% ³
Annual government deficit ⁴ (percent of GDP)	Not exceed 3 %	5,2%	2,9%
Government debt ⁴ (percent of GDP)	Not exceed 60%	33,3%	37,8%

¹ When calculating the reference levels were considered Sweden, Ireland and Germany;

² Calculated as the maximum percentage deviation of the exchange rate against the euro between 1.01.2010-31.12.2011. Calculations are performed on a daily basis series and refer to the average of December 2009.

³ Calculated as the maximum percentage deviation of the exchange rate against the euro between 1.06.2010-31.05.2012. Calculations are performed on a daily basis series and refer to the average of May 2010.

⁴ According to the methodology ESA95, The Excessive Deficit Procedure (tax notification) - April 2009.

Source: Annual Report of BNR 2012, p. 146, Convergence Report May 2012

According to the table 2, the inflation rate remains the main critical point of the Romanian economy. Failure to meet this criterion involves lack of sustainability for the macroeconomic stabilization process of the Romanian economy. Inflation based on the Consumer Price Index (December/December) decreased in Romania from 40.7% in 2000 to 4.95% in 2012. The year in which Romania's inflation has been expressed by one figure, after 1990, was 2004. Although the central bank failed in 2004 to reduce the inflation rate to a single digit (9.3%) in 2005 disinflation has slowed down. In Romania, inflation rates have persistently remained high until 2011, despite an obvious descending trend registered until 2007. This trend mainly reflected a range of supply-side shocks and exchange rate developments. From the perspective of the inflation criterion set by the Maastricht Treaty, the annual average HICP (Harmonized Index of Consumer Prices) was equal to 5.8% in 2011, continues to show a substantial gap, of plus of 4.3 percentage points compared to the average of the three best performing EU Member States. This is due to the changes of the indirect tax regime, changes in commodity quotations, especially agricultural ones, the dynamics of the administered prices, a significantly higher proportion of food in the consumption basket, and also the persistence of the structural rigidities

markets for goods and services (according to the inflation Report in February 2012). Although the disinflation processes continued, inflation in Romania exceeds the proposed target of the Maastricht criteria, namely 3.1%.

Regarding Romania's budget deficit, it has grown from 2.9% of GDP in 2007 to 5.7% in 2008, exceeding the Maastricht criteria by 3% of the GDP. With the emergence of the economic crisis in 2009, state spending have not been adjusted at all, the deficit reached 9% of GDP, almost a quarter of state spending from borrowed money. In 2010 and 2011 the deficit was still high, 6.8% of GDP in 2010 and 5.2% of GDP in 2011. In 2012, the deficit target was below 3% of GDP. According to the Inflation Report (November 2012) the general consolidated budget recorded, in the middle of 2012, a cumulative negative balance of about 3.402 billion lei, representing approximately 0.6% of GDP. The preliminary data released by the Ministry of Finance on the general government deficit consolidated, for the period between January to June 2012, show compliance with the limit agreed with the IMF (Inflation Report, November 2012).

Romania's government paid 1989 the external debt in full. While for some, the lack of public debt is a sign of financial stability and competitiveness, for others the stimulation of greater investments in the development of physical and virtual infrastructure is considered to be better than an external null debt, and this would favor Romania to a greater extent. Romania's public debt has reached 239 billion lei at the end of October 2012, representing 39.3% of GDP, including central and local government debt, respectively secured debt. Although the current level of the public debt has grown significantly in the last four years, the total national debt falls under the Maastricht criteria of 60% of GDP. The current threshold of the debt, 39.3% of GDP, places Romania among the countries with the lowest level of public debt in the EU.

In Romania, the long-term interest rates were, within the reference period of April 2011-March 2012, at 7.3%, this level was superior to the reference value of 5.8% for the convergence criterion on interest rates. In the past three years, long-term interest rates in Romania have tended to fluctuate around 7% with an uncertainty of ± 0.5 percentage points, while the persistent inflation prevented sustained downward trend of the nominal interest. According to the Convergence Report of May 2012, inflation fell considerably by allowing the central bank to relax monetary policy rates faster than in previous periods, contributing to a slightly reduction of the short-term interest rate differential between Romania and the euro area average.

According to the last Convergence Report of May 2012, in Romania, the national currency (lei) did not participate in ERM II, but was traded under a flexible exchange rate regime. In 2010, the national currency was generally stable, appreciating modestly in the first half of 2011 and then gradually depreciating in comparison to the euro. In the reference period, the exchange rate of the euro registered a relatively high degree of volatility while short-term interest rate differentials compared to the three-month EURIBOR rate remained, on average, at a raised level in the last two years. In the context of a longer period, in March 2012, the real effective exchange rate, and real bilateral exchange rate compared to the euro were situated near historical averages over the past decade (Convergence Report, May 2012).

Therefore it can be seen that our country is still lagging in regards to some of the nominal convergence criteria, as well as that of certain real convergence criteria. Ignoring the real convergence criteria under the pretext that they are not included in any treaty, would be a big mistake. It is true that EU membership could be done under less strict conditions. The

Romanian economy in the EU could generate more costs than benefits, unless serious measures are taken to make all the economic structures compatible.

3. Estimate the period of time required for convergence

The problem of recovering the lagging or the elimination of the development gaps between the EU countries remains an essential and urgent matter for the economic, scientific and technological strategy of the union. First, it is important that in the EU there are large disparities in respect to the level of economic development between the countries. The disparities have increased together with the two waves of adhesion of the Central and Eastern European countries.

In order to assess the possibility to accomplish Romania's convergence with the EU, it is necessary first to identify the place which Romania occupies in the hierarchy of the EU and worldwide, regarding the level of the GDP per capita. Second, it is necessary to define and assess the speed with which Romania could advance on the convergence path with developed countries or groups of countries, taking into account the forward speed of developed countries or groups of countries.

To determine whether Romania will be able to achieve convergence with EU-15, EU-25 and top-level countries worldwide, in terms of GDP/capita, we must compare the speeds with which Romania and other countries or groups of countries move forward. If we define the speeds by the annual average growth rates of real GDP per capita and analyze these rates, in longer periods of time, achieved by Romania in comparison to the other countries or groups of countries, we can conclude that, in fact, the convergence of Romania is an illusion. Not only that this will not be achieved, but the gaps that exist in comparison to the other countries and groups of countries, increase, because the average annual growth rates in Romania were much lower during 1990-2004 or negative during 1980-2003. Iancu (2009), as seen in the table below.

Table no 3. The annual average growth rates of GDP per capita - Romania compared to the other countries and groups of developing countries (%)

	1980-2003	1990-2010	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
			2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Romania	-0,6	4,9	5,2	8,5	4,2	7,3	6,3	7,9	-6,6	-1,9	2,2	0,8*
UE27	-	2,10	1,3	2,5	2	3,4	3,1	0,5	-4,3	1,9	1,5	-0,3*
UE25	-	1,9	1,3	2,5	2	3,3	3,1	0,4	-4,3	1,9	1,5	-0,3*
UE15	1,9	1,8	1,1	2,4	1,8	3,2	2,9	0,2	-4,3	1,8	1,4	-0,4*
Germany	1,8	1,0	-0,4	1,2	0,7	3,7	3,3	1,1	-5,1	3,7	3,0	0,7

* forecasted values

Source: UNCTAD, Handbook of Statistics, 2005, 2006-07, 2008, 2009, 2010, 2012; Eurostat.

The analysis and forecasting calculations are recommended to be long data series. However, this is not recommended for Romania, considering the data during 1980-2000, and taking into account that these two decades are atypical in terms of continuity and economic stability. During this period the Romanian economy was in a deep and prolonged crisis. The changes began to pay off only in 2000, when it achieved stability and a functioning economy based on new principles. Resumption of economic growth since

2001 has been driven by the expansion of exports and increased gross fixed capital formation. This was achieved both through new construction and through imports of capital goods made to modernize production capacities. Marinaş (2008)

Thus, we believe that the convergence calculations for Romania must take into account growth rates since 2000. These are meaningful and credible for the future development of the Romanian economy, when it becomes a normal development.

When we analyze the real economy convergence of Romania compared to the EU, the first problem that needs to be solved is to determine the size of the time required to achieve equalization, in perspective, of the absolute level of average per capita income of the two entities, Romania (Y_R) and the EU 15 (Y_E).

The initial level of GDP/capita expressed in purchasing power standard (PPS) - euro to the two entities (Y_{iR} și Y_{iE}), is characterized by a significant difference. In 2011, the ratio of the Y_{iR} and Y_{iE} was 1:2.53. Equalization could take place in a reasonable time, if Romania will achieve average annual growth rates (\bar{r}_R) higher than those achieved in the EU 15 (\bar{r}_E), namely $\bar{r}_R > \bar{r}_E$.

In order to determine the period of convergence, we start from the simple relations for growth GDP/capita levels for the two entities, with different initial and annual average growth rates Iancu (2009):

$$Y_t = Y_i(1 + \bar{r})^t \quad (1)$$

Convergence is achieved when the values of the two entities are equal. If we consider the initial levels of the GDP and average annual growth rates in Romania and the EU-15, we can write the following relation:

$$Y_{iR}(1 + \bar{r}_R)^t = Y_{iE}(1 + \bar{r}_E)^t \quad (2)$$

Given that the above terms are logarithmic relationships and rearranged, we can determine the time (t) which will achieve convergence (balance) the two entities in the GDP/capita as Iancu (2006):

$$t = \frac{\log Y_{iE} - \log Y_{iR}}{\log(1 + \bar{r}_R) - \log(1 + \bar{r}_E)} \quad (3)$$

Based on this formula, we determine the time (in years) in which Romania will catch up EU 15, EU 25, EU 25 and one of the leading EU countries namely Germany, in terms of GDP/capita calculated by the PPP in euro.

In Table 4 we present the data used in the formula, namely the initial GDP/capita and annual average growth rates, respectively the results. The latter represent the number of years to achieve convergence with EU-15, EU-25, EU-25 and Germany, according to the annual average growth rates of Romania taken as variants: $\bar{r}_{R1}=2\%$, $\bar{r}_{R2}=3\%$, $\bar{r}_{R3}=4\%$, $\bar{r}_{R4}=5\%$, similar in size to those performed in the years 2001 to 2012 (based on table 3).

Table no 4. The results regarding the number of years needed to accomplish the convergence of Romania with EU 15, EU 25, EU 27 and Germany in the GDP / capita calculated by the PPP-euro

The initial level of GDP/capita (2011)			Annual average growth rate in UE15, UE25, UE27 and Germany, in years 2000-2011*	Number of years (<i>t</i>) to converge on the variants of annual average growth rate in Romania **			
				\bar{r}_{R1}	\bar{r}_{R2}	\bar{r}_{R3}	\bar{r}_{R4}
		Romania		2%	3%	4%	5%
UE 15	$Y_{iUE15}=27600$	$Y_{iR}=10900$	$\bar{r}_{UE15}=1,24\%$	124	54	35	25
UE 25	$Y_{iUE25}=25900$	$Y_{iR}=10900$	$\bar{r}_{UE25}=1,35\%$	135	54	34	24
UE 27	$Y_{iUE27}=25100$	$Y_{iR}=10900$	$\bar{r}_{UE27}=1,37\%$	135	52	33	24
Germany	$Y_{iGE}=30300$	$Y_{iR}=10900$	$\bar{r}_{GE}=1,15\%$	122	56	37	27

*) Annual average growth rates of GDP / capita between 2000–2011.

**) For Romania, the five different rates (2%; 3%; 4%; 5%) falls within the range in the years 2000-2012.

Source: Author's calculation based on Eurostat data and UNCTAD, Handbook of Statistics, 2005, 2006-07, 2008, 2010, 2012.

According to the data from the table, at an annual average of growth rate equal to 2%, Romania would need 124 years to reach the EU-15, 135 years to reach the EU 25 and EU 27, and 122 years to reach Germany's level. At an annual growth rate of 3%, the number of years to achieve convergence would decrease by half, namely to 54 years for the EU 15 and EU 25; 52 years for EU 27, and 56 years for Germany.

At a growth rate of 2% of the Romanian economy and of 1.24% for the EU 15, the point of convergence, intersection curves, to the two entities will be at a GDP / capita of about 127,000 euro, i.e. in 124 years. The GDP per capita at a rate of 1.24% of the EU-15 economy rate of 5% of the Romanian economy would be 54,000 euro (54 years). For a rate of 4% of the Romanian economy it would be 43.000 euro (35 years) and for a rate of 3% of the Romanian economy would be 36.900 euro (25 years).

4. Conclusions

The problem of recovering the lagging or the elimination of the development gaps between the EU countries remains an essential and urgent matter for EU's economic strategy. This is important due to the fact that in the EU there are big differences or differences in the level of economic development of the countries. The persistence of high inflation, current account deficits and potentially unsustainable reduced structural convergence, extremely low concern regarding the absorption capacity of EU funds, poor capitalization of SMEs and insufficient attention paid to research and development, innovation and human capital are concerns that put into question the benefits of achieving by Romania's accession to the Economic and money over the next 10 years. As we have seen, Romania has been lagging in terms of convergence, both for some of nominal convergence criteria, as well as that of

certain real convergence criteria. Ignoring the real convergence criteria under the pretext that they are not included in any treaty would be a big mistake. Given the wide gap between Romania and the developed countries and the complexity of the problem as such, real convergence must be given special attention. Moreover, theoretical and empirical research conducted in the field of real convergence is the fundamental point of economic growth, it helps researchers to formulate objectives, resources and mechanisms that can lead to convergence and give the signal crossing peripheral country group, poor in the central rich.

Regarding the time required to achieve convergence in Romania could be seen that the situation is an unfavorable one. Therefore, if a differential of about 4 percentage points of the GDP growth in the long term and short term, such as for example, Romania's GDP growth by 3 percentage points per year, compared to an average annual increase of European GDP by 1.5 percentage points per year, the gap could be recovered in about 54 years, without taking into account the real appreciation of the leu against the euro, and if Romania's GDP growth would be only 2 percentage points per year, the gap could be recovered in approximately 135 years.

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INTERNAL ENERGY MARKET: CONSTRAINTS AND OPPORTUNITIES FOR CONSUMERS

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Abstract: This paper analyzes the unfair competitive practices in the energy sector with consequences for consumers of energy, whether it is natural or about small or large. Any contractual barriers onerous or disproportionate imposed by the trader where a consumer wishes to exercise rights under the contract, including the right to terminate a contract or to switch to another product or trader is a noncompetitive practice. The European Union has developed an approach to better meet the needs of the single European market by promoting competition, deregulation, sustainable development and consumer protection. The application of competition law has as result encourage consumers to know their rights, and traders to comply with these rights by improving conditions. This leads to encouraging competition, market development and thus economic growth. Beneficiary of such a policy, the creation of competitive environment and the protection of competition is primarily consumer.

Key words: internal market; competition; current consumer; unfair practices; energy.

JEL Code: E2, L4.

1. Introduction

Still under the influence of financial crisis, the Romanian economy is trying to find the resources needed to overcome this delicate situation, manifested, moreover, with different intensities in all Member States of the European Union.

In this context, competition policy has a special value, having an essential role in protecting, preserving and enhancing competition and the completion of one of the most valuable elements of the EU single market respectively. The European Commission Communication on the Single Market has committed seriously to ensure that consumer interests are fully taken into account and the stricter rules will apply across the EU. The European Council welcomed the Commission's approach and agreed on the need to improve the rights of European consumers. European Action focuses on monitoring the implementation of consumer rights on their effective compliance and strengthening national and, where appropriate, to extend some of these rights

2. Competition Policy

Institutions and legislation in the European Union

Community institution responsible to how it is implemented competition policy is the European Commission. It takes formal decisions by simple majority, like a collective body.

It may be a problem before the competition either by notification, whether as a result of a complaint lodged by a company or a state or can act on its own initiative to investigate specific situations or even an entire sector.

Objectives that considers competition policy in the European Union are:

- Integration of markets by streamlining trade across borders and resource allocation based on the most advantageous terms;
- Protecting SMEs, which contribute to maintaining a competitive environment;
- Protecting consumers: maximum benefits for consumers;
- Promoting economic and social cohesion objective;
- Develop optimal sized enterprises to face global competition.

Unfair commercial practices are prohibited by Directive 2005/29/EC of the European Parliament and of the Council concerning unfair business business-to-consumer market. Through this directive Europeans are effectively protected against pressures misleading and aggressive practices.

Commission may penalize any violations of competition rules, the penalties can be up to 10% of the turnover of the offending company.

In cooperation with Member States European Commission proposes measures necessary for further development or for the proper functioning of the common market.

Institutions and regulations in Romania

Regulating competition in Romania by Law no.21/1996 became necessary to create specific discipline of the free market that regulates the balance and determine the favorable effects of normal development of the economy and consumer protection.

The Competition Council is the body empowered to facilitate compliance with these rules by advising public authorities involved and potential beneficiaries and ensuring contact between Romania and the European Commission in this area.

Since the market economy competition is an essential in ensuring economic success, are considered acceptable practices that generate positive effects on the economy.

For this, the European Union imposed the creation of "national regulatory authority ". They are guardians of the system, guarantors of public interest, and therefore consumers. They have extensive powers, by which they may sanction anticompetitive practices can enable consumers to make the best choice. Powers of regulators and the competition authority are complementary in the sense that the competition authority can intervene in this sensitive area of the competitive if it finds that it violates the rules of competition, and the regulator is to prevent violation competition and operational measures to continue to develop competitive markets.

The responsibilities of regulators and that is to regulate certain categories of prices, in particular products or services that produce / provide monopoly conditions and to track the behavior of producers / suppliers market to the benefit of consumers. These rates, called administered prices remains an important factor in the evolution of the consumer price index (CPI) due to their significant contribution to inflation.

Comparison of administered prices in the EU Member States do not provide information about best practice on administered prices because the price of these types of goods and services is the result of the management of resources in companies.

3. Case study - unfair competitive practices in the energy sector in Romania

Electricity market

For a long time it was considered that the energy sector there can be no truly competitive market, the characteristics of the sector: transmission and distribution networks are natural monopolies, electricity cannot be stored, is produced continuously, while consumption is variable on throughout the day , which involves a form of coordinated management . Historically, there have been state monopolies integrated electricity and gas across Europe. However, in recent years it was discovered that energy can work competitively. By the end of 1990 Romania passed through reforms go in the direction desired by the European Commission, surpassing even the old member states (France, Germany) in the degree of liberalization and vertical and horizontal separation of the competitive activities of natural monopolies (Table no.1, Table no.2). Moreover, we have one of the most competitive energy exchanges in Europe (Electricity Market Operator Romania - OPCOM), which began to expand regionally.

Table no.1. The price of electricity (households) in the EU

Country	€ per kWh Electricity	Country	€ per kWh Electricity
Austria	0.20147	Italy	0.23140
Belgium	0.22566	Latvia	0.13942
Bulgaria	0.08795	Lithuania	0.12550
Croatia	0.11325	Luxembourg	0.16736
Cyprus	0.27249	Malta	0.16986
Czech Republic	0.15071	Netherlands	0.19323
Denmark	0.29525	Poland	0.14618
Estonia	0.11066	Portugal	0.20310
Finland	0.15718	Romania	0.10695
France	0.14466	Slovakia	0.17322
Germany	0.26527	Slovenia	0.15659
Greece	0.14073	Spain	0.18926
Hungary	0.15613	Sweden	0.20361
Ireland	0.22518	United Kingdom	0.17078

Source: conducted by the author based on data from Europe's Energy Portal

Table no. 2. The price of electricity (industrial consumers) in EU

Country	€ per kWh Electricity	Country	€ per kWh Electricity
Austria	0.09312	Italy	0.16746
Belgium	0.09714	Latvia	0.09969
Bulgaria	0.06714	Lithuania	0.10974
Croatia	0.08145	Luxembourg	0.07524
Cyprus	0.19483	Malta	0.16016

Czech Republic	0.09758	Netherlands	0.08852
Denmark	0.09434	Poland	0.08522
Estonia	0.07729	Portugal	0.10463
Finland	0.07162	Romania	0.07542
France	0.07761	Slovakia	0.11921
Germany	0.11567	Slovenia	0.08371
Greece	0.09202	Spain	0.10220
Hungary	0.10383	Sweden	0.07197
Ireland	0.10583	United Kingdom	0.10284

Source: conducted by the author based on data from Europe's Energy Portal

Contrary to these positive developments in the last four to five years the pace of reforms has slowed, and some proposals for changes in the energy sector can be quite a turn out of the way of the reforms so far. The risks relate primarily to competition in the energy market.

Retail Market (PAM)

Electricity for households and industrial / commercial low regulated tariffs is based on framework contracts. These contracts are issued by the regulator for each category of consumers in part containing mandatory minimum term contract period extending terms and conditions for termination tariff , meter reading period , the billing and payment terms , multiple ways payment of bills (the consumer's home - in the case of households, the readers - mates at the pay of the supplier , the bank or post office), compensation for voltage deviation from the nominal value, the obligation to inform the consumer provider outages scheduled, where consumer rights are well enshrined , offering them broad protection . This framework was designed for residential consumers, who cannot negotiate on an equal rights before the distributors, suppliers, so that the regulations provide some protection from their monopoly position.

In pursuance of an order of the Minister of Economy (445/2009) all state companies are now required to enter into new contracts for the sale of electricity only scholarship to provide competitive access. The reason for this order was issued the default governance risks that arise from state companies. Order does not apply to volumes of electricity related contracts covered - prices set by ANRE, the quantities of electricity traded on the balancing market and electricity quantities related to contracts in progress.

Besides the need for transparency in electricity transactions , the issuance of this order was justified by the fact that energy prices supplied both the public and commercial consumers is substantially greater than the purchase price to producers (can sometimes double) because tariffs for transmission, distribution, system services, which, in turn, are determined also by the regulator.

This order sought to minimize this risk governance: state companies draw their electricity production in the auction, and the buyer is the one that offers the best price.

In a competitive market with rational actors who pursue their own economic interest , any participant may enter freely negotiated bilateral agreements with its partners in mutually agreed terms , in which each firm seeks to maximize profit (acting in the interests of shareholders its). Things should be nuanced but when one of the participants in a bilateral transaction is a state, where shareholders are the taxpayers and their control over management is limited. If SOEs governance risks are higher because management may be

motivated by personal gain than the profitability of the company and the shareholders are unable to promptly punish such behavior, as would happen in a private company.

As a result of such arrangements opaque are two problems:

- 1) electricity "cheap " out on the market we have access to all the others , so the final consumer price increases;
- 2) whether a state company sell cheap energy firms under contracts preferential (coming possibly even a loss), the effect is that of a State aid granted through a state-owned companies to private companies.

Wholesale Market (PAN)

Wholesale Market (PAN) of electricity includes all transactions carried out between the participants, except the final consumers of electricity, which runs on the retail market (WFP).

Wholesale electricity market is divided into the following components:

- Bilateral contracts (regulated, negotiated or concluded auctions centralized contract markets);
- Transactions concluded on the day ahead market (DAM) or intra- daily market (ID) , in which participants adjust their contractual position or to gain profit from the difference between the contract prices and spot price;
- Balancing market (PE), which provides bridge the gap between production and consumption forecast notified. For imbalances Participants assume financial responsibility. Transparent mechanisms for the trading of contracts on competitive market was organized Centralized Market for Bilateral Contracts that includes two ways of trading method that contracts are awarded through public tender (PCCB) and the method of trading that contracts are awarded through a combined process of tendering and negotiation (CMBC-CN). Centralized Market for Bilateral Contracts was completed in 2012 with an organized electricity contract for high end customers (PMC).

All are included in the wholesale market transactions ancillary services (STS) and market power systems interconnection capacity with neighboring countries (ATC).

Ancillary services market is the market where contracts are concluded between producers qualified for each type of service providing technological and transmission system operator (TSO) , the purpose of providing power system (RPS) , against payment of manufacturing capabilities that can be deployed at the request dispatcher national technical capabilities under specified conditions of these production units (as types of ancillary services for which they were qualified) tendering contracts are reflected in the requirement that capacity on the balancing market following that any amount of energy produced / reduced settlement subject to the EP.

Also, network operators (transmission and distribution) must provide its own technological consumption for the networks they operate, all based on transparent and non- compliance with competition mechanisms.

Natural gas market

Natural gas is a key energy resource, given their importance in terms of both households and industrial consumers. With EU accession, Romania was obliged to establish a timetable for the liberalization of markets in this sector , the steps being covered by the Government 's commitments to the European Commission.

If, on the implementation of the concept of eligibility (free choice of provider), it was that in 2007 consumers to be eligible in legally, regardless of status, residential or industrial, in terms of prices evolution is a slow deregulation because of low purchasing power of consumers, combined with the general economic crisis situation (currently, the degree of price deregulation makes about 50 % of consumption to achieve the regulated price).

As an EU member, Romania has to align the domestic gas price of imported gas price in Romania for the final consumer is the lowest in the EU (Table no.3, Table no.4).

Table no.3. Gas prices (households) in the EU

Country	€ per kWh Natural Gas	Country	€ per kWh
	Natural Gas		
Austria	0.06691	Latvia	0.04667
Belgium	0.06362	Lithuania	0.04419
Bulgaria	0.05061	Luxembourg	0.05637
Croatia	0.03715	Netherlands	0.07374
Czech Republic	0.05934	Poland	0.04822
Denmark	0.10805	Portugal	0.06841
Estonia	0.04700	Romania	0.02717
France	0.05706	Slovakia	0.04902
Germany	0.06139	Slovenia	0.06976
Hungary	0.05752	Spain	0.06141
Ireland	0.05827	Sweden	0.11523
Italy	0.07932	United Kingdom	0.04450

Source: conducted by the author based on data from Europe's Energy Portal

Table no. 4. Price of gas (industrial consumers) in EU

Country	€ per kWh Natural Gas	Country	€ per kWh
	Natural Gas		
Austria	0.03939	Latvia	0.03570
Belgium	0.03783	Lithuania	0.04166
Bulgaria	0.03528	Luxembourg	0.04984
Croatia	0.04085	Netherlands	0.03985
Czech Republic	0.03585	Poland	0.03510
Denmark	0.07575	Portugal	0.04168
Estonia	0.03368	Romania	0.02520
Finland	0.04760	Slovakia	0.04131
France	0.04073	Slovenia	0.05597
Germany	0.04791	Spain	0.03615
Hungary	0.04548	Sweden	0.05487
Ireland	0.04015	United Kingdom	0.03033
	Italy		0.04137

Source: conducted by the author based on data from Europe's Energy Portal

Domestic natural gas segment consists of competitive and regulated segment.

In the competitive segment, natural gas trading transactions are wholesale or retail, subject ANRE and prices are based on supply and demand as a result of competitive mechanisms. Competitive wholesale market operates on the basis of bilateral contracts between operators of natural gas or other types of transactions or contracts.

Regulated segment includes natural monopoly activities and the provision of regulated price and framework contracts, namely:

- Supply of natural gas at a regulated price, based on framework contracts to consumers;
- Management of centralized markets (in progress);
- Transportation of gas;
- Underground storage of natural gas;
- Distribution of natural gas;
- Related activities conducted by licensed operators (under establishment).

Increasing competitive market share is achieved gradually by ensuring that market access for as many participants, suppliers and end customers. Gas end customers have the right to choose their supplier and negotiate contracts directly with this sale. If they have exercised their eligibility, end customers have no right to return to the regulated supply, which is a new provision of the Gas Act, designed to ensure the effectiveness of liberalization.

For this, the European Union imposed the creation of "national regulatory authority" energy. They are guardians of the system, guarantors of public interest, and therefore consumers. They have extensive powers, by which they may sanction anticompetitive practices can enable consumers to make the best choice. Regulators determine optimal transport electricity tariffs to allow, on the one hand, fair remuneration for network operators and stimulate investment and to prevent, on the other hand, they pay bills charging end users. Not necessarily mean that energy prices will fall, as they depend to a lesser or larger, global oil prices, impossible to control. The only way you can really reduce your energy bill is more efficient consumption. If European objectives in terms of energy savings would be achieved by 2020, every European household could achieve an average savings of up to 1000 per year.

Liberalisation of the energy market is still incomplete. Almost half of consumers of electricity, for example, do not change suppliers (they are "captive"). They actually buy a "basket" of electricity, as it was before the theoretical market liberalization in 2007, the sale price is basically regulated by ANRE. The same thing happens on the gas market, where a "basket" of gas from domestic production and imports.

"Bin" perpetuates the existence of consumers ' captive ' when in fact they could buy electricity market from other manufacturers, "basket" is much better, including electricity "cheap" in Hidroelectrica and Nuclearelectrica that would not could be purchased by a consumer "eligible".

Gas prices would have aligned at the level of import by the end of 2007 (which would have abolished the "basket" on the gas market) . The goal was aligned with foreign competition prices provide incentives to explore new reserves, which would become profitable if prices were free. However, domestic gas is still cheaper kept and used as a tool to subsidize the industry (particularly aggregate).

In the gas sector, the European Commission notified the high percentage of consumption in regulated, especially at industrial level because of a price. But not only regulated prices are responsible for the choice, contractual conditions are also a cause. For this type of consumer who seeks to identify alternative and effective ways to reduce costs, it is much easier to use a regulated framework contract.

4. Conclusions

How market liberalization, introduction and maintenance of competition and the implementation of market regulation will be beneficial effects to consumers.

Complete liberalization reforms and unbundling vertically integrated and horizontally as agreed with the European Commission during the accession negotiations is obviously necessary. This means aligning electricity and gas prices to those in European countries. Such competition would be encouraged energy providers and therefore economic competition both internally and externally. This results in growth.

Choice of electricity or gas provider should be such that consumers can choose according to the best offer. To that end consumers should have access to the suppliers.

With the low prices charged are maximizing profit rivals from entering the market, so it is reduced competitiveness und undistorted competition with negative consequences on the economy.

Maintaining national electricity prices and natural gas prices in other European Union countries affect energy supply company credibility, and credibility Romanian authorities both at home and abroad.

Moreover, low prices maintained over a long period of time as a consequence have higher losses through degradation facilities, infrastructure and service failure.

Consequently, all major decisions (those related to privatization or management actions on energy efficiency and economy) should be popularized and educated consumers participation in decision-making purposes.

Therefore, the real competition is to encourage positive growth and competitiveness.

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BANKING STRATEGIES FOR CONCENTRATION AND CONSOLIDATION

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Abstract: The main motivation for choosing the topic on banking strategies is made up of the actual evolution of the banking environment, which, on the whole, influences the customers and the economy. It is known that a market economy cannot function with profitable and well consolidated banks. The banking concentration and consolidation on European and global level was not created only for the establishment of larger institutions with a bigger market share, but also based on strategic interests. The contribution is made up of the combination of conceptual elements with empirical aspects, with the banking market, which is constantly changing and transforming in order to offer an overview on the ways in which banks achieve their strategic objectives. The subject is present overall, also having a major impact on the Romanian banking market, on the financial institutions, which, in order to cope with the competition, have directed their strategies to the diversification of risks and rendering of services for the global customers.

Key words: strategy; bank; concentration; consolidation; globalisation.

JEL Code: F65, G21.

1. Introduction

In the context of the integration in the European banking system, a solution for the Romanian banks is the concentration of the banking system by mergers and acquisitions or increase of the banking capitals, due to the fact that during the periods of transition smaller banks are vulnerable, do not have an infrastructure which to allow them to offer financial services comparable to those offered by the major banking groups. Small banks are also not able to offer large credits and address small and medium enterprises, which in their turn are exposed to the shocks of the economy. The concentration and consolidation strategies applied by the banks during this period are essential, because the existence of the bank, the place held on the market, the bank's profitability, increase of the customers' satisfaction level depend on their success. The fierce competition led to the establishment of the large financial conglomerates, which alongside with the banking activity include the insurance, leasing, investment funds, pension funds subsidiaries, specialized on savings and loans. One can also observe the trend of outsourcing of products and activities (IT, cash processing centres).

2. Definition of the banking strategy

Over time the banking strategy has preoccupied many economists and researchers, which tried to find an accurate definition of this notion, considered an enigma. We find a

remarkable approach by Igor Ansoff, considered to be the father of strategic planning, who considers that the company has to identify the segment in which it is placing itself, to select a specific line of conduct, to complete its objectives and to choose the most convenient occasions in order to achieve them. When referring to the framework analysis of a business, it is considered that the manager is going to answer questions, like: *What objectives and what purposes are targeted by the business? In which areas and how fast have they to diversify themselves? In which way will the actual position of the company on the market be turned to account?* Berea (2001). Another specialist, Peter Drucker, considers that the strategic thinking on the management level has to be in the favour of the consumer, more than the financial profit.

Brian Quinn considers that “strategy is a model or a plan which integrates the major purposes of the political organization and the action sequential ones in a coherent whole” Berea (2001). Henry Mintzberg identifies five definitions of strategy: a perception which designates a pre-established course of action in order to solve a situation, a sketch or a project, which consists in a manoeuvre meant to surpass a competitor or opponent; a model which established a structure of actions validated on behavioural plan; a positioning of the company which lies in means of identifying the place of the organization on the market (or in its environment); finally the perception of the strategy as a perspective which involves as well the fixation of a position as a perception of the reality reflected by its actions targeting the market, the technology Berea (2001). Another specialist, Michael Porter, using the term “generic strategy”, shows that it represents a statement of the fundamental approaches necessary for obtaining the competitive advantage. He analyses strategy in connection with the competition activity on the market, specifying five factors in this sense: rivalries between companies, innovating changes introduced on the market, news regarding the products and services from the market, negotiating capacity of the suppliers and the negotiation possibilities of the customers Berea (2001). The competitive strategy is a combination of purposes (objectives) and means (policies) by which the company tries to achieve these purposes. It can be said that the elaboration of a competitive strategy means finding a formula for the way in which the bank will compete, will set its objectives and define its policies by means of which to achieve these objectives. Although the National Bank of Romania is the central bank in our country, which sets the main regulations for the monetary, currency, credit and payments field and refinancing the banking segment, however, in a free economy each commercial bank elaborates its own strategy. Elements of strategy appear in the whole activity of the commercial banks, that is in attracting resources, placements, payments, credits, foreign currency operations, international financial relations, organization of the functional structures, development of the territorial network, relationships with the customers, publicity, management of credits granted by international bodies, use of securities (shares, bonds), elaboration of banking standards and techniques, organization of the accounting and information system, preparation of frameworks, participation in the financial market, including in the stock exchange, participation in the capital of trading companies, elaboration of loan programs and projects for priority segments of the national economy. The banking strategy is bound to the financial policy of the state and the monetary, loan and foreign currency one, mainly elaborated by the National Bank. The strategy of the commercial banks is based on the banking prudence and general supervision of the banking companies, considering the special part of the banking segment in the market economy. The elaboration of the strategies implies the establishment of the objectives and purposes, the setting of the methods and instruments by means of which they can be achieved, policies and programs

to be used. The strategy is not an isolated action of a certain department from the headquarters of a commercial bank or of the territorial units. It implies an extremely complex activity of several departments, managers, performers, shareholders and customers. The latter influence the strategy of the commercial bank as business partners. A special part in the achievement of the strategy of the commercial banks have also the status of the economic reform and of the transition to the market economy, the intervention of the government in the economy (including in the banking sector), the policy of the National Bank, the participation of the international financial bodies, the financial market and especially the capital and credit market. The elaboration of the strategy of a commercial bank can only be done based on a rigorous internal evaluation. The banking strategy cannot be elaborated independently from the economic life, to which it is essentially bound. That is why, as a preliminary study, for the commercial banks the knowing of the strategy of the business enterprises, of the farmers, of the private persons which enter business relationships with them appears. The objectives of the banking strategy refer to the entire banking activities or to the main components and individualize the pillars of the banking activity, the policies, the management, the indicators and the basic elements of the strategy.

The elaboration of the strategy is the first phase of the forecasting and planning activity in a bank, within which the general objectives of the bank for a pretty long period of time, as a rule 5-7 years or even 10 years or more, is established. Mihai (2003).

The pillars of strategy include:

- general strategic objectives: increase of the value of the bank, increase of the capacity to generate profit, consolidation of the resources, improvement of the efficiency of the activities, improvement/consolidation of the market position, strengthening of the banking prudence

- strategic objectives on activities: are based on the segmentation of the customers in corporate and retail and target mainly the segmentation of the customer base, the modernization of the product and service offer, the customer is placed in the spotlight

- strategic aims for the forecasted time horizon represent a synthesis of the strategy of a bank

- support objectives of the banking strategy: bank management, bank organization, human resources, profitability, obtaining and processing of the information.

Currently, more than ever, considering the competition from the banking segment, one makes a difference between banks with exceptional results by several elements, one of them being the bank management. Not infrequently, the presidents of banks are considered visionaries. The more the vision is anchored in reality and accurately transposed into practise the more the future will confirm, by results, the correctness of the decisions taken. The special contribution to the value of a bank or “the spark of genius”, which makes a difference between the players on the financial-banking market, is made up, for starters, of the *clear establishment of the strategic direction to be followed*. Dănilă (2004).

3. Banking concentration and consolidation strategies

The *banking globalisation* represents the stage in which the banking services are spread worldwide, becoming universal. The *universal banking services* imply the harmonization of the banking regulations, together with the raising of the barriers in the way of an open competition on all markets, the increase of the number of foreign currencies operated in and the implantation of headquarters abroad. Savu (2006). Banks set their strategies

according to the context from the framework of economy, according to the implications of the globalisation. Banks wish to develop on other markets, due to the need of circulation of significant volumes, of having a global part, of offering services to global customers, of diversifying their risks.

a. General considerations on the banking concentration and consolidation strategies

During the last decades the nature of the banking activity has changed, the progresses registered by technology lead to high level of interdependencies in the economy and high speed for carrying out financial transactions, so that one felt the need of giving up the old geographic limitations in the favour of banking organizations from Europe or the USA, which then lead to the establishment of large, supranational banking organizations. The banking systems of the developed capitalist countries have undergone a changing process: first, a strong *internationalization process* of the banking systems from the developed countries occurred. Applying an aggressive policy of implantation in new financial points on the globe, these banks consider extending on other markets, as part of their development policy. The second trend is the powerful *process of concentrating the banking activity*. The amplitude of the carried out operations, the increasing funds requested by the customers, the risks of insolvency of the debtors, and also the wish to increase the incomes and the power of penetration on other markets and, consequently, holding a dominant place in the international financial-foreign currency life, lead to the accentuation of the process of unification of the banks into exclusivities, consortia, syndicates or bank alliances. The major banks and financial groups unite, merge, dominating and controlling the entire activity in the field. „*Today we witness a so-called merger mania (mania of mergers); the big get bigger and stronger*” Mihai și Mihai (2002). The banking globalisation is achieved not only *geographically*, on planet level, but also *structurally*; the large international financial groups being genuine *conglomerates*, which include, in addition to the banks, insurance-reinsurance companies, investment or pension funds, activities on the capital, leasing market, capable to offer the so-called *integrated financial services*. The *bank*, under its most recent name of „*credit institution*”, actually becomes a mega bank or an *extremely diversified* credit institution

b. The concentration and consolidation strategies in Romania after 1989

During the first transitions years, the slow rate of macro stabilization and reorganization of the real sector delayed the reorganization process of the banking system. Simultaneously, the lack of efficiency of the regulations and supervision of the banking activity, along with a faulty management, favoured the collapse of some players from the market and temporarily compromised the credibility of the banking-financial sector. The main characteristics of the transition period were: the quantitative development of the Romanian banking system, the relative level of concentration and segmentation, the lack of competition on various international markets. The transition to the market economy implied the remodelling and replacement of the old economic system with a new one, based on an institutional framework with specific financial, banking, monetary and foreign currency systems. The remodelling process of the banking system aimed as well at creating a banking system specific to the market economy, as at the harmonization of the Romanian

legislation with that of the countries from the European Union. The remodelling of the Romanian banking system aimed mainly at the following aspects: reorganization of the banking system; regulation, authorization and supervision of the banking activity

The reorganization process of the Romanian banking system started at the end of the year 1990, when the newly established Romanian Commercial Bank took over the customer operations carried out until then by the NBR. During 1994 – 1998, the first middle term strategies were elaborated, by which one set the way for the future development of the bank. At the end of 1994 it became the first bank from Romania, which started processing the Visa credit cards. The year 1999 marks the debut of a new evolution stage of BCR with premiere on the Romanian market, which was the merger by absorption of Bancorex, from this process resulting a more solid bank. In April 2004 BCR became the first bank from Romania to introduce a two level management structure, having a totally independent Supervisory Board, made up only of non-executive members with responsibilities in the field of supervision, management and coordination of the bank's activities, and an Executive Committee, chosen by the shareholders from among the employees with higher responsibilities in the field of the operational management of the Bank. On the 21st of December, 2005 the privatization contract of B.C.R. is signed, by which ERSTE BANK was going to take over the majority package of 61,8825% of the shares, approximately 3,75 billion EUR.

Erste Bank, parent company of the Erste Bank group, is the oldest savings bank in Austria. Die Erste österreichische Spar-Casse – Bank Aktiengesellschaft changed its name in Erste Bank der oesterreichischen Sparkassen AG on the 4th of October, 1997, following the merger of GiroCredit Bank Aktiengesellschaft der Sparkassen, the third largest bank in Austria, with Die Erste, the fifth largest bank group in Austria, thus creating the second largest bank group in Austria. Die Erste was founded in 1819 as Vereinssparkasse (association of savings banks) and was the first savings bank in Austria.

At the time of the initial public offer of its shares, in 1997, Erste Bank had four fundamental strategies: concentrating on the fundamental commercial potential in the segment of the retail banking operations, building a strong brand among the savings banks from Austria, reaching an internal market of 40 million persons in Central Europe and transferring the distribution model by multiple channels throughout all of Central Europe. Erste Bank (2008) Due to their success, the fundamental strategies were adopted in order to reflect the evolution of Erste Bank and its aims; later the strategies of Erste Bank were: concentrating on the retail banking operations, aiming at the markets from Central and Eastern Europe and increasing the efficiency within the Erste Bank Group.

From 1997, Erste Group became one of the largest suppliers of financial services in Central and Eastern Europe, with over 46.000 employees, which offer services to approximately 16,4 million customers, in 2.900 branches, in 7 countries (Austria, The Czech Republic, Slovakia, Romania, Hungary, Croatia and Serbia).

Banca Comercială Română represented for Erste Bank a rare opportunity to take over such a banking institution, leader on one of the most important markets in Central and Eastern Europe, the experience of Erste in the field of takeovers guaranteeing a swift and efficient integration of Banca Comercială Română within the Erste Bank Group.

Currently, Banca Comercială Română (BCR), member of the Erste Group, is the most important financial group in Romania, including the universal bank operations (retail, corporate & investment banking, treasury and capital markets), as well as the specialized companies from the leasing, asset management, private pensions, housing banks and mobile banking market. BCR is the no. 1 bank in Romania based on the value of its assets

(over 16 billion EUR), the no. 1 bank based on the number of customers and the no. 1 bank based on the savings and lending segments.

The BCR Group also includes BCR Housing Bank, BCR Pensions, Societate de Administrare a Fondurilor de Pensii Private S.A. (private pension funds management company), BCR Leasing and BCR Chişinău.

4. Conclusions

After 1989 one established that the bank privatization strategy represents a critical growth factor in an economic transition period. Danilă (2000). Otherwise, the lack of competition in the banking sector would have represented a high price, because the inefficient allocation of resources postpones even further the industrial reorganization. Danilă (2000)

In the process of privatization, the foreign banks present in Romania have competed and do strongly compete with the Romanian banks. The efficiency of the foreign banks, from the point of view of the costs and better financial know-how offered these a net financial advantage towards the domestic banks. Danilă (2000). These mutations, which occurred in the structure of the banking system, consolidated the position of the foreign capital, capital which attracts with it several advantages: the fact that more and more investors will credit the domestic economy with cheap financing, as well as the improvement of the country's risk profile, which allows it to obtain cheaper financing.

Hurduc (2005) says that mergers and acquisitions are the necessary operations for the reorganization of the banking life, by absorbing non-viable entities by the entities with capital, economic and viable management potential. The banking mergers and acquisitions, if their implementation strategies were achieved correctly, will lead to the reduction of costs and increase of profitability, as well for the bank as for the customer. The globalization will facilitate the dispersal of bank risks and will improve the general performances of the individual economies by meliorating the allocation of the resources.

Regarding the *negative aspects*, if the applied strategies are not achieved correctly, it can lead to abuses due to the dominant market positions and to moral hazard issues, like in the case when the institutions are considered "too big to go bankrupt". In addition, the excessive implication on the foreign markets without sufficient knowledge on the conditions specific to the local market can increase the vulnerability of the individual banks.

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THE IMPACT OF CENTRAL BANK TRANSPARENCY

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Abstract: Recent literature on monetary policy could give the impression that it has reached an "end of history" based on a consensus on the need for simple rules to the rest of the main debates for the exact form of the golden rules of politics. Like all "ends of history", it must be the Achilles heel, and it assumes that it has to do with the relationship between monetary policy and financial stability. Systemic financial crises false - probability events with huge consequences, did not develop a doctrine articulated on these risks, arguing that monetary policy and financial stability should be considered as separate issues. Central bank transparency is a direct challenge because it may require occasional deviations from simple rules, for example, sometimes based policies in a complex discretionary judgment. In addition, these deviations can be based on information that may be difficult to be disclosed to the public. Using a cross-sectional analysis and instrumental variables technique may be eligible for use impact of central bank transparency on macroeconomic outcomes in emerging economies. Found interesting that the new transparency index in such countries, and political aspects, economic and procedures have a negative impact on the average level of inflation, but not on its volatility.

Key words: Monetary policy; Central Bank; Transparency; Inflation.

JEL Code: E52; E58.

1. Introduction

External communication is an important aspect of the tasks of a central bank. This helps to improve the efficiency of the central bank and the confidence in monetary policy conducted by the central bank. To facilitate a better understanding of both monetary policy and other activities undertaken by the central bank to the public, it must be open and transparent. "This is the fundamental guiding principle of the Eurosystem's external communication, which involves close cooperation between the European Central Bank and national central banks." (ECB)

An effective communication strategy increases its credibility and enhances the actions taken by central banks. Communication with external observers, particularly banking financial institutions, businesses can be seen from one perspective as tools for monetary policy. Through these communication strategies, central banks in addition to inform actively participate in creating rational expectations regarding market developments (implicit exchange rate), the macroeconomic indicators - economic activity as a whole. The communication strategies may lead the public to make their own rational expectations, the monetary policy is more effective. The central bank dialogues meet democratic and transparent process of decision making, proving that it is also responsible actions.

The monetary policy regime is based on several rules, the easier it is for the bank to release publicly the chosen strategies. On the other hand, the monetary policy regime is based on

discretionary measures, the central bank's communication strategies are more complex and difficult to implement.

NBR tried to turn communication and transparency into a real instrument transmission of monetary policy signals. This behavior was influenced by the adoption of the inflation targeting regime in August 2005 to better meet the requirements of transparency and accountability. Thus, in the current monetary policy strategy, the main instrument of communication that uses the NBR is "Inflation Report" was published on a quarterly basis. "Transparency, therefore, is not an end in itself but a means to help the central bank to achieve the objectives set by the mandate." (Issing, 1999, Mishkin 2004)

2. Transparency of central banks – overall

According to the latest studies on the transparency central banks, has been built a new index of transparency, which combines aspects related to the index's transparency, Eijffinger and Geraats (2006) with those linked to the index transparency of the monetary policy committee, developed by Hayo and Mazhar (2011). On the basis of these indices shall be analyzed individually the role of each component of the new index to mitigate inflation and its volatility, as well as the volatile production in real economy. The only element of the new index which reduces both inflation volatility rate as well as the production volatility is operational transparency.

Clear and Courtenay (2001) have argued that the descriptions on discussion between the members of the Board of Governors of the central banks can increase their assets volatility of prices, suggesting that detailed information misleading confusion upon investors. Furthermore, Van den Crujisen, Eijffinger and Hoogduin (2008) consider that economic agents are puzzled, because high level of information made available by central banks in a very transparent manner. They have the opinion that excessive transparency makes economic operators to achieve uncertainty central banks on economic conditions and the effectiveness of policies undertaken by them.

Thus Goodhart (2001) propose central banks to provide information not only in respect of current inflation monetary policy, but also about future monetary policy objectives that may occur, so that economic operators to be able to take rational anticipation. Mishkin (2004), warns that a high degree of transparency could disrupt communication to the public, who did not understand that the forecasts on an instrument of monetary policy shall be subject to the future of the economy and could lead to misunderstanding by changes made to forecast (or deviations between forecasts and the rates carried out) lose confidence in central bank.

Transparency leads to efficient monetary policy. Transparency of the monetary policy objectives and strategies dealt with by central banks is necessary in order to communicate on the financial markets, and an effective communication is necessary to gain financial stability. Greater transparency with regard to the economic conditions, allows operators to deduct the preferences of central banks much more exactly. In turn this provides monetary authority an incentive to build a reputation stable on the evaluation price stability. Private sector becomes more sensitive to answers and unforeseen policy actions. The result is, therefore, a higher sensitivity to inflationary expectations policy applied and a benefit for smaller central bank. In this way increase the transparency of the errors of control improves social welfare.

Other studies (Mankiw, Reis and Wolfers, 2004) suggest there is a variability less than and a scattering anticipations inflationary when central banks publish numerical goals of inflation. And others suggest that greater transparency should be associated with a persistence less than the inflation rate, to the extent that monetary policy credibility is strengthened and the participants on the market does not extrapolated future inflation rate on the basis of the present.

By analyzing emerging economies, it is interesting to study how, the central banks of these countries can cope macroeconomic problems such as inflation or the production. According to Fraga (2003), to boost the effectiveness of monetary policy in emerging economies are indicated improvement of communication and central bank transparency. It is however ambiguity, namely: Which aspects of transparency must be consolidated and if central banks should they consolidate regardless of their political preferences. The aim is to provide central banks of these emerging countries, certain indications in the monetary policy, reaching to reach upper macroeconomic performance.

One of the most important changes in practice central banks in the past two decades is their evolution toward greater transparency. The main argument put forward by the literature to explain this is that transparency has a positive effect on the results of macroeconomic indicators. Literature supporting this vision, in addition to other works, ii shall include on Eijffinger and Geraats (2006); Demertzis and Hallet (2007); Crowe and Meade (2008); Dincer and Eichengreen (2010). However, some of theoretical and empirical studies have led to the opposite conclusion. For example, Morris and Shin (2002), Cruijsen (2011) found that greater transparency is harmful or that it has ambiguous effects on social welfare.

In view of the increasing emphasis on transparency central banks in the process of monetary policy, a variety of works, including Dincer and Eichengreen (2010); Hayo and Mazhar (2011), analyzes determinants both transparency, as well as its effects on macroeconomic results. Utilizing the index's transparency Eijffinger and Geraats (the index EG), extending it to 100 as central banks in the world, and by upgrading it until 2006, Dincer and Eijffinger have come to the conclusion that greater transparency is associated with a smaller volatility of inflation, but they have not found a significant impact of transparency on inflation persistence. EG Index has become the most are used index of transparency, in special literature on central bank transparency.

However, this index of transparency has been the subject of several critics. For example, Claussen (2008) claims that the index EG can be deceiving, because its components are equal, regardless of the fact that some of them have more importance in the interest of transparency. Moreover, the transparency of the members of the Committee on monetary policy, it may have a major effect on the results of macro-economic, and this type of transparency is not taken into account to calculate the index EG.

3. Analysis of the impact of transparency

New index of transparency is composed of 5 components, as summarized below:

- Politics transparency - consists in informing the public of monetary policy objectives (for example, the announcement quantitative objective of the central bank). What's more, this aspect of transparency provides information about the cooperation between the government and the central bank, in terms of the objectives stated.

- Economic transparency - shall arise when central bank private sector reveal information about the different economic data, economic model that it uses or its economic forecasts.
- Procedural transparency - describing the way in which they are taken monetary policy decisions. This shall include an explanation of how central bank strategies are laid down, on the basis of published minutes and records to vote.
- Monetary policy transparency - consists in readiness notification political decisions. This type of transparency implies that monetary policy inclinations to be explained, policy changes will be immediately notified and future policies carried by the central bank to be known before deployment.
- Operational transparency - refers to the implementation of monetary policy actions. This explains why policy to control errors and the way in which unanticipated macroeconomic shocks affect the transmission channels of monetary policy.

The study presents and analyzes new index effects of transparency, inflation and volatile, that production and the volatility in emerging countries. Apply the same analysis on each of the 5 aspects of the new index to gain introspections best about which of them are most important in lowering inflation and volatility, as long as production and the volatility. However, according to economists' Stock and Yogo (2005), one of the main disadvantages in applying variables technical instruments, is weak instruments problem.

Various indices of transparency show same influence as regards the impact on inflation rate, except for operational transparency. In most of the models considered, the index global transparency, in the same way as the political, economic, procedural components have a significant negative effect on average inflation in emerging countries. This is in contradiction with the findings of Demertzis and Hallet (2007) who have found in the case of countries developed as central bank transparency has no impact on inflation environments. A possible explanation of this difference between the two groups of countries is that developed countries normally benefit from a low and stable inflation rate which is consistency, and not very far away from their objectives in the long term, while in the case of countries emerging markets there is a high inflation rate which deviate from the long-term objectives, forces monetary authorities to be more and more active in driving inflationary forecasts to target in the long term.

The results are in line with some aspects of Dincer and Eichengreen (2010) and Demertzis and Hallet (2007). Indeed, these works find a negative impact serious transparency on inflation volatility. However, the result on the new index differs from theirs by two aspects. First, that this work shall be geared on a sample comprising both developed countries and the developing countries or on a sample of developed countries, while this model focuses mainly on the developing countries. Secondly, these works also found negative effects of other components of transparency, while the only component in the transparency I found have a negative effect on inflation volatility is transparent operational.

In terms their relative importance, political, economic and policy aspects of transparency are found in this order more relevant in the drop in the inflation rate of the average emerging economies. However, it is found that procedural transparency seems to be less important in the curbing of the inflation rate than other components as a result that is significant in 2 of 4 models considered. It is also found that the inflation rate and last

opening trademark have as such important establish tangible and lasting impacts on positive and negative inflation rate. Average inflation sensitivity upon the past inflation rate suggests that in these countries, a large segment of private agents form hopes on stepping back, which could increase the risk of retaining inflation rate.

4. Data and the model

The indicators on transparency use central bank implosion analysis of a economic model implemented by Federal Reserve. Data used refers to the rate of monetary policy, rate on bond issues by the state. They have been collected on the site of the Romanian National Bank, expressing values the period for January 2007 - December 2011. Use this analysis to show whether transparency implemented by the central bank (NBR) went indeed toward a better understanding of the policies undertaken by the latter to the operators.

It is assumed a transparency of 100% of monetary policy, and in this case the central bank (NBR) reveals private information on monetary policy, to the market. Monetary policy decisions may be disclosed as follows: remarks made by central bank governor or other members of the board of directors, meetings to be communicated on monetary policy (changes in bonds attaching reserves, changes in open market operations etc). It is assumed that at time t National Bank runs a discretionary policy in place to increase rate of monetary policy from Rp_0 to Rp_1 at time $t+1$, it sells bonds. In this case banks will compete for funds interbank rate and monetary policy will increase. This will result in an increase of the difference between the rate of monetary policy and that of 10-year government bond yield. After the monetary policy rate will change (in this case will increase) banks will be tempted to sell state bonds to obtain liquidity needed, and thus will put pressure on the prices of state bonds. Since we assumed full transparency, market players knowing his intentions National Bank, they will be more likely to sell also bonds. This arbitration or speculation will continue until their markets and banks will again in balance at time $t+1$. The National Bank and the economic agents (in Romania, commercial banks) will continue until the next fixing the rate of monetary policy.

If we assume that there is a less transparency, it would be because the participants in the market would be slightly puzzled because of operations undertaken by National Bank and may react in wrong directions. This can be a central bank an activity more complicated and requires more tools to rectify this situation. For example, a direct sale of government bonds, undertaken by National Bank, may be considered by the marketplace that a movement of an operation on price stability or in the exchange rate. This can lead to buy commercial banks bonds by the state with the intention to sell them later at a higher price at the time when the central bank will express their intention to buy. When the deviation $|Dt|$ (the difference between the rate of monetary policy and the rates of the issue of bonds by the state) will increase.

Build the model as follows:

The first event we will be considered to be January 2007, this month of the monetary policy rate being 8.75 %, and the rate of state bonds being 6,61 %. Last event analyzed by us is December 2011, the rate of monetary policy being at this point in time 6 %, and the rate of state bonds 7.2 %. In total the model will be built on the basis of 60 events. For individual events will calculate the deviation t ($Dt = \text{rate of monetary policy} - \text{rate on bond issues by the state}$), this being calculated in absolute size. After this indicator will be calculated, we will examine the index of transparency, namely:

$$TT = 100/e^{|Dt|}$$

This shall be considered as maximum and minimum deviation (Dt) as being the largest and the lowest percentage of transparency throughout the period in question. If Dt = 0 then transparency will be 100 %.

In this paper is developing a model on the basis of market indicators, what is considered to be dynamic and have an evolving and may be used to measure transparency monetary policy in a given country, using time series and cross-data. We have developed the model on the basis of the indicators chosen for the period 2007-2011. What's more, using this data, it has been demonstrated with as far as monetary policy is more transparent in Romania with much less risky and volatile will be financial market. Through regular meetings of the Board of Governors of the central bank (BNR) mounting and the announcement of the monetary policy rate is notice a decrease in the uncertainty.

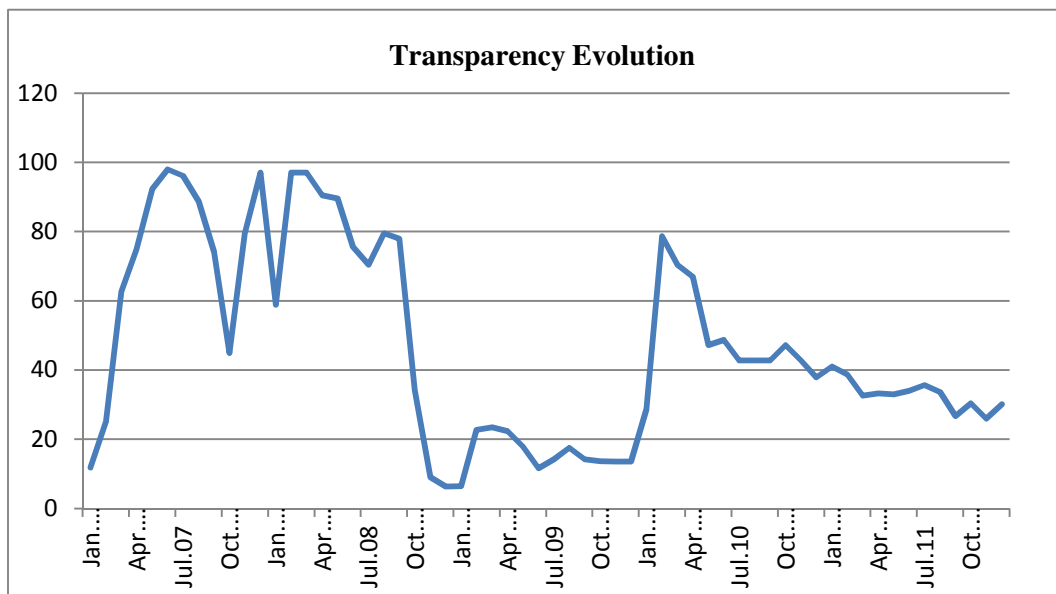


Figure no.1. Transparency Evolution

Source: Carried out by the author on the basis of the data given on the site www.BNR.ro

During the period exhibiting itself financial crisis in the markets in Romania (Nov. 2008 - DEC 2009) there was a great difference between monetary policy rate and rate on bond issues by the state. Because of the lack of liquidity shortage in the market, the central bank has followed a discretionary monetary policy by selling bonds at an interest rate high which has led to an increase in the deviation. Because at the same time has occurred and on the rate of monetary policy to stimulate for credit to be granted by commercial banks, the difference between the rate of monetary policy and the rate in state bonds increased significantly.

5. Conclusions

From one point of view of the policy of transparency, it can be concluded following things: in order to reduce the level of inflation in emerging markets, monetary authorities should make a greater effort to improve in the following order: political, economic and procedural components of transparency, but not operational. To conclude, resultant key from the commencement of the study is to highlight a compromise faced by central banks of these countries in choosing communication strategy. If your preferences of those who make politics are focused only on reducing inflation rate, then they should help to improve all aspects of transparency and in particular of the operational. By contrast if they no longer wish to calm down macroeconomic volatility, the sole aspect of transparency that matters is transparent operational.

Reason behind this study is that these countries are generally characterized by a high inflation rate and a greater macroeconomic volatility. So, understanding how the monetary authority of these countries can operate with various macroeconomic elements seems to be a great challenge. Second contribution of the study is to analyze individual role of each of the components of the new index in curbing inflation and its volatility and volatility resulting thereof. It is also interesting that this new universal index of transparency as well as the political, economic, procedurally have negative impact to the level of the average inflation rate, but not his volatility in these countries. The only component of the new index to reduce the volatility of both inflation and production resulting is transparent operational.

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THE REGULATION NECESSITY OF THE INTERNATIONAL FINANCIAL AND BANKING SYSTEM

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Abstract: The dilemma of regulation or deregulation in the financial and banking system is a challenge considering the financial market convulsions in the last 5 years. For this, using the comparative analysis I sought to observe the advantages and disadvantages of each variant. The vast literature on the subject matter was a considerable help for me, the study of the great economists (both theorists and practitioners) like Keynes, Smith, Krugman, Soros, Llewellyn, Hayek, Greenspan, Asser, Mises, Roubini ruling in favor of one or the other variants. Because it is a matter of present interest, the regulation problem came not only to my attention, but the crisis pushed the authorities of the developed countries to react and seek to apply drastic measures to regulate the financial market. I concluded that the benefits of regulatory standards are recognized by countries that do not make it a priority. Financial stability is called by economists a global public good, so all countries benefit from it, whether or not they contribute to it. These interdependencies are strong incentives for bank regulators mechanisms that they ensure the adherence of all countries to a set of common standards.

Key words: regulation; deregulation; stability; crisis; innovation.

JEL Code: E5, F3.

1. Introduction

The devastating effects of the current financial crisis opened a controversial topic in economic theory. Which is the best option for a stable economy: a regulated economy or a deregulated one? The activity of supervision and regulation has always been an essential element in the process of building a stable system. The regulation requires supervision and control from the authorities over the work of private companies with the objectives of safety and reliability. Governments interfere in the activities of the market economy to ensure that the markets operate efficiently or to change products activities to achieve social goals.

2. Regulation or deregulation on the international financial markets

Regulations are defined as attempts to correct market failure. When we speak of market failure we consider for example monopoly power. Market distortions through the exercise of monopoly power may limit the provision of quality services, unreasonably increase prices or restrict innovation. The regulations seek to shade down the effects and external costs which may affect the market in a directly or indirectly manner.

In the last decades, the regulations had assumed that markets are essentially rational and highly efficient in allocating resources and that markets are self-regulating and correcting. The intervention by regulation is justified by the need to correct rare failures. The first justification for regulating financial institutions and markets is the asymmetry of information. This is frequently encountered on the product market. Many products are complex, difficult to understand and compare or involve a substantial investment. A second justification is that, by their nature, the financial contracts involve the engagement to make future payments at a predetermined time in amounts and under specified conditions. The more sophisticated the economy gets, the more it depends on the financial contracts and is predisposed to set-back to meet its financial obligations. The indispensable role of finances in a modern economic system and also the risk of financial failure to lead to a systemic instability is a general external effect that may require significant costs, both in economic product and the government revenues.

The second justification is determined by the risk of the system. Instability has many definitions, but generally it occurs when an institution's financial difficulties are conveyed to other institutions. This shortcoming is the fact that contagious issues of an institution triggers a state of disbelief for the customer to other institutions. In other cases, the failure of an institution to meet its obligations may cause the failure of others, initially stable. Traditionally, banks, ie the institutions that receive deposits were only considered vulnerable in this purport. Banks vulnerability to a financial crisis is due to the precarious nature of the financial services offered, which transforms the un-liquid capital in liquid liabilities. A bank's commitments can be met under normal circumstances because the customers demand access to their deposits can be predictable, and the bank has the necessary liquidity. However, when a sufficiently large number of depositors simultaneously request access to their own money, the bank cannot meet its commitments without outside assistance. For all banks have this vulnerability and depositors cannot distinguish between a safe bank and an unsafe one, the distrust in one of them can spread to others. Also, the first sign of mistrust, with or without cause, of a bank's solvency may even cause insolvency if the bank's assets must be reduced or even eliminated quickly to respond to requests for the withdrawal of deposits.

The problem of systemic risk dominates the international regulations. These regulations aim to controll external costs. External effects which are affecting the national banking system due to another may occur directly or indirectly. Directly, if a bank makes significant operations abroad. If it has solvency problems, all the subsidiaries are affected. Therefore, governing organisms are required to determine exactly which of them is responsible so that these types of banks should be always under effective supervision. Effective international regulations require that all countries apply the same standards of prudence, so that a bank in a certain state isn't less regulated than the one in other state. A bank operating in a state with a relaxed system can affect in a negative matter other countries through international operations. Moreover, a less regulated bank makes unfair competition to others.

The increased instability of financial markets are contributing to the innovation capacity of financial and banking institutions. Reduction of consumer appetite for traditional products, poor capitalization of financial institutions and insolvency issues arising from developing countries are other causes of boosting innovation in the financial sector. Technological progress has a direct effect on innovation by lowering transaction costs, rapid dissemination of information of financial nature, emphasizing the integration of markets. Linked to technological progress is the sophistication of financial product or service

innovation. The more complex it gets, the harder it will be absorbed by the market and will require also a substantial initial investments by the supplier. Not all customers of the financial institutions have a solid knowledge base to enable them to easily understand the sometimes complex mechanisms of financial products. Therefore, all that is complex is difficult to accept, too. In the case of the financial innovations with a high degree of complexity, deployment solutions can be serious investments in promoting and explaining the use and characteristics of the product or its adjustment to the level of understanding of the specific customer profile of the financial entity.

With the help of new technologies, the barriers between markets have been eliminated, bringing the banking activities, the insurance and the capital markets in an open market, much wider and with a higher absorption capacity, the financial market. Innovations arising not only assumed new products and services (radical innovations), but were associated amendments to existing technologies (incremental innovations) precisely to better adapt them to a more aggressive market with longing desire for expansion and a well-defined goal: profit. If we look at the three categories previously mentioned markets we will realize that radical innovations concern mostly capital markets and the incremental banking market and insurance market.

The regulations weaknesses encouraged innovation to avoid certain requirements. For example, under Basel I, it was encouraged the phenomenon of securing assets in order to minimize the mandatory capital. Failure to counter the risks of ghost companies and SIV 's, despite the large exposure of the banks to them, led to the creation of a shadow banking system. The associated risks have been at the border, not being included in the balance sheet, but no really excluded. Financial engineering, very active before the crisis, can be described as a way to speculate regulations. Some observers have blamed the type of accounting 'mark -to market' (settlement day), which would have exacerbated the vulnerability of the downward spiral in asset prices. The growing importance of assessments in the Basel II made the system to become more fragile because assets were assessed much more favorable, and these assessments tended to reflect the present state rather than meet a predictive role. Other experts spoke about the institutional flaws. The separation between the supervisor and the central bank in some major countries meant that there was no official institution responsible for financial stability and didn't have all relevant information to rapidly support an institution in crisis.

There were gaps in regulations. Some institutions actively present in securing market were too loosely regulated than other major financial institutions. More important than anything, perhaps, was the failure of ideology. Supervisory Special Committee appointed by the American Congress in order to analyze the situation of the financial market crisis had concluded: structural and organizational issues are undoubtedly important.... but basically the problem that led, in terms of regulation, to the financial crisis was one of philosophy and not of structure. In too many instances, the tools were there, but have not been used. And where the tools lacked, the regulator organisms did not asked the authority to create them (U.S. Congressional Oversight Panel, 2009).

A great supporter of the financial innovation development (particularly of the receivable derivatives) was Alan Greenspan (former Chairman of the Federal Reserve System), a libertarian, which has taken an overcrowding position in his long period of leading one of the "heavy" financial fora in the world. He was one of the most fervent "lawyers" of the derivative contracts considering that they have a very important role in the efficient functioning of the global trading system. As eloquently he expressed "hedge funds and off-stock exchange funds appear to represent future finances" (A. Greenspan , 2007).

Greenspan believes that the regulation of these innovations would not only be expensive but would inhibit the enthusiasm shown by "niche profits". In his view, the risks associated with derivatives are already covered by private segments (regulation function) and are not justified as an increase in the regulatory framework by introducing institutional regulations. From his point of view, any model (of risk or econometric) can not adequately capture the complexity of the real systems, this failure is especially true in times of exit from a system of variables that describe the evolution of the system to another (the effect of his ideas was that the U.S. has adopted a law that derivatives were exempt from state oversight body).

It is natural that innovation benefits those who initiate it. The problem is completely different. Is the market able (assaulted by all these technologies and financial innovations), to maintain its financial stability and avoid crisis only through its mechanisms? No. The reality of recent years has demonstrated unequivocally that a free market, beginning to be deregulated from the '80s failed to restrain the slippage of the financial institutions that run such products and services.

In the process of reforming the financial regulations, it should be considered the optimal degree of diversity of the financial industry, in terms of maintaining financial stability. A balance must be found between competition and financial market homogenization and standardization of the rules of this market. End users are most affected by the lack of supervision by higher product costs, through changes in gait of contractual conditions (from the variability of the conditions of the contract depending on the market, some indicators can be handled successfully in the interests of sellers of products and financial services), the lack of complete information about financial instruments. Financial supervision should be adjusted at any time based on new products and innovations entering the market. Governments should encourage innovation, but they also have a responsibility to create the institutional conditions of the development for tools that can effectively monitor innovations.

It also required the increased transparency of the institutions pursuing developments of innovative products by increasing media exposure on these products. A strong emphasis should be placed on explaining considering the characteristics of each product entrant with its risks.

3. Conclusions

To avoid this instability, the authorities should provide a safety system (safety net) that can avoid as much as possible the moral hazard that may occur as a result of the imposed safety net. Under the new conditions, market rationality (characteristic of the theory of efficient markets) has no coverage in practice. Not only that markets do not behave rationally, but furthermore individual rationality does not guarantee the collective one. There is an error in composition that implies the truth which characterizes every member of the group, characterizes the group in its entirety. Such a mistake made the financial institutions which assumed in their liquidity management, that they will be able to sell their instruments in a market that everyone tries the same thing. Both financial institutions and supervisor authorities oversighted that the market which behaves normally when a pawn wants to sell, it will not show the same behavior when all the pawns want to do the same.

Another effect that can be eliminated by regulation is the contagion. The traditional way to prevent contagion in the banking system is to preserve an institution that can lend cash to other banks. As long as the banks can get funds to cover a massive and sudden withdrawal,

a cascade effect is likely to be stopped at the beginning. The central bank aims to give banks the funds to cover the withdrawal of funds and thus it acts as the ultimate creditor. "The central bank is called the last lender that has the capacity to borrow ... when no other lender cannot or will not provide sufficient funds to prevent or halt a financial panic" (Meltzer, 1986). Private lenders will not or cannot always give a loan. Market participants are reluctant to take risks in difficult times and do not want to lend at any price. Massive and simultaneous withdrawals from several banks or a period of major instability in the system can cause freezing of the interbank market. Sometimes, the entire system, not just individual banks may face a liquidity crisis. As Fred Hirsch said in his comments regarding the last creditor "commercial institutions which function as a banker's bank before the advent of proper function of the central bank ... preferred to avoid the risks that were even in greater need to be covered and to withdraw completely from the system before an impending crisis involving a typical uncertainty of commercially impermissible" (Hirsch, 1977).

One of the measures of the most importance taken lately is that the regulatory reform of the financial system known under the name of Basel III. This reform has by S. Walter the following reasons:

- The frequency of the banking crisis (from 1985 were over 30 banking crisis in the member states the Basel Committee;
- The negative effects of the banking crisis;
- The benefits outweigh the costs of implementation (S. Walter, 2011).

The new standards are different from the previous ones (Basel I and Basel II) in that they have a much wider area of coverage, and the measures promoted are both micro and macro-prudential. The standards in the field of microprudential concerns (Report, BNR, 2011):

- Improving the quality of the capital base by increasing the minimum equity requirement;
- Introduction of high demands to hedge (with a focus on trading book exposures, counterparty risk, securization exposures and secured positions);
- Limiting the leverage effect;
- The introduction of international standards of liquidity (through financing long-term assets, at least a minimum amount of stable liabilities).

As regards the macroprudential standards, they aim to create a countercyclical capital buffer to protect the financial system, a fixed damper for capital conservation with the purpose of covering losses, and the introduction of a leverage effect with benefits for the whole system. A noteworthy and appreciated thing from our point of view is that through Basel III, the national authorities decisions regarding the measures to maintain financial stability at the national level will be respected.

Presently, a very high attention is found on technological innovations in the financial sector. This asks for a strong regulatory and supervisory framework . We include in this framework the increased access to information on derivative rigor in the authorization, organization and prudential requirements in this sector, reporting standards. Exceptionally, individuals may be prohibited the entry in CDS trading. Increasing the transparency in this market considered opaque before the crisis, the minimum standards of consumer protection are actual reports of other proposals made in the European Union. Unfortunately, due to disagreements between regulators, politicians and stakeholders, some of the proposals are only at the stage of negotiation. There is no guarantee that all these structural reforms would eliminate the risk, but the protection of taxpayers should become a reality for every

state in the future. Precisely for this reason , the importance of diplomatic activity increases during this period, diplomacy is the one that should eliminate these differences and disparities and contribute to success in stabilizing the financial markets and uniform the means of protection and surveillance.

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FINANCIAL ASPECTS OF ECONOMIC EFFICIENCY OF WEST REGION SMES

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Abstract: The purpose of this study is to assess the overall competitiveness of SMEs in the West Region of Romania. This study has three main objectives: 1. A description of the competitiveness of SMEs in the West Region and make a comparative analysis of its relation to other regions of Romania.; 2. Identify sources of competitiveness among SMEs in the West Region, the type of SME sectors competitive production, etc.; 3. The study proposes policy measures to promote SME development model for West Region competitive sectors. The study is structured as follows: Paragraph 2 presents a financial analysis of SMEs in the West Region, to the performance of three corresponding regions in Romania: Bucharest-Ilfov, Central and North-West. Section 3 identifies the economic performance of SMEs in the West region. In this section it is concluded that a small number of exporters, coming largely from the automotive sector, determines the entire regional performance. In section 4 presents conclusions.

Keywords: Development region; SMEs; Economic and financial analysis; economic growth; strategies, performance.

JEL Code: O3, D39, R11.

1. Introduction

Western Region of Romania is characterized by economic activity particularly focused on several dimensions. A small number of sectors comprise the bulk of employment, turnover and exports. Considering the rising costs related to labor force growth and still having a lot of catching to reach the EU average GDP per capita, the region must identify strategies for achieving sustainable economic growth, inclusive social development. Increasing the competitiveness of firms in the region is an important intermediate step towards sustainable development.

The Western Region of Romania, small and medium enterprises (SMEs) are under-represented in some sectors.

Satisfactory market structures can be found in the fashion world, pharmaceuticals, glass, and plant and equipment. In other industries, the results indicate that there is little SME, which leads to sub-optimal growth performance. These industries include food processing, textiles, leather goods, wood products, pulp and paper, printing, chemicals, metal products, motor vehicles and other transport equipment, and furniture.

In three of the most important sectors for the Western Region - automobile, textile and agro, important decisions are taken outside the region.

Although the strategies for adding value is important in traditional sectors, the economy should expand to new niche sectors that require a significant contribution to knowledge. Private ICT needs in the West Region and experiences from countries that have managed

to create areas of competitive advantage in sectors that require a significant input of knowledge suggests a number of economic policy priorities.

2. Economic and financial analysis of SMEs in the West Region

Comparative analysis of companies in the West Region presented in this report is mainly based on firm-level data from Structural Business Survey (ASI). Data set of ASI - National Institute of Statistics of Romania - contains complete financial information - at the office - for 2005-2012, and includes all sectors except banking and agriculture.

Economic activity in the West Region is concentrated in a few sectors representing about half of turnover and employment in the region (Table 1). The top ten sectors in the West Region listed in Table 1 comprise almost 71% of turnover and 61.4% of the labor force in 2012 and the concentration of economic activity around the West Region has increased between 2010 and 2012.

Table no 1. The main economic sectors in the West Region (% of total)

	Turnover		Workforce	
	2010	2012	2010	2012
Manufacture of motor vehicles, trailers and semi-trailers	9,5	22,4	11,1	19,0
Manufacture of wearing apparel	2,8	3,6	6,8	6,3
Wholesale trade, except of motor vehicles and motorcycles	18,9	17,8	6,4	5,8
Retail trade, except of motor vehicles and motorcycles	8,6	6,4	5,7	5,2
Manufacture of leather and leather products	1,8	2,6	4,9	4,5
Food industry	4,7	5,1	4,1	4,5
Land transport and transport via pipelines	2,9	2,8	3,5	4,1
Mining of coal and lignite	1,9	1,6	3,9	3,6
Construction of buildings	6,5	4,6	5,8	4,7
Manufacture of computer, electronic and optical products	3,1	4,2	3,8	4,7
Top 10 sectors	60,7	71,1	56,0	61,4

Source: own calculation based on INS.

Another key feature of firms in the Western Region of Romania is that they limit their business operations in the region. They do not seem inclined to expand their activities outside the region and exploit the comparative advantages of other areas of the country. Moreover, when they venture outside the perimeter of the region, they start with a small volume. Table 2 and Table 3 presents descriptive statistics about the number of companies based in the region and share by region, 2010 to 2012, the market share by type of firm. This suggests that the productive landscape of the West Region is relatively independent of economic, without any evidence of links with other areas of Romania.

Between 2010 and 2012, the share of small firms grew less in the Western Region of Romania than in most regions. This trend is even more important in terms of market share. Small businesses have suffered relatively more during the recent crisis in the Western Region compared to the rest of the country.

Table no 2. Number of firms by size and weights in 2012 (with change in% between 2010 and 2012 in parentheses)

Region	Number of companies	% of firms				
		< 10 employees	10 – 50 employees	50 – 250 employees	250 - 1000 employees	>1000 employees
All	41.852 (-10,4)	31,24 (-0,5)	48,42 (-11,5)	16,93 (-20,6)	2,82 (-18,0)	0,59 (-15,4)
Bucharest- Ilfov	9.894 (-7,6)	28,93 (1,9)	48,01 (-9,1)	18,34 (-15,6)	3,65 (-12,4)	1,07 (-7,8)
Center	5.382 (-11,0)	28,5 (-1,6)	49,46 (-12,3)	15,58 (-18,9)	3,07 (-14,5)	0,39 (-22,2)
North-East	4.439 (-15,5)	32,85 (-3,7)	48,79 (-16,3)	15,68 (-29,4)	2,41 (-28,2)	0,27 (-14,3)
North-West	5.604 (9,6)	29,5 (-1,7)	52,12 (-8,4)	15,63 (-23,4)	2,34 (-18,6)	0,41 (-17,9)
South-East	4.650 (-12,3)	32,96 (-1,0)	47,85 (-13,9)	16,39 (-24,0)	2,43 (-20,4)	0,39 (-30,8)
South-Muntenia	4.693 (-8,6)	32,39 (1,2)	47,75 (-9,5)	16,75 (-19,5)	2,66 (-20,4)	0,45 (-19,2)
South-West Oltenia	3.131 (-9,7)	37,88 (0,5)	45,23 (-12,3)	13,86 (-20,9)	2,43 (-20,0)	0,61 (32,1)
West	4.069 (-11,2)	32,72 (-1,6)	46,42 (-13,5)	17,69 (-18,9)	2,49 (-21,7)	0,69 (-3,4)

Source: Crozet et al (2013)

Table no 3. Market share by type of firms in 2012 (with change in% between 2010 and 2012 in parentheses)

Region	< 10 employees	10 – 50 employees	50 – 250 employees	250 - 1000 employees	>1000 employees
All	5,52 (5,75)	12,55 (-2,2)	22,19 (-3,27)	27,94 (7,45)	31,79 (-3,65)
Bucharest	4,38 (-2,16)	11,81 (5,48)	27,21 (-0,86)	38,24 (-1,680)	18,35 (2,07)
Center	5,2 (-7,96)	12,92 (-12,4)	29,09 (0,07)	28,31 (-13,78)	24,48 (38,33)
North-East	10,09 (5,71)	19,81 (7,12)	28,68 (-1,01)	28,78 (-7,97)	12,64 (7,86)
North-West	5,93 (-7,53)	13,29 (-16,72)	21,73 (-19,13)	21,93 (9,17)	37,12 (21,03)
South	4,24 (15,6)	9,7 (-19,53)	18,29 (17,41)	31,23 (39,94)	36,54 (-21,23)
South-East	6,61 (47,88)	13,68 (26,33)	15,13 (8,38)	17,16 (21,99)	47,72 (-16,33)
South-West	5,79 (18,36)	11,22 (23,72)	17,38 (-1,41)	21,28 (12,21)	44,33 (-10,35)
West	5,08 (-11,19)	12,11 (-7,43)	20,43 (-22,98)	29,6 (30,44)	32,79 (2,49)

Source: Crozet et al (2013)

The study is observed that SMEs in the western gazelle are spread across many sectors, suggesting that growth in this region is more balanced, ie evenly spread between different areas of the economy.

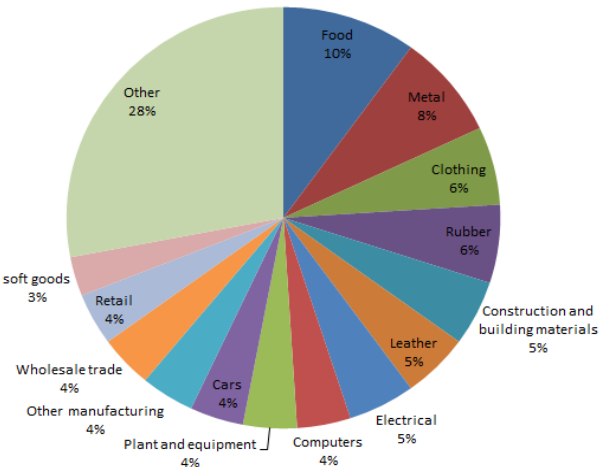


Figure no 1. Distribution sectors gazelle firms in the West Region (2012)
 Source: own calculation based on INS.

3. Economic and financial performance of SMEs in the West Region

Exporting firms in the West Region reported annual growth rate of 53.5% between 2010 and 2012, an impressive result considering the fact that non-exporting firms experienced a slight increase of 1.5% over the same period. Similarly, exporting firms seem to have crossed over the international crisis better than non-exporting firms since their total employment fell by only 0.8% compared to a decline of 13% of the labor force for non exporting.

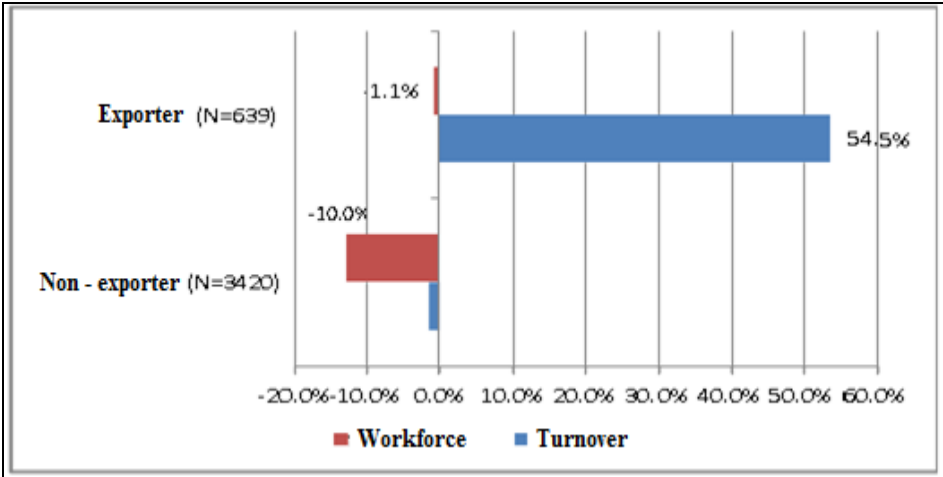


Figure no 2. Comparative performance on state export companies in the West Region (annual growth rate, 2010-2012)
 Source: own calculation based on INS.

SMEs with majority foreign capital have been the most impressive performance among firms in the West Region between 2010 and 2012 (Bernard and Jensen, 2013). Despite the crisis, these firms have grown in terms of both turnover (62.4% per year) and employment (3.1% per year). Domestic firms comparatively increased much less in terms of turnover (1.6% annually) and decreased in the labor force (-13.0% per year) over the same period. Dominance of foreign owned firms is visible from their dominant position in exports, discussed in the companion report "Evaluation of business performance."

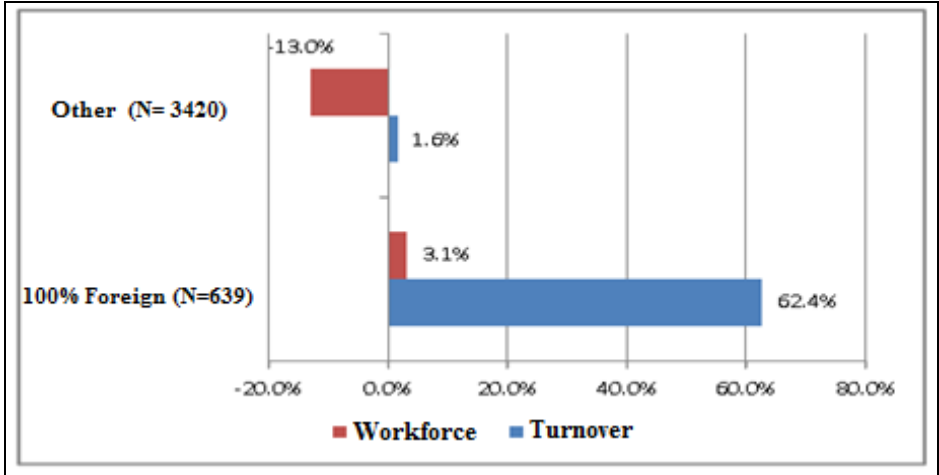


Figure no 3. Performance against the majority of firms in the Western Region (Annual growth rate, 2010-2012)

Source: own calculation based on INS.

4. Conclusions and proposals

Three types of SMEs have very good performance compared to the average in the West Region: exporters, foreign owned firms and large firms. Exporting firms reported an average growth rate of 8% between 2010 and 2012, an impressive result considering the fact that non-exporting firms experienced a decline of approximately the same magnitude in the same period. Similarly, during the crisis for exporting labor contraction was only a third of the contraction registered non-exporters. The differences are huge productivity differentials between exporters and their counterparts which sell only domestically. This is not, however, specifically Western Region of Romania. Performance of foreign owned firms is even greater. During the crisis, these firms increased both in terms of turnover (62% per year) and the labor force (3.1%), with possible reduction of activity in areas with higher costs. Finally, classifying firms by size, we observe that large firms (defined as firms with at least 250 employees) also have good performance. Between 2010 and 2012, large firms have seen an increase in turnover of 37.6% per year despite a 7% annual decline of labor. This is compared to small and medium firms that have experienced a greater decline of the labor force and a smaller increase in turnover over the same period. There is also a huge disparity between counties, covering both exporters and non-exporters. There is a strong spatial concentration of activity around Arad and Timis counties. In terms of performance, the top is Timis county, except in the productivity of

capital is higher in Arad - possibly due to the concentration of FDI in the automotive sector in its territory. Caras-Severin and Hunedoara counties remain far from Arad and Timis. This study proposes three main approaches to economic and financial efficiency of SMEs in the West Region:

1. Should be well known and removed from the structure of the market, the distortions which limit the potential for increasing.
2. Have developed activities with high added value in traditional sectors in the region.
3. Have be developed strategies to implement the latest current scientific contributions, in order to create competitive products.

Key economic policy proposal arising from these findings is that industrial policy does not specifically targeted at companies large and small, but try to coordinate initiatives to encourage expansion of the few large firms with competitive development of SMEs.

Strategies to increase value added in traditional sectors should focus on three major industries for the West Region: automotive, textiles and foodstuffs.

In these sectors, the key decisions are taken, unfortunately, outside the region. In the automotive industry, the major players are OEMs and first tier suppliers, while the main actors in the food industry are especially buyers (ie brands, chains of retail stores, and so on). The modernization of these sectors will require increased capacity to meet strict requirements and specifications.

In the textile industry, upgrading can be accomplished in two main ways: The first way is to engage in innovation of products and processes by creating new systems and procedures. The second way is to give it to reduce low value added activities and to take activities and services with high added value.

Product and process innovation, industrialization and informatization must become a priority for SMEs in the West Region. Almost all existing plants are mainly imported from three countries (Germany, Italy and Japan) and there is no local expertise for reproduction or modification of this equipment in order to adapt them to the specific needs of individual local firms. Thus, the best way to upgrade SMEs in the West Region is to change policies and strategies for the purposes of adoption of modern technology and create their own designs and brands.

In the food sector, it is necessary for improving the marketing of local products and links with major distribution chains.

All these policies require, however, major investments in fundamental and applied cerccetare activities.

Although the strategies for economic and financial efficiency in traditional sectors is important, while the economy must expand into new sectors of topical, requiring a significant contribution to knowledge. Private ICT needs in the West Region and experiences of the countries that have managed to create areas of competitive advantage in sectors that require a significant input of knowledge suggests a number of economic policy priorities.

1. A scientific and technological innovation strategy, which involves the creation and promotion of high technologies.
2. Shortening the time between innovation, design and implementation.
3. Changing the funding and marketing strategies and business strategies.
4. Creating an extensive network of business accelerators and incubators that provide a wide range of services, such as workspaces, training services for us entrepreneurs exposure to foreign experiences and networking opportunities.

5. Venture capital funding as rigid forms of financing can be tailored to the specific needs of new entrepreneurship.

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A SHORT ANALYSIS OF ROMANIAN MEDIA INDUSTRY FROM MICROECONOMIC PERSPECTIVE

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Abstract: Media institution is in fact an economic entity. Any business from the media field is carried out through companies that interrelate with the other components of the economic system. In this paper work we tried to show the business situation from mass-media field in the light of macroeconomic analysis. In our approach, we used the inductive method. We started from observing the inside process, we tried to present the most important economic models derived from microeconomic analysis, models which outline the media industry businesses. The analyzed models are: the industrial organization model with the three main elements: structure, behavior and performance (SBP); the firm model, which aims to give a better explanation of the markets; the model of media business based on publicity, which brought about a decrease in the price of media products, namely the newspaper, and an expansion of the market, providing to a larger mass of people the access to information. As the years passed by, the publicity, namely the income from advertisement came to be conditioned by the media market, more precisely by the number of consumers that is the audience. After the microeconomic analysis, the conclusion of this paper work is that mass-media businesses are in a period in which they have a vital need of innovation and transformation.

Key words: mass-media; economy; microeconomics; industry.

JEL Code: L82; L25.

1. Introduction

The businesses from mass-media field obey the microeconomic and macroeconomic rules, just like the other branches of industry. In this regard, “if microeconomics deals with the phenomena and the decisions of individual economic agents and their actions within the market, macroeconomics studies the consequences of individual decision aggregation at national economy level, proposing solutions for the imbalances and failures of the market at a national economy level, and mondoeconomics deals with the interactions between national economies and the effects of these interactions at global economy level.” (Bădescu 2011) Most of the media economy researchers use the microeconomic analysis, because, at some extent, it focuses on the distinctiveness of media industry and on the market conditions. Microeconomic analysis aims principally the assignment of goods. Goods can be material goods, but also services, that is everything which may be consumed or utilized. Media industry is producing goods that represent the basis on which information is fixed, no matter if we talk about newspapers, magazines or CD-s. At the same time, media industry is providing services consisting in the transmission of information to the users.

In this paper work we will try to focus our attention on media industry from a microeconomic perspective. Media industry, as a component of national, European and worldwide economy, has an important contribution to the development of the economy, but also to a rise in the living standards of people.

In our approach, we will use the inductive method. We will start from observing the inside process, we will try to present the most important economic models derived from microeconomic analysis, models which outline the media industry businesses. We proposed to try an analysis of content, bringing into discussion the opinions of other researchers in relation to the models approached. The analyzed models are: the industrial organization model (SBP); the firm model, which aims to give a better explanation of the markets; the model of media business based on publicity, which brought about a decrease in the price of media products, namely the newspaper, and an expansion of the market, providing to a larger mass of people the access to information.

2. The industrial organization model

A model derived from macroeconomic analysis is the model of industrial organization, which, as Albarran shows “is among the most used frameworks, on a large scale, for the study of mass-media economy. The model of industrial organization was developed by Scherer (1980), who also starts from Bain’s contribution (1968) and of other neoclassic economists.” (Albarran 2004)

The model of industrial organization has three main elements: structure, behavior and performance (SBP).

Structure: market structure refers to the level of sellers’ and buyers’ grouping, the level of product differentiation and the conditions for entering a market.

Behavior has in view the type of conduct specific to price and production policies of enterprises and to a type of conduct specific to the process or mechanism of interaction, growing adaption and the coordination of competing sellers’ policies on any of the markets.

Performance aims the size of profits, productive efficiency, the balance of the commercialization costs with total costs, the characteristics of the product, the progress of firms in the innovations field – products and procedures.

In the economic research of media industry, the model of industrial organization is approached sequentially, some researchers studying mainly one aspect of the SBP model. Thus, Wirth and Wollert analyze the structural elements of the market, on the other hand, professor Picard points out the behavioral elements, while Albarran, Porco, Litman emphasize mainly the performance elements.

In the model of industrial organization it is shown that, if the market structure is known, this is helpful for the explanation of performance behavior which will probably be embraced by the societies present on that particular market. The shortcoming of this model in media market is that we neither deal with a perfect market, nor with a behavior of the firms that is wholly built on an economic basis. In this way, the theoretical analysis of the SBP model, no matter how rigorously is argued, when applied, may present some unwanted elements.

3. The firm model

The firm model is derived from the macroeconomic analysis and its objective is a better explanation of the markets. “The organization theory comes close to the economic organizations as a sum of people and organizational resources, capabilities and skills, and, therefore, the aim of the administration regime is to generate, combine and activate these resources with the purpose of having a competitive advantage.” (Bădulescu 2008)

In the perspective of neoclassical economists, who elaborated the theory of perfect competition, the reason of a company is to combine the production factors having in mind the achievement of the final product. Thus, the inputs combined by the firm as a production team are work and capital. Alina Drăghici demonstrates that the firm model starts from the presumption that „the correct mix of inputs can be easily established, the firm is usually represented as a curve of the cost calculated through the production function which connects the inputs to the outputs, the marginal contribution of each input being calculated, all the parts involved have complete and accurate information, the resources are completely mobile and divisible, so that they can reach without any difficulty to their most valuable use.” (Drăghici2008)

Applying these assumptions to media firms that have a variety of types of business organizations, some may be giant multinational television companies, other small local organizations set up for political, cultural or confessional purpose; we have to mention that not all media companies are organizations which seek to obtain a financial profit by excellence. The firm theory starts from the premise that every business has an onerous purpose, aiming primarily to obtain and maximize the profit.

Media economy researchers outline some criticism brought to the traditional model of firm theory when applied to media industry. Gillian Doyle, in his work *Understanding Media Economics*, shows two of these criticisms.

The first criticism is that „it is too cruel and too simplistic to assume that media businesses are motivated only by the desire of profit. On one hand, it is clear the businessmen desire to maximize profits, but, without any doubt, there are some motivated by alternative purposes. An alternative purpose may be, especially in media firms, the desire of having public and political influence.” (Doyle 2002)

Just as Doyle points out, it is unrealistic to start from the premise that the target of all media firms is to obtain financial profit. But, in the same time, it is obviously that there is a profit that media firms try to gain, but it’s a different kind of profit: image capital, electoral capital, social influence, economical influence. In this way, there is an explanation to the interest of politicians to have their own media organization or to be important shareholders in a media firm. In Romania it can be noticed a media business model, „the model of influence, which stands under the mark of gaining influence through mass-media.” (Radu, Preoteasa 2012)

The second criticism brought to the theory of the firm model, „ is the assumption that all firms behave in the same way, regardless of their size and organizational structure. In reality, the organizational structure of a firm may have a special importance over priorities. Rupert Murdoch’s involvement in the management of news enterprise demonstrates the fact that some mass-media firms are closely managed by those who own them. Nowadays, the dominant form of institutional organization is the society with limited liability in which, generally, the everyday activity of the firm is not managed by the employer, but by a manager.” (Doyle 2002)

From this perspective, it results that we have significant differences regarding the behavior of small organizations compared to larger ones. If large organizations have specialized employees for each type of activity, in small organizations we often meet with „the orchestra man” who has more responsibilities to fulfill. Thus, it is obvious that firms from media market have a different behavior.

Another difference in media firms’ behavior is determined by the ownership form. There is the case where we have a singular shareholder, registered sole trader or a majority shareholder. But there are also situations where we do not have any majority shareholder in the society, but the shares are distributed to a large group of people. We also have the situation in which the shareholder is the state, a foundation or a church. These options make us believe that the different structure of the shareholders determines different actions in the economic activity of the media societies.

4. The business model based on publicity

The first economical confrontations of media industry are related to the problem of the selling price of the newspaper. Entrepreneurs tried to find formulas for reducing the price, without affecting economically the business by a loss of income and to ensure continuity in producing future editions. The historian Pierre Albert shows that „industrialization and modern methods of manufacturing and media market expansion had entirely transformed the condition of its exploitation. The newspaper was scarce and expensive at the beginning of nineteenth century, limited to elite and representing the ones connected to the culture and the readers were those among bourgeoisie and among urban inhabitants.” (Albert 2002).

Applying economic percepts of human resource management both in terms of efficiency and specialization led to a higher production and to a diminishing of costs. Adam Smith pointed out that „the greatest improvements in the work productive forces, as well as the majority of abilities, skills or judgments directed toward obtaining it or applied in this way seem to be the effects of labor division.” (Smith 2011) These economic percepts have also been applied in media industry, and, as a result, we witness an economic development of this field by production boost and the expansion of outlets.

The media market expansion was possible due to industrialization and the significant progress of technique, but these were not the only reasons. „The apparent engine of a diminished selling price was publicity” (Albert 2002), records the historian Pierre Albert. „Press development was held back by the big price of subscriptions: 80 francs, approximately the average salary per month of a Parisian worker or the tenth part of the annual salary of a country teacher. The idea of diminishing the selling price of the newspapers, thanks to the resources gained from publicity, because the stamp fee removal was not accepted, was floating in the air.” (Albert 2002) This arrangement of financing media industry was introduced in the circuit more than 200 years ago. Advertising posters were present on the pages of daily papers since 1815. „*Debats* publication gained in 1835 more than 200.000 francs per year from publicity, which is more than what *La Presse* gained annually between 1836 and 1848.” (Albert 2002) Revenues obtained from publicity led to a significant diminishing of newspapers price to a penny and then to half of a penny. Through this mechanism, the market demand increased substantially, due to the large number of consumers who could afford to introduce the newspaper in their daily spending budget. If we look at mass-media from an economic perspective, we can notice it developed thanks to advertising, which provided a surplus of income that offered them the

possibility to outlet the basis product, the newspaper, at a much lower price, accessible to a larger audience.

Economic gain was a target component of the mass-media entrepreneurs' right from the beginning, just as Delia Cristina Balaban shows, and advertising represented an important source. „Private media institutions were always interested in the economic gain, a gain achieved mainly because of the advertising revenues.” (Balaban 2005) As we can notice even today, the advertising income has been conditioned by the audience, by the number of media products consumers. Practically, media industry has two goods: the media content, the information presented through newspapers, magazines, radio, TV or the new media and the audience. „Media industries are unusual by the fact that they work just as Picard said, in „double product market”. The two consumer goods generated by media firms are: first, the content (TV programs, newspapers, magazines, etc.) and secondly, the audience. Entertainment or the news content consumed by the listeners, viewers or readers is a product form that may be sold by media firms. The second value result is the audience which was attracted by this content, as long as the access to audience may be packed, set with a price and sold to the publicity agents.” (Doyle 2002) So, we notice that the audience has a considerable value for media companies, because its size provides the income of media firms from advertising. „But this time, the product that is spread is no longer just the information or the media creations, but the consumers themselves. These are sold to publicity buyers just like any other commodity.” (Popa 2007)

Analyzing this media business model based on publicity, we notice with great surprise its dynamics across mass-media history. If at the beginning of this industry publicity brought about a decrease in the price of media products, namely the newspaper, and an expansion of the market, providing to a larger mass of people the access to information, as the years passed by, the publicity, namely the income from advertisement came to be conditioned by the media market, more precisely by the number of consumers, that is the audience.

Bringing the theoretical aspects into the actual Romanian reality, we present a radiogram of publicity volumes in mass-media market from Romania during 2004-2013.

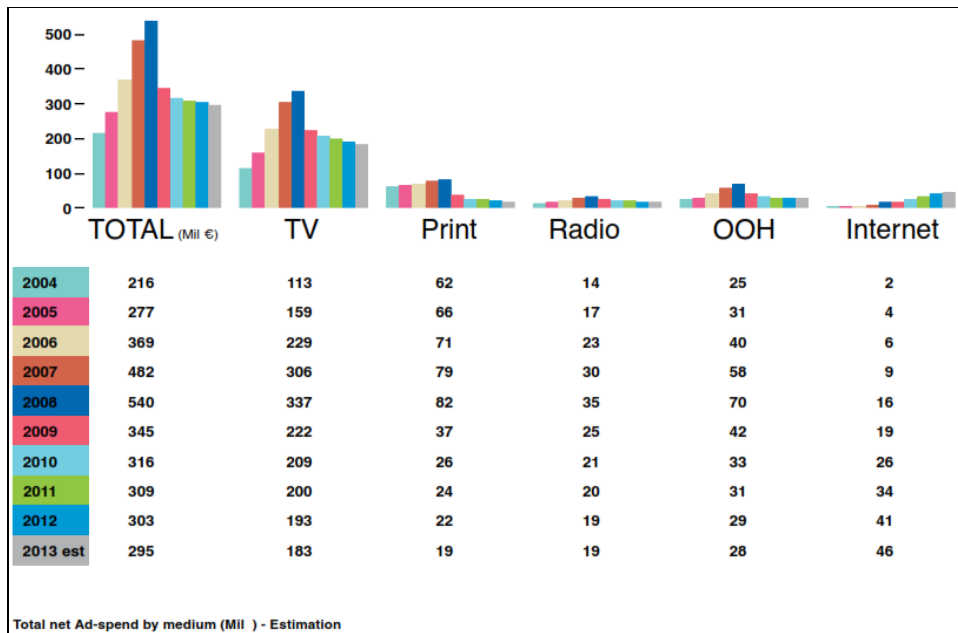


Figure no.1 Income evolution – publicity market in Romania (mil Euros)
Source: Media Fact Book, Romania, 2013, Initiative media.

We can notice that during 2004-2008 the total sums earned from publicity by Romanian media industry have grown permanently until 2008, when they doubled compared to 2004. After 2008 we observe a decrease nearly as pronounced as the growth. In 2008 the Romanian income of media industry gained from advertising, according to the Media Fact Book study, published by Inițiativa media, represented more than half of billiard euros. But advertising as a source of income is fluctuating, failing to offer security and economic stability to mass media enterprises. Consistent low income from advertising may bring a mass-media firm to insolvency or even bankruptcy. The largest resources from the total volume of publicity are dragged by television, in 2008, 337 mil euros, while the lowest sums were cashed by the internet (New Media), namely 16 million euros. Against the economic crisis, in 2012 television manages to remain the first in cashing from publicity, while new media dethrone all the others types of media: print media, radio and OOH. However, internet manages the performance of cashing out of publicity 41 mil. euros and the estimation for 2013 is up to 46 million euros.

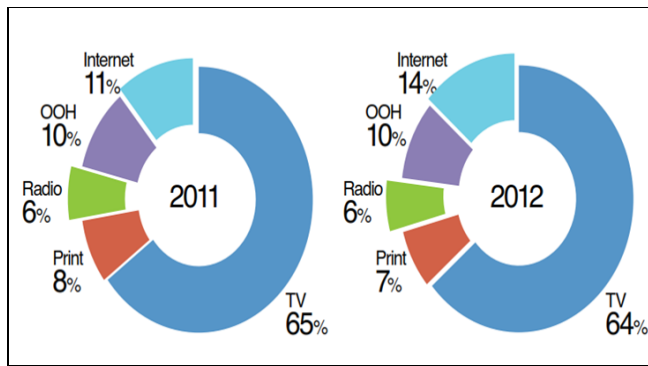


Figure no.2. Percentage level from publicity market in 2011-2012

Source: Initiative database

We notice that in 2011 television caught 65% of the publicity market and in 2012 it dropped with 1 percent. A decrease of 1% is recorded by the print from 8% to 7% while radio maintains to 6% and OOH to 10%. A significant increase to 3%, in a year of crisis is recorded by the New media from 11% to 14%, which demonstrates us the trends for the future of the Romanian media market.

The mass-media business model based on publicity, after more than 200 years of functioning, a model which helped the newspaper, the radio and then the television to conquer a large mass of consumers, is showing signs that it needs new approach formulas. The most affected segment seems to be the newspaper, but the losses recorded by television are also troubling. This is why we propose the balance analysis of two companies, leaders of audience in Romania each on its sector: S.C. Pro TV S.A and S.C Antena 3 S.A.

According to the Ministry of Public Finances, the short balance from 2012 of S.C. Pro TV S.A. (CUI 2835636) shows that the total income is almost 710 million lei, a net turnover of 476 million lei, 784 million lei debt, a loss of 114 million lei. The loss represents 16% of the total income. As the figures of the balance show, the company has more debts than the cashed sums in 2012, and the accumulated losses are significant. It seems that if the trend is maintained, the company will need big changes. S.C. Pro TV S.A. holds more licenses which they exploit: Pro TV, Acasă, Acasă Gold, MTV, Pro Cinema, Sport.ro and Pro FM. Each of these TV or radio channels, in terms of content are highly appreciated by the public, so according to the Media Fact Book study, realized in 2012, ProTV group is an absolute leader and owns 24,4% of the urban audience between 18-49 years.

S.C. Antena T.V. Group S.A. (CUI 1599030) holds licenses on: Antena 1, Antena 2, Euforia, GSP TV, Antena International. These TV channels are also highly appreciated by the public, according to the same study realized by Media Fact Book in 2013; the group holds the second position, having a market share of 19,5% in the urban segment between 18-49 years. The final balance from 2012 published on the Ministry of Public Finances website shows that S.C. Antena TV Group S.A. had a total income of 240 million lei, a net affair sum of 214 million lei and debts of 155 million lei. Losses in 2012 amounted to 58 million lei. If we report loss to the total income, this means 24%. We can draw the conclusion that, if Antena TV Group keeps up this trend, it will also have to find solutions to avoid financial problems.

4. Conclusions

Modern society is almost unimaginable without: newspapers, magazines, cinema, radio, television, e-mail, internet, mobile, that is without multimedia services. These instruments, through mass-media companies, succeed in meeting the demands of the market and in bringing satisfaction to individuals and social groups. Mass-media performs a series of functions in society, but, at the same time, depends on the economic and political system in which it functions.

In the present paper, we have tried to focus our attention on media industry from a microeconomic perspective. Media industry, as a component of national, European and worldwide economy, has an important contribution to the development of the economy, but also to a rise in the living standards of people. In our approach we used the inductive method. We started from observing the inside process, we tried to present the most important economic models derived from microeconomic analysis, models which outline media industry businesses. We have also tried an analysis of content, bringing into discussion other researchers' opinions in relation to the models proposed. We have submitted to analysis the industrial organization model (SBP); the firm model, which aims to give a better explanation of the markets; the model of media business based on publicity, which brought about a decrease in the price of media products, namely the newspaper, and an expansion of the market, providing to a larger mass of people the access to information.

The industrial organization model has three main elements: structure, behavior and performance (SBP). The premise of this model is that if we know the structure of the market, this is helpful for the explanation of performance behavior which will probably be embraced by the societies present on that particular market. The shortcoming of this model in media market is the fact that we neither deal with a perfect market, nor with a behavior of the firms that is wholly built on an economic basis. In this way, the theoretical analysis of the SBP model, no matter how rigorously is argued, may present some unwanted elements.

The firm model starts from the premises that human, financial, technological and organizational resources are mobilized for the purpose of having a competitive advantage. The final objective of this model is to get a higher profit. It seems that the model of the company is difficult to be entirely adopted by the media companies because both the companies' dimensions, the shareholders' structure and the proposed interests vary a lot. In mass-media it is difficult to aim the material profit in the first place, because the mission of this type of business has other targets, too, other interests, which seem more appealing.

The model of media business based on publicity brought about a decrease in price of the media products, more exactly of newspapers, and an expansion of the market, providing the access to information to a larger mass of people. It is expected that the double product market in which media industries function would provide people the guarantee of a steady and satisfactory income, but an analysis of real data shows that there are significant fluctuations which push mass-media businesses to a risk limit. At the moment, the print business seems to be the most vulnerable business, but television is not placed in a comfort zone either, as we have noticed from the financial situation of the market leaders. For the moment, it seems that the rating won by the media product as content cannot be sold to the advertising agencies at a satisfactory price, which would maintain the profitability of the business. As the years passed by, publicity, namely the income from advertisement came

to be conditioned by the media market, more precisely by the number of consumers, that is the audience.

After the microeconomic analysis, the three models analyzed within Romanian media industry seem to lead us to the conclusion that mass-media businesses are in a period in which they have a vital need of innovation and transformation.

Acknowledgements

The present paper is part of the research done for preparing the doctorate thesis: „Innovation and transformation in media industry“, developed with in the Doctoral School of Economics, University of Oradea, under the coordination of Professor Dr. Alina Bădulescu.

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A SHORT ANALYSIS OF THE ROMANIA MEDIA INDUSTRY FROM A MACROECONOMIC PERSPECTIVE

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Abstract: Most of the decisions made by the factors managing the businesses in the media field are, to a great extent, influenced by the situation of the national and worldwide economy. In this respect, the macroeconomic approach of the media field is extremely relevant in order to understand how companies in the mass media field function and what is the contribution media industry to the national economy? The perspective from which we approach this subject is related to immediate daily reality. We will follow a descriptive and explanatory study. In this respect, our analysis will sometimes be implicitly passionate, but anchored in the reality which we shape with each and every action. We will try to present the concepts that we support in the light of some reference works and to provide examples of realities from Romanian economy. From a macroeconomic point of view, both through the services provided by the media sector, through the workforce contribution of all the employees, as well as through the income obtained by the employed individuals and by the societies involved in media industry, this brings an important contribution to the macroeconomic frame. It seems that in Romania media businesses record a decrease of the income share and implicitly its balance in the national economy, but this period that we cross over is one of restructuring and relocation, having the hope that these changes will lead to an increase of the mass-media input within overall economy.

Key words: mass-media; macroeconomics; industry; income.

JEL Code: L82; E24.

1. Introduction

The study of communication processes and of mass-media has been traditionally approached from non-economic perspectives. But most of the decisions made by the factors managing the businesses in the media field are, to a great extent, influenced by the situation of the national and worldwide economy. A macroeconomic approach of the media industry is nowadays important both under scientific aspect and practical aspect in order to understand how companies in the mass media field function and what is the contribution of this industry to the national economy?

The perspective from which we approach this subject is related to immediate daily reality. We will follow a descriptive and explanatory study. We will try to anchor this paper analysis in Romanian reality which we shape with each and every action. We will try to present the concepts that we support in the light of some reference works and to provide examples of realities from Romanian economy.

We will try to show that media industry brings an important contribution to the macroeconomic frame through the services provided by the media sector and the workforce contribution of all the employees, as well as through the income obtained by the employed individuals and by the societies involved in this field.

Mass-media has known major transformations in the latest years, being a dynamic and important field. Both technological innovations and economic dynamics have led to the relocation of media businesses. Among the most obvious trading companies in Romania or in any other country are the companies which activate in the mass-media and communication field, because ordinary people use the services provided by this industry on a daily basis. Demand and supply in this field has a sustained dynamics, especially in the context of communication channels growth through what we call today „new media“. This combination of circumstances leads to a higher economic interest for this industry.

Under the macroeconomic aspect, media industry together with other fields contributes to the well-being of nations. We will try to show the role of mass-media field within Romanian economy in terms of the monthly rate of turnover in market services that are mainly provided for companies, in terms of the employment and in terms of the situation of income of mass media employees in national economy.

2. Services provided by mass-media to the companies

The media institution is actually an economic entity. Every business from media field carries on through trading companies which interconnects with the other components of the economic system. If in the beginning of communication and media industry growth they were not a significant percentage in the national income, nowadays communication and mass-media industry present a higher interest for investors, consumers and governments. „The explosion of press was not only a phenomenon with major social and political effects, but, most of all, was a phenomenon with a profound economic impact.“ (Coman 2003) The macroeconomic approach of the media industry is justified by the fact that mass-media has penetrated the whole country by means of the radio, television, newspapers and the new forms of media. We have national media coverage and an adequate interest. Thus, „mass-media economy provides a means to understand the activities and functions of mass-media companies as economic institutions. Only if you understand the individual mass-media companies as business entities you can judge thoroughly their behaviour within society. Understanding mass-media economy consolidates our understanding of the role and function mass-media has in society. Theoretically, mass-media economy completes the existing theories of mass communication by adding some essential dimensions concerning the structure, behaviour and performance of the firms in media industry, the interaction between economy, politics and regulations, as well as the public preferences and behaviour.“ (Albarran 2004)

The first aspect brought to our attention is the evolution of services provided by mass-media to the companies. Usually, these services are advertising services, whether we refer to the advertising space in newspapers and magazines, which is the case of services provided by the print, or airtime on radio and TV for commercials and new forms of advertising offered by the internet.

Tabel no. 1. Turnover value indices in market services rendered to enterprises, according CAEN Rev.2

		July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	June	July
		2012												
Total	B	111,6	110,2	113,5	116,8	114,9	116,2	101,2	104,0	116,1	115,9	114,5	117,5	120,8
	S	112,1	111,9	111,5	111,2	109,8	107,1	114,3	115,3	116,8	115,9	114,5	114,2	119,9
Transport	B	122,2	117,8	121,4	127,5	117,4	108,0	99,1	103,2	117,0	124,7	120,5	124,2	135,6
	S	115,7	112,5	116,2	115,1	113,1	111,9	117,5	120,3	124,1	127,7	121,5	122,9	126,2
Communications	B	102,7	101,6	97,8	100,7	100,1	105,7	94,7	95,8	100,0	97,6	97,5	98,0	101,6
	S	101,5	100,8	98,3	99,0	97,0	97,7	99,6	103,5	102,4	100,6	98,9	96,8	99,3
Production activities motion picture, video, progr.TV; broadcast and video sharing. progr.	B	78,8	74,3	84,4	103,4	103,5	96,7	70,1	71,2	89,1	87,5	88,0	85,0	74,8
	S	89,7	94,8	82,0	88,1	88,9	86,1	86,9	82,1	83,8	82,9	85,3	81,0	85,4
Availability of information activities and information technology	B	110,5	110,0	116,6	114,4	132,0	168,9	116,2	110,7	119,7	122,9	125,2	132,7	122,7
	S	120,6	117,4	124,1	116,8	126,2	133,1	130,7	125,3	126,6	130,4	125,8	127,0	130,1
Other services provided mainly enterprises	B	108,6	109,7	114,9	116,2	117,1	119,9	105,0	109,0	123,7	117,1	116,7	120,1	119,2
	S	113,5	115,9	114,9	112,5	110,9	106,0	121,9	118,4	120,2	116,2	117,1	116,1	124,1

B = unadjusted series S = series adjusted by number of working days and seasonality

Source: National Statistics Institute, processed by the author

The rate of turnover in market services that are mainly provided for enterprises, gross series, has increased overall by 2,8% in July 2013, compared to the previous month due to the rises recorded in transport (+9,2%) and in communication (+3,7%). Decreases have been recorded in activities of film production, video, television programs; broadcasting and production of programs (-12,0%), in the activity of information services and information technology (-7,5%) and in other services mainly provided to companies (-0,7%).

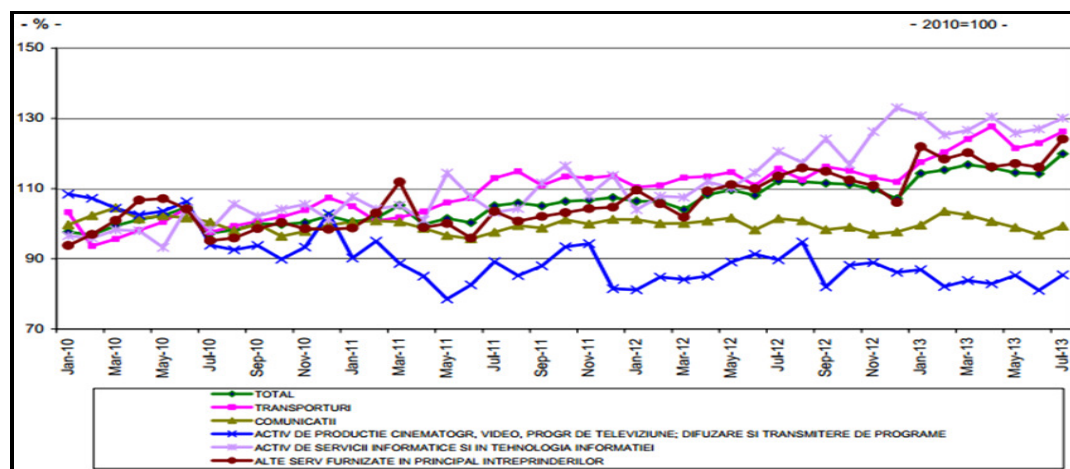


Figure no. 1. Evolution of the monthly turnover of the market services provided to enterprises according to CAEN Rev. 2

Source: National Statistics Institute, processed by the author

A careful analysis of the services provided through activities of film production, video, television programs, broadcasting and production of programs (mass-media), show that, in January 2010, these were in a domination position compared to the transport services, communication or the information technology, but they record a steadily decrease,

reaching, in January 2011, the last position and from here, the descent continues, emphasizing the gap.

3. Employment

Another contribution of the media industry at a macroeconomic level is represented by the human resource and its professional quality. As shown by Adrian Florea, „since its inception, the economic theory has scored in the field of economic growth and development the human factor, more precisely, the work provided by man, the capital and the nature.” (Florea 2008) From a macroeconomic point of view, each branch of industry and services contributes to employment. The labour factor in mass-media industry can be analysed in terms of volume and quality, or how many employees the mass-media sector has at a national level and, on the other hand, what is the level of education and professional training of the mass-media employees.

Deepening the subject of society and its development, Daniel Bell in his work, „The coming of Post-Industrial Society”, lines out the transition from industrial modern society, based on energy, capital and labour, to post-industrial society based on information and knowledge. Basically, in a society based on information, the labour factor gains a bigger value in terms of professional labour and specialized workers, „workers who are counting on knowledge”.(Drucker 2010)

In Romania, the number of mass-media employees rises to 38.900 people, if we consider the staff included in the editing part as well as the field of film production, video, television programs, sound recordings, music editing activities, programming and broadcasting activities as it is shown in the data presented by the National Statistical Institute.

Tabel no. 2. Number of employees in the economy

-thousands of persons-

	Number of persons employed on												
	30.V I	31.VI I	31.VII I	30.I X	31. X	30.X I	31.XI I	31. I	28.I I	31.II I	30.I V	31. V	30.V I
	2012						2013						
Publishing activities	23,6	23,7	23,8	23,7	23,7	23,7	23,7	23,6	23,5	23,6	24,3	24,4	24,6
Motion picture, video and television programme production, sound recording and music publishing activities; programming and broadcasting activities	14,8	14,9	14,9	15,2	15,1	15,3	15,2	15,3	15,3	14,8	14,5	14,4	14,3

Source: National Statistics Institute, processed by the author

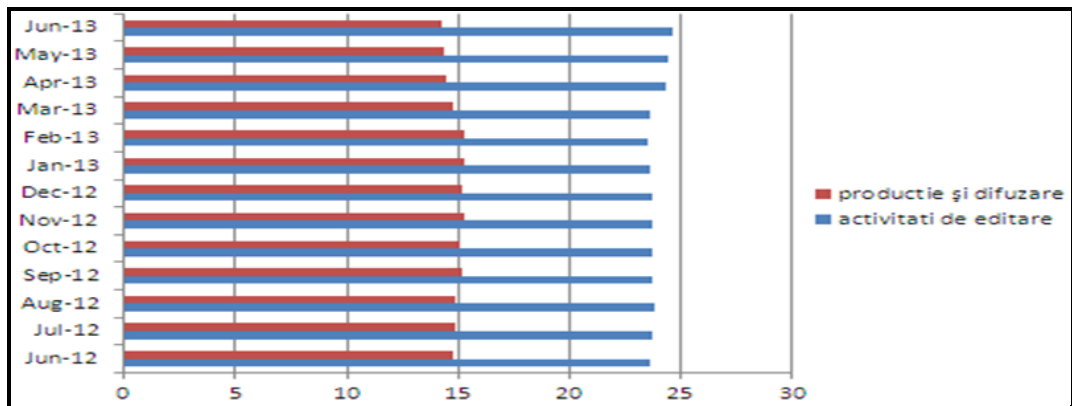


Figure no.2. Number of employees in economy

Source: National Statistics Institute, processed by the author

A significant part of these employees represent qualified labour, practically, mass-media services involve a high competence. Professional equipment of these specialists was assumed by educational institutions, so universities prepare „specialists up to doctoral level in scientific research of mass communication”. (Dobrescu, Bârgăuanu 2003) As Adam Smith pointed out, specialization is „the key to a nation’s prosperity”. „Like any other profession, this one is also subdivided into a large number of different branches, each of them offering an occupation to a certain group or a certain class of philosophers, and this subdivision of work in philosophy, as well as in other businesses, leads to the improvement of skills and time saving. Each individual becomes more specialized in his own branch; overall, the quantity of work is bigger, therefore, the quantity of science increases.” (Smith 2011) This way, even if the number is not very high as a balance of the total employment, through the activity accomplished by the workers from the mass-media field, their contribution in the labour market is significant. Highlighting the nature of the new society that we live in, the informational society, in which the specialized work receives more attention, Paul Dobrescu and Alina Bârgăuanu show that „on the line opened by Daniel Bell, Japanese researchers have proposed four indicators of the informational society:

- The income per person to be more than 4000\$
- The number of employees from the service sector to exceed 50% of the occupied population
- The number of the students to be at least 50% of the same age total population
- The balance of the expenditures on the information sector to be bigger than 35%; the last indicator is calculated based on three aspects: the quantity of information (the annual number of calls per person, newspaper circulation for 100 inhabitants, the number of published books for 1000 inhabitants, the density of population as an index of personal communication), the distribution amount of the communication means (telephone, radio, television) and the quality of informational activities (the balance of the services sector in the occupied population and the balance of students in their age category.”) (Dobrescu, Bârgăuanu 2003)

The above perspective orients the development of modern society showing the growth trend of the well-being and comfort. Also, the concerns of this society are indicated on the knowledge and communication coordinates. Accordingly, the role of media industry in the

past was to bring information closer to people and to develop new activities and businesses. Thereby, mass-media industry created the frame for the development of new professions: reader, editor, producer, announcer, operator, cameraman, moderator, journalist, as well as related professions: printer, TV and radio spreader, newspaper vendor, radio and TV devices vendor, etc. Today, the challenges are as great as the time we live in. The spectacular development of media equipment's has brought about an interest and passion for photography, design and new media. An impressive number of participants share every day in the cyberspace their own media productions, images, texts or short films.

4. Employees share of income from media industry in the national income

Along with the labour factor in the two aspects, volume and quality, we ought to mention another macroeconomic indicator which is the distribution of income. What is the balance of the acquired income from media industry in the national income, or what is the average income of the mass-media employees? John Maynard Keynes emphasizes that „the volume of workforce occupation is uniquely correlated with the volume of effective demand measured in wage units and that the effective demand is the sum between expected consumption and the expected investments.” (Keynes 2009) Just as the famous economist shows, the volume of workforce and the earning units are directly correlated. Moreover, the size of the earnings has a connection with the investments and the consumption. In other words, the wages from media industry reflects in some extent the investments from this field. On one hand, we are talking about the investment from media industry as a structure, equipment and the functioning of the company and, on the other hand, we refer to the investment made by the individuals as mass-media employees in the process of specialization and professional training. This combination of factors influences the level of wages in mass-media industry and contributes to the structure of the employee's income from the national economy.

The data presented by the National Statistics Institute suggests that the income from mass-media is a little bit over the average wage in Romania

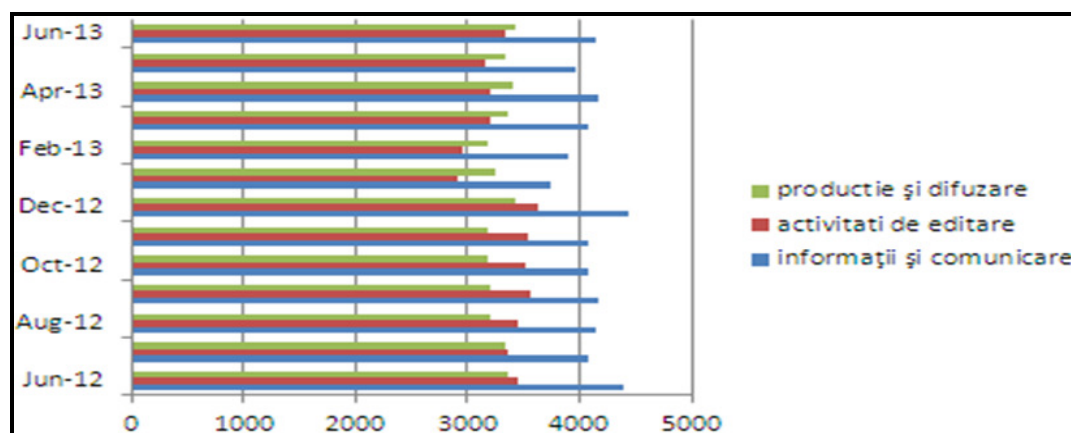


Figure no.3. Average Gross Earnings

Source: National Statistics Institute, processed by the author

Tabel No. 3. Average Gross Earnings

	30.VI	31.VII	31.VIII	30.IX	31.X	30.XI	31.XII	31.I	28.II	31.III	30.IV	31.V	30.VI
2012	2013												
Information and communication	4398	4084	4151	4180	4089	4079	4443	3739	3893	4084	4158	3965	4151
Publishing activities	3458	3359	3457	3573	3513	3537	3641	2920	2967	3204	3209	3165	3333
Motion picture, video and television programme production, sound recording and music publishing activities; programming and broadcasting activities	3361	3345	3211	3200	3182	3176	3431	3242	3187	3353	3397	3339	3436

Source: National Statistics Institute, processed by the author

We notice in 2012 that the income of those who work in the editing part is a little lower but very close to the income obtained by the employees from the field of film production, video, television programs, sound recordings, music publishing activities, activities of program broadcastings. At the same time, it is discovered o slight increase of the incomes from both sectors. Also, the wages from information and communication fields are distinguished, being 25% higher than the sector of film production, video, television programs, sound recordings, music publishing activities and program broadcasting. If we corroborate the wage increase in 2013 with the number of employees, we can demonstrate that there are elements that indicate a slight recovery of this sector or at least a bigger interest of the contractors for the workforce involved in mass-media.

5. Conclusions

In the present paper we have tried to show that media industry brings an important contribution to the macroeconomic frame through the services provided by the media sector and the workforce contribution of all the employees, as well as through the income obtained by the employed individuals and by the societies involved in this field.

On the other hand, mass-media has a catalytic role in stimulating the consumption, the production and activation of the market. It is also true the fact that mass-media may have a negative role in all of these systems causing panic and sales decrease. It seems that in Romania media businesses record a decrease of its balance in the national economy, but this period that we cross over is one of restructuring and relocation, having the hope that these changes will lead to an increase of the mass-media input within overall economy.

If „industries in the 19th and 20th century depended on material resources, industry, science and technology, the industries in the 21st century will depend more and more on knowledge generation through creativity and innovation“. (Landry, Bianchini 1995) Therefore, economic and cultural developments are two interdependent phenomena, actually part of the growth process on the macroeconomic level.

A famous American researcher, the sociologist Daniel Bell, showed that a country may have three types of poverty: poverty in terms of goods and money, moral poverty and poverty in terms of knowledge. Inspired by this model, we suggest that, in order to benefit from a lasting prosperity, Romania needs to follow the reverse order: we need to gain knowledge rebuilding and restoring the moral and social principles so that we finally

acquire goods and money we can enjoy of. In this process, on the level of Romanian, European and worldwide society mass media represents one the leading actors.

Acknowledgements

The present paper is part of the research done for preparing the doctoral thesis: „Innovation and transformation in media industry“, developed within the Doctoral School of Economics, University of Oradea, under the coordination of Professor Dr. Alina Bădulescu.

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