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Table of Contents

Analysis on the Gross Domestic Product Evolution.....	7
Prof. Constantin ANGHELACHE PhD. Assoc. prof. Alexandru MANOLE PhD. Lecturer Mădălina ANGHEL PhD.	
The Main Methodological Aspects Concerning the GAC	16
Prof. Vergil VOINEAGU PhD. Prof. Ioan PARTACHI PhD. Oleg CARA PhD.	
Actual Energetic Dependencies. Result of Economic Global Strategies -	21
Prof. Mircea UDRESCU PhD. Sorin BULAGEA PhD. Student	
Statistical Analysis of Macroeconomic Variables	26
Assoc. prof. Elena BUGUDUI PhD.	
Economic Analysis through the Use of Statistical – Econometric Models	32
Prof. Constantin ANGHELACHE PhD. Prof. Mario PAGLIACCI PhD. Prof. Constantin MITRUȚ PhD.	
Analysis of the Main Indicators of the Bucharest Stock Exchange.....	44
Lecturer Mădălina Gabriela ANGHEL PhD.	
The Evolution of the Industry over the Period 2001-2013	54
Prof. Constantin ANGHELACHE PhD. Adina Mihaela DINU PhD. Student Georgeta BARDAȘU LIXANDRU PhD. Student Andreea Gabriela BALTAC PhD. Student Assoc. prof. Aurelian DIACONU PhD.	

Corporate Governance at the Influence of the Corporate Performance? Empirical Evidence on Companies Listed on Bucharest Stock Exchange	64
Ph. D Professor Georgeta VINTILĂ Ph.D.Student Florinița DUCA	
Non-Financial Motivation of Staff - Challenges and Solutions.....	74
Assoc. prof. Cibela NEAGU PhD	
Analysis of the Evolution of the Agricultural Production in Romania.....	78
Prof. Constantin ANGHELACHE PhD. Alexandru URSACHE PhD. Student Zoica DINCĂ (NICOLA) Ph.D Student Andreea Gabriela BALTAC Ph.D Student Assoc. prof. Emanuela IONESCU Ph.D	
Risk Management Measures at the Level of an Economic Entity	87
Assoc. prof. Dan NASTASE PhD Master student Liviu Constantin TEODORESCU Master student Ionut POPESCU	
Reflections on the Distinctions between the Unincorporated Business Forms and the Corporations in the U.S. Law.....	91
Assoc. prof. Anca POPESCU CRUCERU PhD	
The Evolution of the Index of Population Consumption Prices	98
Prof. Constantin ANGHELACHE PhD. Prof. Gabriela Victoria ANGHELACHE PhD. Daniel DUMITRESCU PhD. Student Bogdan DRAGOMIR PhD. Student Diana Valentina SOARE PhD. Student	
Determinations of Romanian Social-Economic Reform within Globalization Context	108
Prof. Mircea UDRESCU PhD Elena GOLUMBEANU (GEORGESCU) PH.D	

Budgetary Execution, Monetary Market – Resources and Placements	115
Prof. Constantin ANGHELACHE PhD.	
Prof. Gabriela Victoria ANGHELACHE PhD.	
Lecturer Mădălina Gabriela ANGHEL PhD.	
Legal System of Sole Owner Limited Liability Company	129
Eugenia-Gabriela LEUCIUC	
Anca POPESCU-CRUCERU	
Rules of Law that Removes the Effects of Invalidity under the New Civil Code	137
Assoc. prof. Ioana Nely MILITARU PhD.	
Instances of Economic Crime in Romania. Case Study on the Years 2004-2009	142
Ion GANE PhD. Student	
Assistant Marcela GANEA PhD. Student	
The Analysis of the Production of Goods for the Population	151
Prof. Constantin ANGHELACHE PhD.	
Cristina SACALĂ PhD. Student	
Alexandru URSACHE PhD. Student	
The Transition from the Budget Balance to the Financing or Outfitting Capacity with Econometric Methods Using Fiscality	156
Assoc. prof. Raluca Andreea MIHALACHE PhD	
The Activity in the Constructions and Transportation Fields.....	162
Prof. Constantin ANGHELACHE PhD.	
Prof. Radu Titus MARINESCU PhD.	
Assoc. prof. Alexandru MANOLE PhD.	
Ligia PRODAN PhD. Student	
Alexandru URSACHE PhD. Student	
Adina Mihaela DINU PhD. Student	
Considerations in Managing B2B Brand Strategies	172
Assoc. prof. Andrei BUIGA PhD.	

School Conflict Management	179
Prof. Paulina NĂSTASE	
Prof. Camelia Ileana GEORGESCU	
The Evolution of the Services to the Population	183
Prof. Constantin ANGHELACHE PhD.	
Cristina SACALĂ PhD. Student	
Bogdan DRAGOMIR PhD. Student	
European Digital Economy	190
Assoc. Prof. Anca-Mihaela TEAU PhD.	
Lecturer Cristina Elena PROTOPOPESCU PhD.	
Influence of Sports Journalism in Improving the Quality of Sport and Increasing the Awareness of Public about Sport and Sport Culture	197
Assist. Cristian GHENA PhD. Student	
The Evolution of Direct Foreign Investments in Romania, in the Context of Globalization.....	201
Zoica DINCĂ (NICOLA) Ph.D Student	
Andreea Gabriela BALTAC Ph.D Student	

Analysis on the Gross Domestic Product Evolution

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Abstract

This paper presents an analysis of the Gross Domestic Product, as the main indicator that reflects the evolution of Romanian economy. The comparative analysis reveals the position of Romania in the European Union. The evolution of the GDP has an oscillatory trend, analysed on the basis of its main influence factors, such as the resources.

The year 2012 becomes quite difficult to analyse and interpret, mainly due to the fact that three governments succeeded each other, without coherence and continuity in applying their programmes. The last government tried, during the six months of existing, to remake a certain kind of strategy, troubled by the previous commitments, the constraints implied by the IMF programme, funds misappropriations and many other of the kind. By the end of the year 2012 the situation was improving.

Key words: *resources, GDP, analysis, trend, comparison*

1. Comparative evolutions of the GDP indicator

The Gross Domestic Product represents, synthetically, the quantitative and qualitative evolution recorded by a country over a given period of time.

If we should compare this indicator, obtained by our country during the last years with the one achieved by the European countries, the situation will be definitely negative, Romania being placed on one of the last positions, which situation is generated by the gap existing as to the social and economic development level.

But the situation does not differ either when comparing the GDP level achieved in Romania with the same indicator achieved by central and eastern European countries, starting the transition along with our country.

In this context, the comparisons are by far more self-evident since they are underlining certain evolutions which took place under approximately similar conditions and which, in the situation of the fluctuating evolution of this indicator in our country, imply the obligation to look after the real causes of such evolution¹.

I appreciate that, from this point of view, the most objective is the comparison of the GDP indicator achieved in our country with the levels of the same indicator recorded by Cyprus, Estonia, Latvia, Lithuania, The Czech Republic, Poland, Hungary, Slovenia, Slovakia and Bulgaria.

Here we state out that the process of substantial diminishing of the GDP kept on maintaining from 1995 up to the end of the year 1999, mainly in Romania, the only one country among the above mentioned countries, in the situation of reporting a lower GDP indicator.

As from the year 2000 on the Gross Domestic Product started to record a process of increasing. The fact that in 2007 the GDP was by 6% higher as against the year 2006, although significant, does not the situation that in absolute terms it is still far away from the potential held by Romania.

In 2005, the Gross Domestic Product counted for 287.1863 billion lei in absolute figures and current prices, namely over 100 billion dollars at the exchange rate of 2.85 lei/\$ by 31.12.2005.

In 2006, the GDP recorded the level of 342.2 billion lei, namely about 142.7 billion USA dollars at the exchange rate of 2.40 lei/USD, representing an increase of 7.7% as against the year 2005.

In 2007, the Gross Domestic Product counted for 404,708.8 million lei, in absolute figures and current prices, respectively over 169.4 billion dollars at the exchange rate of 2.4564 lei/\$ by 31.12.2007, which means an increase of 6.1% as against the previous year.

In 2008, the GDP reached the level of 514,654 million lei. Comparatively with 2007, the GDP increased by 7.1% in 2008.

In 2009, on the ground of lack of proactive programmes, the “electoral budgets” of the years 2008 and 2009 and under the devastating impact of the crisis, the GDP went down to 491,273.7 lei, recording a decrease of – 7.1% in deflated data.

¹ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

In 2010, the GDP reached the level of 522,561.11 million lei, while in 2011 it counted for 578,551.9, (the recorded wages are not deflated, being expressed in the current prices of each period)

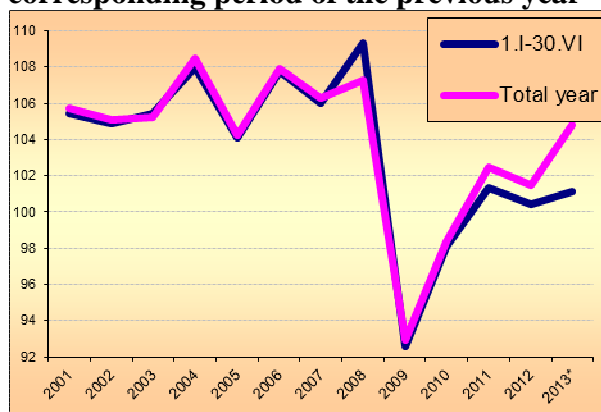
In 2012, the deflated value of the GDP counted for 587,494.4 million lei. For the first six months of the year 2013, the value in current prices of the GDP counted for 266,539.3 million lei, namely by 1.8% higher as against the year 2012, comparable period.

Hungary, a country we can compare with, a fluctuating tendency of the GDP increase has been recorded, from 1.3% in 1996, to 4.6% in 1997, 5.1% in 1998, 5.9% in 1999, 7.7% in 2000 and 3.5% in 2002, 3.7% in 2003, 2.1% in 2004, 4.1% in 2005, 3.9% in 2006, 3.7% in 2007, 0.5% in 2008, 1.1% in 2009 and -1.6% in 2010. In 2010, the GDP decreased by -1.0%, counting for 522,561.1 million de lei. In 2011 a slight increase of 2.5%, has been recorded up to the value of 556,708.4 million lei, as final value. Over the period 2012-2013 a slight stabilization of this indicator evolution has been recorded.

Hungary and Poland are two countries which, although facing a series of difficulties as well over the time, went for an improvement of the activity that allowed them to get a quantitative increase of the GDP indicator.

As for our country, if in the year 1996 this indicator showed an increase of 3.9% as against the year 1995, the following period of the year 1997 showed a decrease of 6.6%, in 1998 a decrease of 7.3%, while in 1999, a decrease of 3.2%.

**The GDP evolution during the period 2001- 2013
(the corresponding period of the previous year = 100)**



Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

Starting with the year 2000, the GDP kept on recording a constantly upward evolution, increasing by 3%, by 5,3% in 2001, by 4.8% in 2002, by 4.9% in 2003, by 8.4% in 2004, by 4.1% in 2005, by 7,7% in 2006, by 6.0% in 2007 and by 7.1 in 2008. The calculation is made as against the previous year².

This is the year 2009 when the real return started by a recorded decrease of -7,1%, as comparatively with the previous year. The process of the GDP decreasing continued in 2010 as well, when the GDP diminished by -1.6%, while for the year 2011 the GDP increased by 2.5%. In 2012, also, there was a slight increase (1.1%), while in 2013 a comparable increase of 1.8% has been recorded.

2. The evolution of the Gross Domestic Product in 2012 - 2013

GDP, the main indicator characterizing the evolution of the national economy, recorded in 2010 a decrease of -1.6% as against the year 2009 but an increase of 2.5% in 2011 as against 2010. In 2012, the GDP increased by 1.1% as against 2011, while for 2013, the increase counts for 1.8%.

The GDP decrease in 2010 has been generated, firstly, by the reduction of the activity volume and, consequently, of the gross added value in constructions and services, sectors which contribution to the Gross Domestic Product forming was decisive.

From the point of view of the absolute figures concerning the achievement of the GDP, by categories of resources and utilizations, we can point out that the forestry and fish breeding counted with a low contribution, the industry and constructions decreased at a moderate rhythm while the services and the production connected to the banking services recorded a negative rate.

An evaluation of the stocks situation emphasizes the fact that a large part of the economy consumptions has been supplied through stocks accumulated during the previous periods and that, generally speaking, there is a production on stocks due to the fact that the economic circuit production-selling-consumption is chocked either by the lack of incomes and financial sources within the economy or, sometimes, by the poor quality of certain products³. Under the circumstances, in order to avoid the unemployment and get the indicators on which basis the pay is made, many

² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

³ Goodwin, N.R. (2008) – “*Macroeconomics for the Twenty-First Century*”, Tufts University, series GDAE Working Papers no. 03-02

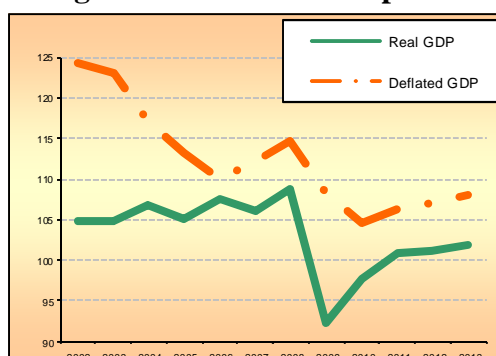
of the state owned or of a majority of state participation enterprises keep on producing doesn't matter what, irrespectively of the final situation of the products.

Let's hope that the deciding factors would proceed to realistic analyses meant to emphasize these depreciations of the macroeconomic indicator and, consequently, the depreciation of the economic evolution in Romania.

3. The Gross Domestic Product shows a fluctuating trend over the 2009-2013

The evolution of the social and economic evolution in our country cannot be performed otherwise but on the basis of the study on data which are covering and emphasizing, at a macroeconomic level, the stage of development of the country, materialized by the GDP⁴. The individual analysis of this indicator evolution, although of nature to underline the macroeconomic situation which Romania is traversing, is not enough eloquent, as opinions and point of view might exist, leading to the conclusion that, perhaps, we are dealing with particular conditions or that the analysis is aiming to identify, doesn't matter at what price, the negative aspects only.

The increase of the Gross Domestic Product in % as against the I half of the previous year



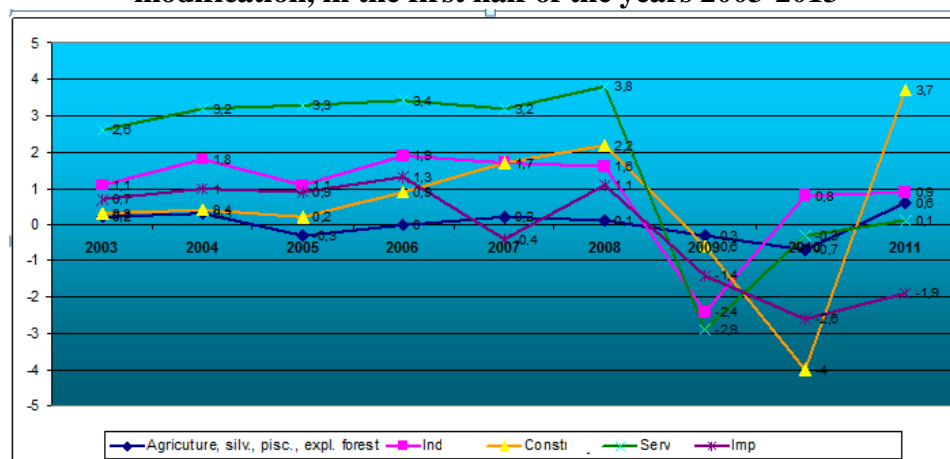
Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

That's why we shall proceed to a comparative analysis on the way this indicator, the GDP, developed over the periods 2001-2013 and 1997-

⁴ Anghelache, C-tin (2008). *Tratat de statistică teoretică și economică*, Editura Economică, București

2000, substantiated on chained basis indices (comparing the level of the current year with that of the previous year), in a context which suits us, namely, that of the central and east-European countries⁵.

The evolution of the main categories of resources to the GDP modification, in the first half of the years 2003-2013



Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

This analysing possibility is much more self-evident than a solitary analysis which might be “jeopardized” by considering it as insufficiently relevant due to certain internal conditions or than an exhaustive comparison with all the European countries which might be, also subject of interpretations on the idea that a series of countries from Europe hold social, economic etc. conditions totally different that those from our country.

The only way for a concrete analysis of these elements concerning the evolution of the GDP consists of a comparative study of the evolutions in Romania and the other central and east-European countries, such as the Czech Republic, Hungary, Poland, Slovenia, Slovakia, Bulgaria, Latvia, Lithuania, Estonia and Cyprus.

These ten countries are representing, along with Romania, the nucleon of the central and east-European countries which embarked upon the same road under almost similar conditions.

⁵ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

This analysis does not include the situation of the European states resulting out of the disintegration of the former URSS and also, not entirely, those states resulting after the disintegration of the former RSFI.

Meantime, Albania which, for the time being, does not report essential and precise data as regards its social and economic development cannot be taken into consideration.

This one of the essential elements within the analysis performed by economists who started from the fact that such a micro-stabilization, on the ground of a change in the context of the submitted electoral programmes, would be hopes generating⁶.

As comparatively with Latvia, Lithuania, Hungary, Poland, Czech Republic, Hungary, Poland, Slovakia ,and the Czech Republic Romania recorded a certain average annual increase over the period 2001-2012, as regards the GDP rate of evolution although in 2009-2011 a decrease had been recorded under the impact of the crisis.

We come to the conclusion that, from the point of view of the economic level, Romania was placed in a good position up to the year 2008, with an alarming collapse during the period 2009-2010 and an insignificant rhythm over the period 2011-2012. The year 2013 shows an enlivenment with an increase of 1.8%.

The mode in which the GDP evaluated from 2005 up today is a conclusive one in the context that this indicator is including the services sphere as well, namely the sphere of all the activities run in the frame of the national economy. This means that those transfers of activities from one activity sector to another have been accomplished, which is of nature to stimulate the market economy consolidation provided that the concern as to invest in the economic sectors specific to Romania, accepted by the domestic and international markets quantity, quality and costs wise, gets intensified. The deficiency of the anti-crisis programs from 2009-2012 consists exactly of the lack of pro-active anti-crisis steps which would certainly have positive effects. The year 2013 could mark a recovery based on a more realistic policy as to the resources allocation. In order to sustain such a point of view and since I emphasized in 2011 also the need for such steps without seeing any conclusive step taken, I take the liberty to submit farther on, a number of such steps that have been and still are available with the governing structure in Romania.

⁶ Anghelache, C-tin (2008). *Tratat de statistică teoretică și economică*, Editura Economică, București

The above discussion is not representing an articulated programme but is merely representing a suggestion only, which might be taken into consideration in order to attempt, at least, a slight relaxation.

We need « a non-jeopardized way of thinking », meaning a group of technocrats, without inhibitions, able to state openly where “the electoral years 2008-2009”, followed by the year 2012, led us, which have been the mistakes and, mainly, how long have we to report the austerity steps and which is the concrete programme aiming to control/get out of the crisis.

The agricultural year 2012 was very poor but 2013 marked a recovery. The European funds have been accessed to a small extent or, if accessed, they have been inadequately utilized. The tourism recorded an unsatisfying development. The autochthonous investments diminished or have been inefficiently utilized, not to say otherwise, while the foreign ones have practically vanished. Under such conditions, the evolution became chaotic. The salaries have been diminished, the unemployment rate increased, the inflation rate increased, the number of jobs decreased, all of them with a negative effect on the living standard of the population, namely on the life quality. As a matter of fact, I submitted previously (here as well) to the attention the fact that the mistakes occurred immediately after December 1989 when, recklessly, the inflation and unemployment have been launched with their devastating effects on the economy and the first step to be taken has been refused, namely the privatization on a correct basis of the social participations existing even at the level of a super-nationalized economy.

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The Main Methodological Aspects Concerning the GAC

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Abstract

The methodological and organising principles concerning the GAC carrying out have been issued in accordance with the recommendations of the United Nations Organization for Foods and Foodstuff, submitted in the frame of the 2010 World Agricultural Census Programme and with the Regulation (EC) no. 1166/2008 of the European Parliament and the EU Council, taking into account the international experience in the field and the particularities of the agriculture in the Republic of Moldova. Meantime, the expertise accumulated in the frame of the CMPA carrying on has been considered, as well as the outcomes of the trial exercises of agricultural censuses performed in 2008 and 2009.

Key words: *census, agriculture, exploitation, reference, information*

The observing units and the covering sphere of GAC. Taking into account the heterogeneous character of the units in which the agricultural activity is carried on, in the frame of GAC, two types of agricultural units have been defined.

The basic observing unit in the frame of GAC is given by the agricultural exploitation. Its definition, applied in the frame of the RGS of the country, is corresponding to the recommendations of FAO and EU, namely: the agricultural exploitation is an independent technical-economical unit, with an unique administration, which carries on agricultural activities (by utilizing agricultural surfaces, animals breeding and/or running activities in respects of maintaining the agricultural terrains in proper conditions from agricultural and environmental point of view), either as main activity or as secondary activity.

Taking into consideration the relevance of the information from territorial point of view (administrative-territorial units of second level,

UAT), the agricultural exploitations have been limited at the boundary of a single district/municipality or UTA Găgăuzia (in the case of agricultural unit carrying on activities in more UAT). Thus, if the production unit is running activities in several districts, it is considered as being composed by several exploitations, depending on the number of districts where the cultivated lands are located. Meantime, the agricultural exploitation is not limited to the number of mayoralties where the utilized lands are located within an UAT.

Since the GAC was the first census of a general character being achieved in the country, so that there was no informational basis in order to set up the typology and the minimum physical or value wise “limits” of the agricultural exploitations, RGS 2011 had an extended cover. Having in mind the diversity and the heterogeneous character of the units carrying on agricultural activity, in the frame of GAC there have been two types of observing units for the census defined, depending on the dimensions and the location of the agricultural exploitations¹:

1. Agricultural exploitations (AE), included in GAC by complete enumeration (referred to further on as “agricultural exploitations”), based on an unfolded programme (questionnaire), comprising:

a) all the agricultural exploitations of the rural environment (agricultural enterprises and other units with secondary agricultural activity and juridical personality; farmers’ households and auxiliary households of the population);

b) other agricultural exploitations (auxiliary households of the population of the urban environment, the members of the fruit and vegetable growing associations, the holders of fruit and vegetable growing lots) which are exceeding the exhaustiveness thresholds;

2. Agricultural units of smaller dimensions (UDM), included in GAC by sampling, using as succinct questionnaire, represented by the other units placed below the exhaustiveness thresholds.

Thus, the General Agricultural Census covered the entire territory of the country, both rural and urban environment, excepting the left bank of Nistru and the Bender municipality.

Taking into consideration the Regulation (EC) no. 1166/2008 of the European Parliament and the EU Council concerning the cover by census, set up at the level of 98% of the utilized agricultural surface (SAU) and conventional units for cattle (121), having in mind the structure of our

¹ Principiile metodologice și organizatorice de bază privind efectuarea Recensământului General Agricol din 2011, Biroul Național de Statistică, 2011. <http://www.statistica.md/pageview.php?l=ro&idc=352&>. (vizitat la 12.05.2012).

country agriculture as well as the basis of studying the relevant international experience, the following exhaustiveness thresholds (minimum physical limits) have been proposed and set up for GAC 2011: i) the surface of the lands being held - of 10 are, or/and ii) surface of greenhouses or covered terrains - of 1 are (100 m²), or/and iii) holding an animal of the species bovines, porcine, ovine, goats or/and iv) holding 20 fowls.

For setting up the threshold for complete enumeration, in the frame of GAC both the European good practices and the specificity of our country have been taken into consideration. In the EU countries, with agricultural activity concentrated in agricultural units of large dimensions, the minimum threshold for exploitations is set up at a relatively high level, for instance: in the Czech Republic, Germany and the United Kingdom – the low limit of the exploitation, depending on the agricultural surface utilized for the RGS, 2010 round, has been fixed at the level 5 ha (195).

Meantime, the EU states for which the agricultural activity by small lots (near the house/in orchards) was a traditional one, mainly the new member states of the EU – Bulgaria, Poland, Romania, Hungary, the Baltic countries etc., as well as some of the “older” members, such as Italy and Spain, are including in the GAC the terrains of the nominalized lots, which are exceeding the limit established at national level (as a rule, 10-15 are)

Considering the actual “minimum” threshold established in the EU states (10 are), as well as the need to include the cattle which, in the denationalization of the agrarian sector have “migrated” from the small households, along with reasons of efficiency as to the census activities, multiple criteria have been set up as to the above mentioned exhaustiveness threshold.

The actual level of the threshold meant to mark the limits of the agricultural exploitation depending on its dimensions, with the purpose of using it for drawing up agricultural policies and/or organizing the statistical researches, will be set up on the basis of the census outcomes only, as the sole basis offering doubtless and pertinent data concerning the potential and typology of the agricultural producers.

The available ex-ante information did not allow to define the agricultural exploitation and producer as utilizer not as owner of the agricultural potential, on one side, and it is only the complete picture offered by GAC, with compilation of the data by classes of sizes, according to the tabulation plan, which would allow the demarcation of the agricultural exploitation from the unit/agricultural household of subsistence or as a “hobby”, for instance.

The programme of the general agricultural census has been issued in accordance with the FAO recommendations and taking into account the Regulation (EC) no. 1166/2008 of the European Parliament and the EU Council. The Programme GAC is including indicators referring to: the dimension and structure of the agricultural terrains; the sown surfaces; multi-annual plantations; the livestock of animals and poultry; the human resources and their demographic features; the agricultural constructions, technical means and agricultural equipment; phyto- sanitary products, fertilizers and irrigations, non-agricultural activities run by the agricultural producers etc.

The period and the reference moment in the frame of GAC. The collecting of data for The General Agricultural Census in the Republic of Moldova has been carried out during the period March 15th – April 15th 2011. The period of reference for most of the indicators (those of flow: concerning the utilization of lands, labour force, fertilizers, phyto-sanitary products etc.) is the agricultural year 2010: from November 1st till October 30th 2010. To underline that the notion of “agricultural year” has been used in GAC for the first time as, traditionally, we used to refer to “calendar year”. The reference date for the stock characteristics (livestock, machines and equipment, existing constructions etc.) has been established for March 1st, 2011.

The period 2008-2010 (last three years) is representing the period of reference for the information concerning the steps taken as to the rural development, of which the agricultural unit benefited.

The elaboration of the basic methodological and organizing principles concerning the carrying out the GAC in our country taking into consideration the relevant provisions of the EU in this respect, allowed the harmonization with the EU requirements of:

- the census programme/the studied characteristics, in general terms (apart some exceptions, mainly as regards the labour force and the total volume of working days of full working norm during the agricultural year, carried on by the non-employed persons in the frame of the agricultural exploitation etc.) ;

- the notions and definitions applied in GAC 2011;

- the reference period of GAC (the agricultural year 2010);

Thus, the achievement of the first GAC of the Republic of Moldova allowed not only to obtain the traditional comprehensive data concerning the situation of the agrarian sector but also information in premiere, very relevant, comparable at the European level, as regards:

- the number and main characteristics of the agricultural exploitations:

- the mode of holding the lands by categories of terrains;
- the agricultural surface utilized, not-utilized, abandoned;
- the ecological agriculture;
- the destination of the agricultural production;
- the livestock, according to classification applying in the EU states (mainly in the case of porcine – by categories of weight (piglets of under 20 kos. weight of the alive animal; reproduction sows of 50 kos. and over etc.);
 - Machines and equipment utilized and held over their exploitation periods (up to and over 10 years);
 - the labour force, including also the agricultural activity of the household members and employed persons, inclusive as gender;
 - the support granted to the exploitation for the rural development;
 - methods for the soil cultivation and conservation;
 - animal shelters;
 - the stocking of the manure, its processing and application;
 - irrigations;
 - non-agricultural activities, bringing in incomes of the exploitation

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Actual Energetic Dependencies

- Result of Economic Global Strategies -

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Abstract

The situation on the energy market has suddenly entered a period of turbulence. Prices are at reach of energy suppliers which means an increased vulnerability of countries depending on partners with problems with no alternative. But for those who do have an alternative, the lack of clear strategy equals deepening dependence. Global interests have made the price of gas to no longer comply with the general principles of the market, but to follow the strategic policies of strengthening globalization.

Key words: energy, gas, market, prices, interest

1. Managing global oil and gas market.

Recent radical events in Ukraine have forced world states particularly those of Western Europe, to analyze their energy dependencies of the Russian Federation in order to substantiate economic sanctions that will not return like a boomerang against their interests. Trade patterns between below mentioned states and Russian giant Gazprom reveals quantities of gas imports from it (billion cubic meters), from which we can determine the dependence of each state in order to cover their energy needs, as shown in the following table:

Country	2011	2012	2013	Dependence degree (2012)
Germany	34,0	33,0	40,2	39%
Turkey	26,0	27,0	26,6	59%
Italy	17,1	15,1	25,3	21%
Great Britain	8,2	8,1	12,5	10%
Poland	10,3	9,9	9,8	61%
France	9,5	8,0	8,2	18%
Czech	7,6	7,3	7,3	91%
Hungary	6,3	5,3	6,0	53%

Country	2011	2012	2013	Dependence degree (2012)
Slovakia	5,9	4,2	5,4	82%
Austria	5,4	5,2	5,2	59%
Finland	4,2	3,8	3,6	100%
Bulgaria	2,8	2,5	2,8	94%
Greece	2,9	2,5	2,6	57%
Netherlands	4,4	2,3	2,1	6%
Romania	2,8	2,2	1,2	16%
Serbia	1,4	0,7	1,2	100%
Slovenia	0,5	0,5	0,5	63%
Switzerland	0,3	0,3	0,4	9%
Denmark	0,1	0,3	0,3	9%
Bosnia and Herzegovina	0,3	0,3	0,2	100%
Macedonia	0,1	0,1	0,0	100%

*This level of dependency was reached through strategic actions designed by Moscow leadership, with help of some well-known companies from Italy, Germany, France and beyond.

Immediately after the collapse of the former USSR the Italian oil company ENI began developing a successful business partnership with Gazprom. In 1992 , ENI signed a contract to supply Gazprom a wide range of equipment needed to modernize gas transport infrastructure. The object of business was expanded in 1996 by signing an agreement for liquefied gas, as of 1999, the two companies signed a memorandum "... which pledged to jointly develop the project Blue Stream by the Russian-Italian investment company Blue Stream Pipeline, registered in the Netherlands. The pipeline is managed by Gazprom, Blue Stream Pipeline and the Turkish company BOTAŞ, owned by the state. The project was carried out under an agreement between Russia and Turkey, Russia pledged to supply Turkey 364.5 billion cubic meters of gas during 2000-2025. At the inauguration of the pipeline in November 2005, attended by President Vladimir Putin, Prime Minister of Turkey Recep Tayyip Erdogan, and former Prime Minister of Italy Silvio Berlusconi.”¹

It seems that not only economic interests made the two major energy Italian corporations ENI and ENEL to participate in auctions organized

¹ Ioana Tudor, Major energy companies from Europe have helped Russia ..., Article, from the Financial Journal, Tuesday, March 25, 2014, p 14

following the bankruptcy of Yukos group, once one of the largest producers of oil and gas from Russia, but managed by a declared opponent of Putin, only after previously having signed an agreement with Gazprom, which stated out that the two companies will sell to Gazprom all purchased assets. As such, Gazprom has strengthened strategic control in the oil and gas markets throughout the continent, providing about 30% of gas consumption in Europe.

ENI and Gazprom have further strengthened relations in 2007 when they succeeded in imposing the South Stream pipeline project that connects the Russian Federation, Bulgaria, Greece, Italy and Austria. For this project, which was imposed against the visions of the central European institutions, Gazprom and ENI have established the company South Stream AG for the project, registered in Switzerland, which has as partners the French company EDF and the German oil and gas producer Wintershall, a subsidiary of BASF. The four companies are aiming to complete the South Stream pipeline in 2018. Estimated cost of the project is 17 billion, while the cost of the Bulgarian sector is estimated at 3.5 billion euros.

As an expression of good relations between Russia and Germany in 2013, the company BASF, the largest consumer of gas in Germany, signed an agreement with Gazprom to sell a large part of Germany's gas infrastructure, including Rehden storage facility, near Bremen, the largest storage capacity in Western Europe in exchange for direct access to the extraction field in Russia, while BASF buys about half of its total consumption from Russia through Gazprom.

U.S. and EU leaders have decided to limit Europe's dependence on Russian gas. Consequently, European energy commissioner said he can be involved in mediating conflicts between the six countries involved in the construction of the South Stream pipeline. As such, the pipeline's fate becomes uncertain, falling under the possibility of Community sanctions. In turn, Gazprom remained on the fence, looking at one of the following options: delaying the project, convincing countries to go further in realizing the project but on a renegotiated base or to address the European Court of arbitration, alleging that the companies involved haven't fulfilled their contractual commitments and produced damages. Of course, 30% dependence on Russian gas should be reduced, but the cost is estimated to be very high: either by bringing gas from the U.S., or by enhancing its own resources. Both directions require reorientation on storage facilities infrastructure and gas transmission, a situation that favors maintaining the many years of partnerships with Russia, especially considering that it is willing to reduce prices.

Of the 21 countries analyzed in the situation described above, 13 states have a degree of dependence exceeding 50% and six states of these depend between 90% and 100% of Russian imports (100% Macedonia, Bosnia and Herzegovina 100% Serbia 100% Finland 100%, Bulgaria 94%, Czech Republic 91%). Such dependence created over time after subtle strategies, for the time being, makes it impossible to apply competition laws in the energy sector.

2. Romania in the context of European Energy.

With a dependency of below 20%, Romania is facing a better situation compared to states whose dependency is much higher. Furthermore, Romania has the possibility to import gas from west by Arad-Szeged pipeline linking Romania to Hungary, and Hungary to central Europe. As the capacity of this pipeline is very low, Romania remains dependent for about 20% of its gas imports to Russia. In 2007-2013, the consumption of imported gas has followed a fluctuating curve, and from 2011 it shifted downward, 2.82 billion cubic meters in 2011, 2.17 billion cubic meters in 2012 and 1.19 billion cubic meters in 2013. Quantities imported, the average price and invoices are presented in the following table, reflecting the situation for the years 2007-2013:

Year	Import (bill. qm.)	Average price (S/1000 mc)	Dependence invoice (mil. S)
2007	3,93	299	1 175, 4
2008	3,58	453	1 620,5
2009	2,04	357	727,3
2010	2,27	359	815,5
2011	2,82	442	1246,9
2012	2,17	440	953,7
2013	1,19	418	497,4
Total amount	18,0		7036,7

Thus Romania has paid a bill of more than seven billion dollars for 18 billion cubic meters of gas to Gazprom, but not directly, through the mediation of the two companies WIEE and CONEF ENERGY, with which agreements have been concluded in 2007 with a validity period until 2030. Interesting seems to be that "The two companies were not randomly chosen intermediaries. WIEE was initially a joint venture registered in Switzerland

made between Gazprom and Wintershall, but from 2013 is fully controlled by the Russian group. CONEF ENERGY is a company that has behind Vitali Matchiski, the Russian mogul who controls many aluminum businesses, including Alro Slatina.”²

The purchase gas prices are based on policies set by Gazprom. In 2012 , Macedonia and Bosnia and Herzegovina have paid \$ 500 per thousand cubic meters of gas, and for Romania Russian gas price was \$ 431.8 per thousand cubic meters , while England has paid only 313.4 dollars for the same amount of natural gas. It is obvious that Gazprom imposes a price for 100 % dependent countries, other prices for countries with less dependence and other prices for countries that are supplied with energy from other sources, that Russia has no monopoly on.

Therefore, it is considered that the " lucky " countries that are by the ocean and have LNG terminals to import liquefied natural gas (LNG) brought by sea from countries like Qatar also benefit from a discount on Russian gas . The best example is the UK, a Gazprom client located farthest from the fields where gas is extracted. UK has three advantages: its own gas production (although this is declining) import from Norway and regasification terminal for liquefied gas from Qatar.”³

The situation on the energy market has suddenly entered a period of turbulence. Prices that are at reach of energy suppliers increase vulnerability of countries whose dependency on problematic partners has no alternative. But for those who have an alternative, the lack of clear strategy equals a deepening dependence.

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² Radu Bostan, 7 year 7 billion dollars ..., article, Energy 2014, published by the Financial Journal, February 2014, p. 44

³ Idem, p.45

Statistical Analysis of Macroeconomic Variables

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Abstract

This report comprises an analysis over 40 countries from the group ONECE and over the following two variables : GDP per capita and Unemployment rate in the year 2011

The following report consist of more sections; it begins with calculating the central tendency indicators, which will have a role in the entire report with the purpose to analyze and interpret data regarding the GDP per capita and the Unemployment rate separately of the countries mentioned above, but also the dependency of one variable to the other, and the meaning of the correlation between them.

Key words: *unemployment, GDP, regression function, statistical indicators*

1. Analysis of the data series

1.1 Ungrouped data: In this first section, the central tendency indicators will be computed for each of the two variables, and will be analyzed their significance. The central tendency indicators are:

Mean - The mean represents a calculated central value of a set of number. Additionally the result obtained after applying the formula is for the average for GDP per capita is 24292,275 . US\$ and for Unemployment rate is 10, 095%.

Median - The median represents the "middle" value .Thus half of the observations are smaller than the median and the other half are greater. Consequently the value which divides the total frequency in 2 halves is 23890. US\$ for GDP per capita and 7,95% for Unemployment rate.

Mode - The mode represents the value with the highest frequency. The set of data used did NOT have a mode for the GDP per capita, but for the unemployment rate is 7,9%. In order to see how representative are the averages computed above, several indicators showing the degree in which the data is scattered or varies around the average must be calculated . More homogenous the data, more representative the average will be:

Absolute range - $R_x = x_{max} - x_{min}$ I obtained an absolute range of 6526 . US\$, for the first variable and 28,9% for the second one. Relative range - $R_x(\%) = 270,12\%$ for GDP per capita and $R_x(\%) = 286,28\%$ for Unemployment Rate . Because the relative range is greater than 100%-

120%, the series are heterogenous. Variance – reflects the dispersion of all observations and equals $\sigma^2 = \frac{\sum(x_i - \bar{x})^2}{n_i}$. Concerning GDP per capita the $\sigma^2 = 183738494,9$ and for Unemployment Rate $\sigma^2 = 34,69382051$. All these values shows that data series has a large variance and consequently there is more variability in the data set.

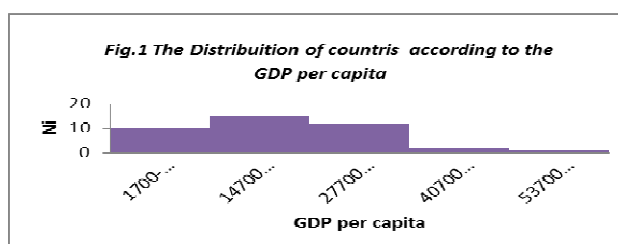
Standard deviation – is a computed measure whose value is affected by the value of every observation in a series . $\sigma = \sqrt{\sigma^2}$. The values obtained for the 2 variables are 13555,01733. US\$ and 5,89%.

Coefficient of variation –. The value obtained for GDP per capita is 55,79 % and the one for Unemployment Rate 58,34%. Considering the results obtained, the series had a low homogeneity and has a low the average representation.

1.2. Grouped data: Now, the countries from the database will be divided in intervals, and the data will be analyzed and interpreted according to these intervals.

Table 1. The frequency of countries in each class interval - criterion GDP per capita

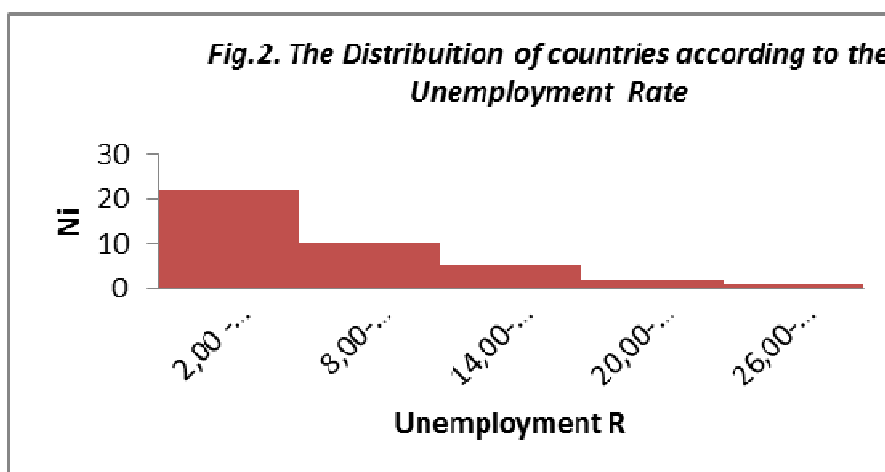
GDP per capita	Frequency(Number of countries)	Class Midpoint
1700-14700	10	8200
14700-27700	15	21200
27700-40700	12	34200
40700-53700	2	47200
53700 and more	1	48500
Sum	40	



The distribution of the 40 countries according to their values of Unemployment Rate:

Table 2. The frequency of countries in each class interval - criterion Unemployment Rate

Unemployment R	ni(No of countries)	Class Midpoint
2,00 - 8,00	22	5
8,00-14,00	10	11
14,00-20,00	5	17
20,00-26,00	2	21
26,00-32,00	1	27
Sum	40	



Indicator	GDP per capita	Unempl R
Average	23832,5	9,4
Median	23800	7,59
Mode	22825	5,88
Variance	144960093,3	32,739375
Standard deviation	12039,93743	5,721833185
Coefficient of variation	50,51898638	61,19607685
Measure of skewness	1007,5	3,5
Pearson coefficient	0,083679837	0,606448998

2. Regression and correlation analysis

The Unemployment Rate will be considered as the dependent variable and GDP per capita as the independent variable.

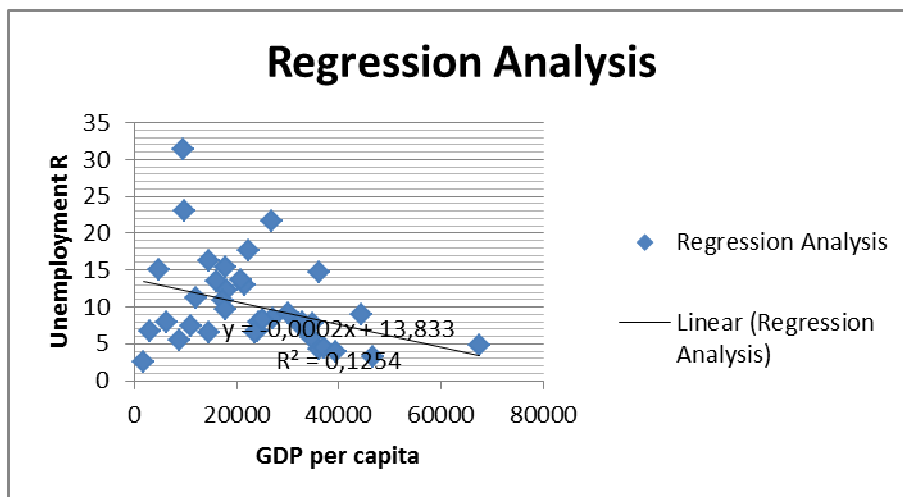
SUMMARY OUTPUT

Regression Statistics	
Multiple R	0,354068617
R Square	0,125364586
Adjusted R Square	0,102347864
Standard Error	5,580589762
Observations	40

ANOVA					
	df	SS	MS	F	Significance F
Regression	1	169,6256807	169,625681	5,446674318	0,024994763
Residual	38	1183,433319	31,1429821		
Total	39	1353,059			

	Coefficients	Standard Error	t Stat	P-value	Lower 95%	Upper 95%	Lower 95,0%	Upper 95,0%
Intercept	13,832503	1,82845466	7,56513345	4,28447E-09	10,1309906	17,53401643	10,1309906	17,53401643
X Variable 1	-0,0001538	6,59246E-05	-2,3338111	0,024994763	0,000287313	-2,03982E-05	0,000287313	-2,03982E-05

The regression equation is $y_i = a + b * x_i$



Regarding the relationship between the GDP per capita and Unemployment rate, is an inverse relationship between them .

The parameter a has no economic meaning in our case the value obtained for a is 13,8325 while parameter b influences the value of Unemployment rate. The fact that $b = -0,0001538$ means that between Unemployment rate and GDP per capita there is a inverse relationship. This regression coefficient indicates through its sign the direction of the independent variable over the dependent one through its measure the proportion of this influence.

Consequently, when there is a change of one US\$ in the value GDP per capita, the Unemployment rate, have a tendency to move in the inverse direction with 0.01%

The coefficient of determination according to the formula:

$$R^2 = D = \left[1 - \frac{\sum (y_i - \hat{y}_i)^2}{\sum (y_i - \bar{y})^2} \right] * 100 = 12,53\%$$

The value of 13,82 % of the variation of Unemployment rate can be explained by the variation in GDP per capita. The other 87,47% can be explained by other factors.

The correlation coefficient is computed by using the formula :

$$r = \frac{n \sum x_i y_i - \sum x_i \sum y_i}{\sqrt{[n \sum x_i^2 - (\sum x_i)^2][n \sum y_i^2 - (\sum y_i)^2]}} = -0,2206499$$

If the correlation coefficient is closer to 1 than to 0, there is a strong relationship between the two variables. In our case $r = -0,22$, this means that there is a low relationship between Unemployment rate and GDP per capita.

Conclusion

This analysis's goal was to compute several statistical indicators for the Unemployment rate and GDP per capita, and the values obtained, to interpret what is their significance.

Through the analysis and calculus it has been shown how for each of the two variables how they vary among each other and how representative the results are. We have observed how this is influencing them individually. The conclusion is that through the calculation we have demonstrated that is a low correlation between the two variables: Unemployment Rate and GDP per capita for the 40 countries from the UNECE group analyzed.

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Economic Analysis through the Use of Statistical – Econometric Models

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Abstract

In the theoretical analysis, dependency of variables is stochastic. Consideration of the residual variable within such a model is needed. Other factors that influence the score variable are grouped in the residual.

Uni-factorial nonlinear models are linearized transformations that are applied to the variables, the regression model. So, for example, a model of the form turns into a linear model by logarithm of the two terms of the above equality, resulting in linear function.

Sometimes, for estimating parameters using other techniques of estimation, which cannot be incremental transformations, linear estimation of parameters is made by numerical methods. Linear regression model is based on the series of data for the two features. They are represented by vectors x (the variable factor) and y (variable score).

Key words: *model, parameter, correlation, characteristic, condition*

1. Introductory aspects

Regression and correlation method indicates how the characteristic result of „Y” changes in conditions where the characteristics of values „X” changes. The goal of regression is to identify the mathematical relationship that exist between two variables¹.

To assess the intensity of the relationship between two variables, the level of correlation between them is determined, which indicates the intensity of the connection between variables by measuring the scattering degree of recorded data around the regression line².

¹ Anghelache, C. (coord., 2012) – „Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României”, Revista Română de Statistică, Supliment Noiembrie 2012

² Anghelache, C. și alții (2012) – „Elemente de econometrie teoretică și aplicată”, Editura Artifex, București

2. Linear regression model

Linear regression model involves the identification of variables for defining specification for variable and model residuals; the context in which the regression model is used. Analysis of chronological (time) using a temporal function which, in essence, is also a regression, with a variable time (t).

The purpose of using the regression model is to obtain the parameters that correspond to the set of variable dependency analysis, formulated between variables, where the series of data are recorded in the statistical units of the population for a period or a moment, and for highlighting the dependence between the variables within a specified time-frame³.

This model is recommended when the points are located, that the cloud of points around a line.

This requires completion of the methods used for the estimation of the two parameters; specify the methods to be used for testing the properties of the estimators of regression model and setting the framework for the use of the regression model in making predictions.

In defining the function of linear regression are considered, most commonly, four hypotheses⁴:

- data series are not affected by the errors.
- for each fixed value of the characteristic factorial, residual variable is zero, i.e. on average:

$$E[\varepsilon_i | X = x_i] = 0$$

for all i,

- the lack of correlation between residues expressed that the terms do not exhibit the phenomenon of covariance, which means the variable correlation hypothesis
- residuals with the independent, which means that

$$\text{cov}(X, \varepsilon_j) = 0$$

for any j, showing an increase in the value of the variable factorial does not automatically lead to an increase of the values of the variable.

On the basis of the four assumptions define the linear regression model through the function: $y_i = b + a \cdot x_i + \varepsilon_i$, $i = 1, \dots, n$

³ Dougherty, C. (2008) – “*Introduction to econometrics. Fourth edition*”, Oxford University Press

⁴ Anghelache, C. și alții (2012) – „*Elemente de econometrie teoretică și aplicată*”, Editura Artifex, București

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The purpose of using the regression model is to obtain the parameters that correspond to the set of variable dependency analysis, formulated between variables, where the series of data are recorded in the statistical units of the population for a period or a moment, and for highlighting the dependence between the variables within a specified time-frame. In the theoretical analysis, dependency of variables is stochastic. Consideration of the residual variable within such a model is needed. Other factors that influence the score variable are grouped in the residual⁵.

Uni-factorial nonlinear models are linearized transformations that are applied to the variables, the regression model. So, for example, a model of the form turns into a linear model by logarithm the two terms of the above equality, resulting in linear function.

This model is recommended when the points are located, that the cloud of points around a line.

Sometimes, for estimating parameters using other techniques of estimation, which cannot be incremental transformations, linear estimation of parameters is made by numerical methods.

Linear regression model is based on the series of data for the two features. They are represented by vectors x (the variable factor) and y (variable score).

3. Non-linear regression model

The evolution of the economic phenomena does not develop according linear trajectories but can take non-linear trajectories as well⁶.

The analysis of the correlations between the economic variables can be performed depending on non-linear functions also, which are linearized by transformations. We proceed likewise in order to submit the non-linear model in a simple equivalent form, allowing an easy interpretation of the parameters values or their estimation.

⁵ Jesus Fernandez-Villaverde & Juan Rubio-Ramirez (2009) – “*Two Books on the New Macroeconometrics*”, Taylor and Francis Journals, Econometric Reviews

⁶ Anghelache, C. (coord., 2012) – „*Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României*”, Revista Română de Statistică, Supliment Noiembrie 2012

Thus, if the dependence between two variables is shown by the non-linear model of regression $y_i = a \cdot x_i^b \cdot \varepsilon_i$, through logarithmic procedure, we get the regression linear model $\ln y_i = \ln a + b \ln x_i + \ln \varepsilon_i$.

When estimating a regression non-linear model we proceed as follows:

1. we estimate the parameters applying the method of the smallest squares;
2. through transformations, we linearize the non-linear function and then we estimate the parameters applying the method of the smallest squares;
3. we establish the parameters through numerical methods.

4. Linearization models for the non-linear models

We submit the semi-logarithmic and the double logarithmic models which can be linearized⁷:

- The logarithmic model can be either without free term or with free term.
- The free term model (log-log) is of the dependence form, respectively:

$$y_i = a x_i^b \varepsilon_i$$

In this model $a \in R_+^*$ and $b \in R$. Depending of the sign of the parameter b the properties of the resulting characteristic are set up.

If this parameter is positive, the resulting characteristic has an upward trajectory. The downward trajectory of the resulting characteristic is emphasized, in the case of the regression non-linear model, by the negative value of the resulting characteristic exponent.

Applying the logarithms the double logarithmic model results⁸

$$\log y_i = \log a + b \log x_i + \log \varepsilon_i$$

Using the substitutions

$y_i^* = k = \log y_i$, $x_i^* = \log x_i$, $a^* = \log a$, the regression linear model becomes:

$$y_i^* = a^* + b x_i^* + \varepsilon_i^*$$

⁷ Anghel M.G.– *Utilizarea modelelor econometrice în analizele economice*, Simpozionul științific internațional „Necesitatea reformei economico – sociale a României în contextul crizei globale”, Editura Artifex, București, 2010, pg. 145-151, ISBN 978-973-7631-71-8

⁸ Anghelache, C. și alții (2012) – „*Elemente de econometrie teoretică și aplicată*”, Editura Artifex, București

We estimate the two parameters of the regression linear model and establish the parameter a which appears in the regression linear model:

$$\hat{a} = 10^{\hat{a}^*}$$

• The free term model (log-log) holds, in addition, a free term and shows under the following form:

$$y_i = a_0 + ax_i^b \varepsilon_i$$

In the case of this model applying the previous procedure of linearization is no more possible. In order to estimate the parameters, one of the following two methods applies⁹:

- a. when a value of the free term of the model is specified, then, using the notations $v_i = y_i - a_0$ and $u_i = x_i$, we get the regression model $y_i = ax_i^b \varepsilon_i$. In this respect, parameters are estimated according to the case of the double logarithmic model;
- b. then we estimate the three parameters of the model through numerical models. It is possible to transform the model into a linear one using the development of the Taylor series.

We submit a number of properties of the parameters which are needed for interpreting the model parameters and the characteristics of the factorial variable in connection with the parameters values. The interpretations are achieved in the context of using the model $y_i = ax_i^b \varepsilon_i$.

For this model we underline that:

- if $b < 0$, the function log-log is down warding as against the factorial characteristic. In this case, $\lim_{x \rightarrow \infty} y_i(x_i) = 0$. In the situation of the free term model r, $\lim_{x \rightarrow \infty} y_i(x_i) = a_0$;
- if $b > 0$, the non-linear function is up warding and $\lim_{x \rightarrow \infty} y_i(x_i) = \infty$;
- irrespectively of the sign of the parameter b , this is equal with the elasticity of the resulting variable, calculated in connection with the factorial variable, namely:

$$b = \frac{\partial y_i}{\partial x_i} : \frac{y_i}{x_i} ;$$

⁹ Anghelache, C. și alții (2012) – „Elemente de econometrie teoretică și aplicată”, Editura Artifex, București

- when the differential of second order is $\frac{\partial^2 y_i}{\partial x_i^2} = ab(b-1)x_i^{b-2}$, is

results that: $b \in (0,1)$, the analytic function is up warding and concave ; $b = 1$, the regression model gets reduced to the simple linear model, without free term ; $b > 1$, the function is up warding and convex .

- The exponential model is used in the case when the points cloud resulting from the graphical representation of the series of values $(x_i, y_i)_{i=1, \overline{n}}$ is directed along the curve of an exponential function¹⁰.

The exponential model, with the parameters a and b, is defined through the relation

$$y_i = a \cdot b^{x_i} \varepsilon_i, a, b \in R_+^*$$

The estimation of the parameters of the exponential model is made through data transformations by logarithms, following the stages:

- by logarithms applied to the equality terms we get the regression linear model:

$$\ln y_i = \ln a + \ln b \cdot x_i + \ln \varepsilon_i$$

The model becomes a linear by the substitution of $u_i = \ln y_i, \eta_i = \ln \varepsilon_i, a^* = \ln a$ and $b^* = \ln b$;

- we estimate the parameters of the regression linear model , $u_i = a^* + b^* x_i + \eta_i$ using the smallest squares method; we get the estimators \hat{a}^* and \hat{b}^* ;
- the estimators of the parameters of the regression non-linear model are established:

$$\hat{a} = e^{\hat{a}^*} \text{ and } \hat{b} = e^{\hat{b}^*}$$

Finally, we calculate the values adjusted on the basis of the estimates regression non-linear model:

$$\hat{y}_i = \hat{a}(\hat{b})^{x_i}, i = \overline{1, n}$$

The exponential model is used when the values of the resulting variable increase in an arithmetic progression while the values of the factorial variable increase in a geometrical progression.

In order to interpret the meaning of the parameter b we take into account that

$$b = \frac{1}{y} \cdot \frac{\partial y}{\partial x}$$

¹⁰ Dougherty, C. (2008) – “*Introduction to econometrics. Fourth edition*”, Oxford University Press

It is to notice that the parameter b defines the increase rate of the resulting characteristic depending on the factorial variable X .

In the case of the exponential model we distinguish the following situations:

- b is the rate of increasing or decreasing of the characteristic Y as against X ;
- if $b > 1$, the evolution of the characteristic Y is up warding
- if $b \in (0,1)$, the characteristic Y records a decrease as against the variable X ;
- the values of the characteristic Y are positive only and the parameter a satisfies the positivity property.

5. Elements typical to the hyperbolic model

The reciprocal regression model is used also to study the dependence between the unemployment rate and the inflation rate. The regression curve built up in this case is called Phillips curve. The regression reciprocal model, with a negative slope of the curve, is usually used for analyzing the dependence of one product consumption on the incomes available for consumption¹¹

The value $-b/a$ is the abscise of the point in which the graph crosses the Ox axis. The value corresponds to the minimum income allowing the acquisition of the requested product for consumption.

The reciprocal model has the equality:

$$y_i = a + \frac{b}{x_i} + \varepsilon_i$$

The interpretation of the reciprocal model (hyperbolic) parameters is done as follows:

- We calculate the curve slope by the relation:

$$\partial y_i / \partial x_i = -b / x_i^2$$

The function is down warding when the parameter b is positive and up warding if b is negative.

- Irrespectively of the sign of the parameter b , for the reciprocal model $\lim_{x \rightarrow \infty} y(x) = a$

The estimation of the two parameters is done by following the stages:

¹¹ Anghelache, C. (coord., 2012) – „Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României”, Revista Română de Statistică, Supliment Noiembrie 2012

- the parameters a , b are estimated through the smallest squares method. Out of the condition $\sum_i \left(y_i - \hat{a} - \hat{b} \frac{1}{x_i} \right)^2 = \text{minimum}$, we

$$\text{get the linear system of equations: } \begin{cases} n\hat{a} + \hat{b} \sum_{i=1}^n \frac{1}{x_i} = \sum_{i=1}^n y_i \\ \hat{a} \sum_{i=1}^n \frac{1}{x_i} + \hat{b} \sum_{i=1}^n \frac{1}{x_i^2} = \sum_{i=1}^n \frac{y_i}{x_i} \end{cases}$$

We solve the linear system of equations having the unknown quantities \hat{a} and \hat{b} .

- We calculate the adjusted values $\hat{y}_i = \hat{a} + \frac{\hat{b}}{x_i}$, and the series of the adjusting errors.

6. Specific aspects of the parabolic model

This model is used in the case that the characteristic rhythm of evolution follows a linear function, having the slope coefficient equal to the constant a . The points $(x_i, y_i)_{i=1, \dots, n}$ are placed around the curve described by a parabola¹².

For instance, the Laffer curve is represented in the form of a parabola and defines the relation between the government income and the taxation rate. We underline certain characteristics of the Laffer curve:

- The state income = f (taxation rate);
- The Laffer curve is decomposed in two regions: the region of a normal behavior, comprised between 0 and that level of the taxation rate ($t\%$) where the state income is maximum; the region comprised between $t\%$ and 100% known as the inadmissible zone where, at an increase of the taxation rate, a corresponding increase of the state income is not achieved.
- Between the income out of the inflation taxation and the inflation rate there is a dependence of parabolic type. In this case, it is stated out that there is a level of the inflation up to which it is

¹² Anghelache, C. (coord., 2012) – „Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României”, Revista Română de Statistică, Supliment Noiembrie 2012

estimated that state increases its income after which, an increase of the inflation rate leads to the state income diminishing.

The regression parabolic model which is defined by the $a, b, c \in R$ is $y_i = c + bx_i + ax_i^2 + \varepsilon_i$

Being a linear function as against the three parameters, a, b and c, in order to estimate them the smallest squares method is utilized. It is required as a condition that the value of the expression $\sum_i (y_i - \hat{c} - \hat{b}x_i - \hat{a}x_i^2)^2$ is a minimum one, resulting the following linear system of equations¹³:

$$\begin{cases} n\hat{c} + \hat{b}\sum_{i=1}^n x_i + \hat{a}\sum_{i=1}^n x_i^2 = \sum_{i=1}^n y_i \\ \hat{c}\sum_{i=1}^n x_i + \hat{b}\sum_{i=1}^n x_i^2 + \hat{a}\sum_{i=1}^n x_i^3 = \sum_{i=1}^n y_i x_i \\ \hat{c}\sum_{i=1}^n x_i^2 + \hat{b}\sum_{i=1}^n x_i^3 + \hat{a}\sum_{i=1}^n x_i^4 = \sum_{i=1}^n y_i x_i^2 \end{cases}$$

Out of the system of equations, the series of the adjusted $\{\hat{y}_i, i = \overline{1, n}\}$ is resulting. In order to evaluate the quality of the estimated model, the series of the residuals $(\varepsilon_i)_{i=\overline{1, n}}$ is established, where $\hat{\varepsilon}_i = y_i - \hat{y}_i$.

7. The functions of polynomial type

A regression non-linear model is often represented through the polynomial functions of a certain order.

If the polynomial function is of the order k, then this one is submitted through

$$y_t = \beta_0 + \beta_1 x_t + \beta_2 x_t^2 + \dots + \beta_k x_t^k + \varepsilon_t$$

where the residual variables satisfy the hypothesis of the regression classical model and $(x_t)_{t=\overline{1, n}}$ are the characteristic values for a number of periods

In this case, the function is non-linear as against the factorial variables but it is linear as against the parameters of the regression model.

For a correct estimation of the polynomial function parameters it must exist a multi-co-linearity between the variables X, X^2, \dots, X^k . The

¹³ Anghelache, C. și alții (2012) – „Elemente de econometrie teoretică și aplicată”, Editura Artifex, București

selection of the grade of the polynomial function is done taking into account that¹⁴:

- the multi-co-linearity is frequent in the situation when the data series contains a reduced number of data;
- it is recommended the use of polynomial functions holding a degree lower or equal to 4;
- we note with R_k^2 the setting up ratio calculated for the polynomial function of order k. If the dimension of the data series is n, then $R_{n-1}^2 = 1$.

Out of the three studies, it results that the prediction power of the polynomial function decreases as against the number of parameters which must be estimated.

As an example, we can consider the definition of the cost for a production process (Y) depending on the production quantity achieved within a certain period (X):

$$y_t = \beta_0 + \beta_1 x_t + \beta_2 x_t^2 + \beta_3 x_t^k + \varepsilon_t$$

Considering the last polynomial function, we define four types of costs:

- a) the average cost of the production over a period (c_t):

$$c_t = \frac{y_t}{x_t} = \beta_0 \frac{1}{x_t} + (\beta_1 + \beta_2 x_t + \beta_3 x_t^2) + \eta_t$$

b) the average fix cost of the production, which is represented by the first term of the above relation, through which we define the average cost;

$$cf_t = \frac{y_t}{x_t}$$

c) the average variable cost, represented by the second term is given by the relation:

$$cv_t = c_t - cf_t = \beta_1 + \beta_2 x_t + \beta_3 x_t^2$$

- d) the marginal cost of the production:

$$cm_t = \frac{dy_t}{dx_t} = \beta_1 + 2\beta_2 x_t + 3\beta_3 x_t^2$$

These are significant indicators as to characterizing the performances of a production process.

¹⁴ Anghelache, C. și alții (2012) – „Elemente de econometrie teoretică și aplicată”, Editura Artifex, București. See also Anghelache, C. (coord., 2012) – „Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României”, Revista Română de Statistică, Supliment Noiembrie 2012

In estimating the parameters of the model we shall relate to the data transformation $Z_1 = X$, $Z_2 = X^2 \dots Z_k = X^k$, the regression linear model resulting:

$$y_t = \beta_0 + \beta_1 z_{1t} + \beta_2 z_{2t} + \dots + \beta_k z_{kt} + \varepsilon_t$$

In the case of the regression model of polynomial type, it will be necessary to establish the polynomial degree and to set out whether the variables Z_1, Z_2, \dots, Z_k are correlated on an overall basis or two by two and to which extent the multi-co-linearity is influencing the size of the dispersion estimators¹⁵.

The regression continuous non-linear models can be transformed through the Taylor series of order k in polynomial models of order k and, afterwards, through substitutions of variables, the mentioned linear model is resulting.

We consider that the regression non-linear model is defined by the function $f(x_{1t}, x_{2t})$, differentiable of order k in a point (a, b) while the succession of calculating the mixt partial differentials up to the order k is not significant, it is resulting:

- the Taylor polynomial of order k attached to the function $f(x_1, x_2)$ in the point (a, b) is defined by the relation:

$$P_k(x_1, x_2) = f(a, b) + \frac{1}{1!} d^1 f(a, b) + \frac{1}{2!} d^2 f(a, b) + \dots + \frac{1}{k!} d^k f(a, b),$$

$$\text{where } d^i f(a, b) = \left[\frac{\partial}{\partial x_1} (x_1 - a) + \frac{\partial}{\partial x_2} (x_2 - b) \right]^i f(a, b), \quad i = \overline{1, n} \text{ is the}$$

differential of order i of the function $f(x_1, x_2)$ in the point (a, b);

- if $R_k(x_1, x_2)$ represents the rest of order k of the Taylor series, then:

$$f(x_1, x_2) = P_k(x_1, x_2) + R_k(x_1, x_2)$$

- if $a = b = 0$, out of the above relation, we get the MacLaurin formula, which defines the equality:

$$f(x_1, x_2) = f(0, 0) + P_1(x_1, x_2) + P_2(x_1, x_2) + \dots + P_i(x_1, x_2) + R_1(x_1, x_2).$$

where $P_p(x_1, x_2)$ is a polynomial of degree p x_1 și x_2 .

¹⁵ Anghelache, C. (coord., 2012) – „Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României”, Revista Română de Statistică, Supliment Noiembrie 2012. see also Mitruț, C. (2008) – „Basic econometrics for business administration”, Editura ASE, București

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Analysis of the Main Indicators of the Bucharest Stock Exchange

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Abstract

The goal of this article is to achieve an analysis of the evolution and significance of the main indicators of the Bucharest Stock Exchange (stock exchange capitalization, BET index, value of the concluded transactions) over the last fifteen years. One of the significant elements in analyzing the performances of the capital market consist of the stock exchange capitalization which an essential indicator for characterizing of this domain of activity, mainly if considering the fact that it is used as weighing factor in the calculation of the stock exchange indices. Therefore, I have studied the connection between this one and the other analyzed indicators, applying in this respect the econometric model of regression.

Key words: *Bucharest Stock Exchange, stock exchange capitalization, BET index, transactions value, stock exchange liquidity.*

The stock exchange capitalization is representing an indicator of one stock exchange market potential reflecting the market value of the listed companies, which is set up as a sum of the product between the number of shares issued by each listed company and their corresponding market price.

Even since 1999, the capitalization of the Bucharest Stock Exchange recorded an up warding trend, with a spectacular increase recorded during the period 2002-2007, with a maximum of 85,962.4 million lei in 2007, on the ground of the increase of the value of the concluded transactions (increase of the shares quotations and of the transactions volume). The year 2008 meant a strong decrease of the value of the indicator, by 46.84% as against the previous year, as a consequence of the economic and financial crisis which started to produce effects in our country. The following years are showing an impressive recover, the maximum value of this indicator, all over the entire history of BVB, counting for 133,829.7 million lei, has been recorded in 2013.

Table no. 1 – Annual values of the main indicators recorded by BVB during the period 1999 – 2013

Year	Capitalization (RON)	BET (RON)	Transactions value (RON)
1999	572.500.000,00	448,53	138.915.000,00
2000	1.072.800.000,00	544,72	184.292.000,00
2001	3.857.300.000,00	754,85	381.277.000,00
2002	9.158.000.000,00	1.695,06	709.800.000,00
2003	12.186.600.000,00	2.171,88	1.006.271.130,00
2004	34.147.400.000,00	4.364,71	2.415.043.850,00
2005	56.065.586.984,76	6.586,13	7.809.734.451,60
2006	73.341.789.545,86	8.050,18	9.894.294.096,72
2007	85.962.389.148,60	9.825,38	13.802.680.643,77
2008	45.701.492.618,85	2.091,10	6.950.399.787,38
2009	80.074.496.089,64	4.690,57	5.092.691.411,02
2010	102.442.620.945,15	5.268,61	5.600.619.918,35
2011	70.782.200.350,27	4.336,95	9.936.957.504,54
2012	97.720.863.603,03	5.149,56	7.436.052.589,07
2013	133.829.707.065,84	6.493,79	11.243.500.679,71

The value of the main index of the Bucharest Stock Exchange (BET) showed a considerable appreciation over the 1999 – 2007, which is reflecting an increase of the activity of the stock exchange system in our country. Unfortunately, the effects of the economic and financial crisis have profoundly altered the Romanian stock exchange sector as well so that during the year 2008 a unprecedented decrease of the value of the BET index (about 70.47%) is recorded.

During the following years, the BET index showed a fluctuating evolution, closing the year 2010 with a modest increase of 12.32% and the year 2011 with a new decrease (-17.68%), followed by the increase of 18.74% recorded in 2012.

The value of the transactions concluded at the increased significantly over the period 2002 – 2007, along with a simultaneous reduction of the increasing rhythm of the transactions volume. Thus, in the year 2007 the value of this indicator increased by approximately 48% comparatively with the previous period, nevertheless at a much lower level as against the one recorded in the years 2004 and 2005 (147.6% and, respectively, 257.2%). The year 2008 showed a significant decrease of the value of the concluded

transactions, which kept on maintaining all over the next years, except a slight increase recorded in 2010. The year 2011 brought a significant increase of the values of the concluded transactions, a situation which did not stand in 2012, that year being marked by a decrease of the activity run by the international stock exchange markets, a phenomenon which have been felt on the internal plan, at political and macroeconomic level, including the Bucharest Stock Exchange as well. Until now, the maximum level recorded by the indicator “Value of the BVB transactions” is the one achieved in the year 2007.

Table no. 2 – Weight of the stock exchange capitalization in the Gross Domestic Product over the period 1999 - 2013

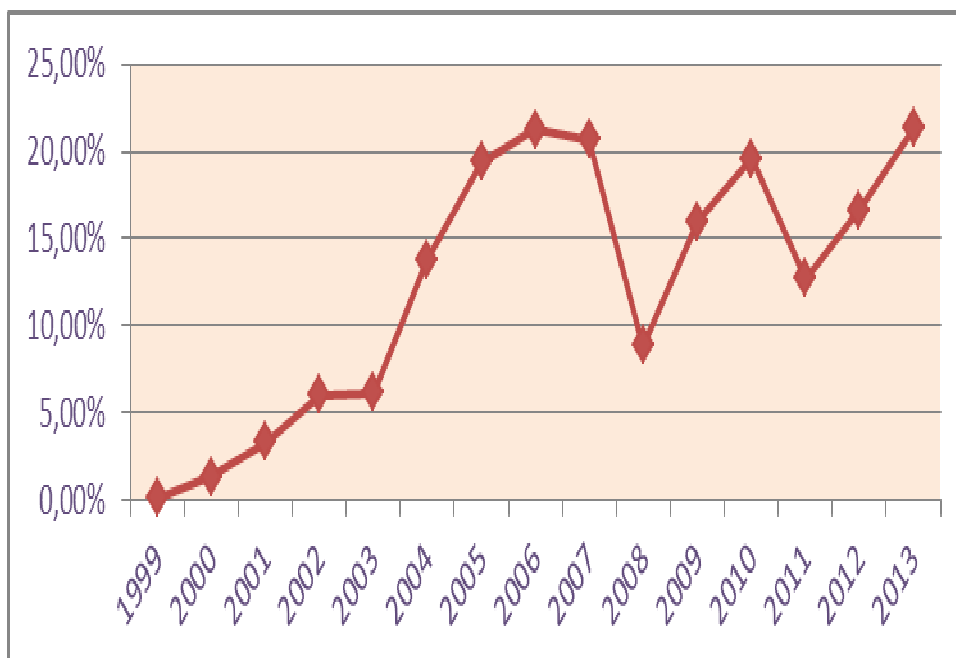
Year	stock exchange capitalization (mil lei)	Variation of the stock exchange capitalization*	GDP** (mil lei)	Weight of the stock exchange capitalization in the GDP*
1999	572,5	-	545.730,2	0.10%
2000	1.072,8	87.39%	80.377,3	1.33%
2001	3.857,3	259.55%	116.768,7	3.30%
2002	9.158,0	137.42%	152.017,0	6.02%
2003	12.186,6	33.07%	197.427,6	6.17%
2004	34.147,4	180.20%	247.368,0	13.80%
2005	56.065,6	64.19%	288.954,6	19.40%
2006	73.341,8	30.81%	344.650,6	21.28%
2007	85.962,4	17.21%	416.006,8	20.66%
2008	45.701,5	-46.84%	514.700,0	8.88%
2009	80.074,5	75.21%	501.139,4	15.98%
2010	102.442,6	27.93%	523.693,3	19.56%
2011	70.782,2	-30.91%	557.348,2	12.70%
2012	97.720,9	38.06%	586.749,9	16.65%
2013	133.829,7	36.95%	628.581,3	21.29%

* Author's own calculations

** The values of the Gross Domestic Product are expressed in current prices

As regards the weight of the stock exchange capitalization in the Gross Domestic Product, there is a sustained increase of this indicator to be stated out, mainly for the period 2004 – 2007, with a strong collapse in the

year 2008 (8.88%) as well as a recovery during the next years, the maximum value being recorded in 2013 (21.29%).

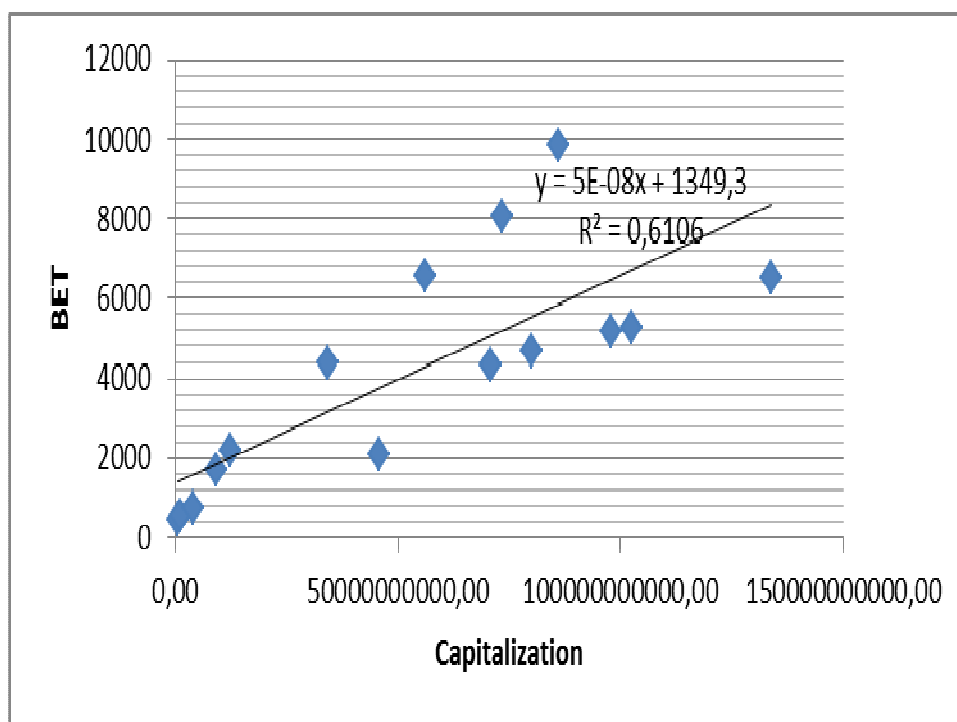


Graph no. 1 – The weight of the stock exchange capitalization in the Gross Domestic Product

The stock exchange capitalization represents one of the factors of significant influence on the BET index value -- Bucharest Exchange Trading (a representative index of the Bucharest Stock Exchange), launched in September 1997 and, meantime, the reference index of the capital market in Romania. BET is a price index of Laspayres type, weighted with the free-float capitalization, which reflects the overall tendency of the shares issued by the first companies, classified depending on their liquidity (the free-float of a company out of the structure of the BET index is representing the number of shares issued and in circulation which are available for transactions with the public).

In the frame of this study, I undertook to analyse the relationship existing between the BET index and the stock exchange capitalization over the last fifteen year, in which respect I have built up a series of data of annual frequency referring to the values recorded by the two indicators during the period 1999 – 2013.

To establish the type of regression model that is to be used in order to characterize the link existing between the evolution of the BET index (as dependent variable) and the evolution of stock exchange capitalization (as explicative variable) during the analyzed period I have graphically represented – as points – the data series considered, also drawing the proper regression line.



Graph no. 2 – BET- Capitalization Correlogram

Between the two analysed variable there is a type connection to be noticed, dependence which can be expressed through the model of the simple linear regression, as follows:

$$\mathbf{BET = \alpha + \beta * CAPITALIZARE + \varepsilon}$$

where:

BET = value of BET index (dependent variable);

CAPITALIZATION= value of the stock exchange capitalization (independent variable);

α, β = parameters of the regression linear model;

ε = residual value of the regression model

Next, the method of the least squares is applied in order to estimate the parameters of the econometric regression model subject of the analysis, which shows the following outcomes:

Table no. 3 – Estimation of the parameters of the BET- stock exchange capitalization

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.78143588							
R Square	0.61064204							
Adjusted R Square	0.58069143							
Standard Error	1846.78427							
Observations	15							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	69536579.94	69536580	20.3883	0.00058076			
Residual	13	44337958.03	3410612.2					
Total	14	113874538						
	<i>Coefficients</i>	<i>Standard Error</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1349.25312	784.9782648	1.7188414	0.109349	-346.58932	3045.096	-346.589	3045.0956
X Variable 1	5.2339E-08	1.15914E-08	4.5153404	0.000581	2.7297E-08	7.74E-08	2.73E-08	7.738E-08

The values obtained for the two parameters of the model are $\alpha = 1,349.25312$ and $\beta = 5,2339 \cdot 10^{-8}$, so that the regression model which characterizes the relation between the BET index and the value of the stock exchange capitalization during the last fifteen years is written as follows:

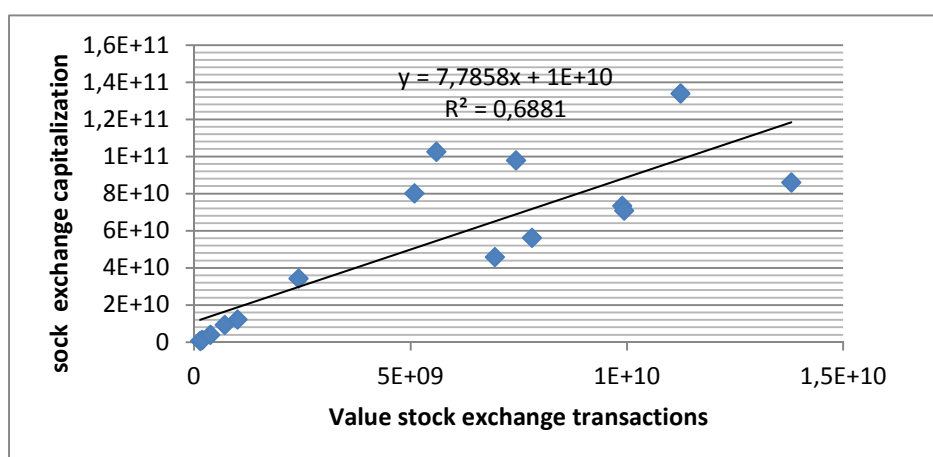
$$\text{BET} = 1.349.25312 + 0.000000052339 \cdot \text{STOCK EXCHANGE CAPITALIZATION}$$

Multiple R – the coefficient of a multiple correlation – recording the value of 0.78, is indicating a direct and strong connection between the value of the BET index and that of the stock exchange capitalization. The values recorded by the R-squared (the coefficient of determination) and Adjusted R-squared (the corrected coefficient of determination) are showing the weight in which the dependent variable is explained by the independent variable, so that to a proportion of over 61% of the BET index value is explained through the value recorded by the stock exchange capitalization. However, there is an insignificant influence to be stated out, (by an increase of 1% of the value of the capitalization, the value of the BET index is

recording an increase of 0.0000052339% only), the difference up to 100% representing the influence of other factors, not included in the present model.

The validity of this regression model is acknowledged by the values recorded by the tests F-statistic (the value of 20.38 is exceeding the reference tableted level) and Significance F (almost zero), so that the model describing the relation between the BET index and the stock exchange capitalization is a correct one, the variable being significant from the statistical point of view.

In the frame of this analysis, I utilized also the econometric regression model in order to evaluate the relation between the stock exchange capitalization and the value of the transactions on shares concluded through the Bucharest Stock Exchange during the period 1999 - 2013. In this case as well, I represented graphically, in form of points cloud, the two given series: the stock exchange capitalization (dependent variable) and the value of the concluded transactions (explicative variable), drawing, meantime, the relative regression line:



Graph no. 3 – Correlation line between stock exchange capitalization – Value of stock exchange transactions

The value of 0.82 recorded by *Multiple R* shows a strong connection between the two analysed indicators while the one recorded by *R Square* shows that, in proportion of 68.80% out of the value of the stock exchange capitalization is explained by the value of the concluded transactions, the difference up to 100% representing the influence of other factors not included in the present model.. The connection between the two variables is a direct one, showing that for the increase by one monetary unit of the

concluded transactions, the capitalization value is recording an increase of 7.78 lei.

Table no. 4 – Estimation of the parameters of the regression model stock exchange capitalization –Value of the stock exchange transactions

SUMMARY OUTPUT								
<i>Regression Statistics</i>								
Multiple R	0.82951							
R Square	0.688086							
Adjusted R Square	0.664093							
Standard Error	2.47E+10							
Observations	15							
<i>ANOVA</i>								
	<i>df</i>	<i>SS</i>	<i>MS</i>	<i>F</i>	<i>Significance F</i>			
Regression	1	1.75E+22	1.75E+22	28.6782	0.000130818			
Residual	13	7.92E+21	6.09E+20					
Total	14	2.54E+22						
	<i>Coefficients</i>	<i>Standard Err</i>	<i>t Stat</i>	<i>P-value</i>	<i>Lower 95%</i>	<i>Upper 95%</i>	<i>Lower 95.0%</i>	<i>Upper 95.0%</i>
Intercept	1.09E+10	1.02E+10	1.067125	0.30533	-1.1187E+10	3.3E+10	-1.1E+10	3.303E+10
X Variable 1	7.785792	1.453874	5.355204	0.00013	4.644887786	10.9267	4.644888	10.926696

$$\text{STOCK EXCHANGE CAPITALIZATION} = 1,0919\text{E}+10 + 7.785792 * \text{VT} + \varepsilon$$

The free term of the model (Intercept) is presenting a high value which creates the image of a high enough influence of the factors which were not included in the construction of the model of the stock exchange capitalization.

The values recorded by the tests F-statistic (the value of 28.67 is exceeding the tabled reference model) and Significance F (almost zero) confirm the validity of the model, the variable being significant from the statistical point of view.

Another important indicator as to characterizing the activity of the capital market is the stock exchange liquidity, which occurs in the situations when the participants can execute promptly a large volume of transactions, without a significant impact on the prices. The highest this one is, the lower the risk of a significant depreciation of the shares value by the time of the selling. A stock exchange market of low liquidity may generate high yields as a result of the prices volatility implying, thus, increased risks to run. The

stock exchange liquidity is an unpredictable characteristic which fluctuates in time.

Table no. 5 – The stock exchange liquidity rate at BVB during the period 1999 – 2013

Year	The stock exchange liquidity
1999	24.26%
2000	17.18%
2001	9.88%
2002	7.75%
2003	8.26%
2004	7.07%
2005	13.93%
2006	13.49%
2007	16.06%
2008	15.21%
2009	6.36%
2010	5.47%
2011	14.04%
2012	7.61%
2013	8.40%

Stock Exchange	Number of transactions	capitalization (EUR m)	Turnover (EUR m)	Liquidity
Bratislava Stock Exchange	8.696	4.075,22	39,2	0.96%
Bucharest Stock Exchange	610.699	17.833,82	1.165,0	6.53%
Budapest Stock Exchange	1.346.562	14.355,45	7.830,2	54.55%
Bulgarian Stock Exchange	81.432	5.092,86	656,6	12.89%
Ljubljana Stock Exchange	49.683	5.173,10	299,4	5.79%
Prague Stock Exchange	606.989	21.990,78	6.724,3	30.58%
Warsaw Stock Exchange	13.533.256	148.678,04	52.629,4	35.40%

At the level of the month of December 2013 and on a regional plan, the Bucharest Stock Exchange, exceeded the stock exchanges from Bulgaria, Slovakia and Slovenia but was placed below the performances achieved by the stock exchange from Hungary, Poland and Czech Republic,

as shown by the most relevant indicator in this respect, namely the rate of the stock exchange liquidity.

Conclusions

The activity run by the Bucharest Stock Exchange kept on continuously developing during the analysed period, mainly during the years 2002 -2007, taking the advantage of both the macroeconomic developments specific to our country and the more and more favourable perception on the role and place of the capital market in the frame of a modern economic system. The year 2008 is representing a baleful period for BVB, which was deeply troubled by the effects of the international economic and financial crisis. Under the circumstances, it must be noticed that all the analysed indicators went down to half of their values (value of the concluded transactions, level of the stock exchange capitalization, level of BET index) but, starting with the year 2009 they recorded again increases of values.

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The Evolution of the Industry over the Period 2001-2013

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Abstract

This paper presents the evolution of Romanian industry during the last fourteen years. Some of the key topics approached by the authors are the overall evolution of industry, the emphasis of the most significant branches of industry, which recorded growths or decreases, the analysis of the turnover in industry.

The statistical data concerning the situation recorded by the industry up to July 2013, published by the National Institute for Statistics, are offering a still discussable picture on the forthcoming foreseeable period.

If in 2000 the industrial production marked a slight increase as against the year 1999 (practically achieved due to almost exhausted resources), after the year 2001 it is possible to state out that a recovery process has been launched which, unfortunately, has been fractured as from the beginning of the IV quarter when the effects of the economic and financial crisis start of being felt.

This development occurred at the level of all branches, mainly the one of the electric and thermic energy.

Key words: *industry, evolution, situation, forecast, effects*

1. General evolution

If comparing the industrial production achieved in 2012 with that one recorded in the previous year, there is a slight increase in the absolute volume to be stated out which, to the extent we go forward becomes insignificant or gets deteriorated. Thus, in April it decreases by 9.1% as against the previous month while in June it decreases by 5.7% as against the

month of May. By June 30th 2013, the industrial production recorded an increase of 7.2% as against the first half of the year 2012¹.

Slightly positive results have been recorded by certain branches of the manufacturing industry, namely: tobacco products, road transport means, transport means not included in the category of road transport, wood and wooden products manufacturing, cellulose, paper and paper products, chemical substances and products, rubber and plastics products, building materials manufacturing, metallic constructions and other metal products, electrical machines and equipment, textiles, radio, television and communications equipment.

Decreases have been also recorded for certain branches, the most significant being: clothing articles, electric machines and equipment, printing houses, polygraphs and reproduction of recordings on supports, crude manufacturing, coal coking and nuclear combustibles treatment, leather and footwear.

As against the tendencies forecasted by the beginning of the year, the increase has been recorded at the level of the manufacturing industry within which, the branches producing goods of current use have to be noticed.

As regards the value of the stocks of finished products recoded by 31.12.2011, it represented 19.75% of the resources of the December month, keeping to record the same ratio in 2012 as well (19.30%) and during the first six months of the year 2013 (19.05%)².

The total turnover recorded by the enterprises running the industry as main activity increased slower, being by 4.7% higher in June 2013 as against June 2012.

In the frame of the manufacturing industry, the volume of the turnover increased for the crude manufacturing, foodstuff and beverage, chemical substances and products, metallic constructions and metal products, electrical machines and equipment, road transport means etc.

The final consumption of electric energy in the economy has been constant during the analysed period as comparatively with the previous year, on an overall basis, in economy, public lightening and population consumption.

The data here submitted and analysed are emphasizing the fact that, on an overall basis, the industrial production is recording increases. The values of the industrial production indicators, calculated on the basis of the

¹ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

chained indicators are reasonable if considering that the Romanian economy is still in full process of restructuring /privatizing and is affected by the period of economic crisis, in the context of the general economic crisis recorded worldwide.

The analysis on the data series covering all the twenty three years points out a slight rehabilitation of the industrial production and of the industrial potential of Romania to produce at an appropriate qualitative level and structured on those products required by the European economy.

There are also certain premises of recovering the industrial activity, mainly in the frame of the private sector.

Over the period 2010-2012 the industrial production showed a sinuous process of development³. For the year 2011, on a total basis, the industrial production increased by 5.5% as against the year 2009. But the analysis of the data recoded for 2011 as to the evolution of the industrial production index comparatively with the year 2010, underlines a differential increase on the structure extractive industry, manufacturing industry and electric and thermic energy and natural gas. Thus, in 2011, all over the year, the industrial production indices recorded slight increases, excepting the months of March, July, August and October. Generally speaking, in the domain of the manufacturing industry production increases have been achieved. Nevertheless, the production of electric and thermic energy and natural gas recorded decreases. The trend reversed in 2012 and 2013 and production increases have been recorded by many sub-branches of the industry. In general terms, the analysis of the industrial production indices by the structure on “big industrial groups” shows a positive evolution, the most dynamic being the capital goods industry, the durable goods industry and current use goods industry⁴.

The above analysis has been performed on a data series adjusted depending on the number of working days. But even if analysing the brut data series the conclusion is the same.

The evolution of the industrial production, measured through the dynamics indices recorded over the year, calculated on the basis of indices of chained base against the previous month underlines uniform increases, keeping the same characteristics as submitted by the analysis as against the corresponding month of the previous year. This tendency kept on being indicated up to the year 2008 after which the decreases became drastic for

³ Anghelache, C-tin (2012). *România 2012. Starea economică în criză perpetuă*, Editura Economică, București

⁴ Anghelache, C., (Stoica) Fetcu, A.E. “*The Evolution of the Industrial Production Indices*”, Scientific Research Themes/Studies Communications at the National Seminary „Octav Onicescu”, Romanian Statistical Review Trim. 1/2011, pp. 24-31

certain products, while the increases were only slight and provisional for those domains of significance for the European market⁵.

There is also another significant element arising out of the analysis on brut data series, calculated as against the corresponding month of the previous year or the previous month, namely the labour productivity in industry which recorded in June 2012 a decrease of -3.9% comparatively with June 2011, due to the decrease by – 5.6% of the labour productivity at the level of the manufacturing industry, in the same comparable terms. But in 2013, the labour productivity increased by 5.5% as against the year 2012.

As far as the turnover is concerned, the evolution was conforming to the indices of the industrial production, both on an overall basis and in the structure by the traditional groups.

During the period 2012-2013 the index of the industrial production prices per total (domestic market and external market) has been kept at a controllable level. This evolution was conforming to the modification of the consumer prices index on the total of the national economy⁶.

As far as the resources of prime energy are concerned, we note a balanced evolution for both the domestic production and the imports.

In 2013 the evolution of the industrial production has been a positive one, offering a better response to the requirements of the domestic and international markets. However, the fact that the presence of the Romanian products, mainly those of complex degree of manufacturing, on the external markets has been more reduced must be pointed out.

2. The Export of Industrial Products

The industrial production achieved in the years 2011, 2012 and 2013, mainly the one meant to the export, kept on being very low as comparatively with the situation recorded for the year 1989 and the immediately subsequent years, although it showed a slight increase as against all the previous periods. As a consequence of this involution, the exports of industrial goods, mainly those of high level of manufacturing, kept on remaining low this being one of the reasons which led to a large deficit of the foreign trade balance being recorded⁷.

⁵ Anghelache C. și alții (2013) –, *The Industrial Production Indices*” Romanian Statistical Review, Supplement no. 4/2013, pp. 64-68

⁶ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București see also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

⁷ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București see also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

The international trade with industrial goods indicated the following figures for the year 2010:

The FOB exports recorded for the year 2010 counted for 156977.6 million lei (37250,6 million euro), this value being by 27.3% higher as comparatively with the year 2009, calculated in values expressed in lei, respectively by 28.1% calculated on the basis of values expressed euro. In 2011, 2012 and mainly in 2013, the exports of industrial goods recorded increases, some of them even significant.

In the exports structure, three out of the ten sections of goods out of the Standard Classification for the International Trade (CSCI Rev. 4) hold together 75.5% of the total exports, as follows: transport machines and equipment (41,3%), manufactured goods, classified basically upon the raw material (18.2%) and various manufactured articles (16.0%).

The CIF imports recorded for the year 2010 counted for 196783.0 million lei (46710.8 million euro), their value being by 19.1% higher as comparatively with the year 2009, for values calculated in lei, respectively by 19.9% for values expressed in euro. In the imports structure, four out of the ten sections of goods out of the Standard Classification for the International Trade (CSCI Rev. 4) hold together 80.4% of the total imports, as follows: transport machines and equipment (35.3%), manufactured goods, classified basically upon the raw material (21.8%), chemicals and joint goods non-specified otherwise (13.2%) and mineral fuels, lubricants and joint materials (10.1%). A similar trend has been recorded for the period 2011-2013 while in 2013 the imported goods have been meant mainly to the production and investments.

The commercial deficit for the year 2010 counted for 39805.4 million lei (9460.2 million euro) in FOB/CIF prices, by 2020.9 million lei (408.8 million euro) lower than the one recorded for the year 2009. In 2011 the balance kept on remaining on deficit, month by month. In 2012 and mainly in 2013, the sold of the foreign payments balance (Export FOB / Import CIF) diminished, amounting for the first six months 2.5532 billion euro only.

Romania must participate at the international division of labour both through exports and imports⁸. Meantime, Romania must find out its place in the frame of a series of co-operations which are achieved on the international plan.

It is clear that the production should be achieved at the level of the European, and to a larger extent, international market requirements, as it

⁸ Biji, M., Lilea, E., Roșca, E., Vătui, M. (2010) - "Statistica pentru economiști" Editura Economică, București

became compulsory that the separating approach of the kind “production for the domestic market” and “production for export” should disappear for ever.

The consolidation of the market economy and the adhesion to the European Union must stimulate the production of quality. There are still problems occurring in the industry field where, on one side, the great industry, built up in many cases according other criteria than the economic ones, is in the situation of holding already obsoleted equipment while, on the other side, the industrial units are in the situation to run their activities under conditions not exactly consistent with the external market requirements.

Hence, the privatisation and restructuring occurred as a keen need to reset the Romanian economy, mainly the industry, on such criteria which are meant to lead to productions for covering the domestic and exporting needs and, mainly, to aim the goal of achieving productions adequately sized from quantity point of view and competitive from the point of view of the quality and prices.

Despite all these targets, we have to notice that the privatization process in the frame of the general reform of the Romanian economy did not produce up to now any industrial objective to represent now a premise and to concede a perspective for development in the future.

On the other hand, as a consequence of using and, mainly, not using, the equipment held by the great enterprises from our country depreciated to a large extent from both physical and moral point of view, the processes of modernizing and re-technologizing (which represent a major component of the economic reform) becoming over the time, apart few exceptions, simple desiderata exceeded by other conceptual components of the reform.

On this ground, doubled by the deficiencies of the privatization process and the increase of the weight of the “liquidation” component of the restructuring process, without putting something else in the place of the restructured industry, a series of social consequences arouse, consisting of discharges, sending workers to unemployment with or without compensations etc., implying inevitable social convulsions.

It is well known that an industrial objective, even if the project of its achievement is well grounded and scientifically established, involves a period between three and six to seven years for accomplishment⁹.

In this context, during the period 2009-2013, a significant number of economic units with industrial production either reduced their activity or

⁹ Anghelache C. și alții (2013) –, *The Industrial Production Indices*” Romanian Statistical Review, Supplement no. 4/2013, pp. 64-68

were privatized through selling to foreign investors and, in certain situations, even to Romanian investors.

However, during the period of over twenty years, from 1990 up to now, there is no way to state out that at least one major project has been initiated aiming the building of an enterprise or a commercial company of top industrial field.

It is easy to underline the why the Romanian investors went for reducing the production capacities and for setting up smaller enterprises which, although productive and efficient, are limited by the resources and economic potential available with the respective economic agent.

This situation is involved by the fact that in Romania it is quite out of question to approach the subject of achieving an economic industrial objective based on credits.

The interests in force, which kept on developing around certain high values, do not give the opportunity, not even to the most daring ones, to apply for such loans meant to materialize such projects.

Therefore, it is absolutely impossible to understand why the external credits obtained by Romania have not been materialized in projects, letting thus an unique possibility getting lost as regards the achievement of even a start to launch the balancing, restructuring and sizing the Romanian economy, the industrial production, depending on the possibilities, on the needs of our country and on the accessible markets for Romania, firstly the European one¹⁰.

There is also another delicate element, namely the fact that there are permanent talks regarding either the cease of activity for certain state owned commercial companies or autonomous administrations, or their division as profit centres, all of them proving to be, by the end of the day, inefficient.

The programme of reform and restructuring, mainly in the industrial field, cannot be done by hazard¹¹.

For this sector, it is necessary to have programmes which, considering the duration involved by their achievement should cover medium and long term provisions, such as¹²:

- Sources on which the respective project is supported;
- Fiscal facilities for the investors in the field;

¹⁰ Anghelache, C., (Stoica) Fetcu, A.E. “*The Evolution of the Industrial Production Indices*”, Scientific Research Themes/Studies Communications at the National Seminary „Octav Onicescu”, Romanian Statistical Review Trim. 1/2011, pp. 24-31

¹¹ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

¹² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

- Kind of “symbolic” interests in order to secure the finalization of the project;
- Granting specialized technical assistance, in the situations requiring such assistance;
- Granting governmental guaranties in case imports for completions or technology imports are involved.

These facilitating conditions, which must be secured for the Romanian or foreign investors, are compulsory in the context it is wished, and it must be wished, to initiate certain projects to the benefit of the investors, in the first place, but to the benefit of the national economy as well. Another delicate issue is given by the fact that probably over the time, in the frame of this restructuring process a number of big enterprises from the industrial sector get transformed, becoming simple “halls” since the equipment is out-dated since long time ago.

On the other hand, one must underline the fact that over the time, depending on the so-called concrete conditions from our country, a large range of privatizing methods have been applied.

Certainly, these methods hit their targets as the small and medium enterprises, which used to be very profitable, have been transferred to the hands of certain individuals, becoming thus private companies.

No more need to debate now whether the price being paid was a real one, whether this “encouragement” for the employees’ participation to the privatization has been advantageous but there is one thing worth wise to point out, namely: after each more serious privatization, invariably, a process or an inquiry followed, which proves that neither those who done them have a clear conscience about the correctness of the process.

Under the circumstances, many wrong steps have been taken on the way of the reform and privatization. For instance, we can notice that thousands of commercial locations all over the country reached practically an advanced degree of degradation as a result of the fact that they were not privatized through selling, as normally would have been, although being well known that the private ownership is the basic element for the development of any initiative on the free market.

This is how, because of the concessions, renting over various periods of time, sometimes for special prices, the ones getting their use went for “exploiting” them only, neglecting the thoughts as regards their maintenance, improvement, development etc. This is why I do believe that the declarative process deciding to go for the sale of all this facilities should be promptly accomplished, supporting the process by payments in several instalments. There are a lot of things to discuss in connection with this

process of privatization, mainly as regards the industry. It is to be foreseen that, in the future, the industrial production, mainly in its expression as physical units, increases even if slowly, as a result of the steps intended to be taken.

This will be not a problem in the conditions that, simultaneously, the basis for developing the activity in certain sectors would be set up, allowing them to become solid and representative for Romania.

On this ground, there are only the detailed, rigorously drawn up and with chances to succeed projects and programmes may represent the starting elements of this project.

On the other hand, the executive, the coordinating ministers are bound to analyze in details the situation of the production and services from our country, so that they identify those sectors which can achieve production meant to export and fix the means for stimulating the achievement of these exports.

Of course nobody wants to go back to certain practices from before the year 1989, such as „lei-hard currency“ at different exchange rates but, for launching the export of industrial goods, securing the financial and foreign currencies availabilities, getting the equilibrium of the foreign trade balance, it would be advisable to stimulate the export so that, even if certain subsidies for export will be granted internally in lei, they will be of the nature to lead to a settlement of the position of the national currency as against the other currencies and, meantime, to lead to the stabilization of a level for purchasing the dollar or the hard convertible currency for our country. In the case such steps would be not taken, we shall keep on facing, during the forthcoming periods as well, deficits of the foreign trade balance, the increase of the external debt which has to be reimbursed during the next years, insignificant increases of the real value of the Gross Domestic Product and the more and more larger wandering of Romania from the actual process of getting out of the crisis. An anti-crisis programme, based on steps aiming to stimulate the industrial production and the export, is a multidimensional one, well-articulated, taking into account the release of all the elements which can contribute to maintaining, at a reasonable level, the economic activity, as a starting point for an economic growth in the immediate perspective. This analysis issued seven years after the adhesion of Romania to the European Union is now important since we have to pay contributions to the European budget and we shall be in the position to access the allocated funds only to the extent that there are concrete projects of interest for the European Union as well.

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Corporate Governance at the Influence of the Corporate Performance? Empirical Evidence on Companies Listed on Bucharest Stock Exchange

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Abstract

The main purpose of this study is to examine the impact of the corporate governance mechanism on firm performance. Previous research, largely conducted using international data, has suggested that better governed firms outperform poorer governed firms in a number of key areas. In this paper the authors studied the correlation between corporate governance and corporate performance on a representative sample on Bucharest Stock Exchange listed companies in Romania. Empirical study results are partially consistent with those of previous studies in the literature.

Key words: *corporate governance, financier performances, size board, CEO duality, leverage*

J.E.L.: C10, G10, G30, G34.

1. Introduction

Concepts addressing corporate governance and firm performance is more frequent is a growing problem in literacy specialist. Relationship between corporate governance and financial performance of the company is different from developed to emerging markets financial developed countries because of different corporate governance structures caused by uneven social and economic conditions, and the regulations of the respective countries. Thus in this paper authors have proposed to analyze the correlation corporate governance and financial performance interpret specific results recorded some companies in Romania listed on Bucharest Stock Exchange.

What is Corporate Governance?

The 1992 U.K Cadbury Committee defines corporate governance as the system by which organizations are directed and controlled. The Federal

Reserve Bank of Richmond defines the subject as “...the framework by which a company’s board of directors and senior management establishes and pursues objectives while providing effective separation of ownership and control. It includes the establishment and maintenance of independent validation mechanisms within the organization that ensure the reliability of the system of controls used by the board of directors to monitor compliance with the adopted strategies and risk tolerance.”

What is Firm Performance?

Performance can be seen here as the success in meeting pre-defined objectives, targets and goals. Firm performance is thus the effectiveness of a firm in achieving the outcomes it intends to achieve within specified time targets. These outcomes can be explained as the measures by which the firm is evaluated, and broadly include the quality of governance.

The issue of governance performance is more and more present in the field literature.

Regarded as a finality of a complex public management process, the governance performance, we refer either to the central, or to the companies, acquire systemic characteristics and, according to their level, the governors establish the feedback that is carried put through new public decisions meant to lead towards a performance improvement.

2. Literary review

The relationship between corporate governance and economic performance incited both academic world and policymakers in recent years.

There exists a well number of anecdotal evidence of a link between corporate governance practices and firm performance. But the empirical studies mainly focus on specific dimensions or attributes of corporate governance like board structure and composition; the role of non-executive directors; other control mechanisms such as director and managerial stockholdings, ownership concentration, debt financing, executive labor market and corporate control market; top management and compensation; capital market pressure and short-termism; social responsibilities and internationalization.

Coles et. al (2001) states that much of the academic work in the corporate governance field has focused on how to design corporate governance mechanisms that will motivate managers to make choices for the firm that will improve performance. However these researches indicate mixed findings. Coles classified governance mechanisms into two broad categories namely organizational monitoring mechanisms (including

leadership structure and board structure) and CEO incentive alignment mechanisms (including CEO compensation and ownership structure).

Better corporate governance is likely to improve the performance of firms, through more efficient management, better asset allocation, better labour practices, or similar other efficiency improvements (Claessens, 2006). Drobetz et al. (2004) argue that agency problem, the foundation of agency theory, is likely to exert impact on a firm's stock price by influencing expected cash flows accruing to investors and the cost of capital. Firstly, low stock price result from the investors' anticipation of possible diversion of corporate resources. Theoretical models by La Porta, Lopez-de-Silanes, Shleifer and Vishny (2002) and Shleifer and Wolfenzon (2002) also predict that in the existence of better legal protection, investors become more assured of less expropriation by controlling bodies and hence, they pay more for the stocks. Secondly, through reducing shareholders' monitoring and auditing costs, good corporate governance is likely to reduce the expected return on equity which should ultimately lead to higher firm valuation.

A more recent study by Rhoades et. al (2001) conducted a meta-analysis of 22 samples and found a weak but significant relationship between leadership structure and firm performance. They found that firms with a separated structure have higher accounting returns compared to companies with CEO duality.

Dehaene et. al (2001) analyzed 122 Belgian companies to verify whether a relationship exists between board composition (number of directors, percentage of outside director, CEO duality) and company performance (ROA and ROE). Their findings indicate a significant positive relationship between percentage of outside director and ROE i.e. the more external director a company has, the better is its performance. They also found a significant positive relationship between CEO duality and ROA i.e if the CEO is also the Chairman of BOD, the company would show higher ROA.

Brown and Caylor (2004) took another approach in evaluating corporate governance and firm performance. They created a broad measure of corporate governance; Gov-score comprising of 51 factors in eight corporate governance categories based on a dataset provided by Institutional Shareholder Services. They then relate Gov-score to operating performance (ROE, profit margin and sales growth), valuation (Tobin Q) and shareholder payout (dividend yield and share repurchases) for 2,327 US firms and found that better governed firms are relatively more profitable, more valuable and pay out more cash to their shareholders. They also showed that good

governance as measured using executive and director compensation is associated with good operating performance. On the other hand, they provide evidence that good governance as measured by charter and bylaws (that focuses on anti-take over measures) is most highly associated with bad operating performance. They however put a caveat in their conclusion saying that although the results indicate association between good corporate governance and performance, it does not necessarily imply causality.

In another study Bernard S. Black, Inessa Love and Andrei Rachinsky in 2005 examined the connection between firm-level governance of Russian firms and their market values from 1999 to 2004, which was a period of dramatic change in Russian corporate governance. Drawing on all six indices of Russian corporate governance in the study titled “Corporate Governance and Firm’s Market Values: Time Series Evidence from Russia”, the authors note that their finding strengthens the case for a causal association between firm-level governance and firm market value. In fact, the present study by Black and his team “finds an economically important and statistically strong correlation between governance and market value in OLS with firm clusters and in firm random effects and firm fixed effects regressions.”

Carlos Pineda analyzes the relationship between firm performance, as measured by Tobin’s Q, and the Corporate Governance Index published by The Globe and Mail Report on Business for a sample of Canadian firms over a three-year period running from 2002 to 2004. The result of the study structured under the topic: “Do Corporate Governance Standards Impact on Firm Performance? Evidence from Canadian Businesses”, suggests that few measured governance variables are important and that the effects depend to some degree on firm ownership. In general, Pineda finds no evidence that a comprehensive measure of governance affects firm performance.

In contrary to the above findings, somewhat different result is reported by Bauer, Guenster and Otten (2004) for Europe and the United Kingdom. Their empirical results suggest a negative relationship between governance standards and earnings based performance ratios (net profit margin and return on equity).

In an event study, De Jong, DeJong, Mertens and Wasley (2005) do not detect any price effects following actions taken by the Netherlands’ private sector self-regulation initiative (“The Peters Committee”). In a recent study, Cheung, Jiang, Limpaphayom and Lu (2008) also find no statistically significant correlation between corporate governance practices and market valuation in China in the year 2004.

3. Research methodology

Three board characteristics have been identified as possibly having an impact on firm performance and these characteristics are set as the independent variables in the framework. Two control factors, leverage and firm size, are included in the theoretical model designed for this study. The dependent variable is the return on equity, which is used to measure the firm performance. Return on equity is a measure that shows investors the profit generated from the money invested by the shareholders (Epps and Cereola, 2008).

For the purpose of empirical analysis, this study uses descriptive analysis and linear regression as the underlying statistical tests. The regression analysis is performed on the dependent variable return on equity, to test the relationship between the independent variables with firm performance.

The data has been collected for year 2010 from the annual reports of the firms and also by surfing the internet. Table 1 shows the variables and their description in this study. The regression model utilized to test the relationship between the board characteristics and firm performance is:

$$ROE = \alpha_0 + \alpha_1 Bind + \alpha_2 Dual + \alpha_3 Bsize + \alpha_4 Fsize + \alpha_5 Lev + \varepsilon$$

Table 1: Variables

Variables	Description	Measurement
Bind	% of independent non-exe directors	(No. of outside directors/Total No. of Director)
Dual	CEO duality	(1=Yes, 0=No)
Bsize	Board size	Number of directors on the board
Fsize	Firm size	Natural log of total assets as reported in 2010 annual report
Lev	Leverage	Total Debt/Total Equity
ROE	Return on equity	Net Income/Shareholder's Equity

4. Results and Discussion

The research is being conducted to determine the effect of corporate governance on firm performance.

Descriptive statistics provided in Table 2 depict the average number of board members of Romanian listed firms' is 7.70, of which, an average of 7.52 members are independent. With a maximum board size of nine (9) and deviation of 1.97, the implication firms in Romania have relatively similar board sizes. This is essentially good for firm performance according to

researchers such as Jensen (1993) and Lipton and Lorsch (1992) who argue that large board sizes are less effective for firm performance.

Table 2: Descriptive Statistics

	Mean	Median	Maximum	Minimum	Std. Dev.
BIND	78.5162	92.5000	100.0000	0.0000	30.3530
DUAL	0.4000	0.0000	1.0000	0.0000	0.4949
BSIZE	4.7000	5.0000	9.0000	1.0000	1.7053
LEV	0.2857	0.2287	0.7988	0.0086	0.2184
FSIZE	2.9199	2.9308	3.1859	2.7224	0.0867
ROE	0.0908	0.0475	1.3761	0.0008	0.1956

Again, of all the firms studied, 60% of them adopt the two tier board structure implying that about 40% of the firms have their CEOs and Board chairman positions combined in one personality. This suggests that avenue for agency problems emanating from conflict of interest are minimized. According to Suryanarayana (2005), leadership is a matter of how the board functions, whether there is one person or two persons at the top. It is the efficacy of the other members of the board that determines if these two roles should be separated or combined.

5. Regression results and discussion

Table 3: Regressions of firm performance measures

Dependent variables	ROE	
	n	p - value
C	-2.1123	0.0375
Bind	-0.0034	0.0005
Dual	-0.1664	0.0038
Bsize	-0.0227	0.2041
Lev	-0.0457	0.6967
Fsize	0.0901	0.0156
R-squared	0.3069	
Adjusted R-squared	0.2282	
F-statistic	3.8980	0.0051
Durbin – Watson stat	1.9447	

In table 3, with the exception of dual and bind, all the other independent variables are not significant in affecting firms' profitability in terms of return on equity. The results clearly indicate that there exist a

mixed result between the governance variables and this performance variable.

The correlation of return on equity with independent variables of Bind, Dual and Bsize are negatively. In the firm performance model, the coefficient on the control variable intended to control the size (leverage) is significantly positive (negative), suggesting that larger and less-leveraged firms outperform their smaller, more-leveraged counterparts. To test whether there is influence toward firm size partially to ROE, t test is used. Through the result from data processing, the value of t statistic obtained is equal to 2.5169, and the level of significance is 0.0156 (sig. <5%). This shows that there is insignificant effect between firm size and ROE. In the firm value equations, similar to the results of other developing markets (Black et al., 2006), the coefficient on the control variable intended to control for size is significantly negatively, suggesting that larger firms suffer lower value than their smaller counterparts.

The coefficients for percentage of independent non-executive directors on the board are significant on return on equity. However, it can be inferred that some directors seems to be independent non-executive but do not have an effective and complete role in controlling the opportunistic behavior of management.

The regression coefficient for board size is negative. The reverse relationship with firm performance is statistically insignificant; board size to influence firm performance negatively (Yermack, 1996, Eisenberg et al., 1998 and Singh and Davidson, 2003). Other empirical studies also found evidence in contrary, such as Kiel and Nicholson (2003) and Dalton et al. (1999).

Once again, a situation where the CEO doubles as the board chairman leads to conflict of interest and increases agency cost. The concentration of decision management and decision control in one individual reduces board's effectiveness in monitoring top management thereby having a negative impact on profitability (Fama and Jensen, 1983).

The one-tier board structure type leads to leadership facing conflict of interest and agency problems (Berg and Smith, 1978, Bickley and Coles, 1997). Thus, the result of the study buttresses the fact that there is the need to have a clear separation between the positions of board chairman and CEO.

The size of the firm rather has a significant positive impact on return on equity. CEO duality is negatively and significantly related to firm performance, inferring that, under the condition that CEOs serve as

executives, the board would likely fail to be an objective supervisor, correspondingly putting firms at a disadvantage.

The significant variables explain 30.69 % of the model is percentage of independent non-executive directors on the board, CEO duality and firm size. Because leverage is not a significant variable was eliminated and made model with four variables:

$$ROE = \alpha_0 + \alpha_1 Bind + \alpha_2 Dual + \alpha_3 Bsize + \alpha_4 Fsize + \alpha_5 Lev + \varepsilon$$

Table 4: Regressions of firm performance measures

Dependent variables	ROE	
	n	p - value
C	-2.5602	0.0384
Bind	-0.0034	0.0003
Dual	-0.1676	0.0032
Bsize	-0.0231	0.1919
Fsize	0.8915	0.0157
R-squared	0.3045	
Adjusted R-squared	0.2427	
F-statistic	4.9266	0.0022
Durbin – Watson stat	1.9564	

Table 4 presents the results of pooled regression analysis, the OLS method. The model explains almost 30.45 % of variation in return on equity, with significant F-statistic. So, this means that the return on equity is mainly defined by these four variables, more definitely by three variable - bind, dual and fsize.

6. Conclusion

The importance of corporate governance cannot be over-emphasized since it enhances the organizational climate for the internal structures and performance of a company.

Corporate governance is a young academic field characterized by partial theories, limited access to high-quality data, inconsistent empirics, and unresolved methodological problems.

The study examined the relationship between some measures of corporate governance such as percentage of independent directors on board, board size and CEO duality and firm performance of listed firms in Romania. The purpose of this study is to examine the importance of one of corporate governance aspects, namely board structure. In general, the results of this study provide evidence that the CEO duality has a negative impact on

firm performance (return on equity). In other word, CEO duality is found to decrease the effectiveness of the board of directors. However, we should consider the limitations of this study because small sample size.

Investigating the factors of board effectiveness with multiple theoretical lenses may help develop more effective corporate governance models. There appears not to be a consensus on whether corporate governance, as a cluster of values, does indeed positively affect firm performance. What is certain is that some values of corporate governance have individually been associated with high firm performance by some studies.

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Non-Financial Motivation of Staff - Challenges and Solutions

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Abstract

People are the most important resource in an organization, therefore employee motivation is crucial in terms of its success or failure, thus the reason must be a topical theme manager.

Key words: *motivation, positive motivation, negative motivation, financial motivation, non financial motivation.*

1. What is motivation?

Motivation depends on the human's will to act in a certain way. Motivation represents the internal state of the employee who guides and directs its behavior by meeting certain requirements.

The employee's motivation depends on the influence behavior. Once aware of this, the chance of achieving better results at both organizational and individual levels. Managers can not order their employees to be motivated, what they can do instead, is to create an atmosphere through which to cultivate accountability, dedication and improvement at work. Some managers choose a shorter path, but not effective- they try to motivate through fear. This method, however, quickly loses the effect. True managers motivate through their personality and authority, not through fear.

To use the full potential of employees and managers modern managers and organization changed their approach from "giving orders and control" to "consult and support" as effective ways for employee motivation. This change of attitude began when managers understood that recognizing achievements or recognizing the good performance is more effective than punishment for poor performance.

Non-financial motivation is the integration of a system of reward and recognitions (Rewards and Recognition - R & R), which doesn't involve giving money directly to the employee. Motivational policies, financial and non-financial, should not be designed in isolation but in line with the organization's other policies and objectives.

Analysis of their implementation will not be limited to a short period of time, but will take into account the effects of these on a longer time horizon.

According to several criteria, a classification of motivations can be made, but the most relevant is the criteria that make the difference between positive motivation and negative motivation.

The main motivating factors awards use within an organization are:

- professional achievement;
- a pleasant organizational climate;
- interesting work;
- professional development;
- recognition of professional contributions;
- respect and a certain status given by the nature of the job.

Negative motivation is driven by the aversive motivational factors that induce negative feelings and reactions on the position held in the organization.

The main factors are:

- Appearance of the impression of inequity
- Control policies and procedures (with lists of rules and with rules that are not needed)
- Peer and hierarchy relations
- Individual status that confers a certain position in the organization;
- low wage / salary reduction;
- job insecurity;
- The job's influence on personal life (free time vs busy time).

2. Non-financial motivation versus financial motivation

Considering that every person is motivated by different things, according to individual circumstances and the situation it's in at a certain moment, managers must be able to identify motivational factors which to accommodate their wishes and needs.

It is clear that, in an organization which wants performance, we can't have just a single type of motivation, but comparing with financial motivation, the non-financial one represents a series of benefits:

- Low costs;
- It has a stronger effect and remains longer embedded in the mind of the employee as it appeals in it's emotional state;
- Can be applied to a longer period of time;
- If it's interrupted it doesn't generate resentments among those

- targeted;
- Promotes membership in that team;
- Raises the employee's fidelity for the organization.

3. Application of non-financial motivation.

The relationship between the employer and the employee is a maximum motivation factor for the employee. Motivational methods used by a manager, through which the managers shows that he cares about his employees are the following(without limiting only to those):

- Effective communication: an active listening of the manager to messages sent by the caller, followed by a clear feedback from him;
- Positive Feedback: "praise in public and correct in private";
- Extension/enrichment of the job: potential noting from the manager of each employee and encourage their development;
- Management by objectives: joint participation in setting goals, achieving them and evaluation of performances of each employee;
- Quality circles: the manager proposes to employees to form teams to provide solutions in solving a problem which considers product quality;
- Clarity of the tasks: the manager must provide sufficient information on the tasks assigned to employees to understand what is desired of them;
- Brainstorming: a group specific technique designed to generate a range of ideas to solve problems;
- Delegation: the manager can empower a person / group of persons, time-bound execution, supervision or an organization of a project.

4. What are the results of implementing a R & R system?

In the current economic context, the optimal solution for a certain class of problems arising in the work of an organization is the system R & R.

At the organizational level the practical application of non-financial motivation can bring the following results:

- Identifying motivational factors of employees in the company, to increase professional performance;
- Aligning individual objectives to general objectives of the society and establishing the means by which they will be achieved;
- Cultivation of the spirit of cohesion, belonging and shared responsibility for the success or failure of the team;

- "Pushing" the staff into action during peak periods or in critical moments of the company when there is a need for additional force and the company's budget doesn't allow additional staff hiring;
- Employees determination to get involved in objectives realisation of development of the company and their awareness of the role they have in it;
- Reducing staff turnover in key functions of the company and increasing loyalty to it;
- Competitive business environment by developing staff desire to succeed;
- Increasing the quality of products / services, especially of sales, without the need for additional production costs and marketing expenses;
- Improving the internal and the external image of the company and building an internal climate of valuing work well done.

Motivational techniques, regardless of how their classification or their use, is based on the following premise: the greater the feelings of belonging and involvement in that firm, the greater the responsibility, recognition, respect or status granted staff.

Non-financial motivation Policy should stimulate recognition not only vertically but also horizontally (manager-employee and employee-employee). This R&R system will have a positive effect if the manager will involve employees in creating the evaluation grid, after which staff will be rewarded, acknowledging their employees their importance within the team and organization.

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Analysis of the Evolution of the Agricultural Production in Romania

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Abstract

This paper describes the evolution of the agricultural production in Romania. The authors focused on the two major components of agriculture, vegetal production and animal breeding. The results of the analyses are presented as conclusions, visual instruments are used for presenting data, and the last section of the article presents some suggestions to further strengthen the development of this sector.

Comparatively with the year 2010, in 2011 the vegetal production for cereal grains increased as a result of a positive climatic situation. The last years, excepting the year 2011, show a decrease of the productivity at the level of the vegetal sector. The overall figures for the year 2012 are indicating a decrease of the production, under the negative impact of the draught. But the year 2013 recorded a substantial recovery as a consequence of a very good agricultural year.

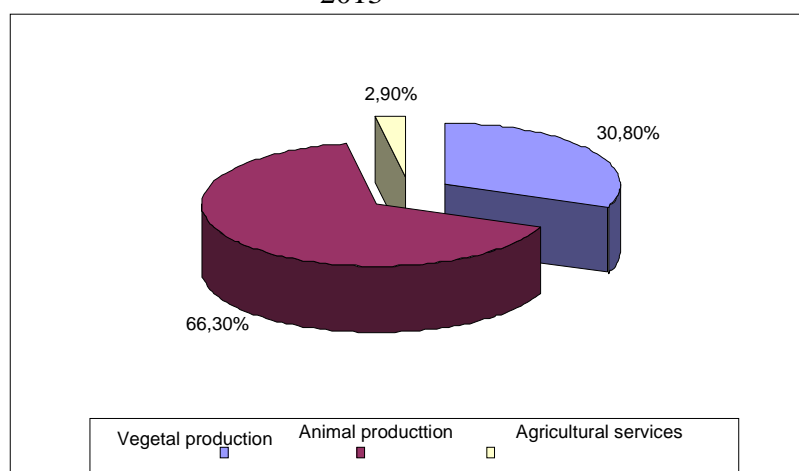
Key words: *production, vegetal, animal, expenses, capitalization*

1. The production of the vegetal sector

First of all, the production decrease is a result of the diminishing of the cultivated surfaces, for all the cereals categories. As a consequence of the floods or the impossibility to do the irrigations (the fact that the national system of irrigations has been destroyed in haste is showing now the consequences), the point has been reached where only medium sized crops per hectare are achieved, bellow the fertility of the soils of our country.

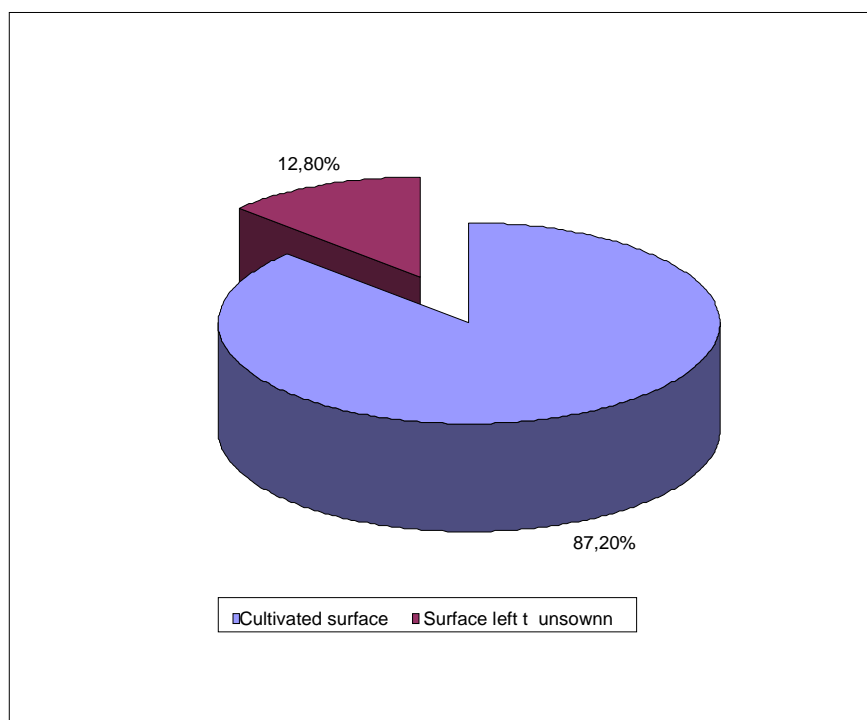
Although the efficiency in agriculture was better the situations when the agricultural expenses get covered by the amounts received from the valorisation of the obtained production were quite rare.

The structure of the production value of the agriculture branch in 2013



Data source: The National Institute of Statistics

The structure of the arable surface in 2013



Data source: MAPDR

Territorially speaking, according to the data published by the National Institute of Statistics, it is resulting that decreases of the surfaces cultivated with fall cereals in 2009/2010 have been recorded in districts such Constanța, Timiș, Tulcea, Giurgiu, Teleorman, Brăila, Dolj, taking the advantage of very good conditions for agriculture. To point out that the submitted data are referring to the decreases as for the wheat and rye cultures only. The increases of surfaces cultivated with other plants did not cover the submitted decreases, which leads to the conclusion that significant surfaces of agricultural land remained un-laboured.

The average production achieved at stalky cereals and rape, for the 2002-2013

- thousand tons –

Culture	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Wheat, rye and triticale	4464,1	2515,9	7968,4	7483,8	5633,2	3146,8	7313,2	5287,1	5975,1	5862,0	4877,2	5914,1
Fall barley	663,9	236,2	783,4	579,6	337,1	231,9	577,1	569,2	571,3	759,0	498,1	763,2
Fall two-row barley	183,0	48,8	205,8	123,6	103,7	106,6	230,9	254,6	260,5	310,2	201,9	312,4
Spring two-row barley	313,5	255,9	478,6	376,0	332,2	192,9	401,4	320,8	371,4	155,1	170,6	370,2
Oat	327,4	323,1	447,1	377,5	346,9	251,6	382,0	267,7	260,7	81,0	176,0	265,3
Oil rape	35,9	8,1	98,7	147,6	175,1	361,5	673,0	573,5	623,4	748,6	146,5	657,3

Data source: MAPDR

*) provisional data by 30.10.2013

In order to emphasize the development of the agricultural activity in Romania during the year 2013, it is self-explanatory to show that in October 2013 there were only 69.7% achieved out of the total forecasted ploughing works. The situation was a little bit better as far as the private agricultural sector is concerned, where these ploughing works counted for 79.5% from the total surface¹.

2. The production of the zoo technic sector

The livestock recorded decreases in the sector of bovine and porcine which, in 2011, counted for 2.435 million bovine, respectively 5.691 million porcine, but also increases for the sector of ovine and goats where a number of 10.155 million heads has been recorded in 2011. The years 2012 and 2013 did not emphasized spectacular changes as far as the evolution of the livestock is concerned.

In 2013, the private sector held 98.5% of the ovine and goats stock, 97.8% of the bovine stock and 88.2% of the porcine stock.

¹ Biji, M., Lilea, E., Roșca, E., Vătui, M. (2010) - "Statistica pentru economiști" Editura Economică, București

The situation is not satisfactory if taking into account the fact that, at the level of the population households, which practically hold the weight in the frame of the zoo technic sector, the livestock keeps on being a low one for all the animal species.

In order to get a more realistic picture the sector level, we should add that during December and even January the level of slaughtering was superior to the previous years for all the animal categories².

Because of the inadequate foddering possibilities the zoo technic sector recorded in 2013 average productions bellow the known levels during the decades 8 and 9 of the XX century, both in the case of the state sector and the private one.

As a consequence of this evolution and the very low average productions, the total animal production kept on decreasing from one year to another, up to the low productions of the year 2011 although there is a modification of the trend of the evolution curve in 2012 and the first ten months of 2013.

Even if several hypotheses have been issued, some of them quite fictional, the question mark on “how comes that Romania became an epidemiological isle in the ocean of the peaceful and respected neighbouring countries” keeps on persisting. We shall get the answer some time later on but certainly this will be an amazing one.

3. Is the agriculture in a deadlock?

The submitted data are underlining a dark picture of the agriculture development in our country. The fact that, under the circumstances of the present economic crisis, the crops cannot cover the level of the production expenses is an obvious fact. The immediate effect of such a situation will consist of the diminishing of the cultivated agricultural surfaces and livestock. In these conditions, Romania, although a country of high agricultural potential, became depended on the imports of basic agricultural products. The subsidies are running up-side down while, after adhering to the European Union, by January 1st, 2007, the agriculture is taking advantage of support only for the average production of the last five “pre-adhesion” years, meaning for almost 30-35% of the previous capacity of the agricultural production. The only positive fact might be that „we shall have ecological agriculture”, as required by the adhesion documents.

I do consider that, although the fact that here we face enough external interest, at least of economical nature, to consider as to the collapse

² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

of the Romanian agriculture, is quite obvious, the authorities from our country should not adopt the same position. On the contrary, starting from the postulate that the agriculture must remain one of the basic branches of the material production, it is compulsory that urgent steps meant to stop the decline, to save and strengthen it are to be taken. Such a target cannot be hit, by any means, if similar steps are reinforced view the outcomes recorded as a consequence of the privatization “for the sake of privatization” and the lack of realistic and substantial programmes to support this sector. In this respect, I have in mind the great concern, shown up mainly during the period 1999-2000, in the direction of “liquidating” the former IAS, in fact, the very last nucleons which might have produce, under somehow reasonable agro-technical conditions, providing that an adequate economic policy would have apply with the purpose to save and strengthen this sector.

Under the circumstances, the priority for the Romanian agriculture is not the alteration of the Law no. 18/1991 in the sense of increasing the surfaces for which certain persons could be to be put in possession of land, taking into account that to the extent the land will remained un-laboured, the ownership on the land of one or another individual is of no economical relevance any more.

The priority should go to those steps which, by leading to a real launching of the overall Romanian economy, would allow the normal action of the laws of the market economy and, first of all, to a correct connection between demand and offer. This is the only context in which the specific steps meant to stimulate and develop the agricultural sector would lead to remunerating pay outcomes which, along with the ancestral love for the land, would motivate the agricultural producer and consolidate the vital significance of this sector within the national economy frame.

Certainly, this kind of real steps meant to provide economic launching have absolutely nothing to do with the lack of economic content of certain phenomena, fetishized by means of the game with statistical indicators ad indices.

For instance, the inflation rate is sometimes artificially diminished also because of the fact that the financial sources of the population are extremely low. This is why the prices of the main goods at the basis of the calculation of the “index of the consuming price of the population” did not change depending on the correlation demand-offer but depending on the correlation offer-financial sources available with the population. Since, obviously, within this second binomial the financial sources being very scarce and the normal living requirements unable to be entirely satisfied,

that is a low consumption demand, the level of a number of prices had, consequently, to be maintained and, for some cases, even slightly reduced.

As regards the agricultural sector, significantly in this respect was the price achieved on the market for wheat, within the period 20015-2013 which, although under the level of the production costs of the farmers, obliged to either reduce the cultivated surfaces or to transfer the lands they are owning against very cheap prices, has been particularly high for the producers from the milling and bakery industry³.

Imports of wheat, at speculative prices, have been resorted to which jeopardized the domestic market, generating the increase of the prices. Nowadays there are delays in respect of finalizing the projects and steps requested by the European Union in order to allow the Romanian farmers receive financial support in the field of the agricultural production. Meantime, a series of actions required as regards the achievement of the traditional production will be not fulfilled and, therefore, this sector would diminish quantity wise.

As a conclusion, we can appreciate that the agriculture, one of the main branches of the national economy, the one which not to many years ago contributed to the achievement of the Romanian exports, reached a very low level in 2010. The year 2013, when the unfavourable meteorological conditions did not occur again, allowed a rehabilitation of the agriculture, as laboured surface, granted subsidiaries and achieved crops.

4. Non-utilized or of lost control levers

In the country which used to achieve constantly good crops, even if not “record” ones, the agriculture is showing now very slim “performances”. We have to make this excursion, although after entering into the European Union there are different data to face, in order to state out that we reached this situation because of the fact the over the twenty three years passed from 1990 on, the agriculture has been neglected.

In this field of activity, the achievement of productions in, at least medium conditions is out of question. The possibility to apply irrigation is completely missing for the most part of the country. The applications of fertilizers, insecticides and pesticides diminished as much as possible. The agricultural works are carried on with difficulty since, on the one side, agricultural machines and tools are missing, even the normal ones not to

³ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

mention the high technology ones, while on the other side, the agricultural surfaces crumbled very much⁴.

It should have been expected that, subsequent the numerous signals being expressed, steps meant to stabilize the situation and to generate the perspective of the future development of the agriculture were taken without any delay.

But the agriculture keeps on facing with huge delays, from all points of view. If the year 2011 was an exceptional year for the agriculture from the point of view of the climatic conditions, the longstanding draught in July-October led to a very small surface cultivated with fall starkly cereals while the processing of the land through ploughing recorded the lowest level if considering the last ten years.

Under the circumstance, it was hard to anticipate that in the spring of the year 2012, with a modest endowment the delay recorded by the big field cultures, the fall ones for the time being, couldn't be recovered with slim outcomes. This is the practical effect of destroying, during the period 1990-1992, the national system of irrigations along with the capacity of fertilizing, chemification and mechanization of the agriculture.

Another aspect to be benchmarked is given by the fact that, due to the stammering as regards the subventions for the taking over and warehousing the wheat and other cereals from the population, the largest quantity out of the crop of 2011 remained with the small producers (as regards the crop of 2012, under the precarious conditions leading to poor crops quantity and quality wise, it is worthless to pay too much attention). This situation has been worsened also by the fact that the improper warehousing implies the damages on quality made by the storage pests. In 2013, superior crops have been obtained which, although suffering from the quality point of view, has been warehoused and secure thus the reserves which Romania needs.

The fact that during the period 2007-2013 the sowing for the fall cereals has been made, mostly, with non-selected and, mainly, non-treated against the fields pests seeds is essential as well.

The fact that because of the poor organization of the agriculture a small part only from the funds for agriculture available with the European Union has been accessed is an aspect to remind when approaching this chapter.

⁴ Anghelache, C. (coord., 2012) – „*Modele statistico – econometrice de analiză economică – utilizarea modelelor în studiul economiei României*”, Revista Română de Statistică, Supliment Noiembrie 2012

The situation is rather difficult if we consider the crops being achieved and, mainly, the agro technical conditions. Obviously, the subsidizing of the agriculture did not generate the forecasted effects and, consequently, it becomes even more difficult to apply for European funds.

Because the way to allocate the subsidies, it was hard for the small producers to find out the necessary financial sources in order to achieve cultures according to normal criteria and agro technical methods.

Of course, there are many more aspects to be added but we consider that the above mentioned issues are enough signals to the government which must take into consideration the setting up of the conditions for the crops of the next years.

A proper such approach should consider the following aspects as well:

The species degenerated a lot due to the fact that selected seeding material was not used anymore;

Because of lack of subsidies, the matter of applications of fertilizers, insecticides and fungicides is suffering greatly;

The acquisition of the crops from the producers has been accomplished with difficulty because of lack of centralized funds, at least for the state reserves;

It is forecasted that, during the forthcoming period, the actual situation of the agriculture is inventoried so that necessary steps can be taken aiming to secure further on the necessary conditions for the agricultural year 2013-2014.

Similar conditions governed the activity run in the domain of fruit growing and vine growing over the last 24 years as well.

A series of fruit and vine growing plantations degenerated because of the improper maintenance. Also, the degree of getting old of these plantations is high enough, with tough effects for the next period, in the context that new plantations have not been established. On the other hand, the level of maintaining and taking care of the plantations has been a poor one, so that many of them have been drawn out of the production while the remaining ones are producing in an randomly manner, depending on the minimum care granted to them.

This is why, the problem of revising the situation of the fruit and vine growing plantations at the national level is considered, simultaneously with the setting up of those steps meant to secure at least the conservation at the existing level and, in perspective, to allow the replacement of these plantations with new ones.

As far as the endowment of the agriculture is concerned, one must underline that fact that, year after year, the existing machines and equipment are getting “older” physically and morally, without realistic prospects to let them be replaced. Thus, the agricultural machines and equipment have been transferred from the agro-mec units to individuals or, even if still with these units, they reached such a physical state that they hardly could be utilized, being replaced by imported ones.

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Risk Management Measures at the Level of an Economic Entity

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Abstract

There are strategies for continuous monitoring of the level of risk facing the entity. Their use causes a reduction in the firm 's vulnerability to environmental conditions , and a reduction in losses that might occur if the risk .

Key words: *risk management, management, resource, activity, measures, decisions.*

Risk management measures that can be applied by an operator meet a great variety; the choice of such a measure depends both on the nature of risk and the resources of the company at a time and purpose. For risk management, decision makers can take the following important steps:

- a) avoiding risks ;
- b) insurance against risk ;
- c) restructuring activities ;
- d) diversification ;
- e) divestiture ;
- f) short-term profit maximization .

a) Avoiding the risk

The easiest and most effective technique is to avoid the risk by protection against him. This measure is adopted by a large number of companies and requires constant monitoring of economic conditions in certain markets, sectors , activities, etc., while avoiding investing in areas characterized by a high degree of risk. In this case, it is particularly important the quality of information and personnel involved in conducting studies and forecasts regarding the risk affecting different business projects.

Prior to the adoption of such techniques, managers need to determine the ratio of the return they want to achieve and the risk they are willing to assume. Adopting a policy of avoidance of activities characterized by a high

degree of risk, without taking into account business opportunities, is unfavorable to the company, as it loses the opportunity to invest in areas with high efficiency. A lot of managers are willing to accept high levels of risk, but with the hope of big profits in short time periods. In fact, companies such as business resist long as risk takers provided to identify and manage them effectively in order not to jeopardize the survival of the company in the market and get the highest possible profits.

b) insurance against risk

Another alternative is to provide protection against risk. Insurance companies agree to cover only purely accidentally, incidentally risks, whose materialization cannot be predicted in advance, nor the intensity and the time. In exchange for full or partial taking over risk, insurance companies require an insurance premium, the value of which is as high as the risk is higher. Businesses turn to this technique when faced with risks caused by environmental variables they cannot control or that the degree of control is very small. In this way, companies can focus on running their business, without being concerned with the losses that can occur if the risk materializes. Based on the contract, the insured shall pay an amount at which the insurer will be compensated for losses.

Insurance is the main way of distributing risk, which applies only when the insurer can statistically predict the frequency and intensity of insured events.

c) Restructuring work

It assumes constant concern for the monitoring company business climate in order to anticipate events that could damage the company evolution. Depending on the estimated negative phenomena to occur, managers can determine the restructuring level and adapt to new conditions exhibited activity in the market.

One form of implementation of this technique is the choice of appropriate legal and flexible forms of organization, and associating with another firm and creating a joint venture, for risk sharing, or where the risk is very high, licensing other companies, since it does not require huge investments, but can provide significant benefits.

The reduction of risk can be achieved by patented products and technologies developed by the company and by maintaining strict control over them, which ensures the company concerned an important technological advance over the competition. Creating superior technologies requires, however, high costs of research and development, which always ends with results that can be implemented within the company.

Using a large number of suppliers, customers and diversifying products list can substantially reduce the risk. Implementation of these measures usually results in an increase in operating expenses of the company. Thus, in terms of suppliers, the company would have to choose the ones that provide the lowest prices on the desired quality of raw materials and which are located within walking distance of the office in order to reduce transportation costs. Increasing the number of suppliers reduces the risk of supply disruptions in the activity (failure to delivery or quantities), but considerably increases the costs of supply. Diversification allows also reducing the risk of sales by entering new market segments and attracting thus new customer groups. The company must, however, be concerned with the increasing number of customers in each market segment in order to reduce dependence on a small number of consumers.

d) diversification

Often, this technique is applied with restructuring activities and seeks to reduce risk by horizontal or vertical integration of the company or even completely different development activities. As a result of such measures, it can manage risks better by sharing diverse sectors, taking into account that they are exposed to different degrees of risk.

e) divesting

It involves reducing the amount of capital invested when a considerable increase risk occurs by selling all or part of an asset to other companies. Problems can arise when adopting this measure refers to the difficulty of obtaining a fair price as close to market value for the assets sold, and the difficulty in finding a buyer for a business whose profitability declined significantly or is affected by a considerable level of risk.

f) short-term profit maximization

This technique applies when companies seek total and complete withdrawal divestiture in a given market due to high levels of risk. In this way, maximizing short-term profits from the operations is performed by the sale of assets. To achieve this, businesses will seek to reduce costs by forgoing maintenance and repair operations, reducing distribution costs, promotional activities, the increase in selling prices whenever possible, cancel employee training programs, reducing staff, however resulting in reduced costs and increased short-term profit .

In this case, the company will have to determine the timeframe it wants to maximize profit and to determine how relationships with suppliers, customers and staff are affected. The company will need to consider very well the implications of such a strategy. So if she wants to retire from the market, such a policy only to diminish the activity will affect trade relations

with business partners and lead to irreversible damage to its image in the market. Such aggressive behavior does nothing to reduce the period of time the company also is operating in the market.

Risk management should not be a passive character, but an active one, allowing optimization of the risk assumed – profit obtained. The inclusion of risk in decision making allows more efficient use of the resources of the firm. To achieve this, managers must monitor and constantly update information about risk factors and their probability of materializing. At the same time, the role of management is not only to protect and manage risks the company is facing, but also to identify businesses and fields that provide the best return based on the risk the firm is willing and to assume and its potential . By using risk management, the company can increase efficiency and safety in businesses that run.

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Reflections on the Distinctions between the Unincorporated Business Forms and the Corporations in the U.S. Law

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Abstract

The opportunity of the analysis of corporate forms in American law lies in the need to eliminate potential confusion in terminology, as American legal system has a different foundation as the francophone legal systems, which also the Romanian system belongs. From another perspective, given the incidence in the Romanian law of a terminology similar to the one used by the American law, but also the insinuating reception of a characteristic American theories, it is clear that the differences are negligible conceptually, becoming not essence but shaded. The approach is reflective desired insight on U.S. regulation forms corporate legal personality and the unincorporated, outlining the view that the concept of legal personality must acquire new meanings.

Key words: *partnership, legal personality, corporation*

1. The partnership in the American legal system

In American law, the partnership's legal regime was regulated for the first time in 1914, by the Uniform Partnership Act, successively revised until 1997 (RUPA 1997).

The classic American doctrine¹ considered the partnership as a conglomeration of individuals, without legal entity (according to the so/called aggregate doctrine), a vehicle through which the partners are conducting their business. The aggregate theory views each partner as having an undivided, pro rata share of partnership assets.

This theory had serious problems with regard to identifying the subject of the passive subject, meaning the defendant, because lack of legal personality attracted the compulsory identifying as defendants of all partnership's members.

¹ A. Ladru Jensen, Is a Partnership under the Uniform Partnership Act an Aggregate or an Entity?, 16 VAND. L. REV. 377 (1963)

Thus, as shown ², „Notwithstanding its economic significance, the partnership had no legal rights or responsibilities and accordingly was not recognized as a legal unit. The partnership could not sue or be sued; litigation had to be brought by or against the individual partners. The partnership could not acquire, hold, or dispose of property in its own name; the assets of a partnership for legal purposes were the collective property of the individual partners as tenants-in-partnership. The partnership could not contract; contracts made by a partner for the firm were the joint and several obligations of the partners.”

Another part of the doctrine ³ considered that “The entity theory treats the partnership as a separate legal entity, completely distinct from the individual partners. Similar to the treatment of a corporate shareholder, under the entity theory each partner has separate legal rights, and ownership of partnership assets is in the partnership entity. However, unlike a corporate shareholder, each partner has unlimited liability for partnership debts.”

The Federal courts, in the silence of the law, took the opportunity to give the possibility to sue the partnership itself (defining the partnership as a combination of two or more persons acting jointly to conduct a business for profit), without thereby recognize the legal personality, subject to the identification of its members.

The Federal judicial practice was considered in the subsequent revisions of the Uniform Partnership Act, so that, in the present, the Section 201 „Partnership as entity”, determines that „ A partnership is an entity distinct from its partners”, but in order to attract personal liability of members is necessary to identify, as parties to the proceedings of all members.

However, this concept (entity) is not identical to the concept of „legal personality”, as it is understood in Romanian law.

The concept of legal personality in American law is recognized as “legal person” or “legal entity” – “A corporations is called a legal person or a legal entity. It may also be called a child of a state, since its birth, existence and termination are regulated by statutory law. Upon the

² Phillip I. Blumberg, *The Multinational Challenge to Corporation Law. The Search for a New Corporate Personality*, Oxford University Press, 1993, p. 217

³ Arnold M. Wensinger, *The Revised Uniform Partnership Act Breakup Provisions: Stability Or Headache?*, 50 Wash. & Lee L. Rev. 905 (1993), <http://scholarlycommons.law.wlu.edu/wlulr/vol50/iss2/18>, p. 908

completion of certain requirements a state will grant a charter of incorporation which is in effect a birth certificate for the corporation”⁴.

As currently regulated, the partnership⁵ arise either by express agreement of the members, embodied in the agreement, either implicitly (where people actually act as partners in the absence of an express agreement).

In this type of partnership, all members share equally control, being the business owners, the active involvement of their being presumed; however, one member takes direct pursuit of acting as „managing partner”; its powers are basically full, except where expressly decided their limitation.

As a general rule, all members participate in profit sharing; however, by contract, in reality, it is stated the limits / quotas of each.

Revised Uniform Partnership Act 1997 changed the way ownership rights over property assets; so, if Uniform Partnership Act 1914 stated that the goods belong either to members under common ownership or partnership’s own, the new regulation provides that the goods belong exclusively unto the partnership.

In the American law, the legal relations of RUPA 1997’s partnership grafted on the institution of agency (institution corresponding to a certain extent mandate Romanian law), with the particularity that each member has simultaneously the quality of „agent” and „principal”.

The liability to third parties in the regulatory framework of the Revised Uniform Partnership Act 1997 mainly belongs to the entity, to the extent that they have contracted with the representative (Authorized Agent); the partnership is proprio nomine responsible for the acts concluded by the members without power of representation (servants), if they acted for the benefit of partnership. The partnership’s members respond alternatively, unlimited and jointly, being the guarantees of the obligations contracted by the partnership.

The Revised Uniform Partnership Act 1997 establishes two categories of specific obligations of the partnership’s members, non-existent prior to the review, namely the duty of loyalty (which includes the obligation not to make their mutual competition) and duty of care.

The withdrawal of one of its members, according to the Revised Uniform Partnership Act 1997, does not, as a rule, have any effect on continuing partnership, excepting the case that is contractually agreed that

⁴George D. Cameron, Phillip J. Scaletta, Jr., Business Law. Legal environment, Transactions and Regulation, BPI/Irwin, 1989, p. 1062

⁵To be see Daniel M. Warner, „*Understanding and Teaching the Revised Uniform Partnership Act*”, The Journal of Legal Studies Education vol. 18, issue 1, 2000

the withdrawn has as a result the dissolution, followed by liquidation. In the Uniform Partnership Act 1914, the withdrawal was a legal cause of dissolution, independent of the members convention.

The members can opt for another form of partnership where their liability is limited, regulated by the National Conference of Commissioners on Uniform State Laws (NCCUSL)⁶, onto the base of the Uniform Limited Partnership Act, revised 2001 (ReRULPA).

The limited partnership is subject to registration in an institutionalized procedure, according to Section 201 of the above mentioned regulation, „Formation Of Limited Partnership; Certificate Of Limited Partnership”, which shows that:

In order for a limited partnership to be formed, a certificate of limited partnership must be delivered to the [Secretary of State] for filing. The certificate must state:

- the name of the limited partnership, which must comply with Section 108;
- the street and mailing address of the initial designated office and the name and street and mailing address of the initial agent for service of process;
- the name and the street and mailing address of each general partner;
- whether the limited partnership is a limited liability limited partnership

According to Section 303. No Liability As Limited Partner For Limited Partnership Obligations:

“An obligation of a limited partnership, whether arising in contract, tort, or otherwise, is not the obligation of a limited partner. A limited partner is not personally liable, directly or indirectly, by way of contribution or otherwise, for an obligation of the limited partnership solely by reason of being a limited partner, even if the limited partner participates in the management and control of the limited partnership”, its legal regime approaching a regime somewhat to the distinct legal regime of the corporation.

2. The corporation in the American legal system

In the American law, the regime of the corporation is similar, but not identical, to the legal regime of the companies with legal personality in the Romanian law. In short, they present five basic elements, as follows:

⁶ www.uniformlaws.org

- legal personality, which means that the company is itself a person capable of entering into contracts and capable of suing and being sued in its own name
- limited liability, which is a nearly universal feature of the corporate form, but, as shown before, not a specific characteristic of a corporation. Beside this, the American doctrine of piercing the corporate veil permits, in certain cases, to eliminate the entity shielding which protects the shareholders or the stockholders of a corporation from de creditors' claims
- transferable shares, a specific characteristic which distinguish the corporation by the other forms of business organization, such as partnerships. But it has to be shown that there are two kind of corporation, from this point of view: corporations with freely tradable shares (named 'open' or 'public' corporations) and corporations that have restrictions on the tradability of their shares (named 'closed' or 'private' corporations). Beside this, the shares of open corporations may be listed for trading on an organized securities exchange (the so-called 'listed' or 'publicly-traded' corporation), in contrast to an 'unlisted' corporation. Also, a company's shares may be held by a small number of individuals whose interpersonal relationships are important to the management of the firm, in which case we refer to it as 'closely held', as opposed to 'widely held'
- delegated management under a board structure, which mainly means that the business corporations are distinguished by a governance structure in which all but the most fundamental decisions are delegated to a board of directors, presumed by the law. The partnerships, business trusts, or limited liability companies may have also a governance structure, but in these cases, the premises in not given by the law but by the will of the partners/associates.
- investor ownership, which gives them the right to control the company and the right to receive the firm's net earnings

What characterizes the corporate structure is the regulation of the potential conflicts that may arise among them, which can take various forms, summarized in three categories: conflicts between managers and shareholders, conflicts among shareholders, and conflicts between

shareholders and the corporation's other constituencies, including creditors and employees.

These five main characteristics are traces in all major legal systems, such as the French SARL, the German GmbH, the Italian Srl, the UK private company and also the American close corporation and (more recent) limited liability company. In Romania, we will find the regulated form of the SRL and also the common closed SA.

Sometimes, the specific legal provisions make a departure from one of the five core characteristics, for instance in the case of the delegated management, case in which in some legal systems is permitted to eliminate the board in favor of the shareholders' direct management (such in the case of Romanian SRL).

Beside these consideration, as shown in the American literature⁷, "some jurisdictions have, in addition to these special closed corporation forms, quasi-corporate statutory forms that can be used to form business corporations with all of our five core characteristics, though some of these characteristics must be added by contract. One example is the limited liability partnership, which has been provided for recently in the law of the U.S. and some European jurisdictions. This form simply grafts limited liability onto the traditional general partnership. U.S. law now allows the partnership to have something close to strong form entity shielding (by limiting the rights of partners or their creditors to force liquidation). "

Conclusions

The conceptual delimitation between the forms with legal personality and those without legal status in American law reveals a dilution of the concept of legal personality and its effects especially in the realm of separation of patrimonies and entity liability to third parties, which in the Romanian legal system, still anchored in the shield of the legal personality, it is hard to imagine. Since the expansion of liability and also the limitation of liability is recognized in American law as forms of legal personality and those without legal personality, becomes necessary to address the concept of legal personality in the Romanian law from another perspective, in which it has to be revealed the modernity of the Anglo-American systems, oriented,

⁷ John Armour, Henry Hansmann and Reinier Kraakman, *The Essential Elements of Corporate Law*, Oxford Legal Studies Research Paper No. 20/2009; Yale Law, Economics & Public Policy Research Paper No. 387; Harvard Law and Economics Research Paper No. 643; Harvard Public Law Working Paper No. 09-39; ECGI - Law Working Paper No. 134/2009. Available at SSRN: <http://ssrn.com/abstract=1436551>

in terms of liability, to the protection of the thirds rather than the protection of the members.

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www.uniformlaws.org

The Evolution of the Index of Population Consumption Prices

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Abstract

This paper includes an analysis of the consumption prices, as they represent a major instrument for the measurement of inflation. The analysis methodology takes into account a series of criteria that are presented and described in the first part of the paper. The results of the analysis are presented in an easily viewable format, by using proper charts and tables.

In our country the inflation, or depreciation, is calculated on the basis of the population consumption prices and the rate of modification of this indicator is set up by comparing in time the modifications of these prices. This index of the consumption prices must achieve a synthesis of the evolution between two periods of the prices for all the goods and services included by the population's consumption.

Key words: *inflation, prices, evolution, services, products*

1. General considerations

Practically it is impossible to survey and record the prices for all the goods and services being consumed by the population during a given period of time.

That's why, for surveying and recording these statistic data, a sample of goods and services is utilized, which must be representative through the consumption and prices structure, so that the out coming results may be extended over the entire population, with an error margin as limited as possible.

When analysing this index the following aspects, which are influencing its evolution from one to another period, should be considered¹:

- The population cannot take advantage of a self-protection against a strong increase of the prices, in general or for certain categories of goods and services. Consequently, the simplest way to go for is to reduce the consumption, to substitute them with other goods or even to pull out of consumption of these categories of goods.
- On the Romanian market the prices for some goods and services consumed by the population do not evaluate in connection with the ratio between demand and offer, the sales being mainly directed by the level of the incomes available with the population at a given time. Or, these incomes are relatively smaller and smaller in comparison with the rhythm of the prices increase and the population's consumption needs. Under the circumstances, the producers are diminishing the margin of risk or are freezing, for certain periods, the prices of certain goods, which results in getting a lower index of the inflation, far away of the economic reality;
- The new products entering the market have not a perfect degree of comparison with the previous periods, influencing thus the level of the inflation index;
- The inflation index is also influenced by certain goods or services which are no more produced (or sold) during the current period. As a rule, this kind of products, which get out of the market under normal conditions are replaced by other products, which leads to a diminished influence on the inflation index.

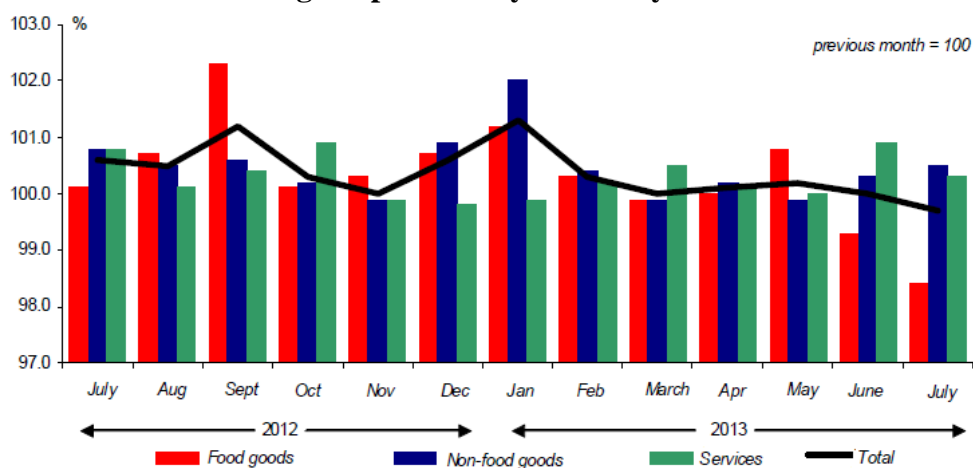
In general terms, the index of the population consumption prices is depending on:

- The nature of the goods and services for which the prices are considered;
- The categories of population for which the purchases (consumption) are considered;
- The nature of the prices;
- The limit of satisfying the population's consumption needs through purchases of goods and services;
- The influence of the level of the population's incomes on meeting the consumptions needs through purchases of goods and services.

¹ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

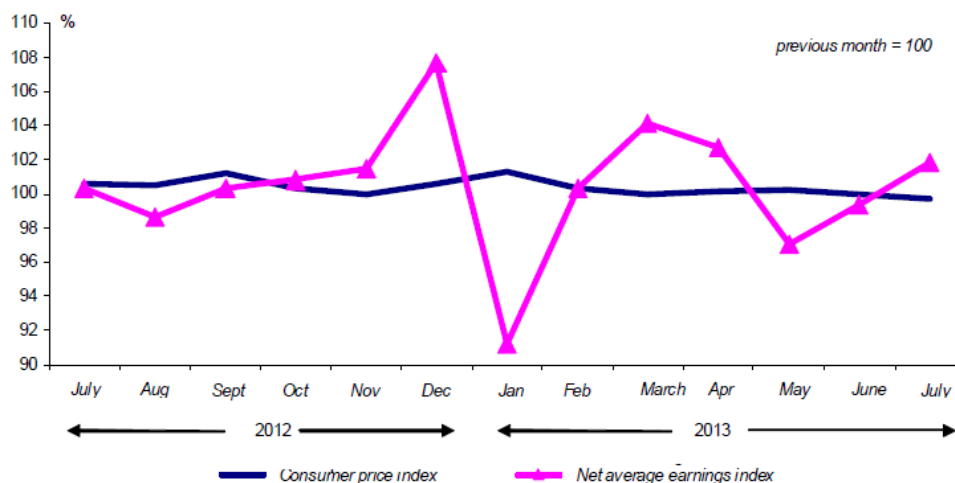
The evolution of the indices of the population's consumption prices during the period December 2009-June 2012 is submitted by the following graph:

The evolution of the population's consumption prices indices during the period July 2012-July 2013



Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

The evolution of the population's consumption prices and of the average net wage gains indices during the period July 2012-July 2013



Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

Based on the data published by the National Institute of Statistics in the Statistic Bulletin no. 7/2013, the inflation rate, on the overall basis and by elements of structure, is submitted by the following table:

Prices increase for the month of July 2013

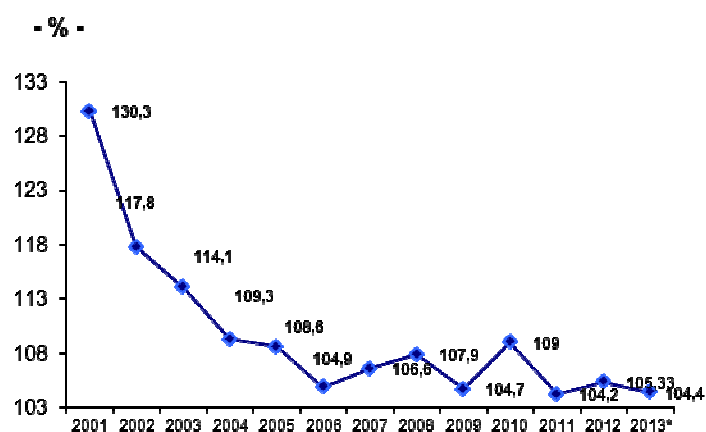
– percentage –

Indicators	Increase of the consumption prices in July 2013, as against :		Average monthly increase of the consumption prices over the period:	
	December 2012	July 2012	1.I-31.VII.2012	1.I-31.VII.2013
Total	1,7	1,7	0,3	0,2
Foodstuffs ^{*)}	-0,1	-0,1	0,3	0,0
Non-foodstuffs	3,2	3,2	0,3	0,5
Services	1,9	1,9	0,4	0,3

^{*)}Including beverage

Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

Consumption prices indices for the period 2001-2013
- December previous year = 100 -



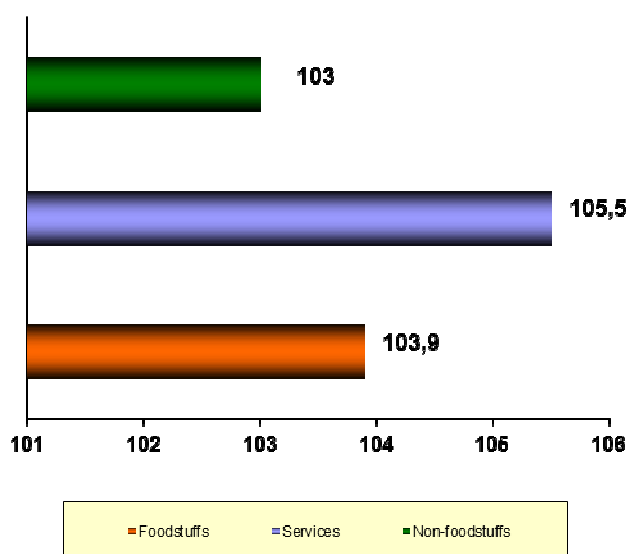
^{*)} Estimated data for the second half 2013.

Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

Taking into consideration the above emphasized aspects, typical, the average monthly rate of the calculated prices counted for 0.30%.

The annual inflation rate in July 2013 counted for about 4.5%, as against June 2012².

The evolution of the consumer prices by groups of goods and services (%)



Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

2. Consumer prices index for foodstuffs

Comparatively with December 2010, in December 2012, the foodstuffs recorded price increases of 0.4%, which means insignificant monthly average increase of the prices³.

In December 2010, as against November same year, significant increases, within the category foodstuffs, have been recorded for eggs, vegetable, bakery products, butter, eatable oil and milk.

In July 2013, the prices index for foodstuffs counted for 3.9%, with a monthly average of 0.2%.

² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

³ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

There were decreases as well, as against June 2013, recorded for citrus and other southern fruit, respectively potatoes.

As for the other products, the increases being recorded were somehow reasonable.

3. The consumer prices index for non-foodstuffs

As far as the non-foodstuffs are concerned, the prices increase in July 2013, against July 2012, counted for 5.5%, significant increases being recorded for: fuels, cars, accessories and spare parts.

4. The consumer prices index for services

The increase by 3.0% of the tariffs, on the overall group of services has been generated by the evolution of the tariffs for air transport, telephone and hygiene and cosmetics.

If considering the large industrial groups, in July 2013 as against July 2012, price increases have been recorded by the energetic industry, industry of goods for current use, industry of capital goods and industry of intermediary goods and industry of durable goods (4%).

5. The nominal average wage gain

When analysing the impact of the inflation on the living standard, it is necessary to take into account also the average gains of the population during the analysed period. Thus, the nominal average gross wage at the economy level counted for 2,259 lei in July 2013⁴.

In the industrial sector, the gross wage in July 2013 counted for 2,326 lei, with higher levels in the extractive industry and electric, thermic, water, gas sector. As to the manufacturing industry, the wages were below the average of the total industry.

The ratio between the index of the nominal net average gain and the index of the consumer prices in July 2013 counted for 104.3%, as against the previous month, 103.2% as against the corresponding month of the previous year and 124.8%, comparatively with October 1990.

The inflation keeps on playing a different role in evaluating the ratio between the index of the nominal net average wage and the index of the consumer prices.

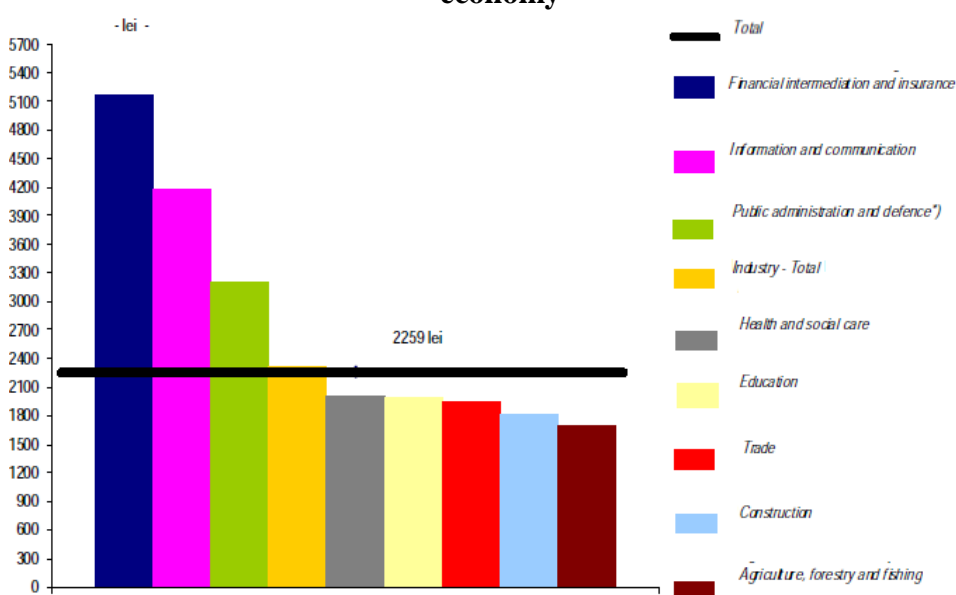
It is rather difficult to come up with a conclusion as regards the evolution of the inflation for the forthcoming period.

⁴ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică în criză perpetuă*, Editura Economică, București

At first sight, the level of the inflation rate of 2012 and the first seven months of 2013 leads to the conclusion that the social and economic situation in Romania is facing a more difficult moment than that of the period 2000-2010, but on a stabilizing trend.

For the year 2013 the estimated rate of inflation counts for about 4.3%, which I consider as being a realistic one in comparison with the very low incomes of the population.

Average gross wage gains in July 2013 by main activities of the economy



*) Excluding army forces and assimilated personnel (M.Ap.N., S.R.I., M.A.I., etc.).

Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

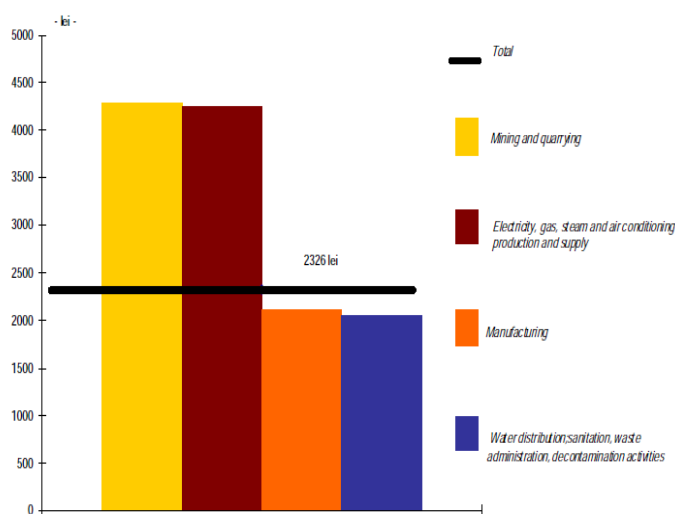
There are some comments to be made also in connection with the real level of this indicator, recorded in 2012, as it is calculated according to a concrete methodology which implies a constant weight of participation of the foodstuffs, non-foodstuffs and services in the process to build up the index of the population's consumer prices.

From this point of view, we can estimate that, probably, the prices index, mainly as for foodstuffs, would have been different under the conditions of an organized structure, according to criteria closer to the real

situation and under the circumstances given by higher incomes to the population. As it has to be, in 2012 as well, a number of producers and traders have been obliged to diminish at maximum the margin of their profitableness with the hope of being in the position to sell their products instead of keeping them in stocks, in many situations these goods being sold even below their real market value. There is another aspect to underline⁵ as well namely the fact that, unfortunately, in Romania there is an underground economy which keeps on maintaining, “producing” or “offering” certain goods and services to the population at low levels of price which, although always of a suitable quality, represent an element of “temptation” for the consumers who go for these items from financial reasons (saving sense).

Thus, even if the payment for certain services will be reflected in the index of the population’s consumption price, as a percentage only, the increase of these prices in form of taxes and charges to be paid on properties, dwellings, terrains, transport means etc., by the population next year only, is already leading to difficulties in recording such an index for the respective year.

**The gross average wage gains in July 2013,
by the main activities of the economy (industry)**



Data source: The National Institute of Statistics, Statistic Bulletin no, 7/2013

⁵ Voineagu, V. et al. (2013) – “The Economy of Romania during the Period 2000-2012”, Romanian Statistical Review Supplement., Volume (Year): 61 (2013), Issue (Month): 1 (March), pp. 96-104

On the other hand, it would be recommendable to forecast some steps of social protection for the population so that the increase of the index of the inflation does not affect too profoundly, through pauperization, the situation of the population of our country. Of course, the reform must be continued but a minimum of protection steps must be secured to the population.

Incredible leaps of the gross average wage on the economy have been achieved in the years 2008 and 2009 but they could not be paid in 2010 and 2011, since, in fact, half of them had not a real fundament. This trend has been dictated by electoral interests, without cover in the market offer and economic capacities. We are presently at the border of the concealed scandal between the power and the opposition, “under the mediation of the IMF”. In fact, even if at different levels of responsibility, to be blamed are all those governing, as they could, during the period 01.09.2009-30.05.2012 but analysing the situation is not a subject of this work. This is only an introduction to the theme, so that the false illusion of “better in 2012” gets temperate. For the first time in Romania, the year 2012 marked the succession of three government teams, differing through doctrine and strategy. After the elections of December 9th, 2012 the situation stabilized and a process of significant changes. Nevertheless, until March 2013, marking one year since Boc left, we keep on talking about one year in which we have been greeted (this is the only way to put it in this analysis) by four governing teams. The economic and social effects are obvious while the prospects might be even worse unless one of the following three variants happens: accepting the co-habitation on the ground of strategies for economic and social development of Romania, not on the doctrinal basis; the president’s withdrawal; obliging the president to either sticking with his attributions or withdrawing.... And the last but not the least, Romania must regain its “voice” as an European country without interferences from outside.

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Determinations of Romanian Social-Economic Reform within Globalization Context

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Abstract

In 2008, when most economically advanced countries over the world were struggling against the financial crisis that later on triggered the global economic crisis , the Romanian decision-makers were giving positive signals by encouraging non-productive consumption and were competing in promising salary increase up to even 50%, in certain cases. Unfortunately, the economic and financial crisis did reach us and found us totally unprepared (as usual) to respond to it. Currently, when most neighboring countries are taking small steps along the development path, we would like to suggest the following defining elements that may be taken into account when a crisis management strategy is defined: improved ethical values in governance and removal of hypocrisy; science, order and responsibility instead of free will choices; designing of the consumption demand pattern according to the domestic goods and services supply pattern; defining of urgent priorities; rigour in collecting revenues; full transparency regarding public expenditure; all efforts focused on sustainable development

Key words: *management, governance, social ethics, responsibility, discipline, rigour, transparency, sustainable development, revenue collection, public expenditure.*

Political parties, which then were in opposition summoned the Government to immediately find the amounts necessary to increase wages of different categories of employees, idea publically supported by the President, who was coming from the same political circles.

Nevertheless, once in government, election promises were left aside, as, surprisingly was noticed that Romania began to sink in the global economic crisis, with severe consequences, the guilty ones being the others, the previous government, those who tried to warn about the dangers, risks and threats concerning our country.

In the context of the global economic- financial crisis, current accounts emphasize a dramatic situation for the vitals sectors in Roamnia¹.

In education the 17th reform in 20 years is being shaped, reform called into question by both teachers, cartels and parents. The agricultural sector, estimated to be capable to provide food for approx. 40-50 million inhabitants, by waving, on emotional basis, the great estates and through the return to the rudimentary technology “wood hoe”, has barely a production of 3471/kg/hectare, thus the last place in Europe.

This being the case, 70-80% of food consumed by Romanians is imported from countries that do not have the agricultural land of Romania, but are much more productive. Road and railway infrastructure of Romania is close to ridicule. After 20 years, Romania has only 303 km of highways, and roads are full of holes and bumps, for the general discontent of citizens and the total surprise of tourists. Romania is also in the last place at attracting European funds. Thus, after three years from accession to the EU, Romania has managed to absorb about 10% of the 30 billion euro – community grants- ie less than half of what new EU September 2006 members managed to absorb in the first two years: Czech Republic- 26%, Estonia-29% Latvia-25%, Lithuania -25%, Poland- 25%, Slovenia- 34% and Hungary 32.5%.

Romania's exit from the deep crisis requires action in good faith, intended to generate a general social boom towards performance and effectiveness. From our point of view, efforts should be directed as follows:

1. Imposing ethical climate in governance and elimination of political hypocrisy. In recent years, public opinion is terrorized by the inconsistent fight against institutionalized corruption. Political parties compete in publicly exposing corruption of political opponents, but as corruption is generalized, justice specialize in giving verdicts to release from criminal prosecution. Bureaucracy has deepened, obedience to civil service became national trait and the state apparatus is increasingly accused of being at the service of influential people, and thus not serving justice and legality. The sages teach that is good to know the past in order to avoid mistakes in the future.

But taking a look at the writings of our ancestors of two hundred years ago, we notice a striking resemblance with what the media and not only, criticizes today. The doctor Stefan Piscupescu, during 1805-1847, although he was convinced that good upbringing and good reputation are the pride of a family, bringing immortality to a nation, in his memoirs made the following findings about the society of his time: ¹Civilization's culture is now dominated by hypocrisy, envy, interest, deception and war among all people and all things. Leading is the government trying to take as much from the subject, lured by vain things: the principle of government is to

have all his subjects hung by (depending on) him, by honour, wealth and their lives. In achieving this goal, "all police institutions with all their forms and uniforms spend on their officers and other employees" .The rich are tempted with "hope of glory, ranks, appointments and gain" being possessed rather by "pride and greed." Forgotten by all the people is suffering and is instigated by those who preach freedom, justice and equality, but also by those who preach mercy and forgiveness of sins. When in need, no one listens or does not understand. As such, past and present forces us to impose a code of conduct for the politician, so that anyone who wants to hold public office can relate to. Drainage of public life of imposture and illegality is the basic condition for ensuring moral rigor for the strategy of the future.

2. Science, order and responsibility instead of free will. A family, a business, especially a country and so forth, manifests itself as socially responsible only if they hold the know how to build their future. For years, Romania still hasn't establish: a strategic development plan, a well-defined set of measures, deadlines, responsibilities, multi-annual budgets, tax strategies, or social stakes and so on. Government, business and ordinary people do not have long-term action strategies and the lack of horizon is suicidal for anyone. Therefore, Romania seems to work at odds of failure, with erratic behaviour. This explains the fact that in our cities, houses, yards and so on, were first built, at the whim of everyone, but there is no sewerage, electricity or road infrastructure.

Governmental apparatus became more numerous, but nobody knows why. Moreover, no one is able to explain why a state institution operates in this way and not otherwise. Worse is that, from the political clientelism, experienced leaders were replaced by those obedient to power, the entire state apparatus operating according to the principle "don't bother this will work anyway". The current recession has had the gift of highlighting decision failures in all areas, but the highest price we pay is the lack of strategic thinking. Unlike Romania, Poland avoided the global crisis, by anticipating the worst times that were to come, managing responsibly expenditures, therefore having a growth of 1% last year, while we are forced to pay current salaries and pensions from foreign loans. Through science, order and responsibility, strategic plans must be supported by qualitative shift in the spiritual plan.

3. Modeling consumption demand pattern according to the domestic goods and services supply pattern. Economic life focuses on three fundamental concepts: economic needs, economic demand and economic supply. Because of loans of all kinds, domestic demand was much higher than domestic supply, external imbalances widened, the indebtedness of

Romania becoming higher. To learn from the bitter lessons of the global crisis is necessary in the future to balance domestic consumption as much as possible through diversification of internal supply and reducing the accumulation of external debt. Therefore, the design of the future must start with straightening mistakes of the past, by a definite institutional reform that would redistribute public money from policies absorbing these funds (public oversized apparatus) to sectors bringing added value. Through vision, determination, discipline, accountability and transparency is suggested that "In the short term, the government should focus to complete the legislation on public administration reform with immediate applicability. The resources thus saved should be directed to two or three priorities meant to attract private or European funds in order to create a force capable of economic recovery. In the medium term, it is required to rearrange the structure of public expenditure on domains that create jobs and economic growth, but, more importantly, creates stability and predictability. This brings new resources that will strengthen the long-term European ones "³. Overcoming the economic crisis is related to the assessment of many projects on efficiency criteria meant to identify priorities to be followed in order to attain the final purpose. In this sense, the priorities are set according to the targets that will be achieved in the long term and chosen strategies will only offer security that development doesn't take place at random.

4. Defining immediate priorities. In this moment every need can become priority. For the Romanian economy is, however, necessary to establish clear directions for government decisions that will eventually lead to sustainable growth. And these directions must be based on the assets of the country, random changes in the traditional object of business are likely to lead to unnecessary efforts and social costs. This being the case of Iceland.⁴In 2003, Iceland from a small fishing community , of 300.000 people, for whom fishing represented 10% of the GDP and 36% of exports, decided to become a country of bankers, based on an increase in wealth. In 2007, Iceland was on top of the list of prosperity indicators for countries with high living standards, nevertheless in 2008 the country was declared bankrupt. Icelandic Krona crashed to the ridiculous 20% of the euro, unofficially unemployment surpassed 50% and the public debt reached in early 2009 at 150% of GDP, approx. 8.5 billion euros. Lured by the promise of financial activity, Iceland ventured into a field that had no tradition, gave up what she could do best which had previously brought it enviable results, did not make long-term plans and got lost on a road unknown. For Romania, we believe that long-term efforts should focus on agriculture, food industry, tourism, environment, energy and infrastructure.

But this beginning requires political will, determination, discipline, responsibility and more consistency. Through political maturity, must long term policies be implemented, succession in management positions has to ensure continuity and it has no sense to stop and start all over the same play with other actors.

5. Rigor in collecting revenues. Increase budget revenues is the central point of the tax administration reform. It should ensure the implementation of the constitutional equality of citizens to participate in social obligations. Exemptions from taxes for some companies and individuals will increase the financial burden of other members of society, especially of those with low incomes, who find that they impoverish increasingly, while others get rich without any legal basis. In this respect, is required a better cooperation between audit bodies, income tax authorities and taxpayers thus leading to reduced control devices and increase its effectiveness. However, it is unacceptable that the Financial Control Authorities end up counseling fraud actions of the state budget.

6. Full transparency regarding public expenditure, especially in three directions: expenditure on assets, state aid for companies, managing the wages budget for civil servants. The current crisis must bring light into the conclusion and execution of public contracts. Recent years are characterized by exponential growth of complaints about the unlawful manner concerning conclusion and execution of public contracts through companies affiliated to political parties. It got as far as a kilometer of highway in Romania is the most expensive in Europe, while the quality of the work is very low. The public authorities argue that one kilometer of bike trail in Bucharest costs more than a kilometer of highway in Europe. Throughout the country there are a lot of infrastructure works started about 10-15 years ago and still waiting to be completed. Most acceptance/approvals for the constructions works are conducted by "political experts" and shortly surface large deficiencies, and nobody is held responsible. It is obvious that public procurements and contracts concluded by the state require legality and transparency. And it is desirable to attract European funds without changing the tender book on the way depending on the interested persons, favored by politicians. Especially, in mining, energy, transportation, and so on there are mostly state-owned companies, which usually benefit from state aid. In these areas too it is necessary to monitor revenues and expenditure budgets, provide for measures to mitigate losses drastically and promote substantial restructuring leading to responsible spending of public money. Either change of management or production plans after political criteria do not constitute covenant of good faith for entrusting those companies with

projects meant to increase productivity and increase in capital efficiency. Such goals can only be achieved by strict framing within accepted budget deficits and promoting measures to impose economy. Political clientelism and lack of discernment in selection of personnel led to an oversized governmental apparatus. In 2004, staff costs accounted for about 4.3% of GDP. In the crisis year 2009, in which many social activities were limited, the amount of personnel expenses was about 9, 2% of GDP. Of course, there are attempts of reducing the staff, hoping that the volume of GDP spending reaches somewhere around 7% of GDP by 2015. There are already projects to reduce civil servants with over 100 000 people, among whom 15 000 teachers in secondary education. Aspects paradoxical , even absurd , of reducing the administrative apparatus emerge when in crisis , it is found that , in 2009 , the number of public employees has increased by more than 26 000 by comparison to the figures of 2008. In our opinion cutting down on civil servants employees is necessary but it should not be made based on subjective criteria. We consider the need for a state audit of the administration structures, showing the necessity of functioning of certain structures as well as their appropriate organization chart to be taken into account when substantiating staff reductions. Redundant staff came within government bodies and, as such, it must be resized according to scientific criteria. Applying the principles of proportional reduction from all state bodies will inevitably lead to their increased inefficiency therefore increased public discontent with the way they perform their duties.

7. Center general efforts on sustainable development. This requirement resides from the correlation between the economy and the environment, in economy are important both micro-and macroeconomic aspects concerning environment protection and awareness of the economic costs of pollution. Current energy crisis is an acknowledgment of the fact that natural resources are depleting. Among the valuable natural resources is also water and it is estimated that soon the demand for water will involve managing financial efforts equal to - or greater than the costs of obtaining oil. Therefore, it is globally estimated that "Although water resources were traditionally considered renewable, we are now witnessing global depletion and degradation of surface water quality, diminishing of fresh water resources- due to the melting of glaciers and the exponential increase in demand for water, increase due to population growth and rapid urbanization of areas. In this century drinking water can become humanity's oil. Scenarios for the future use of water on the planet and in Europe, especially "water markets" as well as regulatory frameworks for water consumption is an important part of the research agenda of sustainable development. "In

this context, Romania has to establish a long-term strategy of using its potential natural resources, among which water and energy resources become the central focus of development. The protection of resources and the natural environment must be accompanied by the responsible management of associated labor trends, by the overall reduction of time worked from about 3000 hours / year in 1890 to about 1500 hours / year in 1990, the resulting time being directed towards education.

In recent years, Romania, by renouncing industrialization, is on a downward path in terms of quality of life, a situation presented in the table below, also emphasizing the place it occupies in the qualification for employment in some countries of Central and Eastern Europe.

Details	Highly qualified	Intellectual	Engineer	Qualified operator	Unqualified
Bulgaria	7	12	10	58	13
Romania	2	10	9	66	13
Hungary	8	14	14	56	8
Poland	7	15	11	59	8
Lithuania	10	18	11	52	9
Latvia	9	15	17	46	13

It is obvious that Romania has the largest number of unqualified workers- 79% and the least qualified specialists 21%. And sustainable development is not designed to send people in the primary economic sector or agriculture, with the Middle Ages specific technologies.

Years after 2014 are intended as a period of post economic crisis and the beginning of an increased economic growth so much expected. There are assumptions that give hope in this regard: a relatively balanced budget, a trend for accountability for public spending, an exchange rate kept low and an attractive labor productivity. All these are prerequisites, which can be refuted, unless the fundamental restructuring measures of the functioning of the state apparatus are realized, in the sense of becoming more transparent and accountable towards national wealth. The result of such an approach can only be social justice and raise of the general standard of living. But to embark on such a path requires the combined effort of the individual, the family, the company and the state.

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Budgetary Execution, Monetary Market – Resources and Placements

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Abstract

This paper analyses one of the most significant elements of the national economy that is the monetary situation, reflected by placements and resources. The authors focused on the monetary evolution, the situation of the budgetary execution, and the evolution of the public debt.

A very significant element for the macroeconomic analysis consists of the monetary situation of the country, meaning the placements and resources available with the national economy at a given time as well as the way in which they are evaluating from one to another period.

Key words: *monetary, placements, execution, incomes, debt, expenses*

1. The monetary evolution, placements and resources

When analysing this situation, a full correlation with the the inflation rate must be considered as well as with the mode in which these monetary resources are placed in the frame of the consolidated balance sheet.

If considering the year 2013, such an analysis can be achieved on the basis of the statistic data published by the National Institute of Statistics (Statistical Bulletin no. 7/2013).

Thus, during the mentioned period, the total placements in the credit account amounted 474,121.1 million lei for the month of July 2013 as against 479,805.4 millio lei in December 2012.

Consequently, during the year 2013, the situation of the placements in assets kept on increasing in accordance with existing resources of the market¹.

¹ Anghelache, C. (2013) – “România 2013. Starea economică sub povara efectelor crizei”, Editura Economică, București. See also Anghelache, C. (2012) – “România 2012. Starea economică în criză perpetuă”, Editura Economică, București

An aspect which has to be emphasized refers to the external assets chapter which, starting with the year 1997 up to July 2013, recorded a high value amounting 178,125.7 million lei.

As far as the internal assets are concerned, they amounted 295,995.4 million lei, out of which the non-governmental credits counted for 221,432.3 million lei.

The governmental credits counted for 9,573.8 million lei, while the negotiable equities amounted 62,947.5 million lei in bonds and treasury bills, respectively 2,041.8 million lei in shares and other capital participation titles being held.

The external liabilities amounted 120,994 million lei, out of which 120,540.8 million lei as deposits. The internal liabilities counted for 353,128.7 million lei, out of which 101.895,3 million lei long term financial liabilities and 225.905,2 million lei money at large extent.

A more accurate picture on the monetary situation is given by the following table:

Monetary situation, placements and resources

–by the end of the month, in mil. lei –

	December 2007	December 2008	December 2009	December 2010	December 2011	December 2012	30.07.2013 ¹⁾
A. ACTIVE							
1. External assets	107470,8	123304,6	147500,2	171635,2	174758,6	173034,5	178125,7
1.1. Gold	6774,2	8153,5	10788,2	15050,9	17502,5	18600,4	14705,3
1.2. Available DST with IMF	1,2	345,0	4149,6	3403,7	1970,2	506,1	403,7
1.3. Cash and other values	1573,2	1858,2	1331,6	1614,3	1629,7	1577,2	1470,5
1.4. Credits	23800,2	19925,6	59865,2	50515,5	31756,7	49015,9	42202,7
1.5. Negotiable held equities (others than shares)	70933,1	88055,3	66076,9	95184,8	116134,7	97507,8	113649,0
1.6. Shares /units of monetary market funds	10,1	10,1	7,6	111,8	74,3	62,9	65,7
1.7. Shares and other capital participations held	4388,9	4956,9	5281,1	5754,2	5690,5	5764,2	5628,8
2. Internal assets	158835,3	216449,4	248068,2	272458,2	295696,8	306770,9	295995,4
2.1. Internal credits	-	204342,4	211196,4	220539,5	233819,3	235726,0	231006,1
2.1.1. Non-governmental credits	148180,8	198085,9	199881,9	209293,6	223037,1	225836,2	221432,3
2.1.1.1. Credits granted in lei	67713,0	83672,3	79710,9	77358,5	81658,7	84722,8	83877,4
2.1.1.2. Credits granted in euro	70320,5	97158,1	103985,7	114047,0	122996,7	124018,5	121789,8
2.1.1.3. Credits granted in other currencies	10147,3	17255,5	16185,3	17888,1	18381,7	17094,9	15765,1
2.1.2. Governmental credits	3642,1	6256,5	11314,5	11245,9	10782,2	9889,8	9573,8
2.1.2.1. Credits granted in lei	3448,6	5817,4	5322,7	5527,8	8235,4	7321,4	7060,7
2.1.2.2. Credits granted in euro	193,5	438,8	5991,5	5717,9	2512,2	2557,2	2513,1
2.1.2.3. Credits granted in other currencies	-	0,3	0,3	0,2	34,5	11,2	-
2.2. Negotiable held equities (other than shares)	6060,8	11138,2	35639,5	50291,9	60188,9	69022,4	62947,5
2.3. Held shares and other capital participations	951,6	968,8	1232,3	1626,8	1688,6	2022,5	2041,8
PLACEMENTS IN ACTIVE	266306,1	339754,0	395568,4	444093,4	470455,4	479805,4	474121,1

	December 2007	December 2008	December 2009	December 2010	December 2011	December 2012	30.07.2013 ^{*)}
B. PASSIVE							
1. External liabilities	78400,4	110254,5	125291,8	147642,5	153970,3	137743,2	120992,4
1.1. Deposits	75442,8	109064,9	124556,4	146832,8	153684,0	137627,6	120548,4
1.2. Issued equities (other than shares)	2663,1	858,0	735,4	789,1	258,8	115,5	443,6
1.3. Allocations in DST from IMF	294,5	331,6	-	-	-	-	-
2. Internal liabilities	187905,7	229499,5	270276,6	296450,9	316485,1	342062,2	353128,7
2.1. Money in large extent	147990,3	174135,5	186634,5	202772,6	216207,9	222017,7	225905,2
2.2. Long term financial liabilities	29206,3	50521,6	62673,7	77968,2	88677,0	100381,5	101895,3
2.3. Deposits of the central administration	14274,1	10283,7	20063,2	18234,5	18319,5	29253,4	38164,2
2.4. Other liabilities, net	-3565,0	-5441,4	2094,8	-2524,4	6719,3	9590,4	-12836,0
TOTAL RESOURCES IN PASSIVE	266306,1	339754,0	395568,4	444093,4	470455,4	479805,4	474121,1

^{*)} Provisional data

Data source: The National Bank of Romania, the National Institute of Statistics, Statistical Bulletin no. 7/2013

From the point of view of the monetary situation (placements and resources), as a result of a careful strategy of the National Bank, the year 2013 recorded a good evolution.

By means of the system of treasury bills, public securities etc., as well as through the interests set up by the commercial banks or the lever of the exchange rate evolution, a significant amount is drawn from the population as well as from the savings in foreign currencies of the residents.

2. The situation of the budgetary execution

During the year 2012, the execution of the state budget has been achieved quite difficultly so that by the end of the year it closed up with a deficit of 26,717.5 million lei. In the case of the budget of the state social securities, by the end of the month of July 2012, an excess of 175.3 million lei has been recorded and, by the same time, the local budgets have recorded an excess of 667.7 million lei².

For the period 2001-2012, the Executive, through the Ministry of the Public Finances, paid all necessary efforts, drew up and submitted to the approval of the Parliament, the budgets (the state one and the state social securities one) for the following years.

The outcomes of the budgetary execution for the year 2012 has been somehow interesting since it would have been normal that, in the case of a

² Penu, D. (2012) – “The Analysis of the Budget Deficit in Romania”, Romanian Statistical Review Supplement, Volume (Year): 60 (2012), Issue (Month): 1 (March), pp. 73-77

correct collecting, the multitude of taxes and charges lead to additional incomes to support the expenses at the state budget level.

But if considering the chapter of the indirect taxes, mainly excises, charges, value added tax, these incomes have been not entirely achieved because of the fact that, on one hand, the activities involving excises diminished and, on the other hand, in the case that these excises increased, the physical volume of the respective activity decreased. There is a similar forecast to consider for the years 2013 and 2014, when the government should reduce the excises for those products for which there are no taxes on consumption perceived in the frame of the European Union.

There has been also a, let's say recklessness, to consider when considering the exemptions and re-spreading of payments being granted for the payment of taxes and charges for the benefit of a large number of economic agents.

Neither the incomes from capital, such as those resulting from the process of turning to account certain goods belonging to the state, recorded a significant level while the cashing from the reimbursement of the granted loans have been quite low.

The year 2013 counted for the tenth year of applying the unique taxation quota of 16%. As from July 2013, the diminished quota of taxation for the VAT on bakery products has been reinforced.

It is necessary that appropriate steps are taken in order to stimulate the economic activity and the development, mainly, of the small and medium companies (the middle stratum), so that these steps, correlated with the possibility to support certain branches of the national economy in the frame of the reform, allow new jobs to be generated and lead to the decrease of the expenses made by the state, mainly at the chapter of the state social securities, for sustaining the unemployment.

The fact that, from the point of view of the way in which the expenses from the state budget have been achieved, most of the activity sectors but mainly the education, health, culture, social security, defence, public order and national security, the expenses are low as comparatively with the resources available with the population, generally speaking, or with those running their activity in these domains, has to be underlined as an alarming situation³.

This means actually that the sources out of which the state budget incomes have been formed (fiscal, non-fiscal), were not collected always at

³ Man, M., Marin, R.M. (2011) - *“Aspects Regarding the Evolution of Romania’s Public Debt in the Context of its Integration within The E.U. and of Worldwide Financial Crisis”*, Annals of the University of Petrosani – Economics, Volume (Year): 11 (2011), Issue 1, pp 129-136

the level forecasted when the state social securities budget had been drawn up.

Under the circumstances, the higher expenses required cover from other sources, involving difficulties for the forthcoming period if considering that up to now the main expenses from the state social security budget (allocations, pensions, supports and indemnities) have been not properly increased so that the next period will require new incomes sources⁴.

Since after the reinforcement of the Fiscal Code there are still certain persisting ambiguities, there will definitely be difficulties to face as far as the budgetary execution is concerned over the forthcoming period. Therefore, we take the liberty of considering that it is compulsory that the Ministry of Public Finances should proceed to take necessary steps meant to temper the effects of the financial crisis, such as:

- Collecting , from contributors, the observations concerning the Fiscal Code, a beforehand simulation of the forecasted steps and afterwards, accommodating this law to the needs and the economic conditions from our country;
- Intensifying the efforts meant to secure the collecting of the incomes to the state budget, local budgets and state social security budget;
- Correcting, towards a reduction of the taxation policy, certain taxes and charges, allowing thus an easier collecting of all due amounts, from individuals and juridical persons;
- Recovering the debts from the big debtors, by means of taking over quotas of shares packages of the private commercial companies being in this situation and of imposing an adequate management or the re-privatization of these companies (shares packages);
- Getting additional incomes out of privatization (with the hope that this will be the final outcome of finalizing the privatization), as well as out of new loans granted even if by the IMF.

Certainly, these steps could be considered within a larger context in the frame of the process of reform and the programme of social protection which the government should consider. One never should forget that when adding minus to minus a bigger, even abyssal minus could occur mainly when facing a deep financial crisis.

⁴ Mitac, M. (2011) – “*The Impact of the Current Financial Crisis on Romania’ Budget*”, Ovidius University Annals, Economic Sciences Series. Volume (Year): XI (2011), Issue (Month): 2 (May), pp. 821-824

However, one must make the point on the fact that a plus can result only when “multiplying” minus by minus. This means that correcting the budgetary deficits for the years 2010 and 2011 excessively through the reduction of the salaries and the increase of taxes/charges was not advisable since such a policy would compulsory lead to the diminishing of the consumption, taxation basis etc. and would deepen profoundly the social crisis with hard to anticipate developments and effects.

3. The execution of the state and local budgets

The deficit of –10,022.2 million lei, recorded by the state budget by the end of the month of July 2013 is representing a significant exceeding of the level planned for the entire year. Thus, the year 2013 failed to allow the fulfilment of long time aimed target, namely recording excesses.

The execution of the state budget by 31.07.2013 is submitted by the following table:

The execution of the state budget

– million lei –

INDICATORS	Achieved by 31.07.2013 ¹⁾
A. INCOMES	52994,3
CURRENT INCOMES	51719,0
Fiscal incomes, out of which	46813,2
Tax on profit	7699,3
Other taxes on income, profit and gains on capital from juridical persons	708,5
Tax on income	13122,3
Quotas and deducted sums from the tax on income	-8572,0
Other taxes on income, profit and gains on capital	0,1
Tax on wages	1,1
Taxes and charges on property	14,0
Taxes and charges on goods and services	...
Value added tax	28717,5
Sums deducted from the value added tax	-8854,5
Other general taxes and charges on goods and services	162,4
Excises	11194,9
Taxes on specific services	-
Taxes on goods utilization, authorization for goods utilization or on carrying on activities	2220,5

INDICATORS	Achieved by 31.07.2013^{*)}
Tax on foreign trade and international transactions	371,1
Other fiscal taxes and charges	28,2
Contributions for securities	91,6
Employer's' contributions	92,2
Employees' contributions	-0,6
Non-fiscal incomes	4814,2
Incomes from capital	144,3
Financial operations	3,0
Subsidies	-
Amounts received from E.U. on the account of the made payments and pre-financings	1510,3
Amounts to be distributed	-382,3
B. EXPENSES	62996,5
Current expenses	60666,9
Expenses with the personnel	11611,4
Goods and services	2406,1
Interests	6392,9
Subsidies	2488,4
Transfers between units of the public administration	14531,7
Other transfers	7552,3
Projects to be financed out of non-reimbursable external funds	4882,0
Expenses fro programs of reimbursable financing	1961,8
Social assistance	7760,9
Other expenses	1079,5
Capital expenses	797,5
Financial operations	1708,1
Previous years made payments with recovering in the current year	-176,0
DEFICIT (-) / EXCEDENT (+)	-10002,2

***) Provisional data**

... = Missing data

Data source: The National Bank of Romania, the National Institute of Statistics, Statistical Bulletin no. 7/2013

If considering other categories of income, such as the incomes cashed from privatization, there are obviously difficulties which clearly lead to the conclusion that privatization by assets selling at any price proved to lack a major role all together, not even for achieving incomes for the state budget.

Irrespectively the extent of the need for incomes would be over the next period, it is necessary to pay an additional attention to evaluating the privatization reform steps on the basis of economic efficiency so that to avoid running the risk to alienate essential values of the national wealth against modest amounts, without any prospects to get them recovered during the next period.

The execution of the unemployment securities budget

-million lei-

INDICATOR	Achieved by 31.07.2013'
A. INCOMES-TOTAL	947,5
CURRENT INCOMES	836,6
Taxes on goods utilization	-
Security contributions	822,7
Employer's' contributions	477,6
Employees' contributions	345,1
Non-fiscal incomes	13,9
Financial operations	-
Subsidies from the state budget	78,0
Amounts received from E.U./other payers	32,9
EXPENSES-TOTAL	1050,2
Current expenses	1058,9
Expenses with the personnel	52,3
Goods and services	34,3
Interests	-
Subsidies	1,0
Transfers between units of the public administration	230,3
Projects to be financed out of non-reimbursable external funds	56,8
Social assistance	661,9
Other expenses	22,2
Capital. expenses	0,6
Previous years made payments and recovered in the current year	-9,2
Financial operations	-
C. EXCEDENT (+) / DEFICIT (-)	-102,8

*) **Provisional data**

Data source: The National Bank of Romania, the National Institute of Statistics, Statistical Bulletin no. 7/2013

The returns from excises, customs charges or the tax on crude and natural gas from the domestic production are by far lower as against the

initial forecast, if comparing them with the programme set up for the year 2013. The situation is easily explainable by the fact that the above mentioned taxes have been increased by the unsubstantiated decision of the Ministry for Public Finances aiming to increase the incomes to the state budget. The outcome of such a step was contrary to the goal due to the fact that higher taxes led to prices increase, sales decline and, consequently, lower returns, not to mention that this policy involved an escalate of the general prices, all over the national economy, with an immediate effect on the deterioration of the population living standard.

Here we can consider that there is a subject to be analysed by those who conceived the state budget for the years 2011-2013, as they should indubitably focus on the effort to find out levers for quicker collecting of incomes to the state budget, to relax the fiscal system so that to collect little from many instead to aim collecting much from some few and, mainly, to reach an equilibrium as regards the process to let the entire economy come out from the underground by means of relaxing fiscal steps.

Otherwise, if theoretically, the steps taken by the time of the budget rectifications in the direction of increasing the taxes and charges might look beautifully on the paper matrix, they definitely would prove to be totally non-efficient for the practical activity of the economic process and, mainly, for the collecting activity, because of the clear danger to get some activities running to the “underground” and to lose any control on them.

The expenses category referring to interests paid on account of the public debt is just another element implying a proper attention view that it reaches a high level.

The execution of the state social security budget 2013

– million lei -

INDICATORS	Achieved by 31.07.2013'
A. INCOMES	29583,7
I. Current incomes	22162,2
Security contributions	22077,3
Employers' contributions	16041,9
Employees' contributions	6035,4
II. Non-fiscal incomes	84,9
III. Subsidies from the state budget	7742,7
IV. Amounts under redistribution process	-327,5
V. Amounts from E.U. in account of the made payments	6,3
B. EXPENSES	28999,0
Current expenses	29022,1
Expenses for personnel	90,6
Goods and services	224,6
Interests	13,1
Transfers between units of the public administration	-
Projects with financing from non-reimbursable funds (FEN) post-	9,4

INDICATORS	Achieved by 31.07.2013'
adhesion	
Social assistance	28684,3
Capital expenses	0,6
Previous years made payments and recovered in the current year	-23,7
Financial operations	-
C. EXCEDENT (+) / DEFICIT (-)	584,7

*) **Provisional data**

Data source: The National Bank of Romania, the National Institute of Statistics, Statistical Bulletin no. 7/2013

Although generating problems to the credit claimers from the budget, unable to cover the real expenses, the other categories of expenses have been made within the availability limits, as a rule. When drawing up the budget for 2013, the increase of the expenses directed to certain consuming sectors from the state budget has been emphasized.

The execution of the local budgets is submitted by the following table:

INDICATORS - million lei -	Achieved by 31.07.2013'
A. INCOMES-TOTAL	28487,6
1.CURRENT INCOMES	22622,4
FISCAL INCOMES	21375,5
Tax on profit from the economic operators	19,7
Quotas and amounts deducted from the tax on income	8572,0
Tax on income	124,5
Other taxes on income, profit and gains on capital	8,7
Taxes and charges on property	2865,9
Taxes and charges on goods and services	...
Amounts deducted from VAT	8854,6
Other general taxes and charges on goods and services	5,3
Charges on specific services	15,3
Charges for goods utilization or carrying on activities	805,7
Other fiscal taxes and charges	103,7
NON-FISCAL INCOMES	1246,9
2.INCOMES FROM CAPITAL	144,9
3. FINANCIAL OPERATIONS	1595,6
4. SUBSIDIES FROM OTHER LEVELS OF THE PUBLIC ADMINISTRATION	2481,7
Subsidies from the state budget	2463,9
Subsidies from other administrations	17,7
5. AMOUNTS RECEIVED FROM THE E.U.	1643,1
B. EXPENSES	25322,8
Current expenses	21751,4
I. Expenses for personnel	8197,6
II. Goods and services	5701,1
III. Interests	549,6
IV. Subsidies	1066,9
VI. Transfers between units of the public administration	1512,5
VII. Other transfers	261,3
VIII. Social assistance	1776,8
IX. Other expenses	386,7

INDICATORS – million lei –	Achieved by 31.07.2013*
Payments under financing from external non-reimbursable funds (FEN) post-adhesion	2298,9
Capital expenses	2900,4
X. Non-financial assets	2755,9
XI. Financial assets	144,5
Financial operations	818,1
Loans	0,1
Credit reimbursements	818,0
Payments made during the previous years and recovered during the current year	-147,0
EXCEDENT (+)/DEFICIT (-)	3164,8

^{*)} **Provisional data**

Data source: The National Bank of Romania, the National Institute of Statistics, Statistical Bulletin no. 7/2013

However, taking into account the fact that there is a high level of dissatisfaction assuming that additional amounts are needed in the perspective of balancing the budget, it will be quite difficult to achieve the required equilibrium.

If considering the way of achieving the stipulations of the state social security budget, submitted by the following table, we have to face a kind of a delicate situation.

Based on the above analysis we can conclude that the level of achieving the state budget, the social state security budget and the local budgets has been reached with difficulty, mainly as far as the state budget is concerned which, despite the rectifications being applied, could not be entirely balanced and did not satisfied integrally the stringent needs of certain vital sectors of activity.

Certain evaluations and comments might be underlined as to the deficit of the consolidated budget as well but in this case there are no particular new aspects to consider and the basic grounds of the developments recorded in this case are the same as always.

4. The evolution of the public debt

The internal public debt keeps accumulating under the circumstances of a national economy breathing with difficulty, lacking prospects to reach a steady status, even if at a very low level, so that it can meet the more and more higher requirements of the budgetary execution⁵.

The increase of the public debt in Romania would definitely not be a particularly tough issue if a prognosis, either on short or medium term,

⁵ Anghelache, C. (2013) – “România 2013. Starea economică sub povara efectelor crizei”, Editura Economică, București. See also Anghelache, C. (2012) – “România 2012. Starea economică în criză perpetuă”, Editura Economică, București

exists as regards the quantification of some real incomes to be drawn to the state budget.

Otherwise, under the existing conditions, when the incomes to the budget are flatly exceeded by the expenses set up through the state budget, one has to resort to the possibility to balance the budget by means of increasing the public debt, both internal and external.

As the internal public debt is bearing serious interests, particularly nowadays, in the context of the world financial crisis, over the forthcoming period it will lead to the increase of the expenses from the state budget, on one side and, on the other side, will result in the rise in the price for the population life.

The fact that for the time being the internal public debt reached a higher level is essential, not to mention that the government has to pay interests as well.

In order to be in the position to pay back the internal debt, the government, through the Ministry for Public Finances, has no choice but to keep on borrowing from the commercial banks and on drawing money from the population by means of issuing treasury bills.

This mechanism allows the government to get the possibility of a break enabling it to meet the major requirements for sources meant to cover the expenses from the state budget.

The issue arising from such a situation consists of the fact that these being uncovered expenses, the government should go for several budgetary rectifications. Or, these budgetary rectifications could have been done by means of finding put “new solutions” only, meant to bring additional incomes to the state budget.

On one hand, such action might prove once again to be merely a theoretical one, if considering the fact that it led to stagnation for the volume of certain goods sale; on the other hand, one cannot disregard the fact that, in an immediate perspective, a share of the businesses with such products slips, slowly but certainly, to the uncontrolled zone of the market.

Simultaneously, in order to draw new financial sources, mainly from the population, the government will have to sell treasury bills which, on one side will lead to the increase of the internal public debt while, on the other hand, a kind of settling down the population requirements would be achieved as a consequence of the fact that some of the existing financial sources will be drawn and so the ratio between demand and offer will get “balanced”, in the sense of getting a diminished demand due to lack of financial possibilities. However, there is still the risk that the alterations of the excises for certain products lead, un-doubtfully, to a fan if not a real

avalanche of price increasing for the other products as well, those including (sometimes not including) costs on the account of the excised products.

Under the event of economic and financial circumstances of the years 2011 and 2012, it would have been more efficient if the budgetary rectifications were not made on the basis of the two above mentioned sources only, but also by means of finding out concrete ways to stimulate the production so that to achieve a profitable activity, enabling the salaries to be reconsidered in a positive sense while the real taxes (taxes on profit, on wages etc.) to be cashed by the state increase.

Otherwise, allegations of the kind „we overpassed the top of the external debt reimbursement” are not bringing any satisfaction and, mainly, any comfort and peace for the majority of the population, as long as there are no allegations of the kind “a number of steps have been identified and taken concerning the security of the social protection”.

This is why the level presently recorded by the internal public debt in Romania is high enough if considering the fact that for the largest part of the population the incomes reached a hardly bearable level. It is almost impossible to figure how could the population deal with the chapter “expenses for two budgets” with “incomes for a single budget” when the internal public debt almost equals the budget for one year. The austerity steps taken in 2011, which kept on being applied over the first five months of the year 2012, as well as the loans with the IMF, World Bank and European Union, will weigh heavily for the internal financial strategy. 2012 is the year when the financial effects of the policy applied over the last three years have been negatively felt on the living standard of the population.

For the time being there is the possibility to find out solutions for freezing the wages only but no solutions to encourage activities which generate new jobs and secure at least decent incomes for the population, along with the limitation of the unemployment rate which will have a negative effect for Romania in 2013 (on the living standard of the population, mainly on the un-favoured categories).

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Legal System of Sole Owner Limited Liability Company

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Abstract

Within this current work, we propose to examine, especially from the New Civil Code's perspective and the directive enforcing this organic law, the legal system of sole owner limited liability company, a form of organization adopted preponderantly by the quasi-majority of economic operators due to the practical advantages it presents.

Key words: *limited liability company, sole owner, memorandum of association*

1. Introduction

One of the referential Romanian specialists in commercial law outlined the fact that “legal persons with commercial character, that is companies, claim, unlike natural persons retailers, a laborious regulation, which purpose is to establish under which conditions may be created and operate in social environment, what are the authorities to elaborate and express the social will, since they do not represent but a technical procedure, entreated to give power to an amorphous collectivity of individuals so that they conduct a legal activity, in which the element individual disappears and leaves the spot to a new subject of law.” (I.L.Georgescu, p.9)

To what extent this synthesis is of actuality, analyzed in the light of the New Civil Code's provisions, constituting common law in company matter, shall be established in practice.

Nowadays, we can notice the commendable effort of the legislator to modernize the legal framework of the company's institution, to adapt this legal institution to the realities of the contemporary economical-legal realities of life; an example in such sense being the abandonment of obsolete notions of universal and private company or the company's investment

(non-stock professional corporation) with legal entity etc. Art.1881, para.(3)
A company may be incorporated with or without legal entity.

Nonetheless, the legislator's attempt to unify the rules applicable to the great majority of legal relationships established between individuals, between natural persons and/or legal persons of private law, to which it is added the professional's institution, generates a series of confusions regarding the reception of the New Civil Code. In compliance with the New Civil Code, in which the difference between the various associative form (partnerships, foundations and companies) is attenuated, where the distinction between the non-stock professional corporation and company disappeared, all these organizational forms entering in the category of professionals, it is substantially changed the vision on companies exploiting an economic enterprise (Militaru I.N., p. 51).

2. Legal nature of the limited liability company

Taking into consideration the practical importance that this type of company presents, as in the manner of organization of the economical activity preferred by entrepreneurs, the limited liability company met along the time certain transformations which enriched and reconfigured its legal system.

Otherwise, the single-member private limited-liability company has been constituted since the beginning the most controversial company form, which contravenes to the principles governing the legal persons' institution, in general, and of companies, in particular.

Normative consecration of disregarded entity accomplished to the detriment of the economic enterprise on the theory of the affectation patrimony, finally by opting for grafting it on the limited liability company's mold, due to its various practical advantages presented by the functioning of this kind of company.

Such vision characterizes also the manner of regulation of single-member private limited-liability companies at the European Union's level, by means of the dispositions of the Directive 89/667/EEC of the Council on 21 December, 1989 in matter of company law regarding single-member private limited-liability companies, altered by the Directive 2006/99/EC of the Council of 20 November, 2006. (Directive 89/667/EEC, published in the OJ L 395 on 30.12.1989, p.40 is known under the name of The Twelfth directive and was altered by the Directive 2006/99/EC, published in the OJ L 363 on 20.12.2006.)

Hence, there was realized a transgression of the company's nature from the collective onto the activity, the enterprise, as the single-member private limited-liability company being considered the legal form in which

materializes the organization and functioning of the enterprise. Along with the same lines, it is worth noticing the New Civil Code's conception on the legal person defined as an entity or form of organization which, by complying with all the demands requested by the law, is entitled to rights and liabilities.

3. Organization and functioning of the single-member limited-liability company

As for the single-member limited-liability company, the disregarded nature puts its imprint on the mode of incorporation, organization, functioning and liquidation of this company type.

The Law no.31/1990, as well as the European directive in the domain, provide that there are two manners of incorporating a single-member limited-liability company, namely: the original single-membership – situation in which it is incorporated the sole owner company; and the single-membership derived, which interferes all along the existence of the company by reuniting all the shares to one single shareholder.

As any other company, the single-member limited-liability company must accomplish certain substantive and procedural conditions so that its incorporation to be valid. Since it is the materialization of the will of a single member, the incorporation of the company with original single-membership presents certain particularities.

Thus, a natural or a legal person cannot be sole owner but in a limited-liability company, while the single-member limited-liability company cannot be the sole owner of another limited liability company .

In the hypothesis of exception in which the limited liability company is incorporated upon the agreement of a single person, it is drafted only a statutes with the value of a memorandum of association. Pursuant to art.1324 Civ.c., the unilateral legal instrument presupposes only the expression of will of its author, being governed by the same rules as the contract, unless the law provides differently. Unlike the contract, governed by the principle of liberty of will, the statutory act manifests strictly within the limits and under the conditions stipulates imperatively by the law.

In doctrine it is shown that the statutes, also named statutory act, constitutes the unique declaration of will of its author, which, does not need the acceptance of a third party in favor of its valid existence, determines a series of legal relationships, according to which the unique will issuer is submitted to rights and liabilities particular to the unilateral created instrument.(P. Vasilescu, p.138.)

In the case of the disregarder entity, the unique declaration of will has *intuitu institutionae* character, and represent the reason for a constituted

legal person to exploit an economic enterprise, and thus, generates an absolute effect from a legal perspective.

The memorandum of association of the single-member limited-liability company must accomplish at its turn the minimum exigencies provided by the art. 1179 Civ.c., corroborated with the art.1325 Civ.c. for its valid existence: the author's capacity to conclude such instruments, its author's consent, a licit determined object, a licit moral cause, to which is added, to the extent to which the law provides it expressly, a certain form. To all these are added certain conditions particular to the memorandum of association, such as the *affectio societatis* character which acquires new valences in the sense of its intention to constitute a disregarded entity aiming to obtain and share the profit gained by the company in its economic activity.

As we have already mentioned in the present work, the single-member limited-liability company's statutes represents, in fact, a veritable memorandum of association and must comprise the clause imperatively stipulated by the art.7 of Law 31/1990, to the extent to which they are not incompatible with the particularities of this kind of company. (C. Lefter, p.59)

Usually, the memorandum of association appears under the form of a document under private signature, drafted by the founder who signs and dates it. With an exception title, the memorandum of association has the compulsory authenticated form if the goods submitted as contributions comprise a land.

Valid incorporation of a single-member limited-liability company as subject of law implies complying with a procedure and accomplishing certain formalities, subordinated to the condition of form *lato sensu*, imposed by the law. (Cărpenaru, S. D., p.109)

The limited-liability company, as well as any other type of company regulated by the Law no.31/1990, acquires legal entity since the moment of its incorporation, with the observance of the provisions established by the law, being a new legal person with own will.

Having own subjectivity, the single-member limited-liability company manifests on its behalf and on its own within legal relationships, being entitled to rights and self liabilities, distinct of those of its sole owner.

Like any other kind of company, the disregarded entity as well has in its internal structure a series of authorities, each of them having attributions and competences well determined.

Particularly and definitively for this company form, within the single-member limited-liability company, the sole owner accomplishes the

specific attributions of a general meeting of the shareholders, as expressly provided in the art.196 index 1, para.(1) of the Company Law, but also in the art.4 para.1 of the Directive 89/667/EEC. The decision of the sole owner is a unilateral act of will of its author and, consequently, the law does not institute any formality of convocation or voting, only the obligation to be immediately registered in written.

The sole owner's decision is brought to its accomplishment by his/her executive authorities, he/she also realizes the administration of the company and represents the company against its relationship with the third parties. One particularity is constituted by the fact that the sole owner exercises frequently the role of administrator of the company as well with the purpose of enjoying from a fullness of powers. In such case, the sole owner must serve the interests of his/her company, especially the maintenance of the social patrimony's autonomy.

We can notice that, under such circumstances, the regular balance of the powers is modified, both at the management's level and at the decision-making level.

Although, in principle, a limited-liability company is not liable to name censors, the controlling activity being accomplished by the shareholder who is not the administrator of the company, according to the provisions of the art.199 para.(1) of Company Law, under the hypothesis in which the sole owner cumulates also the quality of administrator, we consider that it is imposed the necessity of naming one or several censors, in order to ensure the absence of the unique shareholder's counter-weight who cumulates also the quality of administrator.

As shown in the special literature, the company, as any subject of law, "cannot have a perpetual existence in the legal space", on the contrary, such subjects of law "of legal origin" have an existence comprised between certain limits "governed by imperative directives" (C. Lefter, p.131)

The termination of any company signifies the termination of its quality of law and intervenes in one of the following situations: by ascertaining or declaring the nullity, by merger, total division, dissolution or liquidation or by any other way provided by the memorandum of association or the law.

On the other hand, the division represents the procedure of reorganization consisting of the transfer of the entire patrimony of a company, which dissolves without entering into liquidation, by many companies, existent or newly-constituted, in exchange of the distribution to its shareholder/shareholders of the divided company of shares issued by the

beneficiary companies and, eventually, of a payment in cash of maximum 10% of the nominal value of the shares thus distributed.

The main consequence of the merger, respectively of the total division of the single-member limited-liability company's patrimony is constituted by the existence of the companies involved, dissolved without liquidation, which implies the universal transmission of their patrimony to the beneficiary companies (being constituted or already existent).

On the grounds of the legal provisions, we may define that the dissolution is the typical procedure of a company's termination which intervenes in the cases expressly and restrictively provided by the law, having as effect the liquidation occurred for the purpose of asset capitalization and liability payment. (C. Lefter, p.145)

We underline the fact that the dissolution does not represent the proper termination of a single-member limited-liability, but only its entrance into a new existential form which purpose and finality is the termination of the company. Common procedural aspects of legal dissolution cases are regulated by the art.232 and the following in the Company Law.

Except for the case in which the established term for the company's existence expires, in all the other cases, the dissolution must be registered to the trade Register office and published in the Official Journal, either on the grounds of the sole owner's decision or the definitive court's decision, when the dissolution was pronounced in justice. As against the third parties, the dissolution of the company before the fixed term for its duration expires is effective only after 30 days after the publishing in the Official Journal.

The single member may decide in what concerns the liquidation of his/her company, by establishing the way of distribution and liquidation of the company's patrimony, making sure as well of the payment of the liabilities or its regularization in accordance with the creditors. Likewise, the sole owner decides also on the way of taking-over of the remained assets after the creditors' payment, which he/she will receive under property at the date of the company's deregistration in the Trade Register office.

In what concerns the dissolution of the single-member limited-liability company, we salute the abrogation of the art.236 of the Law no.31/1990 regulating the hypothesis of the patrimony's universal transmission to the single member, without liquidation, in the case of the company's dissolution.

Irrespective of the legal form of the company, the ensemble of operations' effects in the liquidation stage have as purpose the termination of all businesses in the process at the date of the company's dissolution, so that it can be obtained the accomplishment of the asset (by means of

receivable reception and their transformation into money), the payment of the liabilities (by means of company's debts payment) and the distribution of the net asset among shareholders.(C. Lefter, p.164)

Any limited liability company, either single or multiple-member, may be involved in the procedure of insolvency, regardless of its nature: the general procedure, or the simplified procedure only in the situation in which it accomplishes a substantive *sine qua non* condition, namely if it is in an insolvency state or imminent insolvency.

From the analysis of the legal framework, the doctrine and the jurisprudence on the single-member limited-liability company we surprise the fact that this responds the best to the development of a small proportion activity by the entrepreneur who does not wish to enter into partnership with other individuals.

Conclusions

From the analysis of the legal framework, the doctrine and the jurisprudence on the single-member limited-liability company, we surprise the fact that it best responds to the development of a small proportion activity by the entrepreneur who does not wish to enter into partnership with other individuals.

The single-member limited-liability company has opened the path towards the transformation of other company forms into single-member entities as well. Thus, in the French law it is regulated the single-member company on shares which best corresponds to contemporary business needs.(Ripert, G., Roblot, R.,p.534)

In our opinion, *de lege ferenda*, we consider that it is imposed a more rigorous regulation of the category of companies submitted to the registration in the Trade Register office, in order to avoid a series of inadvertencies and discordances, susceptible to be sanctioned according to the law.

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Rules of Law that Removes the Effects of Invalidity under the New Civil Code

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Abstract

Nullity is a civil penalty retroactively abolishing a contract in violation of provisions The law provided for the conclusion available. However, there are situations in which, although the contract / legal document is void and is recognized as valid in whole or in part. These rules have value principles of law that removes the effects of nullity.

Key words: *nobody, penalty, conversion, civil, contract validation, confirmation of the contract*

Introduction

The principles of law that removes the effects of invalidity based on stronger reasons which, conflict with the legal rule *quod nullum est, nullum producit efectum*, removes it or annihilates¹. Principles according to which effects are removed nullity are legal document conversion, validation contract as apparent validity - *error communis facit ius* (common error is worth right) torts.

1. Conversion legal act

Legal document conversion means, in principle, act to replace null with a valid legal act², or, in other words, a valid legal act is invalid as a legal act if it meets the conditions of validity of latter.

Conversion basis is the rule for the interpretation of doubtful clauses enshrined in art. 1268 par. 3 Civil Code, which states, Clauses in the sense that it interprets the effects may occur and not that they could not produce none³.

¹ See Camelia Toader, Romeo Popescu, Marian Nicolae Bogdan Dumitrache (coordinators Franciska Deak, Cornelius Bîrsan, George Beleiu) *Romanian Civil Law*, being selective license Mihalea Press Publishing LLC, Ed III, revised and added, Bcuresti, 1992p. 89; M. Nicholas, *civil institutions*, selective undergraduate course, 2009 - 2010, Law Publishing House, Bucharest, 2009, p 115; Marilena Uliescu Adina Nicholas Georgeta, *op. cit.* P. 77.

² See Gh Beleiu, *Romanian Civil Law*, Publishing House and Press, chance, SRL, Bucharest, 1993. P. 207.

³ He could tell, Gh Beleiu, *op. cit.* P. 207, with reference to the provisions of art. 978 of the Civil Code previously, *actus interpretandus est potius ut valeat, quam ut pereat*.

Conversion contract null is enshrined in the Civil Code, according to which a contract null and void will occur, however, the effects of the legal act for which the conditions of substance and form prescribed by law (Art. 1260 para. 1).

Conversion operate under the following conditions⁴:

- the act void to be effective and totally abolished;
- there is an element of difference between the act null and valid instrument;

- Act as valid to meet all the substantive and procedural requirements laid down by law, and they are found in the very act abolished;

- To be the manifestation of the will of the Party or Parties, as appropriate, towards achieving conversion. In this respect the Civil Code provides that no conversion will work if you intend to exclude its application is specified in even or resulting contract void the purposes of the parties undoubtedly its conclusion (art. 1260 Civil Code).

Of conversion applications illustrate⁵:

- the act void that sale but available as a pre-contract purchasing sale - purchase⁶;

- the act of disposing of property succession by an heir, null as such, but available as an act of acceptance of inheritance⁷.

2. Validation contract

When a contract is affected by a cause of nullity can be validated if the nullity is covered, according to art. 1261 par. 1 Civil Code.

Nullity may be covered by endorsement or other ways prescribed by law.

Confirmation requires:

- a contract affected by relative nullity, ie, a contract voidable (in principle);

- Giving to invoke the nullity within the limitation period (because nullity Realtor is statute of limitations) as a result of express or tacit will;

According to art. 1263 Civil Code, confirming that effects must be met:

- a) on a contract year, the conditions of validity of the contract at the time of confirmation are met (par.1);

- b) on people :

⁴ Idem

⁵ See Camelia Toader, Romeo Popescu, Marian Nicolae Bogdan Dumitrache (coordinators Franciska Deak, Cornelius Bîrsan, George Beleiu), op. cit. page 89;

⁶ See T. S., S. Code, in December. No. 412/1980, in Reports of Judgments, 1980, p 22.

⁷ See T. S., S. Code, in December. No. 28/1979, in the Romanian Law no. 1/1980, page 63.

- the person may invoke the nullity of the contract only knowledge can confirm the cause of invalidity and in case of violence, only after its termination (par. 2);

- The person called upon by law to approve minor acts can , in the name and on his behalf , request the cancellation of the contract was made without the consent or agreement to confirm when this declaration is sufficient for its valid conclusion (para. 3). These provisions relate to the acts concluded without the guardianship court (para. 4). Note , however that may confirm only minor become major act done during the minority when he had to be represented or assisted . Also, after downloading the tutor , he can confirm his guardian act done without observing the formalities required for its conclusion applies (Art. 48 Civil Code);

- The person must confirm the delay can be made by notifying the interested party to apply for either confirm the contract voidable , either exercise actions annulment. Within six months of the notice must request cancellation of the contract will lapse (para. 6) .

c) on the obligation forming the contract , in the absence of express confirmation enough that the obligation is made voluntarily on which it may be true confirmed by stakeholders (para. 5);

d) on confirmatory act (art. 1264 Civil Code). To be valid, confirmatory act must:

- include the subject, the cause and nature of the obligation;

- To mention why nullity action and intention to repair the defect that the action was based.

Of the effects of confirmation, they occur retroactively from the time the contract and require giving up means and exceptions that could be opposed in order to obtain the annulment of the act (Art. 1265 para. 1 Civil Code).

Confirming no effect on the rights of third parties acquired and preserved in good faith. Confirmation made by one of the parties does not preclude avoidance of the other party as well, each party may avoid or more parties can invoke against another (Art. 1265 para. 2 Civil Code). That is, the act confirming no effect likely to cover the grounds on which they could be invoked by parties other than the holder act confirmatory⁸.

Also, confirmation of a canceled contract to fraud by fraud or violence consent may be accompanied by application of the party entitled to demand damages (Art. 1265 para. 3 Civil Code).

Through the shoulder confirmation of a contract voidable if , does not imply giving up the right to claim damages - interest.

⁸ See Marilena Uliescu Adina Nicholas Georgeta, op. cit. P. 80.

Moreover, in case of violence or fraud, the person whose consent is vitiated has the right to demand, besides annulment and damages - interest or, if they prefer to maintain the contract, to require only reduce the amount of damages for his service to who would be entitled (art. 1257 civil Code).

3. Validity appearance in law - error communis facit ius

Principle as apparent validity of a legal nullity removes entered into a common error situation, public⁹.

The principle is governed by the Civil Code art. 17 para. 2 that, when someone, sharing a common faith and invincible, held that a person has a specific law or some legal capacity, the court, having regard to the circumstances, may decide that the act done in this state will produce compared to the one in error, the same effect as if it were valid, unless that's abolition would not cause injury.

In other words, if the act was done in a situation common error and invincible, the court may decide, depending on the circumstances, that the act so drawn to produce the one in error, the same effect as and if it be true (if abolition act would not cause damage).

Also common error is not invincible presumption (art. 17 par. 3 Civil Code), so who invokes common error has the burden of proving it.

As an application of this principle mention art. 293 para. 2 Civil Code, which states, If a person declared dead husband remarried and thereafter death declaratory canceled, new marriage remains valid if the husband was pronounced dead good faith. The first marriage is considered dissolved conclusion on new marriages. Therefore remains valid second marriage was concluded on common error conditions and invincible - due declaratory judgment of death - and the spouse who remarried was good - faith.

4. Tort liability

This principle applies to minor incapable person¹⁰, if he would commit a tort upon the conclusion of a contract, par example, create fraudulent representation by falsifying the date of birth of the identity, creating a deceptive appearance that is important to complete contract¹¹.

In this case the minor may request cancellation of the contract because the other party would be prejudiced¹², and the Civil Code provides that relative nullity is not dispelled by the simple statement lacks legal

⁹ See Camelia Toader, Romeo Popescu, Marian Nicolae Bogdan Dumitrache (coordinators Francisk Deak, Cornelius Bîrsan, George Beleiu), op. cit. page 90;

¹⁰ See and Anca Popescu-Cruceru, „Elemente de drept aplicabile în managementul organizației”, Ed. Artifex, București, 2010, p. 53 și urm.

¹¹ Idem

¹² See Marilena Uliescu Adina Nicholas Georgeta, op. cit. P. 81.

capacity or with limited exercise capacity that is able to contract. If, however, used the fraudulent representation, the court, on application by the party misled, can be considered valid when you consider that this contract constitutes a civil penalty truth (art. 45 par. 1 and 2) .

Therefore, under the principle of the nature of the obligations and the nature and full repair damage, annulled will be maintained, because it is the best repair the damage that would occur by the wrongful act of minor¹³ contractual partner.

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¹³ See M. Nicholas, op. cit. (Institution of civil ...) p 117.

Instances of Economic Crime in Romania. Case Study on the Years 2004-2009

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Abstract

PwC has made surveys of the economic crime since 2001. The 2011 survey¹ finds that Romania reports low level of fraud and explains that it may be because respondents to the questionnaire are reluctant to provide answers. The chart shows indeed an overall decrease in economic crimes from 47% in 2001 to 37% in 2011, year 2005 was the peak with 45%².

That is why we focused our study on the years around 2005.

For many countries, Romania for example, the major security threat is the poverty which can fuel organized crime activity³. Poverty can fuel the extremism and radicalism attitudes, the diminishing of the state institutions authority and efficiency, finally affecting even the social cohesion and balance. The 2009 global report of PriceWaterHouse and Coopers consulting company found that only 16% of Romanian companies suffered from economic crime in 2009. However, the global average rate was 30% while in Central and Eastern Europe, the rate was 34%. For analysts who do not know Romania, this may mean a good rate. However, appearance must not mislead us. Various indicators suggest that economic crime still remains undetected or not reported.

Key words: *organized crime, poverty, economic crime, economic recession, fraud.*

Organized crime is manifesting its threats through economic crimes which together with corruption and other forms of serious crimes remain priority concerns of European societies and worldwide in general and developing democracies in particular, due to their serious impact.

¹ http://www.pwc.com/en_GX/gx/economic-crime-survey/assets/GECS_GLOBAL_REPORT.pdf

² <http://www.pwc.com/gx/en/economic-crime-survey/key-findings.jhtml>

³ Romanian National Security Strategy, 2006.

For many countries, Romania for example, the major security threat is the poverty which can fuel organized crime activity⁴. Poverty can fuel the extremism and radicalism attitudes, the diminishing of the state institutions authority and efficiency, finally affecting even the social cohesion and balance.

The 2009 global report of PriceWaterHouse and Coopers consulting company found that only 16% of Romanian companies suffered from economic crime in 2009. However, the global average rate was 30% while in Central and Eastern Europe, the rate was 34%. For analysts who do not know Romania, this may mean a good rate. However, appearance must not mislead us. Various indicators suggest that economic crime still remains undetected or not reported. The overall analysis performed upon the Romanian economy suggests that the economic downturn has been present for a long time. Currently, Romania is facing the second wave of economic recession, following the previous waves of recession that affected the European economies. Another element to take into account is that Romania lack proper mechanisms of detecting and preventing fraud.

The new developing democracies, as well as the developed democracies have to face with a great challenge which has the aptitude to develop itself very fast, to threat the economical progress, and democratic institutions and even to conquer parts of the territory of an independent state by replacing the states institutions authority without fighting a classic war. But if needed, organized crime networks can use violence and intimidation. Organized crime has a long history and has permanently adapted to the weaknesses of the legal system, procedures and operational capabilities of the national Law Enforcement Agencies (LEA).

PwC has made surveys of the phenomenon since 2001. The 2011 survey⁵ finds that Romania reports low level of fraud and explains that it may be because respondents to the questionnaire are reluctant to provide answers. The chart shows indeed an overall decrease in economic crimes from 47% in 2001 to 37% in 2011, year 2005 was the peak with 45%⁶.

That is why we focused our study on the years around 2005.

The complexity of the international actuality, the interdependence of different social, economical, political and security factors, make the link between organized crime networks and terrorism networks, a mortal threat, both for developed and developing democracies.

⁴ Romanian National Security Strategy, 2006.

⁵ http://www.pwc.com/en_GX/gx/economic-crime-survey/assets/GECS_GLOBAL_REPORT.pdf

⁶ <http://www.pwc.com/gx/en/economic-crime-survey/key-findings.jhtml>

The new democracies faced with major specific problems of transition from authoritarian and dictatorship to a democratic society, to a free market economy.

High level of unemployment, corruption, illegal border crossing, affected the states' authority, giving way to organized crime networks, providing a source and destination for weaponry, prostitution, slavery, stolen vehicles, narcotics, money laundering. Organized crime networks cooperate. Privatization runs many times through illegal acts, criminals got involved into business and the flourishing underground economy and many of them ended in becoming the leading members of organized crime.

One of the major threats is economic crime, with its manifestations.

- a. Economic crimes: counterfeiting and fraud (in Germany 12% of the organized crime cases recorded in 2004, in Netherlands, more than 30% of organized crime investigation related to economic crimes, in south-eastern Europe for 2003, Albania reported 17 cases, Croatia 14, BIH 904 cases, in Kosovo almost 5,000 cases of economic crime out of which only 3 cases were clearly linked to organized criminals in the conventional sense. Russian and Chinese OC groups are also involved in financial crime, fraud and money laundering.

For many countries as Romania for example, the major security threat is the poverty which can fuel organized crime activity⁷. Poverty can fuel the extremism and radicalism attitudes, the diminishing of the state institutions authority and efficiency, finally affecting even the social cohesion and balance.

The 2009 global report of PriceWaterHouse and Coopers consulting company found that only 16% of Romanian companies suffered from economic crime in 2009. however, the global average rate was 30% while in Central and Eastern Europe, the rate was 34%. For analysts who do not know Romania, this may mean a good rate. However, appearance must not mislead us. Various indicators suggest that economic crime still remains undetected or not reported. The overall analysis performed upon the Romanian economy suggests that the economic downturn has been present for a long time. Currently, Romania is facing the second wave of economic recession, following the previous waves of recession that affected the European economies. Another element to take into account is that Romania lack proper mechanisms of detecting and preventing fraud. According to the PWC report, 1/3 of the fraud cases detected in Romania are found by chance. Another interesting aspect is the motivation that drives people to commit fraud in Romania:

⁷ Romanian National Security Strategy, 2006.



In terms of categories of economic crimes, the following table reflects realities as of the end of the year 2009:

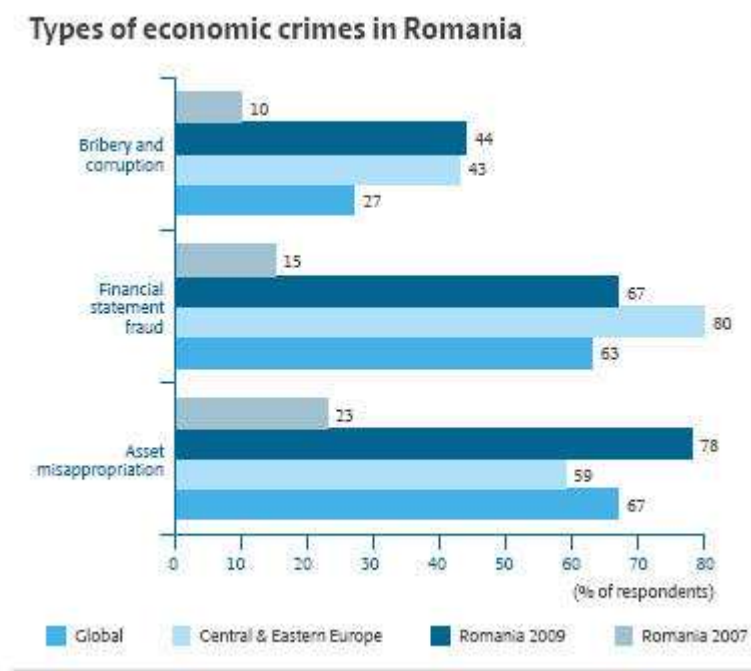


Table 1 – source : PriceWaterHouseCoopers 2009 report on Economic Crime in Romania

Indeed, developing democracies are characterized mainly by the following aspects:

- fragile democratic institutions;

- the economy recently got or is on the way to get the status of "free market economy";
- the annual gross national production (GDP) is low and can not sustain the economy;
- the financial needs are overcome by the stringent needs;
- the corruption and criminality are at high levels;
- the multiparty political life is struggling to learn the democratic game of peaceful coexistence;
- many unsolved problems are emerging from the past;
- in many of the states, ethnic conflicts are latent;
- a developing democracy faces with a lot of challenges which can not be addressed within budgetary restraints;

Organized crime is manifesting its threats through economic crimes which together with corruption and other forms of serious crimes remain priority concerns of European societies and worldwide in general and developing democracies in particular, due to their serious impact⁸.

Organized crime develops a parallel world, under its control and authoritative criminal leadership, forcibly giving to the citizens and businessmen an alternative, a safer, faster, guaranteed and more successful choice in settling different disputes and personal interest.

Public finances may be used against the taxpayers' legitimate interests. There is a lack of control, underground economy percentage is growing. The "informal" sector in Turkey is estimated to be up to 50% of the official gross domestic product of about \$300bn⁹. The rule of law principle is suffering. State authority is diminished. How many steps just before talking of falling states?

Complicity of high level officials, both through receiving bribes in money, goods and sexual services it's well known.

The impact on public opinion of each major criminal act perpetrated by organized crime it's as well huge and negative.

Appealing to the organized groups for making justice, instead of the legal authority-protection taxes, recovering debts, threatening adversaries, it's a choice made by many citizens which distrust the state institutions.

Organized crime became a channel through which everything it's possible to be achieved: by smuggling, influencing officials, getting visas,

⁸ Council of Europe, O.C. situation report in 2005, December 2005.

⁹ Financial Times, Economic Convergence, World Bank tells Turkey how to better EU chances, by Vincent Boland in Ankara, March 7, 2006.

border crossing enjoying illegal deals , registering a stolen car, procuring forged documents/identity and organs donators.

1. Private security companies between political patronage and organized crime

According with some sources, former intelligence officers and paramilitary groups are behind many of the private security companies in south east Europe, which allegedly are a cover for criminal activities¹⁰. In Bulgaria(Kamen Penkov-AS Scorpio Ltd.),in Serbia(Lupus agency comprised of the former Red berets-JSO- dismantled after the assassination of the former Prim minister Zoran Djindjic).

In Romania strong action has been taken to prevent private companies to perform activities which can diminish the state institutions authority.

Because the number of employees of the private security companies competes with the number of operational police officers, authorized state institutions have to have an eye on their activity.

2. Corruption

Corruption's danger resides in the fact that where corruption acts are perpetrated, there is no room for applying the rule of law, state officials and administration do not react properly, they become static, non reactive to the legal demands of the citizens and they bear for the rest of their life and professional activity the stressful "morale" obligation to have no legal attitude and reaction towards the violation of the existing legal frame. They do not see or hear what is going on around them. They become bribe addicted and use all the legal means to fulfill their personal needs.

Differences, asymmetries in terms of human development and governance favor organized crime.

Corruption it's an important factor supporting organized crime as well economic crime: attempts by criminals to exercise influence on political actors gained in significance, leading to more economic crime. Therefore, Europe is focusing on" political finances"-including the financing of political parties and electoral campaigns-and the question of political corruption in general.

Globalization will continue to facilitate organized crime, in particular economic crime at transnational level if no concerted efforts are made.

¹⁰ Intelligence ONLINE,no.509-14/10/2005, South East Europe: Private Security Between Political Patronage and Organized Crime, organize crime.htm, accessed 3/16/2006.

Council of Europe opened in May 2005 few conventions as follows¹¹:

- Convention on the Prevention of Terrorism;
- Convention on Action against Trafficking in Human Beings;
- Convention on Laundering, Search, Seizure and Confiscation of the Proceeds from Crime and on the Financing of Terrorism.

Michael Ehrke, member of the “Friedrich Ebert” Foundation in Berlin, during his interview for the Romanian financial magazine “CAPITAL” stated about corruption in post-communist new developing democracies, that “transformation, privatization and the appearance of a new system, could not be possible without what in Western countries, we could call ”corruption”. These transformations are comprised of passing into private property of what before belonged to the public patrimony, profiting from the lack of legislation or from lack of clear legal provisions”¹².

3. Frozen conflicts

One very good example is the separatist self called “independent territory” Transdnistria, where organized crime have become central to the regime’s survival, to the national economy and also to the interest of many institutional actors within TDMR, most notably “President” Igor Smirnov’s own Sheriff Firm. This company runs everything, from petrol stations to shops, and it has somehow built a state –of-the-art sports complex which cost up to \$250 million –twice as much as Moldova’s annual state budget. The MGB (Ministry of Security) become one more gang in TDMR’s rich underworld.

Racketeering purposes are reached through arresting which became a method used lesser for law enforcement reasons. A number of 36 businessmen have been killed according with Russian sources. According with Moldavian authorities, MGB s agents have been arrested in Moldova while taking part in organized crime activity and have even been linked with attempts to smuggle nuclear materials. Local godfather Grigore Caramalac (nick name Bulgaru) is currently subject of an Interpol “Red” Wanted Notice. Politicians, as the former Romanian Foreign Minister Mircea Geoana stated that TDMR is a black hole of trans-border organized crime including drug smuggling, human trafficking and arms smuggling. Alazan rockets disappeared and have been used in Nagorno-Karabakh and South Ossetian conflicts. In 1992 two Moldavian police officers have been killed trying to prevent militants from buying Alazans. Journalists masquerading

¹¹ Council of Europe, O.C. situation report in 2005, December 2005.

¹² Financial magazine- CAPITAL , www.capital.ro, accessed 3/16/2006.

as middleman for an Islamic terrorist group have been offered Alazans for \$200,000 per missile.

Human trafficking under the international pressure is moving out from Republic of Moldova to TDMR.

90% of all CDs and videos in Moldova are counterfeit. Pharmaceuticals do not have a better status. Both are exported now to Europe, the Middle East and Africa¹³.

In Serbian province Kosovo and Metohija, pirated tapes, CDs, mobile phones and smuggled cigarettes can be found in the province's Capital¹⁴.

Critical links between politics and organized crime networks are traced by American experts in Western Balkans¹⁵.

The erupting, existence and the maintaining of the frozen military conflicts in a specific area as for example south-east Europe did break the traditional economical ties and did not allow the neighboring states to elaborate a long term economical policy and stopped the arrival of foreign investors in the region.

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The Analysis of the Production of Goods for the Population

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Abstract

The production of goods for the population was the result of the ratio between supply and demand, governed by the laws of free market, which imposed the development of the production for some goods and the elimination of others. Step by step, the production of industrial and non-industrial goods was subjected to competition of the European free market, context in which a series of products become non-profitable and, despite limited resources of the population, were replaced with import products.

The structure of the industrial production, emphasizes that the goods required by the consumption of the population as well as by the economic activity, had structure defined by the adjusting process, generated by the real situation of the economy, by the needs of the Romanian economy, as well as by the economic potential of the population and economic agents, at a given moment.

Key words: *production, sector, consumption, investment, enterprise*

During the first six months of the year 2013, The Gross Domestic Product increased by 1.8% as against the year 2012.

Although during the period 1990-1996 the industrial production (industrial and non-industrial consumption) recorded a decline, that period has been followed by a gradual revival of the increase of the production of goods in the industrial sector. Starting with the year 2009, the effects of the economic crisis, including the diminishing of the production of goods and services, showed up much stronger¹.

¹ Anghelache, C. (2013) – “România 2013. Starea economică sub povara efectelor crizei”, Editura Economică, București. See also Anghelache, C. (2012) – “România 2012. Starea economică în criză perpetuă”, Editura Economică, București

Simultaneously, all over the period since 1990 up to date, the production of goods in Romania has been the subject of various consequences arising out of the privatization process.

This is how certain production sectors, non-profitable from the point of view of the costs or quality, disappeared and, gradually, new sectors of activity appeared, where Romania developed a representative system in conformity with the free market requirements.

Above comments are referring to industry but the situation was similar in the constructions sector as well. Gigantic constructions achieved by the state (enterprises of particularly huge production capacity or the general dwellings system, achieved by the nationalized system) have been replaced by the activity taken over and run by the private sector.

The agriculture and the fishing activities played a fluctuating role because, on the one side, they depended more and more on the natural factors due to the impossibility to use the existing irrigations or the mechanization of the agricultural work system while, on the other side, the agrarian reform (the privatization) led to a too pronounced breaking down of the agricultural surfaces.

Meantime, we have to point out the fact that the period 2001-2008 is characterized by the increase of the production on the account of the decrease of the intermediary consumption.

After 2009, when the effects of the crisis are felt, the production of consumer goods diminished, which resulted in the prices increase. It has to be underlined, as a significant development, the fact that the intermediary consumption has been recorded mostly at the level of the industrial and that its reduction has been based, first of all, on the continuation of the restructuring process and the attempt to let the industrial sector become efficient.

As far as the services domain is concerned, mainly those being supplied to the population, the evolution was constantly positive on the account of the increase of the population's incomes as well as of a better functioning of the market.

The structure of the services sector² improved a higher rate of development being recorded by those services in high demand and which met the population's needs. Among these we include the tourism services which, together with the commercial activities, contributed with 3.92% to the GDP formation. Significant increased have been recorded by the

² Begu, L. et al. (2012) – “*Aspects Regarding the Evolution of the Production of Goods and Services in Romania*”, 1 Romanian Statistical Review Supplement., Volume (Year): 60 (2012), Issue (Month): 2 (May), pp: 366-369’

telecommunications sector, characterized by the market restructuring, the access to the international market as well as the modernization in every respect of the activity of services production.

An essential element in the analysis of the goods and services production, both to the population and the other economic agents, is given by the fact that the weight of the private sector increased. Through the steps taken over the time, mainly after the year 2001, the activities run by the companies holding private capital.

Thus, certain goods have been produced by the private sector only, which answered in a better way to the population's requirements as regards the quality and the diversification of the products.

The development of the private sector led to a better harmonization of the market offer, with a process of regulating the various categories of goods, eliminating thus the over-stocks productions for certain sectors as well as the deficiencies faced within other sectors of activity. The weight of the private sector in the production of goods and services kept on increasing from one year to another, from 16.4%, recorded in 1990, to 89.7% in 2008, 90.2% in 2009, 92% in 2010 and (estimates) 93.5% in 2011, 93.8 in 2012 and 93.7% (estimates) in 2013.

Nevertheless, if comparing these developments with some countries from the same geographical zone, central and east-European, with similar conditions as Romania, we have to underline the fact that, although certain gaps have been recovered, further efforts should be made so that both the production for immediate and long term use increases and the services diversify aiming a higher weight held by these ones as far as the GDP formation is concerned³.

The private sector increased its weight in the Gross Domestic Product formation on the account of the fact that the private sector holds 98.1% in agriculture, 60.2%, in constructions and 93.5% in the services field. This percentage kept on permanently improving over the period 2001-2013.

The investments made in the private sector were 50% higher in the year 2001 as against the previous year, while in the year 2002 increased by 10%. Similar figures have been recorded over the period 2003-2008, where the increase of the investments in the private domain counted for about 9.1% yearly. Starting with the year 2009, the "effect-crisis" process has been started, resulting in the diminishing of investments for all the domains, including the one of the goods and services production. This situation,

³ Begu, L. et al. (2012) – "Aspects Regarding the Evolution of the Production of Goods and Services in Romania", 1 Romanian Statistical Review Supplement., Volume (Year): 60 (2012), Issue (Month): 2 (May), pp: 366-369'

starting in 2009, became more critical in 2010-2011, being hard to forecast that it would recover within the following three years 2012-2014.

The small and medium sized companies faced a period of collapse/liquidation after the year 2008. During the last three years (2010-2013), more than half of these commercial companies have been liquidated (bankrupted) or went on suspending their activity because of the crisis effects and lack of support on the internal plan.

Here we have to emphasize the fact that if in the year 2000, the small and medium size companies contributed with 65.5% at the formation of the Gross Domestic Product, in the year 2008 their weight leveled up to 68.1%, so that, during the period 2009-2013, they record a fluctuating development.

The small and medium companies sector covers, as number, almost 97.1% of the existing companies by 31.12.2008, but in 2009-2013 their weight diminished by half. There are still very big state owned companies which do not contribute to the achievement of the Gross Domestic Product and the other macroeconomic indicators, or to the indicators concerning the indicators of the consumption goods. The situation might be improved only within the process of finalizing a transparent privatization, through the stock exchange quotation, if such be the case,

The economic policies enforced during the last twenty one years aimed to encourage and develop the investments made by the small and medium size companies.

For the forthcoming period, the activity run by the goods producers from our country is focused on the achievement of a structure conforming with the population's requirements and needs and well as on the access to these ones. First of all, it is taken into consideration to modify the structure and to bring it to a level which meets the consumption demands of the population and economic agents, under the crises and post-crisis conditions, when the subject of recovering the economy is considered.

The main domains of the manufacturing industry recorded decreases during the last years and this is where the attention should be directed for the next period.

So, for instance, it would be compulsory to improve the quality of the in the field of textiles and ready-made clothes, foot ware and leather products, furniture, household appliances, electronic equipment etc. all being achievable through the modernization of the industry and the enlargement of the population's access on the market, only.

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The Transition from the Budget Balance to the Financing or Outfitting Capacity with Econometric Methods Using Fiscalty

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Abstract

Countries in transition are faced with lack of experience in terms of analytical techniques to time-series (seasonal adjustment for example), and in most cases the series are not long enough to allow a cyclical analysis. Romania is presently in a period of transition in all aspects of social, economic and political. The system of national accounts includes six main headings of auditors highlighting economic complementary phenomens so income sectors are treated as expenses for other. National accounts are the most important source of information about the State of an economy at a particular point being built starting from the economic theory, but considering the techniques used in accounting.

Using the linear regression model parameters estimation through the method of least squares or maximum truth-like method and using the data provided by national accounts, detailed components, we can make the transition from the budgetary balance in capacity or funding requirements

Key words: *tax system, fiscalty, fiscal reglementation, fiscal szstem, accounting methods*

JEL: *H20, H32, G3*

Regression analysis is a method of research of the relationship between a linear dependent variable and one or more independent variables, in order to explain the amount of variation in the dependent variable. With the help of this method:

- you can determine the strength of the link between the dependent variable and independent variables, such as the variance is explained by the dependent variable independent variable;
- you can determine whether there is a link between variable considered independent and dependent, in a situation where the

independent variables explain a significant portion of the variance of dependent variable;

- can be estimated from the link between the dependent variable and independent variables, constructing a mathematical model of linear equations of the type;
- the estimated contribution of the independent variables change in dependent variable, making it this way to identify those with the greatest impact;
- you can make predictions of the dependent variable based on different values of the independent variables considered in the model.

Regression analyses with the help of functions called regression functions, how a dependent variable (effect, score, y) moves in relation to the modification of one or several variables known (causal variables, x). The choice of regression function is recommended to be carried out, as a first step, the intuitive, based on the graphic of the pairs of values (x_i, y_i) – „point cloud”. Confirmation of the regression function will be performed using the test F. Determination of the curve that best approximates the cloud of points, i.e. the parameters of the regression function means determining the regression curve.¹

Then, with the score dependent feature y , which corresponds to the phenomenon and x_i , effect - factorial, independent features that correspond to such phenomenon:

$$y = f(x_1, x_2, \dots, x_n)$$

The regression function expressing the quantitative characteristic for successful change (y) as a result of changes in the characteristic factoriale (x), under the action of other factors is considered to be insignificantly changed.

Generic form of regression function is:

$$y = f(x) + \varepsilon.^2$$

If we take into account one variable factor we find ourselves in the situation unifactoriale (simple) regression or simple linear regression, and if we take into account many factors we find ourselves in the situation multifactoral (multiple) regression or linear multiple regression.

Budgetary balance of finance law breaks down into a final balance of operations, namely the State budget, and a balance of temporary operations, namely the Special Fund accounts.

¹ Tuşa Erika – *Metode cantitative de analiză economică*, Editura ASE, Bucureşti, 2004, pag. 20

² ε - the random variable is disruptive or error that reflects the effect of various reasons unspecified (can be difficult to quantify, insignificant, ...)

Flows between businesses and the State can be described in Treasury operations. The consolidated general budget shall comprise all the budgets of the budget system, components, assemblies and consolidated to form a whole, being a part of the consolidated budget of the State includes the release and the State social insurance budget, budgets of special funds, Treasury budget, the budgets of the autonomous public institutions, public institutions, budgets financed wholly or partly from the State budget, budgets of public institutions financed entirely from own incomes budget funds arising from external credits contracted or guaranteed by the State and whose repayments, interest and other costs are from public funds and external funds grants budget.

Therefore, it may be the three sub-sectors of the State namely:

- state budget
- special Treasury accounts
- special funds budget (annexe).

The system of national accounts includes six main headings of auditors highlighting economic complementary phenomens so income sectors are treated as expenses for other. National accounts are the most important source of information about the State of an economy at a particular point being built starting from the economic theory, but considering the techniques used in accounting. While economic theory have taken basic accounting concepts such as production, consumption, investment, General Ledger was picked up bookkeeping records under which a transaction correspond two entrances: one on the other's credit and debit. The absence of a reliable statistical basis that leads to inefficiency in establishing internal policies and the allocation of capital, and also constitutes an obstacle to capital flows from within. At the same time, to establish internal policies are required quarterly estimates of the economy as a whole because it must be identified as quickly as the cyclical changes in the economy and changes in rate of economic growth.

Quarterly national accounts represent a system of quarterly integrated chronological series, adopting the same principles, definitions and structure as well as annual national accounts, but less complete than this, referring to a shorter period of time. The main purpose of quarterly national accounts is to provide a picture of the evolution of the economy at a point in time earlier than the year (image provided by the system of national accounts) and the information provided to be more comprehensive than those offered by individual indicators in the short term. In the case of annual national accounts information provided relates to the structure and long-term trend of the economy. Countries in transition are faced with lack of

experience in terms of analytical techniques to time-series (seasonal adjustment for example), and in most cases the series are not long enough to allow a cyclical analysis. Estimates of the indicators can be obtained either by using the indicators available in a break in procedure time (sliding methods, methods of two-stage adjustment, methods of time-series adjustment, optimal methods, methods of dynamic model, multivariate methods, ...) ³, or by extrapolation of past values of the aggregates (simple extrapolation methods) ⁴.

An account in the national accounts framework allows recording of a particular phenomenon in economic resources and uses, or in variations of passive and active during the accounting period or the stocks of assets and liabilities existing at the beginning or at the end of this period. Thus, in the case of public administration, as for other institutional sectors, an account has two parts:

- the left hand side called “uses”, which are logged operations that have the effect of reducing the economic value of a unit or sector, and
- the right side called “resources”, where they are recorded transactions which result in increasing the economic value of a country or a sector.

The State budget has two main components, namely: revenue and expenditure budget entries, respectively, which are based for the most part

³ sliding methods are based on the assumption that the quarterly trend unknown can be described by a function known from annual data by interpolation; adjustment methods in two stages involve the availability of quarterly data, the first step being represented by preliminary estimates that are not consistent with annual data, while the second stage of preliminary estimates with referencing the annual series; adjustment methods of time-series allows the description of random structure of stochastic process that generated the data series representing more complicated methods of extrapolation; optimal methods involve the calculation of aggregate value directly from the linear regression model by knowing the values of aggregate annual and quarterly ones of the indicator used to estimate aggregate; dynamic design methods extend the optimal method of incorporating dynamic elements thus treating short-term effects of retransferred time series and the effects of recent estimates of the aggregate; multivariate methods take into account the dimensions of multivariate national accounts, introducing accounts within a constraint for estimating phase in order to obtain consistent estimates of aggregates.

⁴ use simple extrapolation method uses the assumption that the pointer and b aggregate, which measures the same economic phenomenon, have the same rate of growth; extrapolation is the next relationship:

$$b_{t+1} = b_t \cdot (1 + \Delta \% a_{t+1}) \Rightarrow b_{t+1} = b_0 \prod_{i=1}^{t+1} (1 + \Delta \% a_i)$$

It is possible that there is not always a tie between the two growth rates, thus introducing a correction factor: $b_{t+1} = b_t \cdot (1 + \Delta \% a_{t+1}) + S_t$. At the same time can also be used a stochastic model of the form: $b_{t+1} = b_t \cdot (1 + \Delta \% a_{t+1}) + \mathcal{E}_t$, where \mathcal{E}_t is a random variable distributed normally with mean 0 and dispersion σ^2

on tax revenue from taxes and duties and exits from the budget allocations are based on various types of expenditure according to budget sectors.

In conclusion, while national accounts allow the registration of a particular phenomenon in economic resources and uses, State budget permits this economic phenomenon in the income allocation of these expenses. Using the linear regression model parameters estimation through the method of least squares or maximum truth-like method and using the data provided by national accounts, detailed components, we can make the transition from the budgetary balance in capacity or funding requirements.

In the case of linear parameter estimate value multifactorial is strongly influenced by the value of the coefficient of alignment. The size of the coefficient is determined by the alignment of the coefficients of correlation values between score and variables explanatory variable, on the one hand and the degree of coliniaritate, on the other hand. Polarization and especially the emergence of negative alignment coefficients as the number of explanatory variables generates a number of difficulties regarding the interpretation of the meaning of parameters estimate.

Thus, a coefficient of supraunitar alignment causes an overvaluation of both the estimated value of the parameter and its significance. A negative alignment runs at least at a first glance at a misreading. Especially accented negativity of alignment will accept as having a high significance level parameters that do not reflect correctly the meaning of correlation between successful and explanatory variable variable under consideration. So, in conditions of absolute value aggregate usage of the test t will consider as having the highest levels of the corresponding explanatory variables parameters meaning most intensely and the least variable correlated with intense score. Will also be "advantaged" variables with a high linear degree.

In these circumstances, even if the value of the coefficient of determination is high, further use of the results of the regression model in preparing forecasts multifactorial can generate major errors. Achieve high values of the coefficient of determination at the same time avoiding the occurrence of negativity alignment involves the existence of absolute values of the coefficients of correlation between explanatory variables and variable score, on the one hand and absolute values of the coefficients as low correlation between explanatory variables, on the other hand. Taking into account the properties of the method of least squares made previously in the case of a regression model is advisable in order to at least two stages in order to highlight the values, values derived from the size of the coefficients estimated parameters for alignment.

In a first phase shall unificatoriale of successful variable regressions with each of the explanatory variables. On this basis the explanatory variables are ordered according to the absolute value of the correlation coefficients between explanatory variables and score variable. By default, the variable of the regression model. *In the second stage* to be included in the new explanatory variables regression in the order established in the previous stage. Depending on the objective sought the introduction of new explanatory variables may stop at the time of the occurrence of negative alignment coefficients or the attainment of the critical values of some tests that validates the regression model as a whole or each estimated parameter part.

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The Activity in the Constructions and Transportation Fields

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Abstract

In the Romanian economy, the constructions sector occupies an important and significant place. As our economy is on a developing path, it is expected and normal that the results and weight of this activity is focused on the private sector and on the individual population. The state diminished its interest in this sector, so that the contribution to GDP formation is subsequently reduced.

Also, the authors analyse the evolution of the transport sector in Romania during the recent period. It can be observed that all indicators had an oscillatory evolution, both for passenger transportation and merchandise transport. The evolutions are very different when comparisons with the reference year 2008 are attempted. The transports activity in Romania kept on being carried on by the specialized institutions in the field of the rail, road, river and air transports.

Key words: *construction, structure, investments, transportation, passengers*

1. General aspects

A negative element as to the activities run in the constructions and transports sectors is given by the fact that the investments in these domains diminished, from one year to another, till 2000 while during the period 2001-June 2013 they kept on maintaining at an insufficient level.

During the period 2010-June 2013 the decrease of investments has been extremely well-marked, for the quarters II (70.3%), III (69.4%), IV (60.1%) of 2010 as against the corresponding quarters of 2009. The reductions as against the comparable quarters of the previous years have been confirmed as well for the years 2011 and 2012.

As far as the constructions activity is concerned, it is to underline the fact that the investments started before the year 1990 were neither finalized nor integrally valorised by means of privatization¹.

That's why, in many cases, the practical value of the already executed works diminished while the process of continuing them involved, most of the times, additional works leading to increases of the production costs. The construction works taken over by the private capital commercial companies were put under conservation while the rhythm was slow in the case of those where the activity continued.

All these happened on the ground of a critical shortage of dwellings for the population. The most part of these buildings achieved before 1990, have been privatized under strange conditions as a clearer policy did not exist in the field. We keep on hoping that the government is going to do something real so that this sector of activity gets the significance it deserves.

Certainly, these last years (2001-2013), the programme for building up dwellings for the population has been launched but, achieved through mortgaging credits, they are not available exactly with those who are in the keener need (young couples, employees with low incomes etc.).

If the year 2008 counted as a "boom" of the investments, mainly of the private ones, in the constructions sector, the brutally launched crisis stroke this sector to the worse. The mortgaging credits, the main financing source, led to the increase of the price for constructions (dwellings) and as a paradox, to the impossibility to sell at the costs level.

2. Outcomes in the constructions field

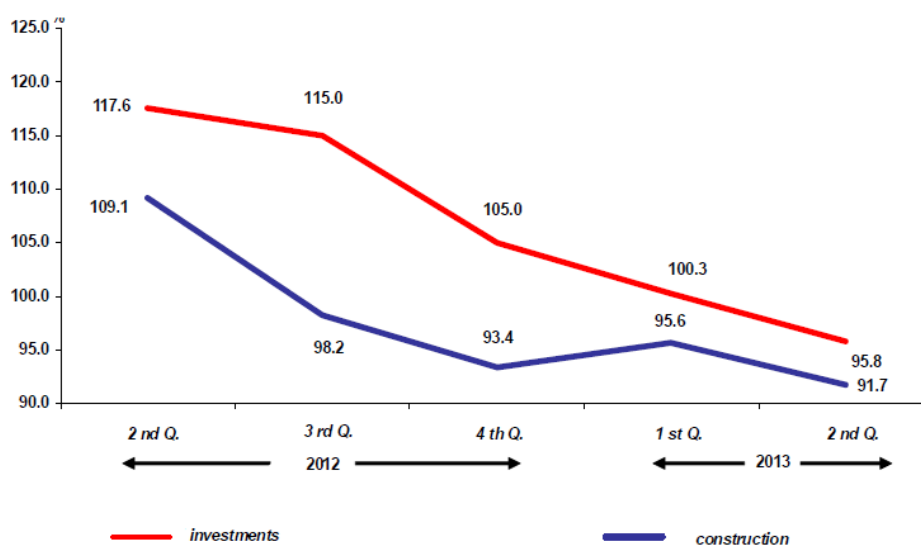
Over the period after the year 1990, this activity has been achieved by the private capital commercial companies, in a gradual process.

¹ Anghelache, C. (2013) – *"România 2013. Starea economică sub povara efectelor crizei"*, Editura Economică, București. See also Anghelache, C. (2012) – *"România 2012. Starea economică în criză perpetuă"*, Editura Economică, București

All over that period, from 1990 up to date, the diminishing of the volume of works made by the state has been compensated by the sustained rhythm of the constructions achieved by the population.

Indices of the achieved investments and constructions works The corresponding quarter of the previous year=100

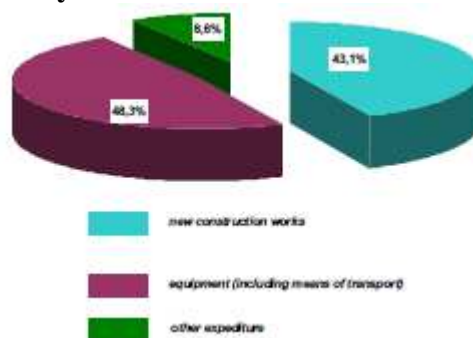
- corresponding quarter of previous year = 100 -



Data source: The National Institute of Statistics, monthly Statistical Bulletin

Out of the data published by the National Institute of Statistics, we can state out that in 2013 the value of the constructions works increased, in real terms, as comparatively with the corresponding period of the previous year.

Investments achieved in the national economy by structural elements in 2013



Data source: The National Institute of Statistics, monthly Statistical Bulletin

In 2011, the achieved investment works showed decreases as comparatively with 2010. The decreases counted for -6.5% for the I quarter and -3.7% for the II quarter.

In 2012-2013, a tendency of reducing all the expenses has to be underlined.

Indices of the investments achieved at the level of the national economy, by structural elements

Indicator	Years	In % as against the corresponding period of the previous year			
		Quarter I	Quarter II	Quarter III	Quarter IV
Investments - total	2008	134,3	130,2	123,2	102,3
	2009	102,7	70,3	69,4	60,1
	2010	72,0	93,0	82,9	94,7
	2011	96,3	93,5	115,6	122,1
	2012	119,3	117,6	115,0	105,0
	2013	100,3¹⁾	95,8²⁾		
Out of total, by elements of structure:					
- new constructions	2008	132,5	134,8	127,8	107,3
	2009	106,6	91,4	81,4	77,4
	2010	70,6	83,2	77,9	89,0
	2011	93,4	91,5	104,3	114,5
	2012	119,5	115,8	106,7	93,3
	2013	85,3 ¹⁾	81,4 ²⁾		
- equipment (total)	2008	134,7	123,9	114,4	103,6
	2009	95,0	46,7	56,3	42,9
	2010	96,2	95,4	135,9	135,4
	2011	96,2	95,4	135,9	135,4
	2012	118,7	124,8	127,1	115,9
	2013	115,7 ¹⁾	114,9 ²⁾		
- other expenses *P ^P	2008	146,7	149,9	136,3	78,9
	2009	121,6	95,7	51,4	73,0
	2010	82,2	109,7	95,4	93,3
	2011	103,4	83,9	109,6	112,6
	2012	107,5	94,6	102,6	111,2
	2013	103,7 ¹⁾	107,8 ²⁾		

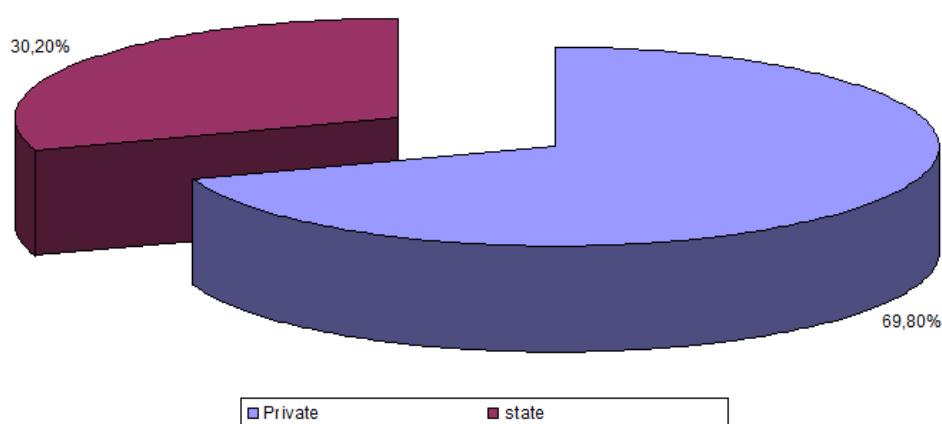
* Including expenses made for geological and drilling works, vine, trees plantations, afforestation, livestock acquisitions, acquisitions of households inventory of fix means nature etc., by the end of each reported quarter

¹⁾ Rectified data, ²⁾ Provisional data

Data source: The National Institute of Statistics, monthly Statistical Bulletin

During the analysed period, the investments on equipment and constructions were higher. In 2013, the investments done by the economic agents with private capital and by the population represented 69.8% of total (see the following graph)

Investments achieved in the frame of the national economy by ownership forms and structure elements in 2013



Data source: The National Institute of Statistics, monthly Statistical Bulletin

The total construction works by structure elements and constructions types showed a fluctuating dynamics. Accelerated rhythms of increase have been recorded by the new constructions, capital repairs works and current and maintenance works. The relative data are submitted by the following table:

Indices of the constructions works by structure elements and constructions types

-Brut series -

Indicator	Corresponding month of the previous year = 100												1.I-30.VII. 2013 in % against I.I- 31.VII.2012	
	2012						2013							
	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun ¹⁾	Jul ²⁾	
Constructions works-total	97,3	107,5	94,0	96,2	102,3	89,8	90,8	94,2	100,2	88,9	90,1	99,8	115,4	97,8
Out of total, by elements of structure:														
-new constructions works	100,2	116,2	107,5	95,1	104,9	91,3	83,2	75,9	95,7	78,6	79,5	92,9	106,9	88,2
-capital repairs works	95,8	96,4	58,0	119,9	94,2	91,9	150,2	198,5	116,8	118,1	124,1	111,7	138,4	129,0
- current repairs	90,1	89,8	81,6	87,6	99,6	85,0	94,8	133,0	105,8	109,3	108,1	113,8	130,7	114,2

Indicator	Corresponding month of the previous year = 100														1.1-30.VII. 2013 in % against 1.1- 31.VII 2012
	2012						2013								
	Jul.	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.	May	Jun ¹⁾	Jul ²⁾		
and maintenance works															
Out of total, by types of constructions:															
- buildings	83,9	83,4	97,6	119,2	104,6	111,6	101,5	129,0	94,9	92,5	84,7	98,3	124,9	102,1	
Off which:															
- residential buildings	76,5	77,5	101,9	120,6	79,3	70,5	108,4	180,8	93,5	89,0	78,4	89,2	155,3	108,1	
- non-residential buildings	86,9	85,6	95,9	118,6	119,1	131,3	99,5	110,9	95,5	93,8	87,1	101,8	113,9	99,9	
- engineering constructions	107,1	124,5	92,2	85,8	101,0	77,9	85,5	80,9	103,4	86,8	92,8	100,7	110,0	95,5	

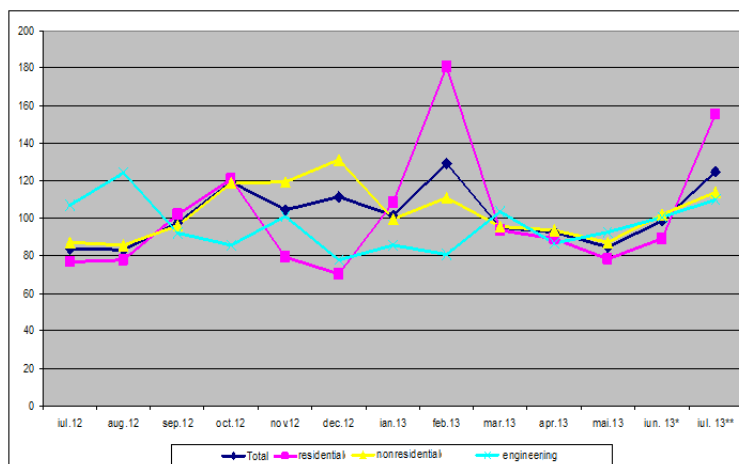
¹⁾ Rectified data

²⁾ Provisional data

Data source: The National Institute of Statistics, monthly Statistical Bulletin

All over the period 2010-June 2012 a negative rhythm of achievement for investments and constructions works has been recorded.

**Evolution of the indices of the constructions works by types of constructions, during the period September 2010 – June 2013
- brut series -
2005=100**



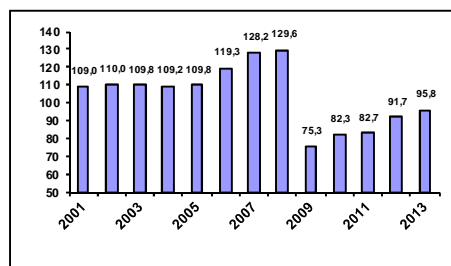
¹⁾ Rectified data

²⁾ Provisional data

Data source: The National Institute of Statistics, monthly Statistical Bulletin

The dwellings achieved out of budgetary subsidies kept on counting for a tiny weight and recorded a diminishing comparatively with the same previous periods.

Evolution of the constructions works 2001-2013

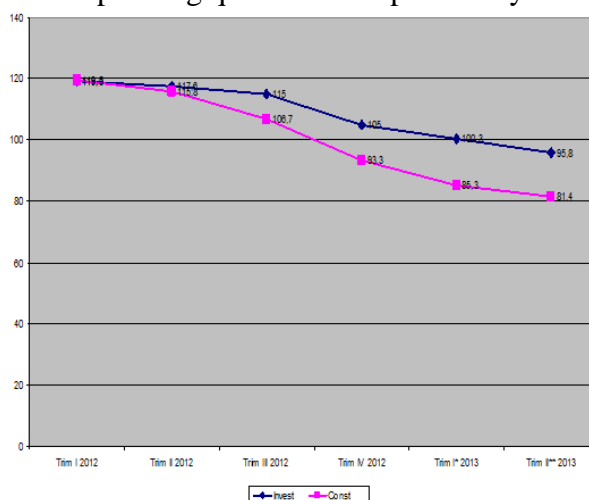


Data source: The National Institute of Statistics, monthly Statistical Bulletin

The investment effort in the sector of dwellings construction out of private funds has been highly sustained by the private agents and the population, by constructions on cost. Most of the dwellings built up and finalized by the population on an on cost basis are located in the rural environment.

Indices of the achieved investments and constructions works

The corresponding quarter of the previous year = 100



Invest = investments, Const = Constructions

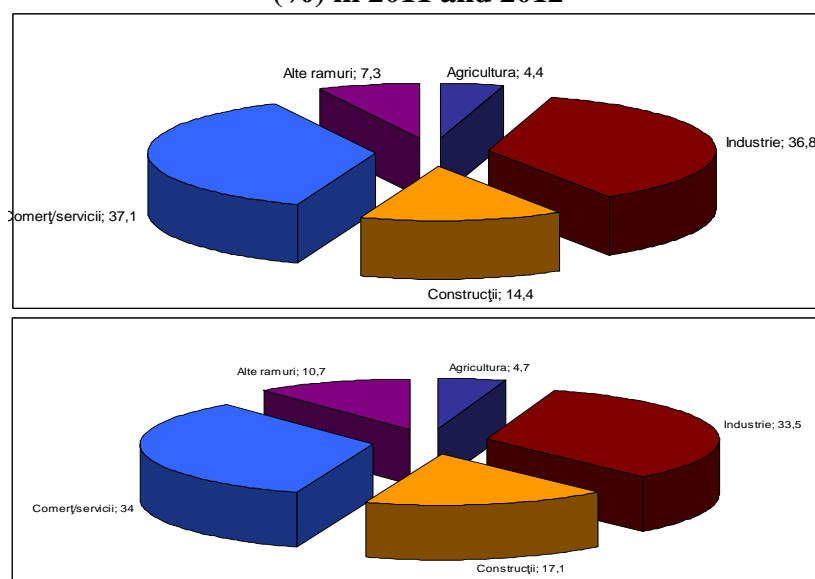
1) Rectified data 2) Provisional data

Data source: The National Institute of Statistics, monthly Statistical Bulletin

Some districts – Bacău, Cluj, Ilfov, Suceava, Iași, Vrancea – and the municipality București recorded better results. However, there are other districts (Caraș-Severin, Giurgiu or Alba) with more modest outcomes.

Out of the submitted data, it is resulting that in 2012, as a result of the crisis, the number of constructions achieved by the private sector as well as by the population kept on decreasing. The structure of the constructions by branches of the national economy is submitted by the following graphs:

**Structure of investments by branches of the national economy
(%) in 2011 and 2012**



Data source: The National Institute of Statistics

To the extent the privatization process gets intensified, it is to be expected that the constructions activity would be mostly achieved in the frame of the private sector and by the population, through self-possibilities.

It is necessary to substantiate and reinforce a programme meant to support the investment in the constructions field, mainly as regards the achievement of dwellings. In this respect, granting credits at low interest, improving the conditions of the mortgaging credit, consolidating the building companies as well as other supporting forms are steps to be considered in the frame of a programme of perspective, aiming the quick settlement of the population’s requirements for dwellings. Unfortunately, the programme called “First house” is not supporting the interested people

since the social and mainly economic development seems to be a negative one and represents a real risk for the population in need.

3. Evolution in transportations

The passengers and goods transport has been carried on by its two components, respectively the internal and the international transport. Out of the data published by the end of the year 2012, by the National Institute of Statistics, it clearly outcomes that during the period 2000-2012, all the transport types, both for goods and passengers, have recorded a fluctuating process, with very big decreases. As against the year 2008, (as a reference year for the crisis launching in Romania as well), for the analysed year (2012) the results have been different both on total and on types of transport traffic.

The fluctuations are based, first and foremost, on the decrease of the goods production, of the imports and exports, both is considering the diminishing in the transport and the lost interest of the population for travelling, internally and internationally. These facts occurred in the context of constant increases of the transport costs for all types of transportation while the population's incomes kept on remaining modest.

In 2012, the passengers district, inter-district and international road transports counted for 67,840,000 persons/I quarter. I.

The indicator „passengers-kilometres“ in 2012 lined up to 4,078 million passengers-kilometres. The rail and road transports kept on holding the weight for the transportation of passengers in our country.

The river transport as well shows a down warding tendency for these indicators. As to the air transport, the data showed a fluctuating tendency, with periods of decreasing as well as periods of increasing for this indicator.

The same situation has to be noticed in respect of the goods transport, where the weight has been held by the rail transport, All the indicators showed a down warding tendency from one period to another, this being due to the fact the economic activity kept on remaining at a low level. The goods transport followed the same path in 2009, with serious marks of decrease in 2010 and 2011. The harbour transport of goods followed also a down warding tendency, the synthetic data emphasizing a fluctuating evolution in 2010 and 2011. In 2012 there is a slight recovery to mark but without conclusive results.

As far as the transport of passengers and goods from the Romanian airports is concerned, there are slight increases to notice for most of the indicators in 2010 as against 2009 and in 2011 as against 2011. The situation in 2012 was not conclusive.

Another aspect to be pointed out refers to the fact that the road transport of goods developed in the private sector, simultaneously with the diminishing of this activity previously run in the frame by the units with state capital.

The degree of renewal of the transportation park, for all the categories, was generally slower because of funds shortage and as a consequence of the gradual diminishing of the activity of goods and passengers transport.

On this ground, the activity of the industrial units producing conveyance means for the Romanian economy has been also jeopardized. Therefore, certain specific steps meant to stabilize the endowment of the transport activity become imperative, in a more extended context of the self or drawn investments, namely the autochthonous or foreign capital, in the frame of the national economy.

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Considerations in Managing B2B Brand Strategies

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Abstract

Brand is one of the most effective communication tools available but often it is not used that carefully in companies. Brands creation is a long term investment to increase shareholder value. Brand strategy, part of brand five steps process, needs to build on the positioning, mission, value proposition, promise and frame. These parts of the brand strategy are explained in this article.

Key words: *brand, branding, strategy, business to business, tools*

1. Introduction

Brand building is not an easy task for a company and therefore often fails but is a long term investment to increase shareholder value. Kotler and Pfoertsch recommend establishing a brand with five steps: planning, analysis, strategy, building and audit.

It should be remembered that the branding process is structured and manageable but brand formation lives its own life. Is an image in the consumers' mind and it cannot be built. It is created by continuous brand messages communicated to the customers and then built by the customers themselves in their own minds. According to Grönroos the process is a tool to provide the touch points and brand messages.

2. Managing the brand strategy

Brand strategy needs to build on the positioning, mission, value proposition, promise and frame. These parts of the brand strategy are explained in this part of this article. This part starts with a general definition of brand strategy.

Brand strategy is commonly confused with company's strategy, but it is not the same thing. Brand strategy defines the meaning of the brand and why it is necessary. The brand strategy should be able to show what the market lacks if this brand would not exist. (Kapferer, 2008)

Brand is one of the most effective communication tools available but often it is not used that carefully in companies. For this reason brand needs a proper strategy to fulfill all the important aspects: positioning, organization mission, value proposition, promise and architecture. To create an effective strategy for a brand marketer needs to know what company's customers want from that brand. Secondly an important point is to find out how customers feel and what emotions raises from your brand usage. Branding strategy describes the conjunctive and the disjunctive brand elements that are used in the organization. Brand strategy can be seen just as choosing brand elements but in real life it uses all the information found in the earlier step of the process, brand analysis. (Kotler&Pfoertsch, 2006)

One of the first branding strategy decisions is whether to go for one or several brands – in other words select the brand architecture. The most important factor is that the brand should be positive addition to the brand equity. There is a couple of strategies to select the amount of brands in organization, but basically just two types to select among; to go for corporate or product branding, one big brand or several smaller ones. (Kotler et al., 2009)

Brand architecture allocates organization's brands to a defined structure. There are three general structures to choose from; Corporate, product and mixed structures. Corporate architecture uses the organization as an equity driver for the brands and on the contrary product architecture uses the product brands. Mixed structure is a mix of the previous ones and uses both corporate and product architectures. Brand architecture, according to Ugglä can be used as a tool to leverage the current brand equity by structuring, reducing or adding brands in an B2B category. (Ugglä, 2006)

Aaker and Joachimsthaler have defined guidelines for choosing proper brand architecture: Product brand suits well if the business supports new brand and corporate brand is better if the existing corporate brand is strengthened with the new product in it. In product brands the risk of failing is smaller as it will only affect to this certain brand and a company can provide different price categories in the market. Corporate brand provides security, lower development and high marketing expenses and therefore is quite often used but involves higher risk in failing as the whole brand will be affected. (Kotler et al., 2009)

Product structures are rare in the B2B market. The most common version of the different structures is the mixed structure and it

can be found in any kind of market. The trend is to make the architecture structures more and more like mixed architectures.

As described in earlier parts of this study B2B companies find themselves often in offering situation where offers from different companies are very much alike. This easily drives suppliers into a price offer competition. They blend to each other, no one differentiates from another. That way a good positioning helps to achieve differentiation from competitors, thus, it eases price offer competition. (Levi, 2007) Studies show that positioning and responding to the changes in the environment has an effect to organization's competitive advantage and performance. It has a positive influence to the different factors of brand equity; Awareness, association and loyalty. Properly nurtured positioning as a strategic asset can create more comprehensive processes that results in good equity. (Yang 2010)

Positioning can be defined in the following way: Every brand has a space in individual consumer's mind and that space's relation to other brands reflects similarities or differences between them. This important space and its relations to other brands can be created and modified by effective marketing communication. Once a steady and good space is found it is better to keep it with successful touchpoints and continuous communication with target customers according with Sengupta. We could say that positioning is not about the product or service but how the consumer's perception of the product or service is handled.

Positioning is important when creating strong brands. Clear brand positioning helps customers to understand company's offering and they will more likely choose well branded provider over others. For the brand to have an impact to the market positioning needs to be creditable, consistent and differentiated in a consistent way. (Clifton & Elwood 2009)

The first step in the creation of the positioning strategy is to know whom your product or service is targeted to. The companies from B2B sector usually have less key customers compared to B2C companies and therefore it is easier to identify them. But on the contrary it is even more important to segment them properly because it is harder to differentiate in the B2B market. It is crucial to know who your customers are and where they are. (Kotler&Pfoertsch, 2006)

The brand positioning process consists of four elements: Selecting competitive frame of the target market and competition, the points-of-difference, the points-of-parity and brand mantra. (Keller, 2009)

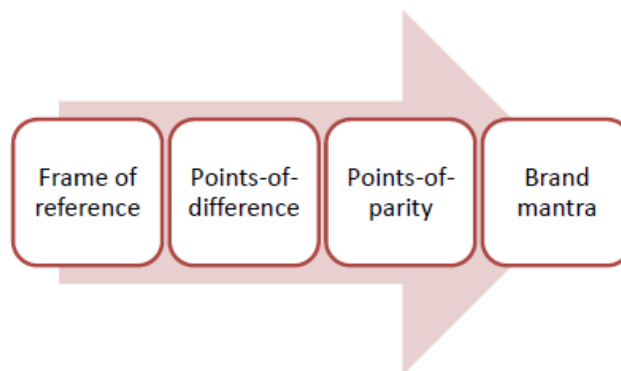


Figure 1. Brand positioning process (Keller, 2009)

The first step in brand positioning is to find the proper frame of reference that communicates to customers what they can expect from this brand. It is highly important as it creates the associations for points-of-difference (PODs) and points-of-parity (POPs).

It defines the level of competitors marketer wants to include to the positioning strategy. The age of the product or service affects to the frame; for younger brand it might be better to compare only direct competitors and not the indirect ones. Postal service provider for example competes directly with other postal delivery methods but on the other hand it is an indirect competitor for email and other electronic communication services. (Keller 2009)

The frame of reference defines the customer target market and the level of competition. Level of competition refers to the competition which the brand takes part in the market. Marketer needs to make a competitive analysis to find this information about their competitors. (Kotler & al., 2009) Points-of-Difference are features differentiating brand from its competitors. Customers believe they could not find similar attributes from competitor's products or services. Every brand association is not suitable to be a POD. There are criteria that the features need to fulfill. One is that the attribute needs to be alluring to customers and personally relevant. Secondly the organization has to be able and have the commitment to provide the feature to customers and maintain it in the minds of customers. Finally the customers need to recognize the attribute as an extraordinary and exceptional compared to competitors. Every single attribute of the product or service can act as a POD for a brand but it needs to answer to criteria explained previously. (Keller 2009) Kevin Lane Keller has identified three brand differences: brand performance associations, brand imagery associations, and consumer in-sight associations. All these factors

should be considered when thinking brand's PODs otherwise the PODs might be only single dimensional. Brand performance clarifies that does the product or service do what has been promised. Consumer insight associations are the insights provided by the brand as solutions to customer's problem. But Keller thinks that this difference is not as important as other ones and is used as a last association.

Points-of-parity are associations that are similar with the competitors. They are categorized to two different categories: Category and competitive. Categorical are the basic functions that are wanted from a certain product or service. Bank is not thought as a bank if it does not provide account or loan services. The categorical POPs change over time and certain PODs might come to POPs of a category. Competitive POPs are associations used to compete with competitors PODs. Competitor having a more luxury version of the service the provider can launch premium classes to create a competitive POP. (Keller 2009) Brand mantras are well known as advertising slogans in B2C markets but in B2B markets it is an internal brand slogan and it is imperatively needed to be adopted by all employees and external marketing partners and understood in a way that it can be adopted to their daily practices. It is the core of the brand, a very short sentence that explains essence and positioning of the brand. Keller considers the brand mantra is a powerful instrument to strengthen and support the brand essence in every organization.

Positioning needs to be measured all the time to achieve a powerful brand. There are three important factors that companies need to take in consideration when measuring the positioning performance: employee attitudes and behaviors, customer attitudes and behaviors and business performance. Employees, customers and business performance need to be measured every month, quarterly or yearly depending on the type of business. This measurement information helps to take new strategic directions if need-ed. (Clifton & Elwood,2009)

According to Kotler & Pfoertsch brand positioning answers to some questions: Who are you going to give on this positioning ? Who are you going to market your product for? What do you partner want and need? What customer insight is your positioning based?

Brand positioning shows what the company can be at its best and how it is unique. Company must feel its positioning powerful and to be passionate about it and to show that passion to the customers. (Kotler&Pfoertsch, 2006)

This part has explained the meaning and importance of positioning in branding. The brand strategy's next step in this study is the brand value proposition that uses positioning to deliver the value of the brand to customers. This is explained to a greater depth in the following chapters.

Brand value proposition is a statement that shows to organization's customers how they can achieve value by selecting this brand over another. According to studies in B2B field most managers choose the easiest way by just listing all the benefits their product or service has. In this way it certainly answers to the question why the customer should buy from this provider but on the other hand it also provides points of benefit that are not necessary for all customers. Another well known method is to explore the points-of-difference and enumerate all of them to customers. This shows to the customer why they should they select this provider over the competitor but it lists too much of PODs. The list's objects might provide only minimal value to customer and the customer might feel uncertain of the points that are best for them. The best solution according to researches is to explain one or two PODs for possible customers and this way give them compelling reason why to choose this company. (Anderson, Narus & Rossum, 2006) The brand is not just a strategy that is not seen by the customer but it has to make a promise for the customer.

Brand promise is a promise of quality for the customers. It promises that if you buy this brand it will fulfill certain attributes of quality. It is especially important to have good and deliverable brand promise to achieve brand equity. Brand promise creates expectations in customers and these needs to be seen through or otherwise the customer will be unsatisfied with the brand. If some customer expectations are consistent with the brand promise it encourages repurchasing the brand. But if the expectations are not consistent it creates dissatisfaction and might develop brand avoidance. (Lee, Conroy & Motion 2009)

3. Conclusions

It is important to know that the quality does not just include the end product. Brand promise should be carried out in every touchpoint the company has with the customers. One of the most important factors in the brand promise is the employees of the organization. The employees need to maintain the organization's identity, image and reputation. It is important that they know and assimilate the values of the brand to deliver the brand promise properly. This will lead to added customer satisfaction, preference, loyalty.

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School Conflict Management

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Abstract

A dynamic school as an organization is subject to multiple transformations and educational management must take into account all the stresses acting on the school both from the external environment and the internal environment. Therefore, education manager must be prepared to respond effectively in prevention and resolution of conflicts.

Key words: *management, conflict, education, school, environment, group, solution agreed .*

Conflict (Latin *conflictus* - "clash ", „disagree”) represents a component normal but sometimes NECESSARY, of human relations. In general, conflicts are perceived as having a negative connotation because of disturbances in the life of the group. Modern management emphasizes the positive side of the conflict, seen as a natural consequence of diversity, because after a conflict, it can relieve tension, group members may summon express wishes, sometimes reaching intergroup conflicts. Instead, let be a beacon to motivation in an incentive increase of individual performance or group. So the danger of conflict escalation can not be ignored, therefore management skills and solutions have to be early developed. A good manager can solve any conflict!

Conflict situation occurs when one side perceive that the other side is frustrating against her. When there are differences in information, differences in the perception of the same information, differences in the perception of values, principles differences, differences of position, etc. . On the other hand, competition , selfishness , fear, distrust , intolerance can lead to conflict . Conflict resolution involves, firstly, separation of person

conflict, positioning the group members in the classroom and interests separate positions. Therefore, when starting the conflict mediation do not ask "What they want? ". It was very important wonder, why they want this?. Another crucial thing is to anticipate the response. The manager must consider possible solutions before asking (because complex problems have several solutions) and to obtain approval to apply the parties this joint solution. PARTIES have equal roles being aware that they had in the decision of The fact that it was not obligation outside, they reached an agreement freely after they redefined their relations , while perceiving them in a new way.

Any conflict has a resolution depending on a number of factors. In the classroom the teacher - tutor is to be group manager for unintended conflict resolution between students, between students and school between and parents on between students and parents.

In the following, we present how to solve the conflict, apparently trivial, but which produced serious disturbances within the group of students, with consequences on learning.

Among students of grade a conflict arose who drew the parents, about their settlement banks. Some children sat 'traditional ' (Class I) in the first bank, a good reason : they had problems with distance vision . Knowing the situation, the teacher had placed them in the top banks. Growing at different rates, almost all children who had vision problems were much taller than the others standing further back. Adjusting to the first class gymnasium requires considerable effort from the children who must follow what is written on the blackboard. Misunderstanding lessons, backlogs, low notes are putting children on account of inability to see the blackboard. Conflict between children short, seated in the back seat and children who had vision problems, place the first banks issue to burst in the first meeting with parents who urged to resolve the situation.

Conflict involved the following steps:

1. Identification need ("What do you need ?" "What?")

All persons involved in the conflict should be able to answer this question without blame or accuse. This is a very important step in resolving the conflict, because, often, a conflict may be produced by any reason other than the highlighted one.

There were identified the needs of the students in both groups wanted to occupy positions closer to the board.

2. Defining the problem ("What do you think is your problem?")

The whole class can give a helping hand to find an answer. Class must take into account the needs of both parties and not blame one. In turn, warring parties must agree on the definition.

There were exposures to the arguments of each party, and other members of the class helped define the problem without. The formula contrary, concluded that both sides are right.

3. Brainstorming

At this stage seek more opportunities for solving conflict. Students propose an alternative solution. The answers are written on the board, without formulating any verdict or assessment.

We have proposed several solutions which have been held up: settlement of banks semicircular or square, placing them in the „chess game set”, ensuring for each student to the board and the compromise, turning students into banks in small intervals time .

4. Evaluation solving variants (“would you agree with this version?”)

Each of the parties to the conflict must complete the list and say that alternative solutions are acceptable.

We went to analyze each variant exhibited. The first variant, which suited both parties, was categorically rejected by the class teacher prior of exchange for reasons related to the peculiarities of the educational process in the primary. It foreshadowed a potential conflict with the teacher of the other class.

The second solution is not convenient for classroom teachers because it makes difficult their access to students at certain points of the lesson involving contact individually with them.

The third option - which included turning students into banks at fixed time intervals, so each student to stay, in turn, the first bank, then the second bank and so on - seemed a convenient compromise for both parties. This eliminates the „permanent „foster children and deprivation of others. In addition, it was a convenient solution from another point of view: we put students in a position to see the class from another angle, changing its "perspective" actually beneficial consequences on the formation of their personality.

5. Finding the best solution „You agree that this solution will solve the problem?”. We must be sure that both parties agree and acknowledge their efforts made to resolve the conflict.

Once accepted and recognized as third option, compromise, was passed to establish a strategy for implementing that solution.

6. Checking the solution.

A plan was drafted for evaluation of the solution. The variant can occur for a few minutes, an hour, day or next week, depending on the severity of the conflict and the age of the people involved. In this case, the assessment was made at the next meeting with parents, it took place over a week, observing that things go as agreed, the conflict is thus resolved.

Conclusions

Resolving this conflict, in the initial stage, prevented the escalation of the conflict (which is particularly harmful, since the children were at the beginning of a new cycle and resentments and frustrations as climate deteriorated in this group). We appreciate that the place had the following positive consequences:

1. Has fostered innovation leading to improved learning activities;
2. Created LIABILITY feeling each student in finding solutions to the conflict;
3. Has created a sense of trust that there are solutions to be sought together and that a compromise is necessary and preferable to an escalation of conflict.

Conflict management, an important component of quality management has a key role in achieving social performance, school therefore is an essential factor in the development of modern society, is called to help students learn and practice effective ways for prevention and conflict resolution .

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The Evolution of the Services to the Population

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Abstract

In market economies, which practice the system of national accounts, services are considered a very important branch of the national economy, because, together with the satisfaction of the material needs of the population, they ensure the continuation and completion of these needs, contribute to the recreation and leisure, thus maintaining the biological equilibrium indispensable to a state of physical and mental health at the level of the population, contributing, meanwhile, to the development of some particular activities, with positive consequences regarding the degree of occupation for workers.

Key words: *services, developments, private, accumulation, population*

The level of development and civilization of a country is also given by the development of the sphere of services supplied to the population, as well as by their weight to the Gross Domestic Product formation.

Within the system of material production in force in our country before the year 1989, the services were considered as productive only to the extent that they were an extension of the production. Otherwise, the other services, although very useful for the needs of the population, were considered as non-productive activities and, consequently, in most of the case they did not get the deserved importance. This was also a modality to encourage high rates of accumulation to be practised.

For a number of countries, considered as exponents of a high level of development and civilization, such as Norway, Sweden, Germany, France, England etc., the services supplied to the population are contributing substantially to the GDP formation.

Number of companies with main activity of services supplied merely to the population and their turnover

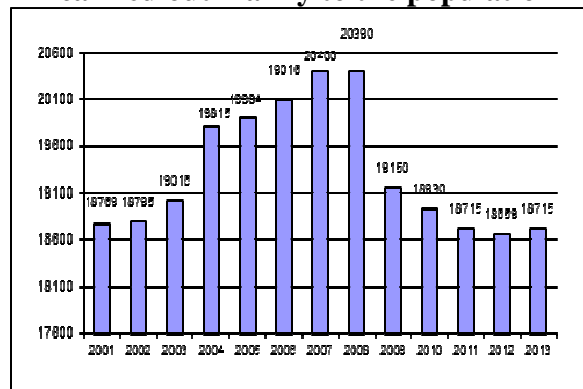
Year	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Market services supplied mainly to the population - total	18.769	18.795	19.016	19.815	19.904	20.100	20.400	20.390	19.150	18.930	18.715	18.659	18.715
Turnover (without VAT) – billion lei – (comparable prices 1998)	14.809	15.549	16.311	17.112	17.315	17.615	17.900	18.100	17.300	17.120	17.060	17.010	17.100

Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

Starting from these considerations, we have to notice the mode in which the activity of services supplied to the population in Romania developed during the last sixteen years.

In this respect, it must be underlined that in the year 1990 there was a material basis in place, which, in order to be superiorly valorised, should have been privatized, quality wise improved from the point of view of endowments, of the concept of services carrying out in itself and of the management in services. This is the only way that the premise to secure and provide qualitative services, accommodated to the real needs of the population, could have been generated¹.

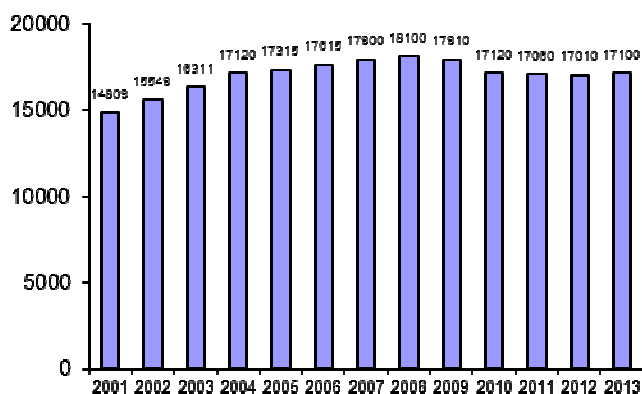
Number of companies with main activity as market services carried out mainly to the population



Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

¹ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

Turnover of companies with main activity as market services carried out mainly to the population – billion lei comparable-



Data source: The National Institute of Statistics, Statistic Bulletin no. 7/2013

The establishment of a private sector of carrying on services to the population, with support through adequate steps for the tendency to diversification and quality improvement, should have been the subject of concern from the authorities from our country side in the frame of the programmes drawn in the context of the strategy concerning the reform and the restructuring of the economy, taking into account the fact that a significant material basis was already available in this sector and, therefore, no particular effort of investments or capital being involved.

Unfortunately, the initial methods being considered for acting in this respect, (administration of locations, MEBO privatization, the tardive and improper steps to apply the big privatization to the sector, the lack of an unitary strategy for the privatization of this sector, leading to blockages as a result of the scandals and contestations generated by the various conflicts of interest etc.), without being accompanied by adequate steps meant to encourage and stimulate the economic operators within the services sector, not only did not produce the forecasted outcomes but, on the ground of the general economic decline, made possible both the physical depreciation of the existing material base and the disqualification, quality and variety wise, the carried on services.

Consequently, this process as well – reform, privatization and restructuring in the frame of the tertiary service – lagged behind, at least

until the year 2000, as shown by the low weight of the companies with private capital to the forming of the turnover of the sector.

The level at which these services are offered to the population is important since, apart the ratio between demand and offer, the level of running prices, as expressing from, must get an important role in the frame of these services. The detailed analysis of the evolution of the turnover for services carried on to the population in the years 2001-2012 is self-conclusive as far as the tendency is concerned.

In this respect, it is significant to analyze the way in which these services have been offered to the population considering also the connection between the real incomes available with the population, at a given time, and the quality of the services as well as the comparison between the price levels in our country and the prices in force in other countries.

Thus, out of the market services activity carried out to the population in 2011, a turnover higher by 4.1% than the one recorded in 2010 has been recorded. In 2012 the turnover decreased in January by -22.4%, and by -2.4% in April. In March 2012 an increase of 11.7% as against the previous month has been recorded.

The overall period 2010-2013, showed that the turnover of the services carried out to the population had recorded a continuously low fluctuating development as against the previous periods and the entire year.

The services of medical care, culture etc. have been diminished although their quality did not improve.

The fact that in most of the cases of their structure the services recorded significant decreases is a negative fact.

The services of transport, mail and telecommunications recorded, exception made the periods 1990-1992 and 2009-2012, sinuous evolution. Thus, the value of these services increased, value point of view, in comparable figures as against 1990, from 22,393 billion lei in 1990, to 13,490.35 billion RON in 2008. After January 1st, 2009, a permanent recoil of these services value has been recorded, justified by the effects of the crisis.

The value of the transport, mail and telecommunications services

– million lei comparable prices 1990 –

Year	2006	2008	2009	2010	2011	2012	2013*
Total	133.410	135.410	131.115	130.214	129.325	128.975	128.995

* Extrapolated data

Data source: Statistical Year Books of Romania, 2006, 2008, 2009,2010, 2011 and 2012, Statistic Bulletins of the National Institute of Statistics 2005-2013.

If we try to compare the level of prices practised by the tourism and touristic assistance agents, as well as the tariffs of some hotels and restaurants, we should state out that their level is very near if not, in certain cases, even higher than the prices practised in a series of western countries where the services are by far superior quality wise to these offered in Romania. Presently, there is no difference any more, between the prices for a number of products (see, for instances, any kind of beverage), or the tariffs for touristic services carried over in Romania as against those practised by the big hotels and restaurants from the western countries. Of course, the people working in this fields may invoke the fact that the restrained demand of the population for certain services is obliging them to maintain a level, even if minimum, of profitableness and to increase their prices. The low level of the turnover achieved in the sector of conscripted services is a consequence of the poor quality and high level of their costs but the main reason of the gradual diminishing of the population's demand for such services consists, in the first place, of the shortage of financial resources available with the population.

There have been steps taken towards the privatization and the improvement of the endowment of the hotel facilities. The privatization process did not lead to the expected impulse while the system of renting the hotel facilities had not the expected outcome. Meantime, actual steps meant to develop the agro-tourism have been taken. There are further steps being to be taken meant to preserve and to develop the tourism base existing in Romania.

**Number of companies with main activity as market services
carried out mainly to the economic agents and their turnover**

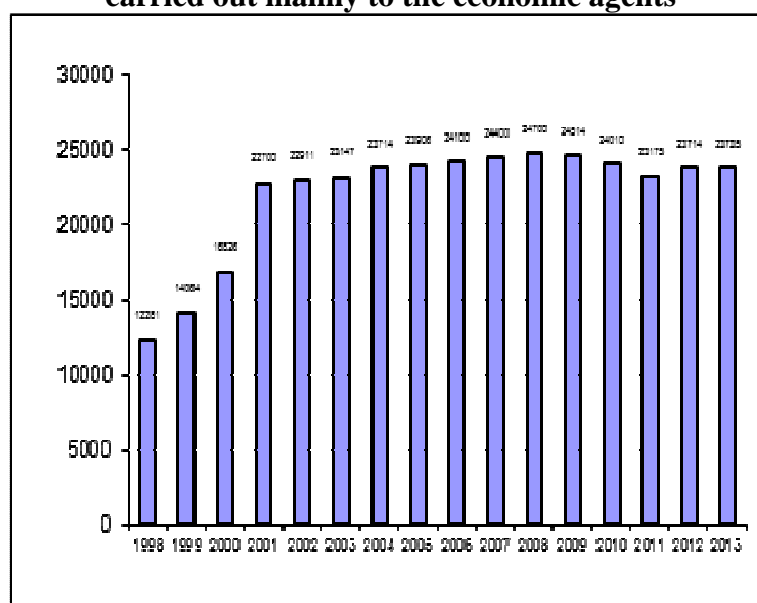
Anul	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Market services supplied mainly to the economic agents - total	22.911	23.147	23.714	23.906	24.100	24.400	24.700	24514	24.010	23.475	23714	23735
Turnover (without VAT) – billion lei – (comparable prices 1998)	69.153	71.314	73.120	75.175	76.175	75.515	76.055	75800	74.340	73.914	74159	74213

* the data are provisional for six months and estimated for the second semester

Data source: Statistical Year Books of Romania, 1996 , 2002, 2005, 2006, 2008, 2009,2010, 2011 and 2012, Statistic Bulletins of the National Institute of Statistics 2005-2013.

Meantime, there are certain services which are developed enable to compete and address to the population with low incomes. Here we consider the agro-industrial tourism, the private tourism, other activities of carried out services, which can be offered to the population. By this orientation, part of the labour force disposed of within the process of finalizing the privatization of the big industry will find new jobs opportunities².

Number of companies with main activity as market services carried out mainly to the economic agents



Data source: The National Institute of Statistics

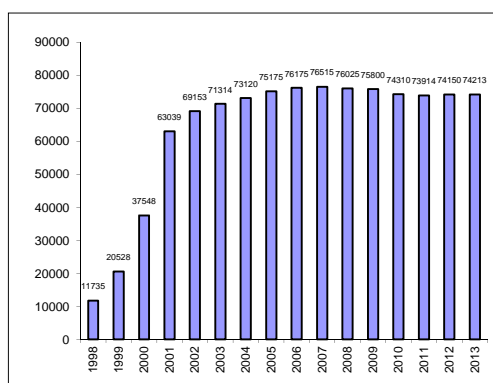
In the analysis of the goods and services production an important place is held by those services carried out by companies having this activity object to the economic agents.

The data concerning the evolution of this economic activity over the period 2001-2013 is stressing out both the increase of the number of such specialized companies and the turnover they achieved (see the table and the following graph)³.

² Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București

³ Anghelache, C-tin (2013). *România 2013. Starea economică sub povara efectelor crizei*, Editura Economică, București. See also Anghelache, C-tin (2012). *România 2012. Starea economică in criză perpetuă*, Editura Economică, București

Turnover (without VAT) of companies with main activity as market services carried out mainly to the economic agents



Data source: The National Institute of Statistics

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- www.insse.ro

European Digital Economy

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Abstract

The present article analyses the modern electronic communication and online services, including e-government, as major drivers of change for our economies and our societies. They help to promote growth and jobs, productivity, savings in public spending, consumer welfare and they offer new opportunities for personal expression.

Key words and expressions: *electronic commerce, e-government, e-payments, Digital Single Market, The Services Directive, Online content and licences, taxation.*

Electronic commerce, commonly known as **E-commerce** or **eCommerce**, is trading in products or services conducted via computer networks such as the Internet. Electronic commerce draws on technologies such as mobile commerce, electronic funds transfer, supply chain management, Internet marketing, online transaction processing, electronic data interchange (EDI), inventory management systems, and automated data collection systems. Modern electronic commerce typically uses the World Wide Web at least at one point in the transaction's life-cycle, although it may encompass a wider range of technologies such as e-mail, mobile devices, social media, and telephones as well.

Electronic commerce is generally considered to be the sales aspect of e-business. It also consists of the exchange of data to facilitate the financing and payment aspects of business transactions. This is an effective and efficient way of communicating within an organization and one of the most effective and useful ways of conducting business. It is a Market entry strategy where the company may or may not have a physical presence.

E-commerce can be divided into 7 subsections:

- E-tailing or "virtual storefronts" on websites with online catalogs, sometimes gathered into a "virtual mall"
- Buying or selling on websites and/or online marketplaces

- The gathering and use of demographic data through web contacts and social media
- Electronic data interchange, the business-to-business exchange of data
- E-mail and fax and their use as media for reaching prospective and established customers (for example, with newsletters)
- Business-to-business buying and selling
- The security of business transactions

Modern electronic communication and online services, including e-government, are major drivers of change for our economies and our societies. They help to promote growth and jobs, productivity, savings in public spending, consumer welfare and they offer new opportunities for personal expression. They are also important economic sectors in their own right. The digital economy can help European industry to grow, provide infrastructures for tomorrow's companies and boost growth of new start-ups. Even at a time of high unemployment, the internet creates five jobs for every two lost. By 2020, Europe could add 4% to its GDP by stimulating the fast development of the Digital Single Market and our public authorities could achieve 15-20% cost reductions by moving to e-Government.

The single market and the digital economy reinforce each other. Buying goods and services is much easier online – but it is also easier to spot where the single market is not working and to see the cost of fragmentation.

Europe's telecoms market is not working as it should. Unlike the EU, the US and China have unified telecommunications markets of respectively 315 and 1350 million customers, served by 3 or 4 operators, acting within a single framework. In contrast, Europe's telecoms markets remain fragmented along national borders. European companies are not big players on the Internet. Non-European internet platforms such as Google, Apple, Amazon, Baidu are leaders in the Internet economy and they are also among the biggest companies in the world. Europe has been a leader in the past and has a number of global Information and Communication Technology (ICT) industries. It has innovated in healthcare applications, smart city technologies, electronic public services and open data. Europe has so much potential to boost its growth and competitiveness but is now falling behind other world leaders in this field. Europe urgently needs decisive action to regain momentum in this crucially important sector.

1. Promoting the uptake of e-commerce and e-services

The European Union's longer term goal is to ensure that businesses and consumers can buy and sell on the internet as if on their local markets and that all services, information, administrative formalities and creative content are accessible on-line. The potential of online services should be fully exploited in the pursuit of the Europe 2020 objectives.

E-commerce

E-commerce is growing rapidly in some Member States. On average, it grew by 20% in value in 2011-2012. However, cross-border e-commerce is still under-developed in the EU. While 45% of consumers bought online in 2012, only 11% did so cross-border. This is an increasingly serious obstacle to the development of the single market generally, as the economy becomes more dependent on the internet. For SMEs, e-commerce is an opportunity to extend their activities beyond their regional and national boundaries, but it also increases challenges and competitive pressure. Retailers report difficulties and higher costs due to different tax and contract law, higher cross-border delivery charges and restrictions imposed on cross-border transactions by suppliers.

More e-commerce would result in a gain for consumers of around EUR 204 billion (1.7% of European GDP) if e-commerce reached 15% of retail sales and if the obstacles to the Single Market were removed.

In its e-commerce action plan of 2012, the Commission set out five priorities to tackle remaining obstacles to the development of digital services:

- Develop legal rules to facilitate cross-border offers of online products and services.
- Improve operator information and consumer protection.
- Ensure reliable and efficient payment and delivery systems.
- Combat abuse and resolve disputes more effectively.
- Deploy high-speed networks and advanced technological solutions.

E-payments

Electronic payments are central to the efficient functioning of the digital single market. The cost, convenience and security of making a payment online are key factors in deciding whether to buy from an internet site. In 2009, 35% of internet users did not buy online due to doubts on payment security. And the payments operation is also a promising economic sector in its own right. The untapped demand for mobile payments in the EU was estimated at approximately EUR 50 billion in 2012. Importantly, the use of non-cash payment methods helps to prevent fraud and tax

evasion, as Member States which have introduced an obligation to pay by electronic means (credit transfer, direct debit, cards) above certain amounts have recognised.

However, the payments market in the EU is fragmented and costly. According to European Central Bank estimates, the social and private costs of payments in the EU equate to 1.2% of GDP or EUR 156 billion a year.

The Services Directive

Effective implementation of the Services Directive is also crucial for the development of

Europe's online markets. In particular, the Points of Single Contact (PSCs) have potential that goes well beyond the provisions of the Services Directive. These 'one-stop shops' offer information on legal and administrative requirements for service providers who want to set up an activity at home or abroad. The businesses can also use the PSC to complete all the official formalities online via one entry point.

Member States should now step up their efforts to upgrade their PSCs to offer comprehensive e-government services for businesses. This would save time and money for both businesses and public authorities. Easily accessible and transparent information on how to exercise single market rights is one of the building blocks of efficient e-government services. Member States should invest in electronic portals that constitute a one-stop-shop for citizens and businesses and link them to relevant EU portals such as Your Europe. Two further communications have also recently been adopted by the Commission in the context of the Services Directive: one concerns regulated professions while the other addresses the findings of the peer review on legal form and shareholding requirements.

E-government

The smart use of ICT by public bodies can reduce cost of public administrations by 15-20%. Providing high-quality services in a time of fiscal consolidation requires significant reform and new technology, including cloud computing, can support this change. Estimates show that the adoption of e-invoicing in public procurement across the EU could generate EUR 2.3 billion of savings. It is expected that in most cases, the initial investment would pay for itself in 2 years.

Some Member States (Denmark, Sweden, and Finland¹³) already use e-invoices. However, these are based on national standards, most of which are not interoperable.

Online content and licences

Access to music, films, TV programmes books and press online is now a huge part of how people everywhere use the internet. Europe has

some world leaders in the creative sector and this part of the economy accounted for EUR 280 billion in the EU in 2010 and a workforce of approximately 6.7 million.

Citizens do not understand why they cannot legally access creative content online anywhere in Europe. Geographical blocking of content, which tells them that they are in the wrong territory for accessing what they want to look at, clearly shows that the single market is not working in this area. These obstacles in the copyright area need to be addressed.

Cooperation in different internet-related areas.

Taxation

The shift to the digital economy also raises challenges when it comes to taxation. Traditionally, profits have been taxed in the country where the activities were physically performed which normally coincided with the residence of the customer. With the move to online, new approaches are needed to avoid the emergence of tax loopholes and arbitrage. The VAT one stop shop for online services will begin operation in 2015 and will provide a simple, business-friendly tool to ensure VAT is paid in the place of residence of the customer. Digital companies are also more easily able to apply aggressive tax planning techniques available to all multinational enterprises. The EU is contributing actively to the work of the OECD on Base Erosion and Profit Shifting (BEPS) and notably the developments of solutions for the digital economy.

2. Boosting investment

To give Europe the service its businesses and consumers need in the digital age, investment in state-of-the-art communications infrastructure and networks must be stepped up. The average European mobile data speed is half of that of the US. In Europe, investment in 4G wireless communication is being hampered by regulatory barriers and slow and inconsistent spectrum assignment. Networks in the US, Korea and Japan jointly have 88% of the world's 4G mobile subscriptions, whereas Europe has just 6%. For fixed networks, likewise, European fibre rollout and average broadband speeds trail behind our international competitors. In Korea, 58% of homes are connected by fibre, 43% in Japan, but only 5% in Europe. This is particularly troubling given that new digital developments require connectivity that is fast, reliable and pervasive. We have already moved from a world of emails and simple websites to internet and broadband telephony, file sharing, games and videos. The next generation of technology (cloud computing, 3D printing, e-health, e-government, smart cities, High-Definition TV and tele-presence, big data, connected cars, etc.) will need even more bandwidth and a seamless service across the continent.

As many households are already finding, bandwidth needs rise and quality can drop dramatically when using several different services at the same time.

The regulatory environment has to provide favourable conditions for investment in high speed networks by the whole sector, while promoting competition in the transition from traditional (copper) technology to fibre.

Private investment in telecoms infrastructure has to become more attractive, not least to institutional investors. The savings of governments, companies and households need to be channelled effectively and efficiently. This can be done by various intermediaries (e.g. banks, insurers and pension funds) and by direct access to capital markets. Attracting long-term financing is central to supporting structural economic reform and returning to the long-run trend of economic growth.

3. Safeguarding an open internet

Open and non-discriminatory access to services is essential on the internet. 'Net neutrality' requires that all end-users have open access to the internet and that all electronic communication data passing through a network must be treated equally. A recent report from the Body of European Regulators of Electronic Communication (BEREC) shows that many consumers face blocking of some internet services. Content providers are also worried about internet access providers discriminating in favour of their own content. As a result, several Member States are considering or have already introduced national measures on net neutrality (Belgium, Germany, France, the Netherlands, Slovenia). However, different approaches to this issue risk leading to further market fragmentation.

4. Overcoming a fragmented telecoms market

In the 1990s, Europe held a strong position in ICT – aided by a pro-competitive EU telecommunications framework and stimulated by investment in innovation and standards.

But over time this lead has been eroded for various reasons: policies often failed to adapt, industries failed to capitalise on internet opportunities and not enough has been done to remove the obstacles within our single market. While we have a home market of 500 million people, fragmented regulations often mean EU telecoms operators, service providers and innovative start-ups in effect have to deal with 28 separate market places. The cost of not having a competitive single market in e-communications is estimated at up to €110 billion per year (0.9% GDP) For consumers, the absence of an EU telecoms market is most visible in the form of the roaming charges they must pay when they cross a national border within the EU and want to use their mobile phone. Lack of transparency and

competition means consumers and businesses have a limited choice of operator, further driving up costs. On the operators' side, the fragmented market holds back the telecom sector in rolling out the Next Generation Network-ready services ('NGN-ready') across Europe. Mobile services have to work with very different spectrum regimes. Operators of networks, both fixed and mobile, face diverging interpretations of EU law. All of these issues need to be addressed at a European level. To ensure high-quality cross-border communications for citizens and businesses, telecoms operators need to operate in an open and seamless single market. To invest in high-speed broadband networks, they need certainty, consistency and competition. And it needs to be easier for them to work across borders including by having a single authorisation system, more aligned rules for spectrum assignment, more consistency in access to fixed broadband networks, and interconnections that guarantee consistent quality. Within this single telecoms market, consumers and businesses should not face unfair charges when they call or roam across borders – and should be protected by net neutrality rules safeguarding an open and innovative internet whilst allowing the development of specialised services.

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Influence of Sports Journalism in Improving the Quality of Sport and Increasing the Awareness of Public about Sport and Sport Culture

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Abstract

The issue of recognition of a sports journalism as a quality component of social life that can positively influence the sports and its perception by the population is omnipresent in contemporary society in Moldova.

Key words: *sport, journalism, marketing, management, Moldova, olympic*

Influence of sports journalism in improving the quality of sport and increasing the awareness of public about sport and sport culture represent a very actually issue and research subject in 2014. That because the sport becoming an industry and sports journalism becoming, as well, an industry.

There is a very nice project which can be applied for Republic of Moldova, a country where the romanian language is the official one. Moldova present right now a very nice option for increasing and improving awareness of public about sport and sport culture, too.

In this project can be involved more organisations, from Moldova, Romania, or international, who can make a lot of things for our goal, which is application of marketing strategies in sport journalism.

The next sports organisations can be involved:

- National Olympic and Sports Committee of Republic of Moldova;
- Romanian National Olympic and Sports Committee;
- Romanian Rugby Federation;
- Romanian Oina Federation;
- Romanian Ice Hockey Federation;
- Moldovan Rugby Federation;
- public TV channel Moldova 1;
- Radio station "Moldova Youth";

- Radio station "Romanian Actualities";
- www.sportclasic.ro;
- Radio station Ukraine International;
- TV channel Neptun (Romania);
- TV channel Sport 1 Romania.

Short explanation for about the management issue will be the next. The issue of recognition of a sports journalism as a quality component of social life that can positively influence the sports and its perception by the population is omnipresent in contemporary society in Moldova.

National Olympic and Sports Committee is making efforts in order to increase the population's Olympic culture. The organization of broadcasting of Winter Olympic Games for the first time in the history on Moldovan TV channel was achieved with great difficulty in 2014. The perception of this event as one of the low interest was the main barrier that resulted in difficulties in acquiring TV rights and not fully understanding the value of the event. However, at the end of the Olympics, the feedback received from the audience was very good that demonstrates that population desires to be informed about such type of events, and efforts in bringing the sports closer to audience should continue.

The sports journalism in Romanian language needs to regain its traditional role of the educator of the public opinion. The present situation in sports journalism has two major problems. On the one hand, the mass media do not reveal the positive aspects of sports.

Journalist are constantly seeking some explanations for defeats, without dissecting from the technical point of view or consulting the rules, and consequently athletes gain a certain aversion to journalists. This relationship must be tempered and reinvented in that way that media should find their balanced status, be objective and treat analytically but in a professional manner all successes and defeats. In this way, a good relationship between the sports clubs, federations, athletes, coaches, referees and mass media will be established for a long term.

The previous being addressed mass media should concentrate on the second existing problem – low awareness of the population about the sports and sports culture. The familiarization of readers, viewers or listeners with the demanding performance environment, the beautiful world of competitions will reveal aspects of the sports that are not known now to the big part of the population.

If the audience will manage, with the unconditional support from mass media, to penetrate beyond the simple result of a sporting event, and understand the story and message of each competition and each athlete, the

mass media may become the tool of a massive popularization of the sport, increasing the selection base.

Parents will be more likely to bring their children towards sports, if they know better and more about how to perform. In this way, the media must regain its position as a bridge between population and athletes, sharing fairly the information with benefits for both sides. A special attention should be paid to sports schools, considered by the author of this application, a strategic base for further development of the sports. Moreover, graduates who choose not to continue the participation in competitions must be harnessed in a different form and maintained in the system as referees, journalists, club managers, and in other functions complementary to sports

Particular area of management might be concerned:

- strategic management;
- marketing;
- human resource;
- financial;
- event management.

Work methods chosen:

- document analysis;
- interviews;
- questionnaires;
- case study;
- literature reviews.

As a consequence of this research paper, I am expecting a better collaboration between national sports federations and National Olympic and Sports Committee, improved awareness about cooperation possibilities with national Olympic forum for sports clubs and sports schools, enhanced partnership between NOSC and mass media. This research should result in organization of public symposiums for analysis of national and international sports events, and conclusions from these symposiums to be used for other events of the same kind in the future. If speaking about the 2016 Olympics, I hope that Moldova will be able to prepare a team of valuable athletes that will win 2-3 medals.

The public perception of different sports branches must be realistic, and the degree of knowledge of the public must grow exponentially until then. In the long term, the possible organization of the Youth Winter Olympics in Brasov in 2020 should be promoted, making the population from Romania and Moldova appreciate the social, economic and sporting advantages induced by such a great event.

The main goal of all these actions, after all, is a positive social impact -if a majority of the population is occupied in sports, the degree of delinquency and crime will decrease, and social security and education will be positively impacted.

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The Evolution of Direct Foreign Investments in Romania, in the Context of Globalization

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Abstract

Foreign direct investment is an important factor for ensuring the sustainable economic development of any State ... More so, during periods of economic-financial crisis, attracting foreign direct investment, constitutes a veritable engine aims to ensure national macroeconomic system balancing. Foreign direct investments and their influence on modernizing economies, continues to be part of the category key problems of economic theory.

Key words: *foreign direct investment, globalization, evolution, growth.*

Representing a reality that has become increasingly more present in our lives, economic globalization has appeared through the progressive transformation of national economies in a complex and contradictory process that continue to diminish the importance of borders for economic activities.

In this way they formed new markets in goods and capital, have developed means of communication, while it intensified the process of integration of Nations, being necessary to organize them through a global phenomenon.

Speeding up the processes of globalization and integration, as well as the management of uncertainty, mainly cause the external factor to constitute a paramount importance for the Romanian economy.¹

Foreign investment, by their essence, ensuring economic development and prosperity, the need to attract and use efficiency deriving

¹ Virginia Cucu, "Prospects for international cooperation in the context of European integration", The Romanian magazine statistics-supplement May 2008, page 66

from the desire of integration of national economies into the world economy.

In the light of globalization, the issue of foreign direct investment (FDI), their influence on modernising economies, continues to be part of the category key problems of economic theory.

Foreign direct investments have become an essential factor for ensuring sustainable growth, in the context of globalization of markets. Economic crisis-the international financial capital, attract foreign constitutes a genuine engine for ensuring macroeconomic stability.

Financial globalization entail important flows of foreign direct investment (FDI) and vice versa, causing deepening of development investments of the financial system and the appeal to new financial products.

According to international regulations, FDI is an investment in cross-border transactions carried out by an entity resident in one State (direct investor) in an entity of another State (other than that of the investor) in order to get a long-term stake (direct investment). It is considered that the shareholding is long-lasting if the investor directly owns more than 10% in the capital of the company in which he invested or of the voting rights. The investor can be direct: a person or a group of such persons, a private or public company, or a group of such companies, etc.²

Foreign direct investment can have major positive effects on the economic climate of the host country through transfer of capital, technology and management resources to the country that otherwise would not have access.

The negative effects that concern most host country can be found at the level of the competition with local firms, negative effects on the balance of payments and the national sovereignty and autonomy. The concern is related to the fact that strategic decisions are made by the parent company, which does not have any liability whatsoever on the host country economy and over which the Government does not have any sort of control.

Annually, UNCTAD (United Nations Conference on Trade and Development, based in Geneva-Switzerland) Edit World Investment Report that analyzes trends in FDI and formulate recommendations that will lead to a more active role of FDI in economic development.

In 2000, international trade has grown twice as fast compared to the gross domestic product and foreign direct investment grew twice faster than international trade, statistics reflecting the role of multinational corporations

² www.imf.org

in the world economy. Export growth was soon overshadowed by the expansion of FDI. Between the years 2000-2007, FDI flows have increased by an average annual rate of 18.4, compared with 11% that pertaining to world trade and GDP by 8.5%. According to the World Investment Report in 2012, investment inflows increased by 16% in 2011, and while economic uncertainty is being felt around the world.³

The crisis has changed the landscape of FDI: investments in developing economies and economies in transition have progressed, increasing their share in FDI flows globally up to 43% in 2008. This is partially due to the concomitant decrease in FDI flows to developed countries.⁴

Global investment report 2012 also noted that nearly half of global FDI (45%) in 2011 are still in developing economies while their FDI inflows surged to a new record, rising with 11% up to 684 billion US dollars. FDI inflows in the economies in transition accounted for 6%. They increased in the year 2011 with 25%.

Foreign direct investments made at world level, in 2013, increased by 11% from the previous year, the total volume of which is of 1,460 billion USD, is shown in the report for world investment conference presented by United Nations Trade and Development (UNCTAD).

Foreign direct investments have had the largest growth pace into the world economy over the last 20 years; average annual rate of growth exceeding that of exports and that of global production.

In Romania, foreign direct investment (FDI), monetary flows that would otherwise have been able to stimulate economic growth, have had a dynamic "disappointing", these records fall from the end of 2008.

In the year 2008 has been recorded the highest value of USD, 9,496 billion euros. Between the years 2003 and 2006 Romania has recorded each year increases in foreign investment, to 5,183 billion euros in 2004, 5 billion euros in 2005 and 9,056 billion euros in 2006 from which a large amount of originating in BCR privatisation.⁵

In 2007 there has been a decline in the foreign capital invested in Romania, to 7.25 billion euros, followed by an increase in the record in 2008.

³ UNCTAD/PRESS/PR/2012/16*

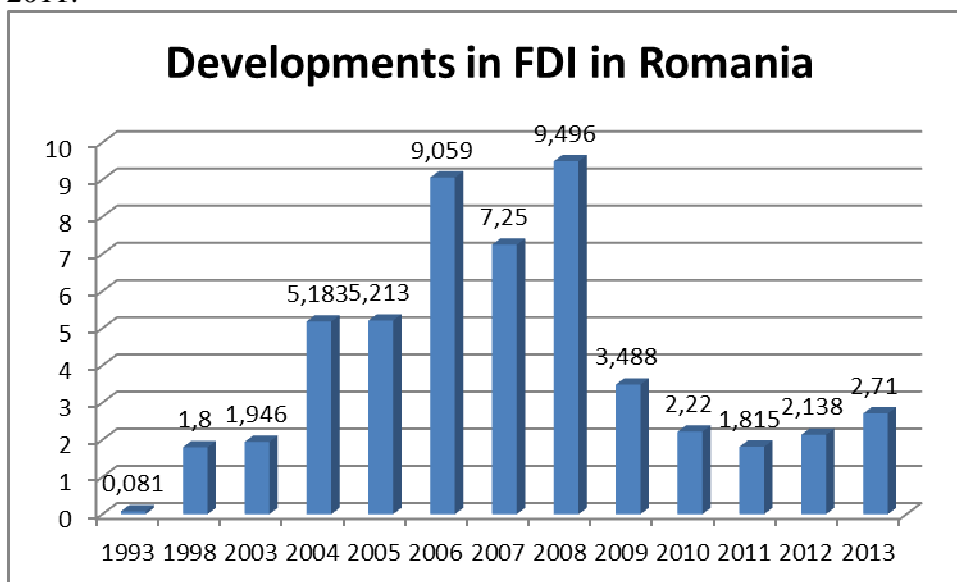
⁴ <http://www.powerfulwords.co.uk/sample-assignments/economics/aspecte-teoretice-privind-investitiile-straine-directe.php#ixzz2TCEen3zC>

⁵ <http://www.9am.ro/stiri-revista-presei>

Starting the following year, indicator value has deteriorated, investments by subtracting steep up to 3.48 billion euros in 2009 and to 2.2 billion euros in 2010.

In the year 2010, 1 million euros from foreign direct investments have been located in the "participating interests in the capital", and 396 million euros have been intragrup credits. Also, at the end of the year 2010, direct investment by residents Romanians abroad was 1,675 million euros, which is a contribution which could not be measured by the documentation system existing in the country.⁶

In 2012, foreign direct investment net went up for the first time since crisis, the advance being of 18.7% , to 2,138 billion euros, according to the data published by the central bank (BNR) definitive and INS, under the circumstances in which initial estimates showed a drop of 11 as compared to 2011.



Central bank (BNR) Source

Last year (2013), foreign direct investments have increased by 26.8% as compared to the previous year to 2.71 billion euros, by touching the top four years, after which in 2012 it is noted preliminary assessment at the beginning of the crisis.

⁶ Constantin Anghelache *ROMÂNIA 2012 "Economic Status in perpetual crisis"*, Economic Publishing House, 2012, p.147

Data published by the Office for statistics (Eurostat) shows that Romania had the highest economic growth (3.5%) in the European Union in 2013, by placing our country in the European Union top advances GDP.

In the first semester of the year 2013, foreign direct investments have been a decrease in the first six months of 2012. But, in November 2013, Romania has attracted the highest level of investment by the year 2002, and 578 million euros, with May 85% more than in the previous month, basic hosted in March (48 million euros) and may (92 million euros).

In the first two months of this year (2014), foreign direct investment has increased by 35.6 percent in 2013. However, according to data provided by the central bank, in February 2014, Romania has managed to attract only 36 million euros. For the representatives of the business environment, but also for the biggest foreign investors, direct foreign investments are a fundamental indicator in assessing attractiveness of national economy.

Failure to attract more foreign investors, in the last few years, it may be due to crisis in Europe, but also the internal political tensions and the way in which the company was/is dealt with this crisis by rulers.

Investments have been neglected in particular in infrastructure, this aspect affected directly in the capacity of the recovery of the Romanian economy, and investors looking good infrastructure, qualified personnel and quality of capital.

Romania is located in an area with many strong economies, so it is well positioned to be able to monitor effectively direct foreign investments.

European Union is a great opportunity for our country, because it has resources, but, at the same time represents a challenge, because in the European Union there are an innovative economy.

Romania is still a point of attraction for investors who are looking for cheap labor, but in order to cope with a competing at international level should be given to increasing the competitiveness of products and services.

Identify benefits and investment opportunities, their recovery will give real chances for the restoration of the business of investment. Statistics, that scientific discipline, comes with the instruments and method in order to address this phenomenon predicted, using specific techniques of observation, processing and statistical analysis.

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