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ASPECTS OF THE CONTRIBUTION OF BANKING AND INDUSTRIAL CAPITAL TO THE DEVELOPMENT AND MODERNIZATION OF GOLD MINING DURING THE EXISTENCE OF „MICA” COMPANY (1920-1948)

MIRCEA BARON *

ABSTRACT: *The paper approaches certain aspects regarding the involvement of the banking and industrial capital in the development and modernization of gold mining during the existence of „Mica” Company (1920-1948). The paper presents the political and economic factors contributing to the positive results in the field. It also provides examples of the way in which the banking and industrial capital was involved in: the nationalization of the Romanian industry in general, and of mining in particular; the foundation of mining companies or the attraction of important investors; the creation of specialized credit institutions; the establishment of the gold price and the granting of credits, etc.*

KEY WORDS: *Romania, mining gold, banking and industrial capital, „Mica” Company.*

Romanian mining and, implicitly, the mining of auriferous and argentiferous ores, is an activity that has been going on since the primitive age¹. During the period discussed in this study, mining remains one of the most important economic branches, with a substantial contribution to the national income.

The evolution of auriferous mining was influenced by a series of factors, primarily by the presence of known deposits, whose configuration, content and value was estimated in time.

There were three main regions where the mining of precious was performed, namely:

1. *The auriferous region in northern Transylvania*, situated between the Tisa and the Someșul Mare, and circumscribing the Oaș, Gutin, Tibleș and Rodna

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¹ See, for instance, Nicolae Maghiar, Ștefan Olteanu, *Din istoria mineritului în România*, Editura Științifică, București, 1970.

Mountains. The area including the most important mining regions in the period under analysis lies at the foot of Gutin Mountains, near the basins in the Lăpuș Mountains to the south, and as far as Țibleș and Rodna Mountains to the east;

2. *The auriferous square in the Apuseni Mountains*, considered to be the most important auriferous region in Europe; it is bordered by Baia de Arieș to the north, Zlatna to the east, Săcărâmb to the South, and Baia de Criș to the west, the deposits of precious ores being situated in the Gilău Mountains, at Băișoara-Baia de Arieș, and in the central part of the Metaliferi Mountains, at Roșia Montană, Zlatna, Brad, Săcărâmb;

3. *The auriferous region in the Southern Carpathians*, containing deposits of vein and alluviation type in the valleys and waters springing from the Făgăraș and Sebeș Mountains, on the Strei and the Jiu Valleys, where no organized mining activity was performed. Specialists also discovered the presence of gold in the bend of the Eastern Carpathians, and in Dobrogea, at Altântepe, but here, the amounts were too small to have economic importance.

The only mined deposit in the Southern Carpathians is the one in the Lotru Mountains, at Valea lui Stan. The small mining area was set at the beginning of the XXth, its activity developing in 1920, due to the foundation, with the support of the Nation's Bank, of the company named „The Gold Mines in Romania”. This company will mine the deposit until 1934, when, with the support of the National Bank of Romania, it rented the mine for 18 years to the Association of the State Mining and Metallurgical Companies in Transylvania (R.I.M.M.A.)².

The first two regions are the ones that yielded, in absolute proportion, the gold and silver production in Romania during the period under analysis.

The development of mining and, implicitly, of precious metals mining, would not have been possible without the involvement of a number of factors, primarily of the state and the industrial and banking capital, and without the logistics necessary to support the process.

The involvement of the Romanian state in the economy in general, and in mining in particular, is more or less obvious in the period we have in view according to circumstances and the political will of the respective governments.

It is known that, after the Union, leaders of the Romanian state, political personalities, and specialists pleaded for a new management of the Romanian natural resources, the ownership and management of the deposits of useful minerals being long debated upon, and a number of solutions were suggested.

At the same time, the legislative process in the years following the Union ensured a framework for the nationalization of the assets owned by foreign capital,

² Analele Minelor din România (A.M.R.), III, 1920, nr. 8-9, p. 581; County Branch of the National Archives Hunedoara (DJANH), *Fond Societatea „Mica”*, dos. 49/1940, f. 24-49; Miniera, XVIII, 1943, nr. 2, p. 63; I. Marin, *Minele de aur „Valea lui Stan”*, Revista Minelor, VII, 1956, nr. 3, p. 141-142..

primarily of the enemy³, as well as for the turning of mining companies into anonymous Romanian companies with Romanian capital and management⁴, and a better management of the state assets by selling some of the companies it owned⁵.

Another factor interested in the development of mining is the industrial and banking capital. The National Bank of Romania, and primarily private capital, at the urge of the National Bank of Romania – 32% of whose portfolio was represented by credits granted to the industrial system⁶ - increased their participation to industrial credits, being an important factor in the economic development of this period. Virgil Madgearu noticed that, before 1923, the financing of industry had belonged exclusively to the big banks, and the policy of banks participation to industrial development, which meant the intertwining of the two parts' interests, lasted over ten years after the Union, with positive effects on industrial activity; it is true that, on the long run, this aspect of the activity of some banks was not favorable⁷.

Unlike the period before the Union, the basic activity of the big capital is the financing of industry, and the big banks, alongside with industrial capital, become the owners of a huge mass of production means, being directly cointerested in industrial production⁸. In their turn, industrial companies become interested in the participation to the activity of the banks, since the latter ensured better terms for credits and keeping of valuables. These needs lead to the foundation of banks or specialized companies necessary for mining activities, either by private capital, or by the state, or in collaboration.

The involvement of these factors will create the legal, institutional and managerial framework for the productive activity.

The Austrian Mining Law of May 23, 1854 imposed the association of those who intended to perform productive mining activities, and this principle will be preserved in the mining laws adopted in the inter-war period. Thus, art. 32, alin. 1 in the Law of Mines of July 4, 1924 stipulated that „concessions are granted only to companies constituted as Romanian anonymous mining companies... as well as to mining cooperations”⁹.

The state had the right to grant concessions of mining areas or permits for exclusive exploitation to those who functioned in an organized manner.

In the mining of precious metals, there will be both forms of organization created by private capital: capital stock mining companies in which the big capital will

³ C. Hamangiu, *Codul General al României. Legi noi de unificare. 1922-1926*, vol. XI-XII, Editura Librăriei Universala Alcalay & Co., București, vol. XI-XII, 1922-1926, p. 3-20; p. 617-678.

⁴ *Ibidem*, p. 626-627.

⁵ *Ibidem*, p. 610-617.

⁶ Mircea Mușat, Ion Ardeleanu, *România după Marea Unire*, vol. II, partea I (1918-1933), Editura Științifică și Enciclopedică, București, 1986, p. 356.

⁷ V. Madgearu, *Evoluția economiei românești după războiul mondial*, București, 1940, p. 438.

⁸ N. P. Arcadian, *Finanțarea industriei românești*, București, 1936, p. 10.

⁹ C. Hamangiu, *op. cit.*, vol. XI-XII, 1922-1926, p. 626.

be involved, mining associations in cuxas¹⁰, corporations, small individual producers, the villagers in the Apuseni Mountains, in Baia Mare and Maramureş, and an Autonomous Association of the state, R.I.M.M.A.¹¹

Table 1. The Productive auriferous mining areas¹²

Form of organization	The Apuseni Mountains region				Baia Mare region			
	No.	No. of mines	No. of locals	Surface in concession/ha	No.	No. of mines	No. of locals	Surface in concession/ha
Companies/R.I.M.M.A.	7	15	12	4391,3298	3	8	5	1300,7909
Mining Associations	45	45	8	514,9382	5	7	3	220,5485
Individual mining	8	8	5	38,3275	3	3	3	32,6852
Corporations	4	4	4	0,3231	-	-	-	-
<i>Total</i>	-	-	-	4944,9186	-	-	-	1554,0246

¹⁰ G. Cioriceanu, *Exploatarea metalelor preţioase în România*, A.M.R., IX, 1926, nr. 4, p. 220-221.

¹¹ This group, acquired by the Romanian state after the Union in 1918, consisted of: *I. The metal and the metallurgical plants in Baia Mare area*: the gold and silver mines Valea Roşie and Dealu Crucii; the lead, silver, copper, zinc and pyrite mines Baia Sprie; the gold, silver, lead, copper and zinc mines Capnic; the gold, silver, lead and copper mines Băiuţ and Vărat; the pyrite mines at Rodna Veche; the metallurgical plants at Firiza de Jos and Strâmbu; the gold refining installation at Baia Mare; *II. The Mines and metallurgical plants in the Apuseni Mountains*: the auriferous and argentiferous mines at Roşia Montană and Săcărâmb; the Metallurgical Plant Zlatna. Under this form, R.I.M.M.A. will function until the summer of 1940, when, after the Viena Dictate on August 30, 1940, the north – western part of Romania was taken over by Hungary; from this moment on, until March 1945, when this territory will be returned to Romania, the new „Minaur” Company – which continued the activity of R.I.M.M.A. starting with April 1940 – will keep functioning with the mines at Săcărâmb, Roşia-Montană, Valea lui Stan and the Metallurgical Plant Zlatna (*Enciclopedia României*, vol. III, Imprimeria Naţională, Bucureşti, 1939, p. 725-726; *Les mines des métaux et les usines métallurgiques, propriétés de l'état roumain exploitées en regie. Entreprises minières et usines métallurgiques dans la région de Baia Mare*. Coordonator C. Lazu, Extrait de „Correspondance Économique Roumaine”, X-e année, nr. 4, 1928; *Les mines des métaux et les usines métallurgiques, propriétés de l'état roumain exploitées en regie. Mines, usines siderurgiques et Domaines de Hunedoara*. Coordonator C. Lazu, Extrait de „Correspondance Économique Roumaine”, X-e année, nr. 1, 1928; I. Iancu, *Exploatarea minieră din Transilvania şi Banat în anii 1919-1928*, în, *Transilvania, Banatul, Crişana, Maramureşul. 1918-1928*, vol. I, Cultura Naţională, Bucureşti, 1929, p. 465-470; Radu V. Meruţiu, *Regiunea minieră Baia Mare-Baia Sprie-Capnic*, Tipografia „Cartea Românească”, Cluj, 1936; Achim Valeriu, Ciolte Aurel, *Băiuţ. Documentar tehnic şi monografic*, Casa de Presă şi Editură Gutinul, Baia Mare, 1991, p. 49; the state will be involved, starting with 1934, in the exploration and mining of the auriferous and argentiferous ores deposits at Valea lui Stan, rented from the „Gold Mines of Romania” Company (I.I. Lăzărescu, *Întreprinderile miniere şi metalurgice ale Statului în 1937*, A.M.R., XXI, 1938, nr. 1, p. 28-29).

¹² DJANH, *Fond Societatea „Mica”*, dos. 32/1931, f. 34-35.

This shows that mining companies existed, but, especially in the case of small producers in the mining of precious metals in Transylvania, the mining association in cuxas was the predominant form of organization.

On the other hand, in this branch of mining industry, private mining played the most important role, yielding in 1939 cca. 75% of the gold production and cca. 65% of the silver production of the country¹³. At the same time, it is remarkable that the most important gold producer in Romania, with a production representing 60% of the national production, will be „Mica” Company¹⁴.

Table 2. Precious metals production in Romania, 1919-1947¹⁵

Year	Au. and Ag. ¹⁾	Fine gold	Fine silver	Year	Au. and Ag. ¹⁾	Fine gold	Fine silver
	thousand to.	kg	kg		thousand to.	kg	kg
1919	-	733	2.431	1934	437	3.468	12.991
1920	108	707	2.134	1935	510	4.671	14.677
1921	148	1.104	2.872	1936	631	4.977	18.499
1922	173	1.337	1.954	1937	653	5.465	25.645
1923	185	1.342	2.341	1938	705	4.912	22.180
1924	200	1.311	2.246	1939	725	4.667	22.080
1925	176	1.245	2.382	1940	460	2.974	1.945
1926	202	1.731	2.914	1941	467	3.216	3.944
1927	224	2.006	4.376	1942	437	2.811	2.787
1928	273	1.809	2.279	1943	407	2.563	2.457
1929	290	2.213	2.822	1944	436	2.083	1.801
1930	334	2.672	4.418	1945	578	2.819	12.468
1931	342	2.741	3.554	1946	397	2.223	11.864
1932	335	3.191	5.866	1947	516	2.375	13.873
1933	380	4.435	10.995	-	-	-	-

¹⁾ For 1934-1938 it also contains lead.

¹³ „Mica” Company, *Darea de seamă a Consiliului de Administrație și Raportul cenzorilor către Adunarea generală ordinară a acționarilor din 25 mai 1940. Exercițiul 1939*, Imprimeriile „Adeverul”, București, 1940, p. 16.

¹⁴ „Mica” Company and its branches: „Mines d’Or de Stănița”, „Minele de Aur Breaza-Zlatna”, „Pyrit”, „Aur”, Societatea Franceză de Mine de Aur din Transilvania, the Mining Association „Sf. Gheorghe Șulățiu” etc. are dealt with in extenso in, Mircea Baron, *Societatea „Mica” 1920-1948*, Editura Universitas, Petroșani, 2006.

¹⁵ Constantin M. Mihailescu, *Industria mineritului în România*, *Economia Română*, XXV, 1943, nr. 1, p. 1-31; *Enciclopedia României*, vol. III, p. 1090-1094; *Statistica minieră a României pe anul 1921*, Tipografia Profesională D-trie C. Ionescu, București, 1922, p. 154-155; *Statistica industriei extractive, XLI, 1939*, Editura Institutului Central de Statistică, București, 1942, p. 3-15, 47; V. Axenciuc, *Evoluția economică a României. Cercetări statistico-istorice. 1859-1947*, vol. I, Editura Academiei Române, București, 1992, p. 211-220; *Economia României. Secolul XX*. Coordonator Tudorel Postolache, Editura Academiei Române, București, 1991, p. 235, 237, 238, 239.

The whole created system was able to turn to account part of the auriferous and argentiferous ores resources in Romania, the production being influenced by a series of factors, such as: the general rhythm of development and the needs of Romanian society and economy; the financial and technical capacity of the investors in mining; technical progress and its implementation in directly productive activities; the contribution of the human factor, on grounds of the Romanian psychological characteristics.

According to certain opinions¹⁶, there was nothing positive in the Romanian mining of this period: there was no interest in the coordination of the chemical, mining and metallurgical branches and for the studying of resources with a low economic value; there was no control of activities in companies, whose management consists of less capable elements; there was no collaboration between higher technical education and industry; there were no research institutes and no Romanian technical literature in the field of mining; Romanian science and technology were not interested in the problems of society in general and of the economy in particular. Without totally denying these points of view, it is necessary to decide whether these conclusions are valid for the whole mining industry, or there were a series of factors that presented a different image of Romanian mining. Although there are visible drawbacks, the positive results and the effort to ensure the necessary raw materials and energy for the Romanian society cannot be denied. It is also true that technical progress is specific to developed societies, interested in and capable of supporting financially and humanly a process of continuous modernization.

Besides legislation, state interests, capital and investors, technical equipment had a determining role in mining. In order to bring the ore to the primary processing stage, it is necessary to cover three main cycles, namely: mining, transport, and processing. There is a close relationship between these three cycles, the increase of productivity in one determining the development of the other. After the Union, important investments were made¹⁷ in order to start the existing mining areas, to open new ones, and to equip them with new mining technologies. The important changes in the technique and technology used in mining industry take place at the end of the 20's and the 30's of the twentieth century under the influence of the „rationalization” process.

There are also fruitful attempts to find new mining methods in order to increase the efficiency of displacement and mining, benefiting from the new technologies, especially of the mining picks and the pneumatic drilling systems. Increased efficiency in the stope imposed the increase of the haulage capacity in order

¹⁶ I. Marinescu, *Lacune în viața noastră tehnică minieră*, A.M.R., XXIV, 1941, nr. 7, p. 169-172; also see, Bujor Almășan, *Exploatarea zăcămintelor minerale din România*, vol. I, Editura Tehnică, București, 1984, p. 15-20.

¹⁷ Thus, the capital invested in the Romanian mining raises from 350.687.241 lei in 1913, to 646.348.241 lei in 1919 and 13.162.320.064 lei in 1926 and, what is also important, whereas the foreign capital increases with 1.269 %, the proportion of the Romanian one is 4.624 % higher (*Statistica minieră a României pe anul 1926*, Tipografia Curții Regale F. Göbl Fii S.A., București, 1927, p. 13).

to bring the production to the surface, and this led to the use of oscillating troughs, rubber belt conveyors, and the bucket conveyors¹⁸; in haulage pits human and horse force is gradually replaced with hydraulic, Diesel, and electric engines. Haulage on slopes with the windlass and on pits by using the drum hoist¹⁹ was also improved; the ventilation system was improved with supplementary ventilation units and a better organized network, capable of covering all the work places; the discharge of underground waters and surface management were perfected; there was a concentration of mining activity²⁰.

As the objective of mining is the turning to account of minerals, a special preoccupation of mining companies was the continuous improvement of processing installations. For instance, in the non - metals industry, the old equipment could extract only an average of 55 % of the gold content in the ore at Dealu Crucii, and the mines in Baia Sprie and Cavnic – where the Zn percentage was almost equivalent with the percentage of lead – only argentiferous lead could be extracted. In order to solve these drawbacks, Transylvanian metal mining will be based on flotation installations and the processing equipment for auriferous and argentiferous complexes will be modernized at Firiza de Jos and Zlatna (state property), at „Phönix” Company in Baia Mare, and at „Mica” Company in Târnăveni (Diciosânmartin), built in 1939²¹.

All this technological development would not have been possible without a radical change of the power resources used in mining; there will be a gradual shift from the exclusive use of human and animal force to the extensive use of steam, electrical, pneumatic, and hydraulic power, as well as of the internal combustion engine.

Most of the mining equipment and technologies are the result of import from abroad the preoccupations of scientists in the field of mining industry²². In the interwar period there were no research institutes specialized in the mining field, but there were laboratories within the Polytechnical Schools in Bucharest and Timișoara, and the Universities of Bucharest, Cluj, and Iași, which were to become research and testing institutes and provided solutions to some problems of mining industry²³. Big mining

¹⁸ Eugen Vöröss, *Scocuri oscilante de capacitate mare cu contramotoare Eickhoff*, A.M.R., XIII, 1930, nr. 5, p. 227-230.

¹⁹ DJANH, *Fond Societatea „Petroșani”*. Direcția Minelor. Serviciul Tehnic, dos. 4/1925-1932, f. 1-2.

²⁰ A. Buttu, *Vues retrospectives sur l'industrie extractive de charbon en Roumanie au cours des dernières 25 années. Progrès réalisés. Resultats. Perspectives d'avenir*, A.M.R., XXVI, 1943, nr. 4, p. 65-66.

²¹ See, Mircea Baron, *Din istoria mineritului aurifer în România. 1918-1948*, Editura Universitas, Petroșani, 2006, p. 145-152.

²² See, for instance: O. Voicu, *Exploatarea și extracția aurului din minereuri*, A.M.R., XVII, 1934, nr. 9, p. 341-346; nr. 10, p. 377-384; I. Huber-Panu, *Stadiul actual al teoriei flotațiunii*, A.M.R., XIII, 1930, nr.5, p. 207-210; Eugen Bădescu, *Aplicarea flotațiunii în tratamentul minereurilor de aur*, A.M.R., XIV, 1931, nr. 5, p. 179-185.

²³ See, for instance: *Anuarul Școlii Politehnice din Timișoara*, XIV-XVII, 1933/1934-1936/1937, Cartea Românească, Timișoara, p. 126-127; C.C. Teodorescu, *Studii, Cercetări, Institute*, Buletinul I.R.E., X, 1942, nr. 4, p. 835-838.

companies such as „Petroșani”, „Lupeni”, „Mica”, U.D.R. had research laboratories or asked their specialists to find technical solutions for the problems of practical activity²⁴. The contributions of the Romanian Power Institute, the C.F.R Tehnological Institute, and the Romanian Geological Institute, founded in 1906 were also essential. The latter developed an extensive activity, emphasizing the mineral resources of the country through basic geological research, the publication of research results and maps that pointed out the economic importance of various ore deposits; its efforts will be supported, after 1939, by the economic Management of mining surveys and extraction (A.C.E.X.), later turned into the Geological Survey Company (I.G.Ex.)²⁵, and by the big mining companies, interested in the detailed knowledge of the available resources.

Under these circumstances, the role of industrial and banking capital is essential, either through direct investments by participation to the foundation and development of mining companies, or through indirect investments by granting credits to mining companies and small businesses. The National Bank of Romania supported to a certain extent the precious metals industry by advance payments for the gold production and only seldom by loans. The presence of Romanian capital in the precious metals industry is predominant in comparison with other branches, such as the oil industry, the presence of foreign capital being reduced. Romanian capital was predominant in most mining companies, foreign capital being present only in a few gold mining companies, as it follows: French capital in the Transylvanian Gold Mines French Society and in „Mines d’Or de Stănița” Company; French – Swiss capital in „Aurum” Company²⁶; English and Belgian capital in Măgura-Toplița area at Băița (Hunedoara county) in the fourth decade of the XX-th century²⁷.

- Thus, the banking and industrial capital participates, in the first years of the interwar period, to the nationalization process in Romanian industry in general, and in mining in particular. As many things depended on the decisions of the Peace Conference in Paris, waiting for the peace treaties to be signed and in order not to allow the Antanta powers to take advantage of the position gained after the war, a series of official papers were issued establishing the status of enemy properties in Romania²⁸. A safety sequester was applied to the assets under the jurisdiction of the Romanian State, in which both the bourgeoisie in the Old Kingdom, and the

²⁴ See, for instance: DJANH, *Fond Mina Lupeni*, dos. 22-15/1935, f. 71; V. Cazacu, G. Vanci, *Una din contribuțiile la dezvoltarea mineritului din Ardealul de Nord*, A.M.R., XXIV, 1941, nr. 10, p. 295-307; Em. Fischer, *Le bulletin de la Société „Mica”*, A.M.R., XX, 1937, nr. 5, p. 190; M.A. Luca, *Studiu și proiect de impregnare a lemnului la Societatea „Mica”*, A.M.R., XIX, 1936, nr. 3, p. 131-135.

²⁵ Bujor Almășan, *op. cit.*, p. 21.

²⁶ „Mica” Company, *Darea de seamă a Consiliului de Administrație și Raportul cenzorilor către Adunarea generală ordinară a acționarilor din 27 mai 1935. Exercițiul 1934*, Institutul de Arte Grafice și Legătorie Apollo, București, 1935, p. 10.

²⁷ Ion Gigurtu, *Exploatarea aurifere și dezvoltarea lor în viitor*, A. M. R., XXII, 1939, nr. 4, p. 130.

²⁸ Mircea Baron, *op. cit.*, p. 57-58.

• Transylvanian one were interested. That is why the Leading Board will decide on April 1, 1919 that „the industrial and commercial companies are not to be placed under sequester, but under guard and control”²⁹, and by Decision no. 2706/April 25, 1919, all the commercial companies, institutions and associations under the administration of the Leading Board of Transylvania and situated on Hungarian territory were placed under the control of the former³⁰. So it was about control, not sequester of liquidation, a principle that will be in consonance with the stipulations of the peace Treaties at Saint-Germain³¹ and Trianon³², permitting a new approach to the status and future of mines.

Political parties, especially the National Liberal Party and the Romanian National Party in Transylvania, will militate for the penetration of Romanian capital and the state into these mining companies.

Nationalization in industrial companies with foreign capital, especially those who had had connections with the financial groups in Central Europe, resulted in the penetration of the big Romanian banks in hundreds of companies, mainly in the new provinces, diminishing to a certain extent the tendency of English, French, and Italian capital to monopolize these companies. This activity took place with the support and under the guidance of the state, as well as with the unquestionable participation of the National Bank of Romania. The banking union involved in the process, consisting of 22 banks and companies, including the nine most important banks in the Old Kingdom³³, accepted in 1920 to sign a convention with the Ministry of Industry and Commerce, through which it committed to „not buying shares of the industrial companies and not participating to the turning of these companies into new ones, with the participation of Romanian capital, unless at least 50 % of the company capital is Romanian, and at least half of the members of the Managing Board are Romanian, the president of the Board being Romanian as well”³⁴.

²⁹ Gheorghe Iancu, *Preocupări ale Consiliului Dirigent pentru reorganizarea activității industriale din Transilvania (1918-1920)*, Marisia, 1975, nr. 5, p. 272.

³⁰ L. Bathory, *Contribuția industriei carbonifere la dezvoltarea social-economică a României între 1919-1929 (Teză de doctorat)*, Cluj-Napoca, 1981, p. 27.

³¹ *Tractat de Pace între Puterile Aliate și Asociate și Austria. Protocol și Declarațiuni. Semnat la Saint-Germain-en-Laye la 10 septembrie 1919*, Imprimeria Statului, București, 1920, p. 62 (art. 249).

³² *Tractat de Pace între Puterile Aliate și Asociate cu Ungaria. Protocol și Declarațiuni. Din 4 iunie 1920 (Trianon)*, Imprimeria Statului, București, 1920, p. 46 (art. 191), p. 58 (art. 232), p. 73 (art. 250).

³³ The nine large banks were considered to be: Banca Românească Banca Marmorosch-Blank, Banca Generală a Țării Românești, Banca Agricolă, Banca de Credit Român, Banca Comercială Română, Banca Chrissoveloni, Banca de Scont, Banca Comerțului Craiova.

³⁴ V. Axenciuc, *Studiu cu privire la întărirea dominației capitalului financiar în România (până la criza economică)*, în vol., *Studii privind istoria economică a României*, vol. I, Editura Academiei, București, 1961, p. 197, apud., V. Slăvescu, *Organizația de credit a României*, București, 1922, p. 152. In, DJANH, *Fond Societatea „Salgótárján”*, dos. 53/1920, f. 2, 23 institutions are nominated to have accepted the participation to the nationalization process:

Several banking associations holdings were formed under the leadership of the Romanian Bank, the main liberal bank with Romanian capital, participated to the nationalization process³⁵.

- At the same time with the support of banking and industrial capital, new companies appeared in the mining and precious metals industry.

- The most important will be „Mica” Company, founded in Bucharest in March 1920³⁶, and in May 1920 it will nationalize the mining Association „Ruda 12 Apostoli” at Brad, buying for 15 million German marks the cuxas owned by the German company „Harkortschen Bergwerke und Chemische Fabriken zu Schwelm und Harkorten A.G. zu Gotha”³⁷; „Mines d’Or de Stănița”; „Pyrit”, „Aurifera”, „Aur”, „Aurum” etc.

- New mining companies will be created by transforming old mining associations based on cuxas, on grounds of the provisions of the Law of Mines of July 4, 1924. Such is the case of „Minele de Aur Breaza-Zlatna” Company (1928)³⁸, the Transylvanian Gold Mines French Society etc. Another example will be the „Almășel-Porcurea” Company, which owned auriferous areas in the respective localities near Zlatna. Because of the war, mining was almost abandoned at the beginning of the interwar period, pits being damaged, waste dumps crumbled and most of the equipment worn out. The cuxas of the mining association founded in 1858 were bought at the beginning of 1924 by an association holding consisting of the Romanian Bank, Chrissoveloni Bank, D.D. Bragadiru, C. Felix etc., and, after the new owners turned in 1928 the Mining Association into a Mining Company³⁹, they will begin massive mining of ores.

- Banking capital will be involved in the stimulation of traditional producers to invest in the mining of precious metals, an example being that of the most important coal producer in Romania, namely „Petroșani” Company. As coal industry was in a difficult situation because of the economic crisis in 1929-1933, in order to keep the

Banca Agrară (Cluj), Banca Agricolă, Banca Albina (Sibiu), Banca Centrală pentru Industrii și Comerț (Cluj), Banca Comercială Română, Banca Comerțului (Craiova), Banca de Credit Român, Banca Franco-Română, Banca Generală a Țării Românești, Banca Marmorosch, Blank & Co, Banca Națiunii, Banca Românească, Banca de Scont a României, Banca Țărănească, Banca Victoria (Arad), Banca Viticolă a României, Banca L. Berkowitz, Banca N. Chrissoveloni, Creditul Extern, Creditul Minier, Creditul Tehnic, Creditul Tehnic Transilvănean (Sibiu), Industria Ardealului (Brașov).

³⁵ *Banca Românească. 1911-1920*, București, 1921, p. 23-24.

³⁶ „Actul Constitutiv” and „Statutele” „Mica” Company, approved by Courthouse on March 10, 1920 (A. M. R., III, 1920, nr. 3-5, p. 281-289; DJANH, *Fond Societatea „Mica”*, dos. 4/1920, f. 2-15). See, Mircea Baron, Oana Dobre-Baron, *Establishment of „Mica” company and the takeover of „Ruda 12 Apostoli” mine undertaking located nearby Brad*, Annals of University of Petroșani, Economics, III, 2003, p. 5-22.

³⁷ DJANH, *Fond Societatea „Mica”*, dos. 10/1920, f. 136, 139.

³⁸ A.M.R., XI, 1928, nr. 2-6, p. 190.

³⁹ A.M.R., XI, 1928, nr. 2-6, p. 190.

business on a high level and to turn to account its material and human potential, „Petroșani” Company, stimulated by its main shareholder, the Romanian Bank, which, as early as the beginning of 1924, had purchased 53% of the gold mines at Almășel-Porcurea⁴⁰, will start the exploration and mining of precious metals resources in Apuseni Mountains area in 1932, and in northern Romania in 1934⁴¹.

- Holding shares or debts of some mining companies or associations of cuxas, the National Bank of Romania or other banks will try to save its investments by determining the big producers to continue their activity. For instance, on June 26, 1942, the National Bank of Romania announced „Mica” Company about a debt of 3.000.000 lei of „Industria Aurului” Company in Abrud, as a security mortgage bond of the first rank for the whole company property: gold mines, land, and buildings. As it wanted to assign this debt to a serious company, able to mine in reasonable conditions, the bank suggested „Mica” Company to buy, pointing out that, until 1942, „Industria Aurului” Company had deposited in the bank 500 kg of fine gold and 170 kg fine silver⁴².

- Besides the mining companies with a major productive contribution, the auriferous and argentiferous mining was also by the existence of a large number associations of cuxas in the Apuseni Mountains and Maramureș the banking capital, mainly through credits.

- The banking and industrial capital also favored the continuous development of technology, especially in the strong mining companies, and facilitating the appearance of genuine holdings such as „Mica” Company, which managed, to a certain extent, to impose its own economic policy in its field.

- Specialized companies necessary for the mining activity will be founded, either by private capital, or by the state, or in collaboration between the two.

Among these, the „*Creditul Tehnic*” („*Technical Credit*”) Company, the first Romanian company to encourage technical and industrial companies, with an initial capital of 10 billion lei, founded in 1919, mainly with the participation of the Romanian Bank⁴³.

Banca Minelor (The Bank of Mines) will be founded in July 1920. Then, a „Founding Board”, consisting mainly of specialists and businessmen in the field of mining industry, „wishing to facilitate the development of mining and the immediate turning to account of huge, still unknown assets in the underground of the Whole Romania, as well as to support all the companies connected with mining and having in view the necessity to found a bank...out of the obvious needs of our mining industry ...”, decides to propose the foundation of the Bank of Mines, with an initial capital of

⁴⁰ The National Archives. București Branch, *Fond „Banca Românească”. Secretariat*, dos. 4/1923, f. f.

⁴¹ DJANH, *Fond Societatea „Petroșani”. Direcția Minelor. Serviciul Tehnic*, dos. 6/1932-1947, f. 1-10.

⁴² *Ibidem*, dos. 30/1941, f. 92.

⁴³ A.M.R., II, 1919, nr. 5, p. 456.

50 million lei⁴⁴; the Constitutive Act and the Regulations of this bank are validated in October 1920⁴⁵.

Institutul de Credit Românesc (The Romanian Credit Institute) was founded by Law no. 380/April 30, 1941⁴⁶ and reorganized by Law no. 777/July 17, 1944. Initially, it was meant to grant credits to the Romanian refugees from the areas evacuated after territory losses in the summer of 1940, or for the acquisition and exploitation of commercial and industrial funds and, later on, to create, support financially and develop companies necessary to the national economy, especially small and medium companies, as well as to support individuals willing to start a business⁴⁷.

The most important will be *Societatea Națională de Credit Industrial* (the National Society for Industrial Credit) and *Banca de Credit Aurifer și Metalifer* (the Bank for Auriferous and Metaliferous Credit).

According to the Regulations adopted on July 23, 1923 and modified on March 30, 1926, the *National Society for Industrial Credit* „is meant to help the concentration of the long and medium term debts of Romanian industrial companies, by granting loans, participating to the foundation of industrial branches of general interest, as well as by monitoring guiding and supporting the start of new companies”. The Social capital will be of 500 million lei, the state participating with 20%, and the National Bank of Romania with 30%⁴⁸. The National Society for Industrial Credit will be reorganized in 1940, when by Decree no. 3888/ November 21, 1940 it turns into National Industrial Credit S.A., its objective being „to grant credits to Romanian industrial businesses, to facilitate the takeover of foreign industrial companies by Romania, and for the development of Romanian industrial branches”⁴⁹. In 1942, by Law no. 48/ January 20, 1942, which adopts Decree no. 75/ January 20, 1942 for the management of the National Industrial Credit⁵⁰, there is a new reorganization and, „in order to unify the privileged industrial credit companies, the National Mining Credit Institute, the former Bank of Mining and Auriferous Companies, merge, on grounds of the Decree, with the National Industrial Credit” (art. 2); it was also stipulated that, as a result of this merger, the National Mining Credit Institute will cease to function, its patrimony being transferred to the National Industrial Credit (art. 3), capital reaching

⁴⁴ A.M.R., III, 1920, nr. 6-7, p. 440-441.

⁴⁵ *Ibidem*, III, 1920, nr. 10, p. 695-703.

⁴⁶ C. Hamangiu, *op. cit.*, vol. XXIX/I, 1941, Imprimeria Centrală, București, 1942, p. 927-935.

⁴⁷ Monitorul Oficial, I, nr. 231/October 5, 1946, p. 10775-10777; also see the Regulations of the Romanian Credit Institute (I.C.R.), part of the Decree nr. 2967, for the organization of I.C.R., published in, Monitorul Oficial, nr. 231/October 5, 1946 (*Ibidem*, nr. 235/10 octombrie 1946, p. 10919-10924).

⁴⁸ C. Hamangiu, *op. cit.*, vol. XI-XII, 1922-1926, p. 867-886; about the activity of the Company, see xxx, *Societatea Națională de Credit Industrial*, *Economia Română*, XXIX, 1947, nr. 11-12, f. pag.

⁴⁹ C. Hamangiu, *op. cit.*, vol. XXVIII/II, 1940, Imprimeria Centrală, București, 1941, p. 2071-2072.

⁵⁰ *Ibidem*, vol. XXX/I, 1942, Imprimeria Centrală, București, 1942, p. 149-176.

800 million lei (art. 4), and the subvention from the exploration and survey fund, initially allocated to the National Mining Credit Institute, will be transferred to the National Industrial Credit (art. 5); according to the law, the National Industrial Credit company „was designated by the state to support financially, guide and create industrial companies...the turning to account of industrial production, as well as to ensure the industrial processing of agricultural products, being organized on five sectors, according to industrial branches”, of which: 2. The mechanical and metallurgical industry sector; 3. The extraction industry (mines and oil) and the chemical, fuel and power industry. In the official Law Collection I, no. 62/March 16, 1945, p. 2004-2017, appear the Law and Regulations of the National Industrial Credit Company – as they had been published previously in Law Collection no. 16/January 20, 1942 and modified by Law no. 94, published in Law Collection no. 34/February 12, 1945, p. 968-97 – by which the company is defined as defined as anonymous and share – based, with a capital of 1.250.000.000 lei (art. 2). The dramatic inflation in 1945-1947 will determine a capital growth to 2.5 billion lei in 1945, 5 billion lei in 1946⁵¹, and 25 billion lei on May 7, 1947⁵²; after monetary stabilization on August 15, 1947, capital will be established by Decree no. 26 of the Grand National Assembly on May 12, 1948 at 750 million lei⁵³, with „the purpose to encourage and support the development of industrial and mining companies in Romania by granting credits and facilitating their debt concentration, by involving in every industrial or mining company of general interest, as well as by performing bank operations connected with its objective” (art. 1). It will become state property by nationalization Law of June 11, 1948⁵⁴, and by a Decree of September 1, 1948 it will turn into the Investment Bank⁵⁵.

The *National Institute for Auriferous and Metaliferous Credit* is founded by law on April 5, 1937⁵⁶. By law, the Ministry of Finances was authorized „to found, with the participation of the National Bank of Romania and private capital, an anonymous company with unlimited existence and with its headquarters in Bucharest...its objective being to finance, guide, and increase the mining and processing of precious metals all over the country ...” (art. 1), having a capital of 300 million lei, of which 100 million lei state contribution and the rest - public participation (art. 2).

The management of the Institute will consist both of members appointed by the Romanian government and the National Bank of Romania, and of delegates

⁵¹ xxx, *Societatea Națională de Credit Industrial*, *Economia Română*, XXIX, 1947, nr. 11-12, f. pag.

⁵² *Monitorul Oficial*, I, nr. 104/May 8, 1947, p. 3624.

⁵³ *Ibidem*, nr. 109/May 13, 1948, p. 4286.

⁵⁴ *Ibidem*, nr. 133bis/June 11, 1948, p. 5049.

⁵⁵ Florentin Burtan, *Principalele transformări economico-sociale în perioada 1944-1947*, în vol., *Progresul economic în România. 1877-1977*, Coordonator Ioan V. Totu, Editura Politică, București, 1977, p. 387.

⁵⁶ C. Hamangiu, *op. cit.*, vol. XXV/I, 1937, Imprimeria Centrală, București, 1938, p. 1054-1070.

representing the private participants to its capital; the state will exert its control through a governmental official⁵⁷.

The Institute was to grant: *a.* Advance payments for the precious metals contained in the mining products and the argentiferous gold alloys; *b.* loans based on pawns or in exchange for useful metals, for the development and support of mining companies; *c.* loans for investments and surveys. Advance payments were to be granted with no interest, and for 5 - 10 year loans the interest was 2% higher than the provisions of the National Bank of Romania⁵⁸.

The law is changed on April 24, 1937⁵⁹ and June 5, 1937⁶⁰, and on October 6, 1938 the Law for the change and completion of the Law for the foundation of the National Institute for Auriferous and Metaliferous Credit is issued, together with the Regulations, which actually turns the institute into the Bank of Auriferous and Mining Companies⁶¹. It was a project of the Ministry of National Economy, meant to create a big private bank for all the gold and metal mines in Romania, able to perform all credit – related operations: mortgage loans, pawns, accounts etc.⁶².

The objectives of this Bank were: *a.* To finance, guide, and develop survey and mining companies dealing with mineral deposits, the companies ensuring the processing and sale of these minerals and related substances, as well as building companies and equipment manufacturers related with the former; *b.* to support small local producers of ores and precious metals; *c.* to perform direct surveys and to participate to the capital of the companies mentioned above. The same activities will be stipulated by Decree of January 10, 1941, when the Bank turns into the National Mining Credit S.A. Bucharest⁶³ and, beginning with May 27, 1941 it becomes the National Mining Credit Institute⁶⁴, both institutions functioning on grounds of the Bank Management Law and Regulations, respectively of the National Mining Credit. This institution will disappear in 1942, being absorbed by the National Industrial Credit. The Institute was initially created to finance gold mining companies, in accordance with the stimulation policy initiated by the National Bank of Romania. Actually, the Bank of Gold and Mining Companies will be authorized, by the Decision the minister of National Economy on December 16, 1939, to manage the Mining survey and exploration fund, created to finance these operations either by cash loans, or through risk participation. This Fund was also fed by the taxes paid by gold producers⁶⁵.

⁵⁷ *Miniera*, XII, 1937, nr. 7-8, p. 28.

⁵⁸ *Ibidem*, XII, 1937, nr. 3, p. 30.

⁵⁹ C. Hamangiu, *op. cit.*, XXV/II, 1937, Imprimeria Centrală, București, 1938, p. 1244-1245.

⁶⁰ *Ibidem*, p. 1354-1355.

⁶¹ *Ibidem*, vol. XXVI/II, 1938, Imprimeria Centrală, București, 1939, p. 1898-1909.

⁶² *Miniera*, XIII, 1938, nr. 10, p. 27.

⁶³ C. Hamangiu, *op. cit.*, vol. XXIX/I, 1941, p. 52.

⁶⁴ *Ibidem*, vol. XXIX/II, 1941, Imprimeria Centrală, București, 1942, p. 1159.

⁶⁵ *Ibidem*, vol. XXVII/III, 1939, Imprimeria Centrală, București, 1940, p. 2919-2921. Law of Mines on July 4, 1924 art. 170 (*Ibidem*, vol. XI-XII, 1922-1926, p. 657) and Law of Mines on

Gradually, financing was extended to the other mining fields, except oil, and, in its four years of activity, it granted loans of 1.769.937.959 lei, some of the beneficiaries being: „Petroșani” Company for the development of its gold mines in Baia Mare area; „Aurum” Company for its mines in the same area; „Molibden” Company for the mining of the de molybdenum and bismuth deposits at Băița and Chișcău in Bihor county; the coal mines in Banat and Oltenia; it will subscribe most of the 20 million lei capital of „Sonemin” Company, founded in 1939, which will build the first zinc founder in Romania at Copșa Mică, facilitating the processing of the zinc ores extracted by „Phoenix” Company and R.I.M.M.A.; „Gold” Company, to restart activities and repair the equipment processing the deposit at Valea Dosului; it performed a series of independent mining operations; it supported, although without important results, because of property dissemination and the existence of a large number of small mining associations, the small gold producers in the Apuseni Mountains etc.⁶⁶. One of the mining companies who contributed to the capital „Mica” Company, which, together with its branches, intended to participate with 20.5 mil.lei⁶⁷.

- It is worth analyzing the impact, through the role played by the National Bank of Romania, of the purchase price of precious metals, especially of gold, on the existence and development of companies in this field. By law, the state had the exclusive right on the extracted production. Art. 87 of the Law of Mines of July 4, 1924 stipulated that „the platinum and gold producers must hand over to the state, through purchase offices, the whole amount of metal. No one, except the state, has the right to buy or appropriate under any circumstances these metals. The purchase price is the world price corresponding to the quality of gold...”. The requirement imposed by the state exclusive rights over the production and sell of some mining products and in accordance with art. 86 of the Law that stipulates that „both mining and selling companies dealing with raw or processed mining products ...within the limits of production, should ensure a regular supply, which cannot be restricted or cancelled without legitimate reasons and the approval of the Minister of Industry and Commerce...”⁶⁸. Art. 81 of the Law of Mines on March 28, 1929 stipulates that „the state has the exclusive right over world price in purchasing precious metals such as: gold, platinum and silver. Producers of such metals are free to sell their production, if

March 28, 1929 art. 174 (*Ibidem*, vol. XVII, 1929, Editura Librăriei „Universala” Alcalay & Co., București, 1930, p. 328), stipulated the creation „of a fund for exploration and mining conducted by the state”, which was going to be fed from certain taxes and a quarter of the mining taxes stipulated by the law. This fund will be cancelled starting with January 1, 1930, by the Law on January 9, 1930 from the cancelling of art. 170 in the Law of Mines on July 4, 1924 and art. 174 in the Law of Mines on March 28, 1929 (*Ibidem*, vol. XVIII, 1930, Editura Librăriei „Universala” Alcalay & Co., București, 1931, p. 45) and it will be reinstated on grounds of art. 173 in the Law of Mines on March 24, 1937 (*Ibidem*, vol. XXV/I, 1937, p. 667).

⁶⁶ xxx, *Din activitatea Institutului Național de Credit Minier*, Miniera, XVII, 1942, nr. 5, p. 164; DJANH, *Fond Societatea „Mica”*, dos. 10/1939, f. 46.

⁶⁷ *Ibidem*, dos. 34/1934, f. 95.

⁶⁸ C. Hamangiu, *op. cit.*, vol. XI-XII, 1922-1926, p. 638-639.

the state or the National Bank do not buy it”⁶⁹, this principle being maintained by art. 71 of the Law of Mines on March 24, 1937⁷⁰; art. 71 of the Law is modified by a Decree on May 21, 1938, pointing out that „the state right begins with the very extraction of the ore and remains valid, whatever changes might the precious metals undergo. The state will be able to exert this right both in relation with the producer, and with the buyers”⁷¹.

There will be a continuous competition between the producers and the state as a buyer and regulating factor, producers being always dissatisfied with the imposed price. But continuing to work and mine the precious metals.

There are two studies carried out in 1940⁷² and 1944⁷³, dealing with the history of the evolution of the authorities’ attitude towards the mining and selling of precious metals, and from this perspective it is possible to discuss the evolution of the purchase price of gold during the existence of „Mica” Company.

After the Union, Romania became the owner of the auriferous and argentiferous deposits in the Apuseni Mountains, Baia Mare and Maramureş areas, which turned the country into one of the most important European producers, after the Soviet Union and sometimes Sweden. The country needed gold mostly to cover the currency issues of the National Bank of Romania, which brought about two important problems, intrinsically connected: the insurance of the precious metal stock meant to cover currency issues, and the stimulation of mining production by the purchase price of gold.

The state imposed its rights over the precious metals production from the very beginning, in the Law for the changing of art. 81 of the Law of Mines, pointing out that „producers of precious metals (individuals or companies) must hand over to the state...the whole amount of the obtained metal. Consequently, producers will not be allowed to perform any selling, pawning or depositing of the metal or the ore unless the state refuses it”⁷⁴.

By virtue of this privilege, most of the private gold producers were no table to sell their production according to their own will.

The state will validate this right by mining laws and, as a result, almost the entire gold production of the Romanian mines, obtained beginning with 1919, will be included in the treasury of the National Bank of Romania; Romania will obtain between 1919-1947 a gold production of 77.801 kg, which, together with the National Bank of Romania, will ensure the gold covering of the currency issue. Ion P. Gigurtu appreciated, in 1941 that „since 1920, Romania has produced 64.000 kg of gold, and 45% of the stock of the National Bank of Romania comes from the gold produced in

⁶⁹ *Ibidem*, vol. XVII, 1929, p. 304.

⁷⁰ *Ibidem*, vol. XXV/I, 1937, p. 639.

⁷¹ *Ibidem*, vol. XXVI/I, 1938, Imprimeria Centrală, Bucureşti, 1939, p. 732-733.

⁷² I.I. Lăzărescu, *Consideraţiuni asupra dispoziţiilor luate de stat pentru mărirea producţiei de aur în România*, A.M.R., XXIII, 1940, nr. 5, p. 175-184.

⁷³ Ioan Marin, *Aurul şi preţul lui*, *Miniera*, XIX, 1944, nr. 1, p. 20-24.

⁷⁴ C. Hamangiu, *op. cit.*, vol. XXIII, 1935, Imprimeria Centrală, Bucureşti, 1936, p. 399.

the country”⁷⁵, and the Report of the Managing Board of „Mica” Company for 1944 concluded that „our state permanently, even in difficult economic moments, a wise policy of gold accumulation. As a result, the stock of the National Bank of Romania continuously increased up to approximately 240.000 kg”⁷⁶.

Later on, J.C.M no. 1229/June 26, 1936 established that „the Ministry of Industry and Commerce is authorized to sign for and on behalf of the State an agreement with the National Bank of Romania regarding the giving up of the exclusive rights for the purchase of gold and silver stipulated by art. 81 of the Law of Mines, in which case the National Bank of Romania will pay all the bonuses specified in art. 1, 2, 3 of the present J.C.M., as well as those in J.C.M. no. 1228/ June 26, 1936”⁷⁷. This proposal will be legally validated by Decree nr. 1907/ August 19, 1936⁷⁸ regarding the control and circulation of precious metals, establishing that „the state hands over to the National Bank of Romania the whole amount of gold resulting from the exertion of its exclusive rights..., and the amounts of gold and platinum to the extent to which it will not need them for its own needs. The National Bank of Romania is authorized to perform ... operations related with the purchase, circulation and control of precious metals over which the state has exclusive rights...” (art. 14). On grounds of this Decree J.C.M. no. 1069/June 7, 1938, will be adopted relatively to the Convention with the National Bank of Romania for the purchase of precious metals, which authorized the Minister of National Economy to sign, on behalf of the state, a convention with the National Bank of Romania through which the latter was granted the exclusive rights over the purchase of precious metals⁷⁹. Up to this date, the purchase of gold had been performed by the Ministry of Industry and Commerce through the Measurement, Weights, and Precious Metals, which subsequently handed the gold over to the Bank.

There are three stages regarding the norms according to which the price of gold and the forms of payment by the Romanian state and the National Bank of Romania were established in this period:

- a. the world price stage (1919-1929), when the price of Romanian gold was established according to the price on the world market;
- b. the monetary reform period (February 7, 1929- June 18, 1935). If until then gold had been purchased at an average price established annually, by the Law of monetary reform on February 7, 1929, price was established at 111.111,11 lei/kg of

⁷⁵ Ion P. Gigurtu, *Aurul*, A.M.R., XXIV, 1941, nr. 8, p. 202.

⁷⁶ „Mica” Company, *Darea de seamă a Consiliului de Administrație și Raportul cenzorilor către Adunarea generală ordinară a acționarilor din 22 septembrie 1945. Exercițiul 1944*, Institutul de Arte Grafice „Curierul Judiciar”, București, 1945, p. 11.

⁷⁷ C. Hamangiu, *op. cit.*, vol. XXIV/II, 1936, Imprimeria Centrală, București, 1937, p. 48.

⁷⁸ *Ibidem*, p. 357-359. This Decree will be changed and improved by Decree nr. 3203/September 14, 1938 (*Ibidem*, vol. XXVI/II, 1938, p. 1775-1778) and Law nr. 638/August 12, 1946 for production control, processing and circulation of precious metals (Monitorul Oficial, I, nr. 209/September 10, 1946, p. 9910-9915).

⁷⁹ C. Hamangiu, *op. cit.*, vol. XXVI/I, 1938, p. 883.

fine gold, to which a tax of 2% was perceived by the National Bank of Romania for refining operations;

c. the stage of gold bonuses (1935-1947). The implementation of these bonuses through J.C.M. no. 1060/ June 18, 1935, will be determined by the conclusion that the price of gold established by the reform Law was below the world market price and, in order not to modify the Law, and still to raise the price, the decision was to create these bonuses for the gold handed over to B.N.R, at the beginning over the reform price, and then over the basic price⁸⁰.

This payment system for productive activities was considered more fair, other stimulents being gradually introduced, such as: bonuses for increasing the average production of 1933-1935, for the gold extracted by flotation and cyanites – based processing, that is bonuses for the processing of complex ores, more difficult to process; there is an important preoccupation for the ore deposits and the financing of mining and surveying operations, necessary for the discovery and preservation of the deposits; the preoccupation for the content of the processed ores appears now, by implementing the bonuses for the processing of poor ores, and will be maintained to the end of the period.

Table 3. Average price paid for the acquisition of precious metals (lei) 1921-1939 ⁸¹

Year	Average price /kg.		Year	Average price /kg.		Year	Average price /kg.	
	Gold	Silver		Gold	Silver		Gold	Silver
1921	64.078	2.920	1928	108.741	2.856	1935	141.111	2.303
1922	111.304	3.775	1929	111.111	2.688	1936	153.333	2.032
1923	141.951	4.499	1930	111.111	1.966	1937	153.333	2.032
1924	143.075	4.499	1931	111.111	1.577	1938	204.154	1.889
1925	138.748	4.394	1932	111.111	1.406	1939	222.169	1.856
1926	146.327	4.204	1933	111.111	1.466	-	-	-
1927	112.008	2.850	1934	111.111	1.416	-	-	-

Later on, by J.C.M. no. 3164/ December 10, 1938 a subvention of 5% of the total value of the gold and silver handed over to the National Bank of Romania was introduced, except the small producers, meant to create a Fund for exploration and survey⁸². Starting with December 10, 1942, J.C.M. no. 1236 establishes the first variables for an average content of gold of 3-15 gr gold/to. of ore⁸³ and, in order to encourage the processing of auriferous complexes extracted by small producers in metallurgical plants, „Minaur” Company will receive, from the bonus fund, a subvention of 10.000 lei for each ton of auriferous concentrate exchanged at the

⁸⁰ Ioan Marin, *op. cit.*, p. 22.

⁸¹ *Statistica industriei extractive*, XLI, 1939, p. 12.

⁸² C. Hamangiu, *op. cit.*, vol. XXVI/III, 1938, Imprimeria Centrală, București, 1939, p. 2624-2627.

⁸³ Monitorul Oficial, I, nr. 293/December 14, 1942, p. 10832-10833; Ioan Marin, *op. cit.*, p. 22.

Metallurgical Plant Zlatna and processed at the Metallurgical Plant Târnăveni belonging to „Mica” Company. J.C.M. no. 1218/ August 24, 1945⁸⁴ maintains the stipulation regarding the 5% subvention of the total value of gold handed over to the National Bank of Romania for the exploration and survey Fund, and auriferous companies will have the obligation to spend for exploration and mining operations in 1945 4.35% of the total price of the gold production of 1944.

An investment Fund of 20% of the value of the gold and silver produced and handed over by companies in 1945 will be created for each gold producer, except the small ones. Every company could get this sum under the form of investment bonus, if it had drafted an investment project validated by the Superior Board of National Economy, and the Gold Board affiliated to the Ministry of Mines and Oil was designated to examine the investment projects, and to establish and control the financing program; if a company did not use the allotted sum for two years, starting with January 1, 1947, the money was taken over by the state budget.

- As we have shown, the National Bank of Romania and, implicitly, the state, will be the main buyer of the precious metals production, paying for this activity. At the same time, the banking and credit system will support the development of economic units. In order to point out this preoccupation, we shall exemplify with some aspects related with the relations between „Mica” Company and the banking and credit system.

The validation of certain loans of „Mica” Company, and the approval of pawns for the loans of the company, of affiliated companies, or of companies to which „Mica” had important participation, reveals the way in which the whole financial mechanism functioned in order to ensure the cash necessary for the investment and acquisition program. In the meeting of the Managing Board on December 7, 1938⁸⁵ some credits were granted to „Mica” and some vouchers submitted by the company were validated. „Mica” was appreciated to have passed through a difficult treasury period due to the investments of about 300 million lei for: the office building in Calea Victoriei nr. 63-65; the Electric Power Plant Gurabarza; the founder at Dicosânmartin (Târnăveni), which cost 90 million lei, that is 25 million lei more than it was expected; houses for the administration personnel; highways; the continuation of building operations at Brad Sanatorium etc. as production decreased beginning with November 1937, all this determined the company to resort to credits; at the same time, vouchers were issued for credits necessary to affiliated companies, where „Mica” owned the majority of capital.

Thus, loans amounted to 156 million lei: the National Company for Industrial Credit -50 million lei; the Bank for Auriferous and Mining Companies - 50 million lei; Banca de Scont a României - 26 million lei; Banca Comercială Italo-Română - 20 million lei; Banca Comercială Română -10 million lei, and the agreement signed with

⁸⁴ Monitorul Oficial, I, nr. 193/August 27, 1945, p. 7534-7536.

⁸⁵ DJANH, *Fond Societatea „Mica”*, dos. 34/1934, f. 7-8.

engineer Emil Prager, the builder of the premises in Calea Victoriei no. 63-65 and of the Brad Sanatorium.

The granted vouchers amounted to 185.250.000 lei.

I. „Nitrogen” Company at: „Solvay” Plant - 30 million lei; the National Company for Industrial Credit - 30 million lei; Banca Ardealului - 20 million lei; Banca de Credi Român - 15 million lei; Banca Comercială Română - 15 million lei; Banca Românească - 10 million lei; Banca Timișoara - 3 million lei;

2. The Romanian Group „Zărnești” at the Hungarian Credit Bank, Brașov branch - 77 million lei;

3. The „Aur” Company at the Bank for Auriferous and Mining Companies - 34.750.000 lei;

4. The „Pyrit” Company at the Bank for Auriferous and Mining Companies - 30 million lei;

5. The „Mines d’Or de Transylvanie” Company at the Bank for Auriferous and Mining Companies - 15 million lei;

6. The „Textila Românească” Company at Fredrich Kubinski - 5.5 million lei.

The Managing Board will approve in its meeting of December 5, 1939, the following:

I. Validation of loans:

a. 60 million lei, obtained at the beginning on portfolio account, were subsequently gathered in an account with 73.275.000 lei obtained for the building of the Metallurgical Plant Târnăveni and with 50 million lei granted to „Minele de Aur Breaza-Zlatna” and „Pyrit”. The loan was vouched by „Mica” Company at the Bank for Auriferous and Mining Companies by pawning 200.000 shares of „Nitrogen” Company, amounting to 100 million lei, and with a mortgage on the Metallurgical Plant Târnăveni, which was not supposed to become valid unless the payment plan was followed; the loan was to be returned by monthly payments of 3 million lei, starting with July 1, 1940;

b. 64.250.000 lei borrowed from the National Company for Industrial Credit and vouched with a mortgage on the building in Calea Victoriei no. 63-65, plus 9.381.602 lei representing the debt of the „Textila Românească” Company which was taken over by „Mica” Company. The first loan was to be returned in monthly installments of million lei, starting with January 1, 1940, and the second by semestrial payments of 375.000 lei;

c. a credit of 8 million lei in the current account, granted by Banca Românească, will be turned into a credit on portfolio account;

d. in order to pay the debts of 20 million lei to the company run by ing. Emil Prager for the building destined to „Mica” Company, account bills were issued for Banca Românească; 11,5 million lei were left to be paid, representing account bills and the total paymanets to the company owned by ing. Emil Prager;

II. Granting of vouchers:

I. For „Nitrogen” Company:

a. 244.000 RM to „Siemens-Schuckert” Company for the purchase of a piece of turbo equipment consisting of a drum and a generator;

b. 8.440.000 lei and 272.344 RM to „Babcock & Wilcox” Company for the purchase of two steam boilers;

c. 10 million lei loan on commercial portfolio account validated at the Account Bank of Romania.

2. For the Cellulose Factory Zărnești:

a. The Cellulose Factory Zărnești united its accounts at the Hungarian Credit Bank in a unique account of 127.714.043 lei offering real vouchers, to which added the vouchers from „Mica” and „Nitrogen” Companies; the payment of this debt was to be divided into 20 monthly installments of 385.705 lei, the remaining sum to be paid being 102.171.232 lei;

b. the loan granted by the National Company for Industrial Credit to „Mica” Company for the nationalization of the Cellulose Factory Zărnești was transferred to the latter, with a mortgage voucher.

3. The voucher for the 30 million lei credit granted by different banks to „Întreprinderile Cloșani” Company turned into an account debt of the Romanian Credit Bank and it was vouched for by „Mica” Company.

4. The validation of the vouchers given to „Mines d’Or de Transylvanie” for the Bank for Auriferous and Mining Companies for the portfolio account loans of 36 million lei due in 1940; loans were vouched for „Mica” Company with the concentrates stored at Târnăveni.

5. The vouchers granted to „Textila Românească” Company for the loans from Banca Albina, of 10 million lei and Banca de Scont a României, of 3.054.710 lei⁸⁶.

Actually, in the history of „Mica” Company there is an almost continuous sequence of such loans, natural for a big company, but which had an impact through the interest policy of certain banks and credit companies, especially on the profit; for instance, the ballance for 1929 of „Mica” Company had credits of 140.206.934 lei, for which it will pay an interest of 15.644.217 lei⁸⁷.

We notice that, beyond the constant tendency to develop on grounds of acquisition and investments, which required loans, „Mica” Company will try to limit them as much as possible and, moreover, to rely in the ’30s – 40s of the XXth century mainly on the specialized credit companies that were interested in the stimulation of industrial development in general, and of the mining industry in particular.

There is a series of examples in this sense.

Thus, according to the Contract of April 29, 1938, for the granting of a credit vouched for with the gold production, between the Bank for Auriferous and Mining Companies and „Mica” Company, stipulated that:

⁸⁶ *Ibidem*, dos. 34/1934, f. 242-244.

⁸⁷ „Mica” Company *Darea de seamă a Consiliului de Administrație și Raportul cenzorilor către Adunarea generală ordinară a acționarilor din 17 mai 1930. Exercițiul 1929*, Institute de Arte Grafice și Editură „Îndreptarea”, București, 1930, p. 13.

1. The Bank will grant „Mica” Company a credit of 76.875.000 lei; the interest will be of 2% over the account level imposed by the National Bank of Romania, plus a yearly tax of 1% per year, both being paid every semester.

2. The loan was to be paid in 60 monthly installments, and the paying back of the loan, the interest and the pertaining taxes was to be made through the National Bank of Romania, which will retain the respective sums from the sums owed to „Mica” Company for the gold handed in.

The credit was opened to cover the investment made for the founder at Târnăveni, and consisted of: 41.875.000 lei for the liquidation of the remaining bank debts of „Mica”, on grounds of the credit on May 26, 1938 and 35 million lei a new loan⁸⁸.

In the same category are ranked the loans at the National Company for Industrial Credit. Thus, in June 1940 „Mica” Company obtained an approval for increasing the credit from the National Company for Industrial Credit with 33 million lei, that is up to 100 million lei, the voucher being represented by a mortgage on the building in Calea Victoriei nr. 63-65; its application for a current account credit of 15 million lei vouched for with exchange policies was also approved⁸⁹.

Another example is the loan of 120 million lei from C.E.C. In 1938, the Company obtained from C.E.C. a current account loan of 70 million lei, which was to be paid back on May 25, 1939. In order to pay back this credit as easily as possible, since the Treasury of the company had to face the investment agreements as well, C.E.C. was required to increase the loan to 100 million lei, of which 40 million lei were to be used to pay back the previous loan. The 120 million lei were to be paid back in two – month installments by January 21, 1941, the loan being vouched with the sum that „Mica” was to get from the National Bank of Romania for the gold handed in⁹⁰.

- Finally, in spite of its continuous complaints about its relationship with the authorities, „Mica”, as well as other producers, was actually supported by the state and the National Bank of Romania. For instance, the legislation regarding the purchase price of precious metals and the control of their circulation will impose the payment for the gold and silver bought.

Thus, J.C.M. no. 1525/July 13, 1940 regarding the economic bonuses meant to encourage gold production stipulated that „for the gold handed in at the National Bank of Romania the payment will amount to the basic price of 229.999,99 lei/kg of fine gold, plus a fix bonus...The bonus...will be calculated and paid at the end of each month, on grounds of the production records, and the final payment of the bonus for each producer will be made in January every year, for the production of the previous year” (art. 3), and art. 8 pointed out that „the National Bank of Romania is authorized to pay the bonuses stipulated by the present Journal in the account of the state, which will reimburse them according to the convention for the exertion of the exclusive right

⁸⁸ DJANH, *Fond Societatea „Mica”*, dos. 34/1934, f. 320-321.

⁸⁹ *Ibidem*, f. 154.

⁹⁰ *Ibidem*, f. 323.

regarding gold purchases, signed on June 11, 1938, between the state and the National Bank of Romania⁹¹.

For instance, in June 1945, when the dramatic price raise determined a difference between the gold price and the temporary price paid by the National Bank of Romania and, implicitly, a precarious situation in the treasury of „Mica”, the latter will address the National Bank of Romania to get an advance payment of 1.2 billion lei for the gold production of the next six months. The National Bank of Romania will grant an advance payment of 750 million lei which will be paid by „Mica” by retainings of 50% of the value of the gold handed in⁹². In the meeting of the Managing Board of September 28, 1945 a new application for an advance to the National Bank of Romania was approved. On September 28, 1945 a letter was sent to the Governor of the National Bank of Romania, showing that a decision of the General Labor Confederation, taken over by the Ministry of Mines and Oil, required that companies should pay their personnel a winter support equal with a salary, but not lower than 60.000 lei⁹³; in order to face this task, „Mica” needed 450-500 million lei, which was not envisaged in the financial program presented on the occasion of the previous advance of 750 million lei, received from the gold mines. For these reasons, „Mica” asked for 550 million lei, advance payment which is supposed to be paid back integrally from the difference of the for 1945, as soon as they are established⁹⁴.

In the meeting of the Managing Board of „Mica” Company on January 9, 1948 it was pointed out that, on grounds of the principle approved by Commission for Economic Recovery, gold producers should be paid, after August 15, 1947, a price for the kg of fine gold, established on grounds of the recovery price, and the National Bank of Romania constantly granted advance payments up to the equivalent of a 20 - month production. Till December, 31, 1947 „Mica” got advances payments of 408.669.887 lei from the National Bank of Romania, an don January 9, 1948, advances reached 472.669.887 lei; of this sum, 30.998.792 lei were given to the French Company of Gold Mines in Transylvania⁹⁵.

Similarly, some purchases made by „Mica”, either on its own, or within the Romanian Group, or for the foundation of companies in collaboration with foreign partners, were vouched for, or even supported financially by the National Bank of Romania. We could say that this policy, which actually meant the participation to a vast economic plan, could not have been achieved without the support of the National Bank of Romania, the National Company of Industrial Credit, the Bank for the Gold and Mining Companies and, sometimes, of private banks. This vast support granted to „Mica” Company can also be explained by the understanding on the part of the factors

⁹¹ C. Hamangiu, *op.cit.*, vol. XXVIII/I, 1940, Imprimeria Centrală, București, 1941, p. 1084-1085.

⁹² DJANH, *Fond Societatea „Mica”*, dos. 42/1945, f. 71-72.

⁹³ *Ibidem*, dos. 39/1945, f. 47.

⁹⁴ *Ibidem*, f. 2, 6.

⁹⁵ *Ibidem*, dos. 27/1941, f. 101-103.

in charge of the role the company had and on its solid reputation, economically justified.

We conclude hoping that we have partly presented the significance of the involvement of the industrial and banking capital in the development of gold mining, the activities of the latter representing an example of responsibility primarily towards its own capital, but also towards the general economic development of Romania.

THE ECONOMIC BASIS IN ORGANISATIONAL BEHAVIOUR – BEHAVIOURAL THEORY OF THE FIRM

VIRGINIA BĂLEANU *

ABSTRACT: *From the economic sciences' stand point, the process of decision making, including aspects concerning with establishing organizational objectives, is the object of the firm theories. So, these theories that reflect the management's responsibility in the context of the relationships between people and the organization may be considered the economic basis of organisational behaviour. Parkinson's Law and the Peter Principle are unconventional examples of the organisational practices that prove the necessity of taking into account the human behaviour.*

KEY WORDS: *behavioural theory of the firm , human behaviour, organisational behaviour.*

1. INTRODUCTION

The behavioural theories of the firm began to develop during the 1950 years, a hallmark for the "behavioural beginnings" being considered to be H. A. Simon's article entitled "A Behavioural Model of Rational Choice", published in 1955 in the Quarterly Journal of Economics.

R. M. Cyert and J. G. March elaborated the real *behavioural theory* later. This theory is connected to their names since its publication in 1963, in the paper entitled "A Behavioural Theory of the Firm" (Cyert and March, 1963). Cyert and March concentrated on the businesses of large corporations, where the "divorce" (separation) of property from management appears to be obvious. The theory sprigs from the preoccupation towards the organisation problems created by the internal structure of such companies and from the need to look into the effects induced on the decision making process within organisations of this type. Such internal organisational factors can explain better the difference between the companies' reactions to the same external stimuli, namely to the same change of their economic environment.

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2. THE FUNDAMENTAL HYPOTHESIS OF THE BEHAVIOURAL THEORY

The fundamental hypothesis of the behavioural theory on the company's complex nature introduces an element of realism in the firm theories: this is no longer treated as a "mono-objective/mono-decision" unit, as it happened in the traditional theory, but as an organisational coalition "multi-objective/multi-decision". The company is, therefore, approached as a *coalition of different groups* that are connected with its activities in many ways: managers, employees, shareholders, clients, suppliers, fiscal inspectors, etc.

Each group has its own set of objectives/demands: for instance, employees want high salaries, good pensions, good working conditions; managers want big earnings, power, prestige; shareholders want big profits, the increase of capital and market; clients want low prices and good quality services; suppliers want regular contracts for the materials they sell to the company, etc. Anyway, the most important groups in the context of behavioural theory are the most directly and actively connected with the company, mainly managers, employees and shareholders.

Different groups compete for the company's existing resources, they continuously "bargain" (in a process of pseudo-negotiation) for the fulfilment of their own objectives (that may differ from the company's objectives) and thus *conflict is inevitable*. Demands/objectives take the form of the *level of aspirations*, continuously changing according to the past achievements and the changes produced within the company and in its external environment. In other words, in a "quiet situation", constant, without raise or dynamic changes of the environment, the aspirations (demands) tend to equal those fulfilled in the past. If the situation is dynamic, growing, the level of aspirations (demands) will remain behind achievements. This period of discrepancy is crucial in the behavioural theory, because during it the company is capable of accumulating "surpluses" or "excess profits" that can be used as means of solving the internal conflict, stabilising the company's activity in an external changing environment. On the other hand, in a period of decline for the company's activity, demands are higher than past achievements because adjusting downwards the level of the coalition members' aspirations is more difficult to do and slower as well. The process of formation of the level of aspirations induces *the dynamics of the behavioural theory: the level of aspirations/demands in any t period depends on the company's "history", namely on the level of aspirations/demands fulfilled during the previous periods*.

3. THE COMPANY'S OBJECTIVES

The declared *purpose* of the behavioural theory is to determine the *essential variables of the decision making process in a company*. It is not concerned with the company's objectives as such, but rather with their origin and the decisional process that leads to the formation of these objectives. The top-level management's tasks are the establishment of the company's objectives, the reconciliation of contradictory

objectives (both between company and groups, and between various groups) and the decision making for the achievement of the established objectives.

The *company's main objectives are considered to be: the production objective; the stock objective; the sales objective; the market share objective; the profit objective.* Their number may increase, but the decision making process becomes more and more complex, its efficiency decreasing as the number of objectives increases (therefore, the law of diminishing returns is also valid for the managers' work, as it is for any other type of work). The company's objectives change in time according to the company's history (the level of aspirations and past achievements, considered in their close connection), to the external environment, but also according to the changes of the groups' aspirations within the company. *They are decided by the top management in the end*, who tries to satisfy, according to possibilities, as many of the demands of the various members of the coalition they are confronted with as they can.

The company's objectives, as well as those of the individual members or of the particular groups of the coalition *are not approached as strict restrictions of maximisation, but they take the form of levels of aspiration.* The company is not an entrepreneur interested in *maximisation*, but rather an organisation interested in *satisfaction*, namely achieving a general "satisfactory" performance defined by the set of objectives – aspirations and not by the maximisation of profit, sales or other values. The top management, responsible for the coordination of the activities of the company's numerous members wishes to attain "satisfactory" levels of production, market share, profit, but also to deviate in an "acceptable" ratio from the part of total revenues established for research - development or advertising, to develop a "satisfactory" public image, etc.

Cyert and March claim that this *satisfactory* behaviour is *rational* due to the fact that there are certain internal and external limits within which the company is forced to carry out its daily operations. In the real, modern world, the entrepreneur's work is carried out by the top level managers' group – people who dispose of a limited amount of time, limited and imperfect information and, also, limited skills. Therefore, it is impossible for them to study all possible alternatives of action and to choose the one that maximises profit (or anything else). In exchange, they examine a reduced number of alternatives and they choose "the best" under the given circumstances of time, information and skills' limits. Thus, top management acts with a "*limited*" rationality, the same way as various groups negotiate their demands. In the end, the groups are constrained to act according to some objectives initially agreed upon by certain general *self – control plans* (such as the distributed *budgets*) and by *delegation of authority* within the company

For the reconciliation of the contradictory objectives, top management uses *methods* such as: sequential attention *given to the demands of various groups* (satisfying the demands that seem to be more important with priority and postponing the others for the following periods); *decentralisation of the decision making process* (by clearly delimiting the decisional responsibility area for each member or group); *collateral payments* (that take the form of the top management's financial engagement

policy); *supplementary payments* (payments to the coalition's members, exceeding what is necessary to normally maintain the organisation).

The existence of supplementary payments has a stabilising effect on the company's performance, allowing it to fulfil its objectives and to obtain a constant, regular performance, in a changing environment. In a period when business "is slow" the company eliminates the supplementary payments, thus obtaining a decrease of costs and avoiding other major readjustments (downwards) of the level of its aspirations. Similarly, when business is "blooming" supplementary payments increase, namely a part of the achieved profit is absorbed in costs and, therefore, the profit appears to be smaller than it could have been. Thus, there are fewer opportunities for an exaggeratedly optimistic adjustment (upwards) of the levels of aspirations. Cyert and March offer the stabilising role of these payments as an explanation of the orderly functioning of the company. They claim that this role is automatically played by the supplementary payments during the lag period occurred at the adjustment of aspiration in accordance with the achievements (upwards), they act as an autonomous element of stabilisation, without the top management deliberately using them as a means of company stabilisation.

The company's objectives established by the top management and approved by the board of directors are implemented as a result of the *decisional process for resources allocation*, by decisions made by the *top management* and by decisions made *at the other hierarchical levels*.

Given the company's objectives and the limited available resources, their allocation for various departments is decided by the top management and implemented through the budget. Each department is given a share of the budget, which decisively depends on its head's power and ability of negotiation. The negotiation process is also influenced by the department's past performance, by how well the coordination of the internal activities was carried out and by achieving the targets established by the top management, by the efficiency the budget was used in the past. But, as heads of departments present their demands to top management and via negotiation they try to obtain as large a share of the company's total budget as possible, their ability in deciding which projects (demands) and in what exact moment must be presented is crucial. *This process determines the internal allocation of the resources' majority.* Of course, top management retains certain funds in order to be allocated according to preference at any given time to those projects, which, according to their own judgement and ability of appreciation, seem to be "the best". The decisions at the top management's level are not made based on a complete, exhaustive examination of all possible alternatives (not even of all known ones) and they are not based on detailed cost-profit studies or on applying the marginal rules. More likely, a rapid "scanning" of the most promising alternatives takes place and, then, they look into the supplementary information related to "the best" of these. Four aspects concerning the informational activity are accentuated in the behavioural theories: the research of the problem is oriented, it is costly, can be influenced due to "taking sides" and the informational flow is not always "smooth", regular, to allow the exact transmission of the information.

Furthermore, the decision making process at the lower administrative levels involves different degrees of freedom of action. Once the budget shares allocated, each manager normally has a considerable power for spending the funds allocated to his department. In any way, all these daily procedures, decisions are simplified by delegating authority within each department and by simple, practical rules that make up the company's "action plan". For instance, it may include a rule by which costs are increased, say by 5%, if after two or three stages in a rope the profit target was reached or overcome (with the purpose of covering the probable increases of the supplementary payments). Administrative management on lower hierarchical levels "learns" from experience and it is helped to make decisions by such rules included in the action plan. The budget's execution during each period provides a priceless experience, management learning from past successes and mistakes. *The company, on the whole, is a rational, adaptable system.* The measures that failed in the past are unlikely to be adopted again, unlike those that provided good results and which, almost certainly, will continue to be promoted. Top management has the budget and the balance sheet of each department and it uses them in order to control the way plans are being carried out from the lower levels to the top, using in addition, various other "tracking" techniques (for instance, hiring supervisors).

4. PARKINSON'S LAW AND THE PETER PRINCIPLE

Parkinson's Law was formulated based upon an officially unknown practice, but its use was finally proven by certain organisational characteristics. He calls it the "Rising Pyramid". Substantiated including by the well-known proverb that the busiest persons also have the most time at their disposal, Parkinson's Law has the following content: "*work expands so as to fill the time available for its completion*" (Parkinson, 1986, p.14). In other words, if there is a connection between the volume of work to be completed and the number of staff involved in its completion, then this is fairly small. Parkinson bases his law on two hypotheses almost axiomatic: an official wants to multiply subordinates, not rivals; officials make work for each other.

In order to explain his reasoning, he uses the following example: if a person A, who has a management position, reaches the conclusion that he is overworked, there are three possibilities to solve the problem: resignation; halve the work with a colleague called B; assistance of two subordinates, called C and D.

The first two options are unlikely: resignation would involve losing his pension rights, and by halving the work with a colleague on his own level in the hierarchy, he would merely bring in a serious rival for promotion. Therefore, A will prefer the appointment as assistants of two of the younger members of the team he leads, especially since the importance of his own position in the organisation will increase. (There must be at least two subordinates as, by dividing the tasks between C and D, A will be the only person who can understand the work of the two of them and, at the same time, each of them will be better "kept in order" by fear of the other's promotion). When C complains in turn of being overworked, requesting A's help, A

will advise the appointment of two assistants E and F to help C. But he can then avert internal friction only by advising the appointment of two more assistants G and H to help D, whose position is much the same. Now there are seven persons (A, C, D, E, F, G and H) who are doing the work of one, but the promotion of A is now practically certain. These seven make so much work for each other that all are fully occupied and A is actually working harder than ever. For instance, an incoming document may well come before each of them in turn. As E decides that it falls within the province of F, who places a draft reply before C, who amends it drastically before consulting D. As a result, D asks G to deal with it. But G hands the file over to H as he believes that the matter concerns H more. After studying the file, H drafts a minute that is signed by D and returned to C, who revises his draft accordingly and lays the new version before A.

What does A do? He could find many excuses for signing the draft given to him by C unread. He is beset with problems created by his colleagues for themselves and for him but as A is a conscientious man, he reads through the draft put at his disposal by C with care. He reaches the conclusion that it contains too many unimportant things, he deletes the paragraphs added by C and H, and restores the thing to the form given by F.

Parkinson's reasoning does not reside in this hypothetical example, but in the results of his studies on organisational practices. Thus, in a direct connection with the content of the law concerning, in fact, with the relationship between the size of an organisation and the relative size of its staff, he makes a reference to the Royal Navy case. Analysing the official statistics of the British Admiralty between 1914-1928, Parkinson discovers that during this interval the capital of ships ready for battle decreased with 68%, and the number of officers and men in the Royal Navy also decreased with 31%. At the same time, however, the number of dockyard workers and dockyard officials and clerks increased with 9% and 40%, and that of the Admiralty officials increased with 78%. Besides the matter mentioned before, Parkinson brings up other characteristics of the organisational practices, such as: the principles for personnel selection; the nature of committees; the implications of personality; financing and "the law of triviality" (the time consumed by a commission with a problem included on the agenda will be reversed proportional with the amount involved); the disposal of the organisation's administrative "block"; "the disease of the induced inferiority". In spite of being appreciated, Parkinson's papers were labelled as rather tendentious, the relevance of his observations being underlined by the Duke of Edinburgh in the preface of the book published in 1986 as follows: "The most important merit of this book for the serious management and administration students is that it illustrates the abyss between the rational/intellectual approach of the human organisation and the frequent irrational doings involving human nature... The Law must be mandatory read in all business schools and by all management consultants. Management structures do not solve anything if facts related to human nature are not truly taken into account, and one of the most important ones is the fact that, in reality, nobody likes to take responsibility for the decisions made. As a result, the structures may generate lots of activities, but little or useless work" (Parkinson, 1986, p.9, 10).

Also reflecting the preoccupations for the study of organisational practices, particularly the aspects concerning with hierarchy and competences, “*The Peter Principle*” was formulated based on the results of the analysis of 100 cases of occupational incompetence. The content of the famous principle is as follows: “*In a hierarchy every employee tends to rise to his level of incompetence*” (Peter and Hull, 1970, p.22). In other words, employees who prove to be competent for the position they are occupying are promoted, and the competence in each new position qualifies them for the promotion into the new position, until they reach a position (function) for which they are incompetent. The Principle is based on the perception of incompetence at all levels of each hierarchy (political, legal, educational, industrial), of the ways by which employees advance in a hierarchy, as well as of the effective consequences of their promotion (what happens to them after they have been promoted). From among the multitude of examples given by Peter, we present the one chosen by him to highlight the way of particular application of the principle in the field of educational hierarchies.

A is a competent and serious student and becomes a professor who obeys the curriculum instructions and analytical programmes “ad literam”, doing a good job, but not in the cases when certain situations arise for which he does not have any clear rules or precedents to follow. He will never break any rule, he will never disobey any orders, but he will never be promoted either because, in spite of his competence as a student, A has attained the level of incompetence as a professor. B, a competent student and model professor, although not very good at administrative work, is promoted to the head of the scientific department because of his success as a professor. In this position he is responsible for ensuring all scientific materials and following up on their use. This work involves the administration of an important amount of documents, and B’s incompetence becomes obvious. C, a competent student, professor and head of department, advances to the position of assistant director and, being competent from the intellectual point of view, he is later appointed director. Now C must directly work with officials and dignitaries from the superior hierarchical structures. But working hard for the smooth running of the school, C skips important meetings with his superiors and no longer has the required energy to get involved in the work of the community organisations. Thus, C gets to be regarded as an incompetent director. Concerning the methods for promotion, Peter suggests the existence of two main ways by which a person can influence the ratio of promotion: “pull” and “push”. Pull is associated with the relationships an employee can have with a person situated on a superior hierarchical level (a direct relationship with someone or one deriving from a marriage, a relationship based on friendship or on the help of mutual “acquaintances”). Push is described as being especially the result of showing a particular interest for study, vocational training and self-perfection. In “small” hierarchies, push can have a marginal effect in the acceleration of promotion, while in the bigger and more important hierarchies the effect is minimum. That is the reason why, pull is more likely to produce results than push, therefore Peter concludes: “Never stand if you can sit, never walk if you can ride, never push if you can pull” (Peter and Hull, 1970, p.56).5.

5. CONCLUSIONS

Summing up, according to the behavioural theory, the company has multiple objectives, which take the form of levels of aspirations: it rather targets a satisfactory level (satisfaction) than a maximum one (maximisation) for its objectives. The objectives change in time according to past achievements, aspirations, demands of groups and their expectations. The selection criterion in establishing objectives is that the chosen alternative allows the fulfilment of the coalition's demands (objectives). The company adopts the procedure of taking the alternative into account successively, the first satisfying alternative being accepted. When an existing policy satisfies the existing objectives, there is a diminished investigation of alternatives; the investigation intensifies only if a failure occurs. It is tried to avoid double uncertainty given by the market and the competitors' reactions (by examining information, by-passing long-term planning, following the "regulated procedures", informational feedback and creating a "negotiated" environment). The organisation uses standard operational procedures, such as the rules of the performance tasks, continuous reports and evidences, information structuring rules, expenditure plans, budgeting, "longer term" investment planning. Also, practical, "economic common sense" rules are used and the action plans are based on them (cost-based rules for establishing the prices, rules for absorption in costs of the supplementary payments, rules for equipments' development, etc). And the operational procedures and the action plans' rules are aimed at implementing the objectives, namely to help the lower hierarchical levels to act in a manner complying with the objective attainment plan established at the top management's level.

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A NOTE ON YOUTH UNEMPLOYMENT IN THE EU

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ABSTRACT: *This short note aims to provide a theoretical framework to think of the youth unemployment problem and a classification of EU countries according to the way they address it. The key factor to explain youth unemployment is what we call the youth experience gap. To help young people to fill their experience gap and smooth school-to-work transitions every country provides a mix of policy instruments, including different degrees and types of labour market flexibility, of educational and training systems, of passive income support schemes and fiscal incentives. Five different country groups are detected whose outcomes in terms of youth unemployment are dramatically different: a) the North-European; b) the Continental European; c) the Anglo-Saxon; d) the South-European; e) new member states. The Lisbon strategy provides well-targeted guidelines, but is costly and hard to implement¹.*

JEL CLASSIFICATION: H31, H52, I2, J13, J24, J68

KEY WORDS: *youth unemployment problem, youth experience gap, youth employment policy, Lisbon strategy.*

1. INTRODUCTION

According to Quintini, Martin and Martin (2007), the average OECD ratio of the youth to the adult unemployment rate amounted to about 2.4 in 1995 and increased to about 2.7 in 2005. Over the same period of time, the average OECD youth unemployment rate has remained stable at slightly more than 15%. In the case of EU countries, the youth unemployment rate is on average about two times higher than that of adults.

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However, there are large differences across European countries, including the New Member States. In most part of this countries, the ratio of the youth to adult unemployment rate is generally higher than the EU average. The aim of this paper is three-fold: to provide an overview of the issue, to propose a theoretical framework to interpret such country differences and to provide some policy suggestions. The main argument is that cross-country differences depend on the way different welfare system mixes address the youth experience gap.

We start from a number of clarifications. First, when analysing young people behaviour in the labour market, it is misleading to think in terms of employment rates, because employment is not necessarily the best option for young people, especially teenagers (14-19) and young adults (20-24). Looking at employment rates is interesting only for the oldest age group (29-34). The best option for the young teenagers and the young adults is education and/or training.

Second, macroeconomic scenarios alone fail to catch the permanent nature of the youth unemployment problem which can be only understood looking at the specific weakness of young people participation to the labour market, namely the youth experience gap, and the way different education, training and welfare systems affect it.

When attempting to reduce the youth experience gap, which is the main cause of the high youth unemployment rate, the three factors of policy intervention to consider include not only the degree of labour market flexibility, but also: a) educational systems; b) school-to-work transitions and all the factors that affect the intensity of job search, training, passive income support; c) spells and length of unemployment; d) quality of employment.

Different welfare systems can smooth school-to-work transitions or make them uneven. This is the reason why different systems generate different outcomes on youth unemployment. At least four different welfare systems can be identified in Europe when considering school-to-work transitions: a) the North-European; b) the Continental European; c) the Anglo-Saxon; d) the South-European. At this stage, it is still difficult to say whether the New Member States belong to a specific fifth group or rather to one of the existing EU groups. The common heritage of socialist countries would suggest considering New Member States an independent group, but a number of cross-country differences do not allow disentangling the specificity of such group. Moreover, many changes are still on-going and the final outcome is not clear yet.

The outline of this paper is as follows. We start from some stylised facts. We then set the theoretical framework of the analysis starting from what we call the mainstream approach to the youth unemployment problem. In what follows we raise a number of critiques to the mainstream approach concluding that every mature market economy addresses, in fact, the youth unemployment problem with some form of intervention. The next section brings to the fore four types of welfare systems and discusses differences among them.

2. THE YOUTH EXPERIENCE GAP

As Clark and Summers (1982) noted in a seminal paper, the flows in and out of unemployment are very high for young people because: a) young people are in search for their best job match; b) and often after an employment or unemployment spell go back to education and training; c) this is especially true for low skill young people; d) employers are also in search for the best job match.

The consequences are: short unemployment duration compared to adults, but a higher risk of falling into a chain of low pay, temporary or part-time work. These two outcomes are apparently inconsistent with each other, but, in fact, they are not. To conciliate them with each other one should keep in mind that there are two different paths for the high and the low skill young people. The latter might start with unemployment spells early in their life, which leads them to experience long unemployment spells also in the rest of their lives.

The main reason why young people are always moving among different labour market statuses is that young people have a low level of human capital: despite ever increasing educational attainment, in fact, they lack the other two components of human capital: generic and job-specific work experience. It is in fact with the aim to fill what one could call the “youth experience gap” that they move in and out of employment in search for the best job-worker match. Often, this search requires them to go back to education and/or training schemes.

3. THE MAINSTREAM APPROACH TO THE CAUSES OF YOUTH UNEMPLOYMENT

The mainstream approach to the youth employment (or unemployment) problem is to think that it is not, in fact, a real problem. Youth unemployment is in principle temporary, provided that young people manage sooner or later to fill their “experience gap”. Optimistically, the market itself is able to solve the problem in the long run, at least at an individual level. This is why, in fact, the unemployment rate reduces with age. Then, why to bother about youth unemployment? High youth unemployment is the consequence of young people and employers search for the best match.

According to the mainstream approach to youth unemployment, the best option for policy makers wishing to reduce youth unemployment is to minimise the effort of young people in filling their gap of work experience. Every country should make the market more flexible to increase the chances of young people to find a good job and gain work experience.

The market will provide training to young people using temporary work. The advantages of temporary work are as follows: a) it is a stepping-stone for young people to find their best match; b) employers pay low wages for low productivity; c) employers have the opportunity to “try” young people; d) special intervention - including passive income-support and pro-active schemes - is needed only for

particularly weak young people; e) demand side factors are not more important than the way of working of the labour market.

Another important policy implication of the liberalist view on which the mainstream approach is based is that the policy maker should contrast wage-setting mechanisms at a national level, since they equalise wages across age groups. In turn, equal pay for different human capital and skill levels are an important factor of youth unemployment. Lower entry wages for lower productivity would be the solution to the lower degree of work experience of young people.

A recent example of this economic policy strategy is the OECD (1994) job study. Many consider this influential report the “ideological” source and the beginning of a period of increasing labour market flexibility in Europe and also worldwide. One way has consisted of removing the obstacles to the adoption by employers of temporary work arrangements, therefore reducing hiring and firing costs for firms wishing to hire young people. In the mean time, temporary work is an indirect way to introduce lower entry wages for young people.

4. WEAKNESSES OF THE MAINSTREAM APPROACH

There are two formidable arguments against the use of labour market flexibility and temporary work as the solution to the youth experience gap.

4.1 The argument against negative duration dependence

As already noted, according to the mainstream approach, a sufficiently high degree of labour market flexibility, implemented, for instance, via the use of fixed-term contracts, are the best means to help young people to find their best match in a shorter time, therefore reducing the gap between youth and adult unemployment rates. This view was also based on the hypothesis that long-term unemployment is generally caused by low labour turnover causing in turn state dependence. Therefore, the longer people stay unemployed, the longer they remain unemployed.

According to Heckman and Borjas (1980) and Heckman and Singer (1984), however, this view is not supported by empirical evidence. Once controlling for unobserved heterogeneity, duration dependence in unemployment disappears. More analytically, the probability to find a job at a given time is not any more negatively related in a statistically significant way to the duration of the unemployment spell, but becomes flat. Therefore, long-term unemployment appears to be the consequence of the low motivation and skills of those individuals who are unemployed rather than of the time spent unemployed itself.

This innovative approach to the causes of long-term unemployment calls also for a different approach to the economic policy to fight it. If the high unemployment rate of some young people is the consequence of low motivation and skills, rather than of low job opportunities, then, reducing the degree of employment protection might increase the chances to find a job only of some of the unemployed young people, not of

all of them. The least motivated and skilled individuals would not benefit from greater labour turnover. They should instead be helped by employment policy in general and active labour market programmes.

4.2. The Becker's argument of market failure for job specific training

Fixed-term contracts might be seen as a solution only to reduce the gap in generic, but not in job specific work experience. In fact, the short time horizon of fixed-term contracts may represent a strong disincentive (as already Becker, 1962, noted) for young people to invest in job specific competences for both the employer and the employee. Lower wage costs, which are attached to fixed-term contracts, might not be themselves a sufficient incentive to overcome the "youth experience gap" and therefore to provide sufficient incentives for employers to hire young people later.

The Nobel Prize winner, Gary Becker, had already pointed to the need to invest in job specific work experience as the reason of the worldwide diffusion of life-long jobs. Formal training is necessary in this context to raise employability more than lower wages or short-term employment experiences.

4.3. Temporary work: Stepping stone or a dead-end job?

The latter argument provides also an explanation as to why fixed-term contracts are not always seen as an achievement, but rather as a further cause of distress for young people. As the recent experience of several old EU member states shows, temporary work often becomes a low-pay trap. In other words, some young people tend to accept low pay jobs and instead of accumulating work experience to find later high pay, high quality jobs, they remain trapped for many years or also for the rest of their lives. This has led a number of researchers in Europe to ask whether fixed-term contracts should be considered stepping stone or dead-end jobs.

Rigorous empirical research has shown that too often temporary work causes precariousness of labour market experiences (see, among others, Booth, Francesconi and Frank, 2002; Güell and Petrongolo, 2007; and the references therein). Using a macroeconomic model, Staffolani and Nunziata (2007) recently find that fixed-term contracts have worked as stepping stones to permanent employment, whereas flexible temporary agency work regulations seem to induce a substitution of permanent with temporary contracts in the EU15.

According to many scholars, the evidence that too many fixed-term contracts are *in nuce* dead-end jobs call for constraints to the free adoption of temporary work. And also the OECD has contributed to recently shift the debate from the dualism flexibility/rigidity to the definition of the optimal regulation mix to make fixed-term contracts more efficient in providing training and job opportunities for young people.

5. POLICY MIX

The above arguments suggest that labour market flexibility is more effective in the case of more skilled individuals and must be supplemented by pro-active schemes able to reduce the youth experience gap for the least skilled young people.

Taking into account the above two arguments, one should think of the policy to fight youth unemployment as a mix of different instruments, which, in turn, depend not only on the degree of labour market flexibility, but also on efficient educational, training and, more generally, welfare systems and the system of fiscal incentives to hire the weakest groups of youth unemployed.

Theoretical reasoning and the available empirical evidence suggests that educational systems differ in their effectiveness to fight youth unemployment on whether they are:

- a) Rigid versus flexible;
- b) Sequential versus dual.

Rigid educational systems discourage movements across curricula and require long periods of time to obtain a degree. Sequential educational systems envisage training after finishing general education, whereas dual systems envisage that general education and professional training (apprenticeship) be contemporary.

The welfare systems differ according to:

- a) the relative share of pro-active versus passive income support schemes;
- b) targeting and scale of expenditure;
- c) state- versus family-based welfare systems.

Finally, also the size and types of fiscal incentives to hire young people are important.

6. DIFFERENT WELFARE SYSTEMS

European countries can be grouped into four different welfare systems:

- 1) North-European;
- 2) Continental European;
- 3) Anglo-Saxon;
- 4) South-European;
- 5) New Member States

This classification largely overlaps with that elaborated by Esping-Andersen (1990) for old member states. In what follows, we shortly describe the main features of these five systems, providing besides the title also the keyword to identify the specificity of each system. We also shortly summarise the advantages and disadvantages of each system in smoothing school-to-work transitions. For shortness sake, the statistical evidence is reduced to a minimum. In fact, several recent papers provide already a vivid, up-to-date and very much detailed picture of many dimensions of the youth labour market experience (see, among others, Quintini, Martin and Martin, 2007).

6.1. North-European system: Active Labour Market Policy

Essentially, the North-European group includes the Scandinavian countries. They are a quite homogeneous group, though they have shown some different performances in recent years. In this group of countries, the youth unemployment rate is relatively low compared to the EU and the OECD average, but the youth to adult unemployment rate is relatively high, mirroring the low average unemployment rate. Over the 1990s, especially Finland, involved in the Russian financial crisis of 1998, has experienced unusually high (youth) unemployment rate, but the country has been able in few years to reduce it again roughly to the same level of other countries in the area.

The system of education is flexible and sequential. The degree of the overall labour market flexibility is generally low. Job search through employment agencies is frequent. The labour force has a high level of unionisation.

The main feature of this system is perhaps the fact that it relies on a very well developed welfare state system. In fact, passive income support schemes are available for the unemployed. Recently unemployment benefits are given on a contractual basis and, namely, provided based on the obligation to attend training courses. Active labour market policy (ALMP) is implemented on a large scale. There is large evidence of a gross impact of ALMP on youth employment opportunities for those individuals who attended training programmes, though the net impact is a matter of discussion. By net impact of ALMP we mean the gross impact minus the number of those who would have obtained a job anyway, independent of attendance of training schemes (Sianesi, 2004).

The profile of youth unemployed in Sweden, a country representative of this group, is similar to that of Germany, described in the following sub-section: a) Men with long unemployment spells; b) Low social capital: no active participation in social life, no active search for a job; c) Relatively old, but with little educational differences; d) Having children increases the risk of unemployment; e) Training programmes are massive and participation into it has some gross impact on employment opportunities (Caroleo and Pastore, 2003).

The European Employment Strategy (EES) is already largely in place in as much as education, training or job opportunity are offered to each unemployed young people within 6 months of unemployment spell. Overall, young people experience a high degree of employment protection, based on a long tradition of welfare state.

The disadvantages of this system include low social mobility and the high cost for the State budget of the overall system of school-to-work transition. Especially the expenditure in ALMP is very high.

6.2. Continental-European: The Dual educational system

Austria, Denmark, Germany and Switzerland belong to this group. Germany and Denmark have always featured the lowest youth-to-adult unemployment rate

worldwide: it was at about 1 in Germany and slightly more than 1.5 in Denmark in 1995. In other words, in Germany the risk of unemployment for young people is roughly the same as that of adult people. Despite the German reunification and the high unemployment rate of the Eastern länders, still the German youth-to-adult unemployment rate remained below 1.5 in 2005 (Quintini, Martin and Martin, 2007).

The main candidate to explain the success of the Continental-European, and especially the German model is the specific nature of their educational system and especially the so-called dual principle. Apprenticeship is perhaps the most important piece of the German system. At the end of compulsory schooling, young people are offered the opportunity either to attend general high school or to attend vocational school and go into apprenticeship programmes. This dramatically reduces the unemployment rate, offering to workers not wishing to attend the University after secondary high school a high degree of integration in the educational system and, in the meantime, an important training opportunity to become a skilled manual worker.

The weakness of the Continental-European educational system is its rigidity. One important element of rigidity of this system is the fact that those who have chosen at a very young age to go into vocational education have little chance to change their mind and attain higher levels of education later. In fact, it is not allowed to those with a vocational high school degree to go on into university. In a period of increasing tertiary education, this might represent an important constraint to the development of a skilled workforce in the future. For now, however, Germany still scores one of the highest share of young people with a tertiary diploma.

The degree of labour market flexibility is low in Germany, but high in Denmark (so-called “flexicurity system”). Job search happens through employment agencies. There is a high level of unionisation of the labour force. Apprenticeship is provided on a large scale for many high school students. Active labour market policy is provided for the weakest groups. Passive income support schemes are available for the unemployed.

The identikit of youth unemployment in Germany is as follows: a) Men with low education attainment; b) Little work experience; c) Long unemployment spells; d) Low social capital: no active participation in social life; e) Having children increases the risk of unemployment; f) Training programmes have no gross impact (Caroleo and Pastore, 2003).

The advantages of this system are: a) Low youth unemployment; b) Smooth school-to-work transitions; c) High degree of social integration; d) High degree of protection for young people; e) Based on a long tradition.

The disadvantages are: a) Difficult to export, as shown by the experience of the Eastern länders, where the dual system is much less effective; b) The few who drop out have big problems to integrate. They are the bulk of unemployment for the rest of their lives; c) Too many are excluded by university education; d) Low social mobility; e) Very costly for schools, firms and young people. There is also some evidence that the employment opportunities offered to several young teenagers through the dual system vanish when they become young adults.

6.3. The Anglo-Saxon system: High quality of education and labour market flexibility

In the UK, the youth unemployment rate is relatively low at slightly more than 10%, but the youth-to-adult unemployment rate is one of the highest among OECD countries, at almost 3.5 (Quintini, Martin and Martin, 2007). Again this is the consequence of the very low average unemployment rate.

Ireland is a bit of an exception in as much as youth unemployment used to be very high in the past, also as a consequence of low economic growth. In the last two decades, however, economic growth has been astonishingly high in the country and one factor of success has been also the ability of young people to invest in tertiary education, coupled with high foreign direct investment in high tech industries (). As a consequence, the youth unemployment rate and the youth employment ratio are in the country among the lowest compared to the OECD average (Quintini, Martin and Martin, 2007).

The educational system is flexible and sequential. There is a high degree of labour market flexibility, but fewer temporary jobs compared to continental Europe. This is most probably due to the fact that firing costs are generally low in these countries for any kind of labour contract and therefore, there is little need to sign fixed-term contracts.

Unionisation used to be very high in the past, but it is dramatically shrinking from the 1980s, while there is a relatively high degree of decentralised wage bargaining. Job search happens often through private employment agencies. Apprenticeship is available on a small scale. Passive income support is available for the weakest groups, provided that they attend pro-active schemes. Already from the 1980s, the length of unemployment benefits and the possibility of renewal after an employment spell has dramatically reduced to prevent the phenomenon of young people living on the dole for the rest of their lives.

The bulk of unemployment in the Anglo-Saxon system is constituted of people with a particularly poor family background. Otherwise youth unemployment is a temporary phenomenon and the market bears the responsibility to facilitate the passage to adulthood.

The advantages of this system are: a) Low youth unemployment rate, but still high if compared with that of the adults; b) Low share of temporary jobs; c) High level and quality of education; d) High social mobility; e) High degree of social integration; f) Based on a long tradition.

The disadvantages of this system are: a) A bulk of long-term unemployed for those who drop out early from the educational system; b) Low degree of protection for young people; c) Extreme segmentation of the youth labour market; d) Very costly for individuals and households.

6.4. The South Mediterranean System: The family and ... temporary work

Apart from Poland and the Slovak Republic, countries where the unemployment rate is high also due to the dramatic process of transition, France, Greece, Italy, Portugal and Spain score the highest youth unemployment rate in Europe. Italy has also one of the highest youth to adult unemployment ratio, due perhaps to the fact that the average unemployment is shrinking in recent years, though more for the adults. The very high average unemployment rate of the countries in the area explains why they maintain a relatively low youth to adult unemployment rate.

In recent years, the youth unemployment rate has slightly reduced, but at the cost of a dramatic explosion of temporary, often precarious or dead-end jobs. This is particularly the case of Spain, but is common also to France and Italy.

The educational system is generally rigid and sequential. A typical feature of the Italian system is the tendency to make very easy access to tertiary education, which is open to all those with secondary high school, but very hard to complete the curriculum, due to the high indirect cost of studying for a big number of years. It takes usually more than 7 years to obtain a university degree. The introduction of elements of duality and the introduction of a 3+2 educational system have been not much more than a failure.

The degree of labour market flexibility is according to many scholars still low, but it is dramatically increasing especially for the young people, due to the tendency to attain greater labour market flexibility through fixed-term contracts. These last reduce the hiring and firing costs only for those involved. The degree of unionisation of the labour force is generally high, though slightly decreasing in recent years.

Informal networks of family and friends are the main method of job search for young people, which proves to be a rumour rather than a channel to reduce informational asymmetries between employers and employees, as proven by the wage penalty experienced by those using this job search method to find a job (Pistaferri, 1999; Mosca and Pastore, 2007). Apprenticeship programmes were forbidden until recently. The expenditure in ALMP is insufficient and also the institutional context for its implementation is poor. Passive income support from the State regards only dismissed and, therefore, adult workers, while households support the rest of the risk of youth unemployment.

The identikit of youth unemployment in Spain is as follows. Youth unemployed are: a) New entrants (34.6 months; 56 months for permanent job); b) Women, especially with children; c) And low education attainment; d) Trapped in precarious temporary employment; e) That causes frequent unemployment spells; f) Poor family background; g) Positive note? Unemployment shows negative duration dependence, but this is due to the high share of temporary work (Caroleo and Pastore, 2003). In the case of Italy, the identikit of youth unemployment is not much different. ALMP has no impact, not even the gross impact. Interestingly, Caroleo and Pastore (2005) find evidence of what they call a “training trap”: participation into training

programmes does not affect employment chances, but only the probability to participate into other training programmes.

The gender dimension is also a peculiarity of youth unemployment in this group of countries. While in other Northern European countries, men have long had lower educational levels and lower job opportunities compared to their female counterparts, in Southern European countries, women are increasing their educational level only recently and still young women represent the bulk of unemployment. This is due to different attitudes on gender roles, which require that women should be involved in reproduction activities only. In turn, this traditional view is ever more in contrast with the legitimate career ambitions of women and, coupled with little support by the state in favour of conciliation strategies, is causing increasing divorce rate and female age at first birth and, hence, decreasing fertility.

The advantages of this model are: a) Low cost of access to the University; b) Introduction of flexibility and duality in the educational system; c) Move to the 3+2 university system (Lisbon strategy); d) Increasing labour market flexibility; e) Increasing awareness of the youth unemployment problem; f) Households are good support for young people.

The disadvantages are: a) Very long school-to-work transitions; b) Very high youth unemployment rate; c) Low education attainment; d) Low quality of education; e) Failure of the educational reform; f) Increasing job precariousness; g) Lowest social mobility; h) High costs for households;

6.5. The new member states: Building a modern welfare system

Due to the on-going reforms, it is still not clear whether the New Member States are a different group or whether they are better understood as parts of the above groups. In fact, the countries belonging to this group are heterogeneous, but share a common heritage. Consequently, also the outcomes in terms of youth unemployment are similar.

The labour market position of young people in the new member states is on average worse than the EU average and close to that in Southern European countries (O'Higgins, 2005). The ratio of the adult to youth unemployment rate fluctuates between 2 and 3 from one country to the other. Beleva et. al. (2001) find a ration of 2.1 for Bulgaria, whereas Pastore (2005) and Domadenik and Pastore (2006) find a ratio of 2.8 for Slovenia and 3 for Poland. However, almost everywhere the youth unemployment rate is high and large anecdotal evidence suggest that while few particularly skilled young people have been the real winners of transition, most low skill young people have been the losers.

During the socialist system, in Central and Eastern European Countries (CEECs), workers were used to a pervasive welfare state. Unemployment was virtually non-existent due to the commitment of socialist regimes to full employment as a way to exploit the entire labour surplus available (Kornai, 1992), but this implied also the commitment of state firms to provide jobs for all, though at very low wages. Moreover,

the state used to provide also several other benefits to the most in need as well as free social services for all, including childcare facilities, health care, hospices and other services for the elderly. This was possible thanks to very soft budget constraints for state firms, the hidden state budget deficit and strong trade unions.

When transition began (youth) unemployment started to emerge as a new reality and with it a debate started on the need to introduce some kind of employment protection legislation, state subsidies to the unemployed, early retirement schemes and support to inactive people. This type of new welfare state started under the auspices of the early Optimal Speed of Transition models (Aghion and Blanchard, 1994), which suggested that passive income support schemes might be useful to buy out workers from state owned enterprises and win their resistance to the reform process. At that time, the emphasis on rapid restructuring versus gradualism was dramatically affected by the fear of a return to the past and the need to make the transition process irreversible. This way of thinking found an encouraging consensus in the population as well as in all political parties worried to make the increasing unemployment, inequality and poverty socially acceptable. Also a widespread feeling was that the state, not the households should bear the social cost of reforms. The almost immediate consequence was the explosion of the social public expenditure, the pressure on the pension system, the dramatic increase of the dependency ratio, all factors that led the CEECs state budget to the edge of a dramatic collapse.

Only in the late 1990s, when transition seemed to have become irreversible and state budget were suffering dramatic imbalances, the debate has shifted from the gradualism/shock therapy debate to a debate on the optimal design of labour market institutions. Two streams of literature have emerged that this research aims to discuss theoretically and test empirically. Some scholars (Boeri, 2000) started to point to passive schemes as the origin not only of threat for the financial and monetary stability, but also as a source of social distress for the actual way of working of the labour market and, consequently, for the speeding up of a transition process which seemed to experience a dramatic slow down. Boeri (2000) claimed that the right sequence for the implementation of non-employment benefits would have been the opposite of that actually followed: the governments should have started from low passive income support schemes to facilitate the flow from the state sector to non-employment and back to employment in the private sector. Only at a later stage, when unemployment was really involuntary, the governments should have started to provide income support to the losers of transition, namely those who were actually not employable in the private sector.

Other scholars (Micklewright and Nagy, 1999; 2002) advocated that the sequence of reforms was the right one and that income support schemes in the early stages of transition were indeed necessary to help people bear the consequences of dramatic structural and cultural change. Moreover, in the early stages of transition, unemployment was essentially probably involuntary, whereas later when long-term unemployment started to emerge, unemployment benefits should have been reduced to increase incentives to work for non-employed people. Finally, unemployment benefits

have been very low in CEECs also compared to the low average wages and their bite would be minor.

Also in new member states, youth unemployment is worrisome, among other reasons, because it contributes to make harder a dilemma that the young people in CEE have to face between continuing to invest in their own education, therefore reducing the household's budget, on the one hand; and accessing immediately the labour market, therefore contributing to the household income, but reducing their own chance to find gainful employment in the future, on the other hand.

As noted in Pastore (2005), the case of Poland is typical of the changes new member states are currently facing. Poland is the transition economy experiencing the highest degree of structural change and the highest unemployment rate in the area. It adopted a Big Bang approach to the reform process, by introducing simultaneously price and trade liberalisation, together with privatisation and macroeconomic stabilisation already in the early 1990s. A massive flow of foreign direct investment has triggered the process of technological change, on the one hand, and generated the need for skill upgrading of the workforce, especially of the youngest segments, on the other hand.

Over the years, similar to other transition countries, the share of individuals with high education attainment has dramatically increased in Poland and other new member states, together with the progressive abatement of the share of people with vocational secondary degrees (Boeri, 2000). Domadenik and Pastore (2006, Tab. 5 and A5) find that from 1997 to 2002 the percentage of young teenagers (15-19) in education increased from about 84 to 88, while that of young adults (20-24) increased from 20 to 31. The corresponding figures for the early 1990s were 45 and 13 percent respectively. In both cases, Poland seems to be close to the educational targets fixed within the Lisbon strategy for the year 2010.

However, these figures raise an important issue, namely what is the reason of the striking contrast between the excellent (at least quantitative) achievement in educational attainment and the delay in increasing youth employment and reducing youth unemployment rates, which remain well below the Lisbon objectives.

In recent years, almost all new member states have implemented the 3+2 educational reform, while their ratio of expenditure in pro-active versus passive schemes has dramatically increased. The labour market is becoming increasingly flexible, though it remains, according to some observers, still more rigid than the already rigid Europe.

The positive sides of the welfare systems in new member states include: a) The desire of young people to improve their economic condition; b) Deep reforms aimed to modernise the educational and training system; c) The existence of several forms of protection for young people by the State and also by international organisations, including the EU; d) The old tradition of high investment in human capital formation.

The disadvantages include: a) a mismatch between the composition of supply of and demand for skills, which the educational system partly contributes to maintain; b) an excessive trust in the virtues of market forces; c) the low average income of

household and high state deficit; d) the need to cope with increasing external constraints due also to EU accession; e) a massive process of brain drain.

7. CONCLUDING REMARKS

This study has attempted to provide a theoretical framework to think of the youth unemployment problem. The main conclusion is that youth unemployment depends on the hardship young people find in filling the youth experience gap. In a mainstream approach to the issue, it is typical to think that a flexible labour market is the best solution to the youth experience gap. Through sizeable moves across different labour market statuses, young people achieve the human capital they need to become adult and productive, making it convenient for employers to hire them. Therefore, within this framework, labour market flexibility and low entry wages are the best solution to the youth experience gap.

Two main argument cast doubts on the mainstream approach. First, it comes the Heckman, Borjas and Singer argument that there is no duration dependence from unemployment when controlling for omitted skill heterogeneity. The policy consequence is that training programmes are more efficient to reduce youth unemployment than increasing labour market flexibility. Becker's work provides a second important argument: he suggests that fixed-term contract generate sufficient incentive to invest only in the formation of generic, but not of job specific work experience. There is therefore a failure in the market for job tenure, which should be addressed providing some incentives or specific training programmes.

These arguments explain why labour market flexibility is only one of the policy instruments adopted in any country to help young people to fill the youth experience gap. They also let us understand why increasing entry flexibility in traditionally rigid EU countries has reduced youth unemployment only marginally, while generating much work precariousness. Other not less important instruments to fight youth unemployment include the educational and training system, passive income support schemes and so on.

It is certainly difficult to find recipes that accord to the institutional framework of any country and it is clear that in each group of countries there are bad and good performers. However, comparison of the outcomes of different European models of addressing the problem of school-to-work transition suggests that youth unemployment is lower:

- a. With flexible, dual educational systems, which are also more inclusive;
- b. Where labour market flexibility is coupled with high education attainment;
- c. Where ALMP are fine tuned to the needs of the weakest groups: targeting and evaluation are necessary;
- d. If households do not bear all the cost of youth unemployment.

The Lisbon strategy defined by the Special EU Council of March 2000 suggests the importance for young people of investing in human capital accumulation for the future of Europe as "the most competitive and dynamic knowledge-based

economy in the world capable of sustainable economic growth with more and better jobs and greater social cohesion". The analysis carried out in this paper suggests that the Lisbon strategy is a good guide for EU governments to fight youth unemployment. Nonetheless, it also suggests that the Lisbon strategy is difficult to implement due to important institutional and historical differences, and also very costly to implement especially for countries where youth unemployment is very high, such as the Southern Mediterranean and transition countries.

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THE ANALYSIS AND ASSESSMENT OF AN ETHICS MANAGEMENT TOOL - CANADIAN MARKETING ASSOCIATION'S CODE OF ETHICS

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ABSTRACT: *The object of this study is the Code of Ethics and Standards of Practice of the Canadian Marketing Association (CMA). The focus is on the structure, contents and the role of this tool. The developing, upgrading and implementing assigned to this code are compared to the standards proposed by Institute of Business Ethics (London). The fact that the CMA is an organization built upon a professional criteria places all its ethical rules in the area of professional business ethics, but being an association that postulates behavioural frames for marketers, it involves the behaviour of firms and individuals that may, or may not be members of the CMA. Using this type of code, proposed for analysis, the CMA replaces with its contents other business ethics tools (credo, policies and procedures, conduct codes etc.) Actually, Code of Ethics and Standards of Practice presents both the overall strategies that the ACM uses concerning ethics management and the specific policies and procedures for controversial situations from a moral point of view.*

KEY WORDS: *ethics management, codes of ethics, marketing, professions ethics, marketing.*

1. INTRODUCTION

According to its own description found on the-cma.org The Canadian Marketing Association (CMA) is the largest marketing association in Canada representing the integration and convergence of all marketing disciplines, channels and technologies. Along the members of CMA - individuals, firms, and financial institutions, insurance companies, publishing houses, e-commerce practitioners – it is easy to encounter some remarkable brands: Microsoft Canada; The Shopping Channel; Reader's Digest; Xerox Canada; Bell Canada.

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The members of the CMA hold a significant contribution to the Canadian economy, yielding over 480 thousands jobs and generating incomes bigger than 51 billions yearly as a result of sales through different marketing channels. The CMA it's the "voice" of its members, mainly on issues concerning legal aspects, having this aim, the association allocates a considerable amount of resources to efficiently influence solving public policy problems. The CMA has participated in a series of governmentally coordinated actions and workgroups on topics as the following: Privacy; E-marketing; Consumer protection; Postal issues; Avoiding marketing fraud.

One of the key goals of the CMA consists of raising the consumers' trust level in the marketing industry, taking a leading role in receiving and solving the problems that the customers expose. CMA's Code of Ethics and Standards of Practice it's compulsory upon the members and the association offers a program for solving the complaints of the customers known under the label of *Operation Integrity*.

The association promotes the growth of the industry, its development and learning via a network of *marketing councils* that offer a forum for the members, both relational and learning opportunities for those involved in peculiar marketing fields and disciplines. Form an educational point of view, the CMA holds a series of means for professional specializing and knowledge certifying.

The vision and mission of the CMA a distinctively presented directly in the CMA Code of Ethics and Standards of Practice (the code is available, for the following here-in references, on CMA's website [1]), in section A - The Canadian Marketing Association and its subsections – A1 Vision and A2 Mission , accordingly.

The areas on which CMA's objectives are built upon and that are subject to norms elaborated by CMA are:

- The principles of the CMA - imposed upon all the members, excluding from this field the standards of practice that generally govern the marketing activities in Canada;
- Privacy - starting form January the 1st 2004 a new legislative frame appeared in Canada concerning the information that holds a private content. This action has ruled the manner in which the Canadian organizations process information on customers and commercial exchanges. The CMA wants to insure ways and means for organizations to reach and respect those standards;
- Telemarketing - for a long time the CMA has defended the right of the marketers to use the telephone as an instrument to contact the present customers and to reach prospective ones. (The details concerning the initiatives that the CMA took for influencing the legislation in this area are available on their website [1])
- E - marketing – CMA holds a leading role in solving problems that occur via Internet marketing;
- Postal problems – some of the largest users of postal services are members of the CMA. The association has a committee on postal problems that debates key policy issues, new service and products offers and pricing systems with the Canada Post's representatives;
- Consumer protection – the CMA looks forward to improving the laws that rule consumer protection both at the federal and national level.

2. THE STRUCTURE AND CONTENTS OF CMA'S CODE OF ETHICS AND STANDARDS OF PRACTICE

The structure of this formalized document is partially exposed in table 1.

Analyzing the structure of the code, built on two levels of depth, its valuable to make some reflections on the following aspects:

1. The formal aspects: First of all the code was last updated on the 1st of January 2007. It is sensibly lengthy than similar instruments of other professional associations in the area of business and economics. For example: The Advertising Principles of American Businesses - American Advertising Federation (AAF), Ethical Norms and Values for Marketers - American Marketing Association (AMA), Standards of Practice - American Association of Advertising Agencies (AAA), Code of Ethics – Canadian Institute of Management Consultants (CIMC). The Center for the Study of Ethics in the Professions from the Illinois Institute of Technology offers on its website [4] all this (and other) codes belonging to the branch of ethics in different professions – the comparisons used in this paper are limited by the specific objectives of these documents and the structures associated to them. The consistency of this code determines the CMA to rightly call it “comprehensive”. The sections of the code are split into three levels of depth (table 1 presents the branches of the first two levels).

2. Subjects, appliance, responsibility: the subjects on which this code is imposed are the CMA members. The domains highly covered distinctively (section D) by this document are: Consumer Marketing, Business-to-business marketing, Not-for-profit organizations marketing, Organizations marketing internationally. The responsibility for applying the procedures of the code belongs, mainly to the organization as the member quality requires it, and secondly to the directory board of the CMA (section Q). To prove the support of the code section G exposes a series of *must* guidelines.

3. Overreaching principles, global marketing policies: the general principles (H section) regard the accuracy and strictness of personal information management and the borderlines imposed upon marketing campaigns. The universal marketing practices describe the practical side of marketing activities (I section) that interfere with the circle of values held by the community. Making a comparison between the concepts that govern the principles of advertising of the American Advertising Federation and those enumerated by the CMA it is to discern that those of AAF are lighter in content and meaning. The concepts used by AAF are: Substantiation; Comparison; Bait advertising; Guarantees and warranties; Price claims; Testimonials; Taste and decency. We observe that the CMA code makes no reference whatsoever to any specific category of value. For example the document entitled Norms and Values for the Marketers issued by the American Marketing Association points to the following list of values: Honesty, Responsibility, Fairness, Respect, Openness, Citizenship. The CMA code defines explicitly peculiar types of responsibility, but it does not offer a general frame for the typology of those responsibilities. The Code of Ethics published by the Canadian Institute of

Table 1. The sections of the code

A. The Canadian Marketing Association	17 Timeliness	L5 Credulity
A1 Vision	18 Availability	L6 Age-Appropriate Language
A2 Mission	19 Price Claims	L7 Commercial Transactions
A3 Membership	110 Use of the word "Free"	M. Sub-Disciplines and Specific Marketing Practices
B. Purpose of CMA Code of Ethics and Standards of Practice	111 Currency	M1 Direct Marketing and Catalogue
C. Definition of Marketing	I12 Comparative Advertising	M2 Sales Promotion
D. Application	113 Disparagement	M3 Public Relations
D1 Intent of the Code	114 Disclosures	M4 Research
D2 Consumer Marketing	115 Fulfillment Practices	N. Media-Specific Standards of Practice
D3 Business-to-Business Marketing	116 Automatically Billed Products or Services	N2 Magazines, Newspapers and Trade Press
D4 Not-for-Profit Organizations	I17 Unordered Products and Services	N3 Telephone and Fax
D5 Organizations Marketing Internationally	J. Protection Of Personal Privacy	N4 Wireless
D6 Other Codes and Regulations	J1 Ten Privacy Principles:	N5 Internet
E. Responsibility for Marketing Communications	J2 Privacy and Business-to-Business	N6 Direct Mail
F. "Must" Vs. "Should"	J3 Use of CMA Do Not Contact Service	N7 Out-of-Home/Outdoor Advertising
G. Demonstration of Commitment	J4 Opt-Out Opportunity	O. Responsibilities of Service Providers: Suppliers, Media, Call Centres and Advertising/Marketing Communications Agencies
G1 Annual Confirmation	J5 Source of Personal Information	O1 Confidentiality
G2 Supporting the Code	K. Special Considerations in Marketing to Children	O2 List Transfer
H. Overarching Ethical Principles	K1 Age	O3 Screening for Approval
H1 Personal Information Practices	K2 Responsibility	O4 Use of CMA Do Not Contact Service
H2 Truthfulness	K3 Consent	O5 Conflict of Interest
H3 Campaign Limitations	K4 Contests Directed to Children	O6 Disparagement
I. Universal Marketing Practices	K5 Credulity	O7 Misrepresentation
I1 Accuracy of Representation	K6 Age-Appropriate Language	O8 Authorship
I2 Clarity	K7 Commercial Transactions	O9 Responsibility
I3 Disclaimers	L. Special Considerations in Marketing to Teenagers	P. Protection of the Environment
I4 Support for Claims	L1 Age and Application	Q. Enforcement Procedures for the CMA Code of Ethics and Standards of Practice
I5 Disguise	L2 Responsibility	
I6 Testimonials	L3 Consent	
	L4 Exposure to Children	

Management Consultants - CIMC- contains the following classification of responsibilities: Responsibilities to the public, Responsibilities to the profession, Responsibilities to other members, Responsibilities to the client.

4. Emphasizing the main concerns of the CMA: the code reflects the area of topics that are mainly concerning CMA, domains that were previously enumerated and table 2 shows topics distribution in the various sections of the code.

Table 2. Topics distribution in various sections of the code

Topic	Section
CMA's principles	D-D.1, D.6 Q
Privacy	J-J.1, J.2, J.3, J.4, J.5, J.6 N-N.3 O-O.1, O.2, O.3, O.4
Telemarketing	N-N.3 O-O.2
E- marketing	N-N.4, N.5
Postal problems	N-N.6
Consumer protection	K-K.1-K.7 L-L.1-L.7 M-M.3

3. THE CMA CODE - COMPARED TO THE INSTITUTE OF BUSINESS ETHICS' STANDARDS

The Institute of Business Ethics (IBE) [2] is a not-for-profit organization that hopes to encourage the development of superior behavioral standards in the corporative and business environment, pointing to the current problems and to the best policies in the business ethics field to efficiently manage values at the organizational level. IBE is not alone in taking this kind of approach; there are a lot of not-for profit organizations that promote general and professional ethics. (Ethics Resource Center is an excellent example of such a NGO, [3]). IBE recommends a series of policies and standards concerning, the contents and the efficient implementation of the codes of ethics used and produced by corporations. Keeping in mind the organizational traits of the CMA, it is easily noticed that the principles recommended by the IBE to produce an instrument of ethics management cannot be relevant to the case studied here-in. Table 3. exposes the guidelines concerning the implementing and contents of the code.

Concerning the possibility of an analogy of the practices concerning the implementing of the code, the following aspects may be observed: the code represents a powerful tool, an essential part of publicly emphasizing of, and light shedding on, the subjects that are in the core of CMA's preoccupation, hence managerial endorsement, strategic integration and personal response may be labeled as reaching a standard of excellence; the code makes no explicit mention of distribution means and feed-back receiving; public promotion of the code is a compulsory component that CMA impose on its members as a result of their status; the circulation of the code is assured by its on-line publishing; the training opportunities offered by the CMA are larger that just a formal training concerning the code.

As for the contents of the code comparing the contents of CMA's code and the conditions and structures proposed by IBE for the corporative organizations the following aspects deserve to be noticed: the introductive part of the code gives details concerning the vision and mission of the CMA; the third parties and stakeholders are divided using the criteria of marketing policies (industrial marketing, costumer

Table 3. Guidelines concerning the implementing and contents of the code.

Principles for Implementing	Recommended contents
<ul style="list-style-type: none"> - Managerial endorsement - Strategic Integration - Circulation - Personal response - Public affirmation - Contractual obligation - Regular review - Enforcement - Training - Translation - Distribution - Annual reporting 	<ul style="list-style-type: none"> - The purpose and value of the business - Employees (stakeholders) - Customer relations - Shareholders or other providers of financing sources - Suppliers - Society or the wider community - Implementation - Assurance, reporting and previews

marketing); the image and promotion objectives of the CMA are reflected by the sections regarding the protection of different categories of consumers that are highly exposed to immoral marketing practice, this kind of norms ties CMA to general interests held by the society; in lots of cases, the CMA code exceeds the borderline of a specific code used in a peculiar profession - becoming a model for stating rules/norms of general ethics instruments.

4. CONCLUSIONS

The present study reveals the difficulty of the task of analyzing a tool of business ethics, and that is the result of the incapacity to identify practical validation criterions and to find standards of universal value. The comparison between different documents of ethics management can be easily done concerning their structural and quantitative sides, but the problems raised by the analysis of a code involve subjective assessments of the values selected in the document, of the responsibilities classification that are stated. From a different point of view, merely a textual analysis of a document cannot point to the place that this document occupies in the organizational culture, and probably the most objective way to evaluate this aspect is to research the claims of the organization regarding the tool. The blueprint for a realistic ethics code is one that gives a balanced role both to the contingency of the behavioral “flows” in organizations and to the stabilizing rigidity of consciously assumed values, which gives the basis for a multifaceted responsible ethics management preoccupied by all sorts of stakeholders.

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REFLECTION OF LABOUR EFFICIENCY (LABOUR PRODUCTIVITY) WITHIN RATES OF RETURN

CONSTANTIN CĂRUNTU, LOREDANA MIHAELA LĂPĂDUȘI *

ABSTRACT: *Within the modern economy, the role of labour acquires primary coordinates, so that the most general and synthetical marker which characterizes the company's efficiency should be measured by labour productivity. The most important role among the multitude of productivity expressions is held by labour productivity, due to the priority role of labour resource within the range of production factors. The reflection of labour efficiency within rates of return characterizes clearly describes the expression of usage and combination of production factors and of modalities to obtain maximum efficiency.*

KEY WORDS: *productivity, commercial rate of return, physical efficiency, labour.*

The labour efficiency as a production factor shall determine its conversion within all types of rates of return. Thus, into economic rate of return in order to reflect the approach of work volume influence, work productivity could be derived directly from factorial context by means of the relation:

$$\Delta \frac{\bar{Re}}{\bar{Wh}} = \frac{T_1 \cdot (\bar{wh}_1 - \bar{wh}_0) \cdot \bar{pre}_0}{At_1} \cdot 100 \quad (1)$$

To this, we could also attach the influence through costs on sold products. One reaches such an influence by means of calculation:

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$$\frac{\sum qv_i \cdot \left(\left(\frac{Sdi_0}{\bar{t}_i} + \alpha_i \right) - (Sdi_0 + \alpha_i) \right)}{At_1} \cdot 100 \quad (2)$$

where: qv_i - "i" products sold;
 Sdi - direct salaries expense;
 t_i - operating time on product unit "i";
 α - other costs on product unit;
 $\frac{t_{i_0}}{t_{i_1}}$ - physical work productivity on the product unit "i".

Table 1. Case - information required for analysis

Products	qv_{i_0}	qv_{i_1}	t_{i_0}	t_{i_1}	Sdi_0	Sdi_1	α_0	α_1	ci_0	ci_1	\bar{p}_{i_0}	\bar{p}_{i_1}
A	90	100	200	180	412	385	1.373	1320	1785	1.705	2.000	2.200
B	180	200	100	80	400	390	2.000	1800	2.400	2.190	2.800	2.800
C	70	80	120	100	390	375	1.560	1.540	1.950	1.915	2.300	2.400

Table 2. Note

Symbol	LEI RON
At_0	2.500
At_1	3.000
$\sum qv_{i_0} \cdot \bar{p}_{i_0}$	8.450
$\sum qv_{i_0} \cdot ci_0$	7291,5
P_0	1138,5
$\sum qv_{i_1} \cdot \bar{p}_{i_1}$	9.720
$\sum qv_{i_1} \cdot ci_1$	7.617
P_1	2.103
$\sum qv_{i_1} \cdot \bar{p}_{i_0}$	9.440
$\sum qv_{i_1} \cdot ci_0$	8.145
\bar{Re}_0	45,54%
\bar{Re}_1	70,10%

According to the above relation, the physical work efficiency is reflected into the economic rate as follows:

▪ for product "A":

$$\frac{\sum qv_i \cdot \left(\left(\frac{Sdi_0}{t_{i_0}} + \alpha i_0 \right) - (Sdi_0 + \alpha i_0) \right)}{At_1} \cdot 100 = \frac{100 \cdot \left(\left(\frac{412}{200} + 1.373 \right) - (412 + 1.373) \right)}{3.000} \cdot 100 = +1,37\%$$

▪ for product "B":

$$\frac{\sum qv_i \cdot \left(\left(\frac{Sdi_0}{t_{i_0}} + \alpha i_0 \right) - (Sdi_0 + \alpha i_0) \right)}{At_1} \cdot 100 = \frac{200 \cdot \left(\left(\frac{400}{100} + 2.000 \right) - (400 + 2.000) \right)}{3.000} \cdot 100 = +5,33\%$$

▪ for product "C":

$$\frac{\sum qv_i \cdot \left(\left(\frac{Sdi_0}{t_{i_0}} + \alpha i_0 \right) - (Sdi_0 + \alpha i_0) \right)}{At_1} \cdot 100 = \frac{80 \cdot \left(\left(\frac{390}{200} + 1.560 \right) - (390 + 1.560) \right)}{3.000} \cdot 100 = +1,73\%$$

Total A+B+C = + 8.43%

Therefore, within the difference of economic rate of return of 24.56% (70.10 – 45.54), 8.44% represents the result of physical productivity increase (efficiency) of work on products. The same shall be applied for the rate of return compared to long-term capital.

Within the commercial rate of return, as well as the consumed resources rate of return, the conversion of work productivity is also being achieved by means of costs on products, respectively direct salaries (the indirect salaries costs fall under the category of fixed expense, so that the effect of productivity shall be revealed at the level of its sum).

Two solutions could be further displayed, namely:

- a). similarly to economic rate of return (using the index of physical productivity $\frac{t_{i_0}}{t_{i_1}}$);
- b). using time saving on product and respectively, its value equivalent.

For instance, for a commercial rate of return $\bar{R}_c = \left(1 - \frac{\sum qv_i \cdot c_i}{\sum qv_i \cdot p_i} \right)$ means that

the influence of physical productivity could be inferred from the relation:

$$\bar{R}_c = \left(1 - \frac{\sum qv_{i_1} \cdot \left(\frac{Sdi_{i_0} + \alpha_{i_0}}{t_{i_0}} + \alpha_{i_0} \right)}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right) \cdot 100 - \left[1 - \frac{\sum qv_{i_1} \cdot (Sdi_{i_0} + \alpha_{i_0})}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right] \cdot 100 \quad (3)$$

where: α - other costs except direct salaries expenses comprised within the production costs.

If we exemplify on the same data it results that (table no.2):

$$\begin{aligned} \bar{R}_{c_0} &= \left(1 - \frac{\sum qv_{i_0} \cdot \bar{c}_{i_0}}{\sum qv_{i_0} \cdot \bar{p}_{i_0}} \right) = \left(1 - \frac{7.291,5}{8.450} \right) \cdot 100 = +13,71\% \\ \bar{R}_{c_1} &= \left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_1}}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right) = \left(1 - \frac{7.617}{9.720} \right) \cdot 100 = +21,63\% \\ \bar{R}_{c_1} - \bar{R}_{c_0} &= 21,63 - 13,71 = +7,92\% \end{aligned}$$

It is explained from a factorial point of view (by means of revealing the influence of work efficiency) as follows:

1. The influence of production structure:

$$\left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_0}}{\sum qv_{i_1} \cdot \bar{p}_{i_0}} \right) \cdot 100 - \left(1 - \frac{\sum qv_{i_0} \cdot \bar{c}_{i_0}}{\sum qv_{i_0} \cdot \bar{p}_{i_0}} \right) \cdot 100 = \left(1 - \frac{8.145}{9.440} \right) \cdot 100 - \left(1 - \frac{7.291,5}{8.450} \right) \cdot 100 = +0,01\%$$

2. The influence of sale prices:

$$\left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_0}}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right) \cdot 100 - \left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_0}}{\sum qv_{i_1} \cdot \bar{p}_{i_0}} \right) \cdot 100 = \left(1 - \frac{8.145}{9.720} \right) \cdot 100 - \left(1 - \frac{8.145}{9.420} \right) \cdot 100 = +2,48\%$$

3. The influence of costs on products:

$$\left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_1}}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right) \cdot 100 - \left(1 - \frac{\sum qv_{i_1} \cdot \bar{c}_{i_0}}{\sum qv_{i_1} \cdot \bar{p}_{i_1}} \right) \cdot 100 = \left(1 - \frac{7.617}{9.720} \right) \cdot 100 - \left(1 - \frac{8.145}{9.720} \right) \cdot 100 = +5,43\%$$

3.1. The influence of work efficiency:

$$\left(1 - \frac{\sum qv_i \cdot \left(\frac{Sdi_0}{t_i} + \alpha_i \right)}{\sum qv_i \cdot \bar{p}_i} \right) \cdot 100 - \left[1 - \frac{\sum qv_i \cdot (Sdi_0 + \alpha_i)}{\sum qv_i \cdot \bar{p}_i} \right] \cdot 100 =$$

$$= \left(1 - 100 \cdot \left(\frac{412}{200} + 1.373 \right) + 200 \cdot \left(\frac{400}{100} + 2.000 \right) + 80 \cdot \left(\frac{290}{120} + 1.560 \right) \right) \cdot 100 - \left(1 - \frac{8.145}{9.720} \right) \cdot 100 =$$

19,44 - 16,20 = +3,24%

3.2. The influence of direct average salary on time unit:

$$\left[1 - \frac{\sum qv_i \cdot (Sdi_0 + \alpha_i)}{\sum qv_i \cdot \bar{p}_i} \right] \cdot 100 - \left(1 - \frac{\sum qv_i \cdot \left(\frac{Sdi_0}{t_i} + \alpha_i \right)}{\sum qv_i \cdot \bar{p}_i} \right) \cdot 100 =$$

$$= 1 - 100 \cdot (412 + 1.373) + 200 \cdot (400 + 2.000) + 80 \cdot (290 + 1.560) \cdot 100 -$$

$$- \left(1 - \frac{7.830,7}{9.720} \right) \cdot 100 = \left(1 - \frac{8.650}{9.720} \right) \cdot 100 - \left(1 - \frac{7.830,7}{9.720} \right) \cdot 100 = 17,03 - 19,44 = +2,41\%$$

3.3. The influence of other expenses as component parts of costs:

$$\left[1 - \frac{\sum qv_i \cdot (Sdi_1 + \alpha_i)}{\sum qv_i \cdot \bar{p}_i} \right] \cdot 100 - \left[1 - \frac{\sum qv_i \cdot (Sdi_0 + \alpha_i)}{\sum qv_i \cdot \bar{p}_i} \right] \cdot 100 =$$

$$= \left(1 - \frac{7.617}{9.720} \right) \cdot 100 - \left(1 - \frac{7.830,7}{9.720} \right) \cdot 100 = 21,64 - 17,03 = +4,61\%$$

As one could easily notice, physical work productivity by means of direct salaries expense has contributed to a certain 3.24% increase of commercial rate of return. Similarly, we should proceed with a view to revealing the effect of physical

work efficiency on consumed resources rate of return, with the noticeable change that this influence by means of costs is ranked after the influence of structure.

Naturally, the above mentioned shall not reject the ways by which work efficiency as a production factor, exercises influence on different types of rate of return. Our intention was simply to infer the comprehension of different mechanisms through which this efficiency is converted into such economic and financial performances of the company.

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THE ECOTOURISM – A STRATEGIC ALTERNATIVE FOR CONTEMPORARY TOURISM

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ABSTRACT: *This paper argues that ecotourism should strive to achieve objectives which result in “better” ecotourists and a better natural environment. It is recognized that what is seen as better, or a more desirable form of ecotourism, is very subjective and possibly contentious. Nevertheless, the wide variety of definitions of the term ecotourism implies that the debate over what ecotourism is, and what it should be, continues. An analysis and presentation of these diverse definitions as a continuum allows the development of an argument that ecotourists should be encouraged, through the management strategy of the ecotourism operation, to become active contributors to the health and viability of the natural environment. This argument is not a new one; however, the means by which one can measure the desirability of an ecotourism operation in achieving this more desirable state will assist in the comparison of one ecotourism operation against another. Additionally it can provide a basis whereby the success of a new management strategy can be tested.*

KEY WORDS: *the integration of tourism, ecotourism, management strategies, competition, ecotour, ecotravel, ecovacation.*

The argument for the integration of tourism with conservation was first made widespread by Budowski¹ in 1976 in an article. However, the use of the term “ecotourism” can be traced only as far as the late 1980s. Its invention is, in part, the result of the increased recognition of, and reaction to, the negative impacts being caused by mass tourism to natural areas.

The concept of ecotourism is probably equally due to the widespread and growing interest in the natural environment and a corresponding recognition of the importance of conserving natural environmental quality. The idea of visiting and experiencing high-quality natural environments and also protecting them from harmful impacts is now an acceptable and marketable one. As a result, a suitable term which

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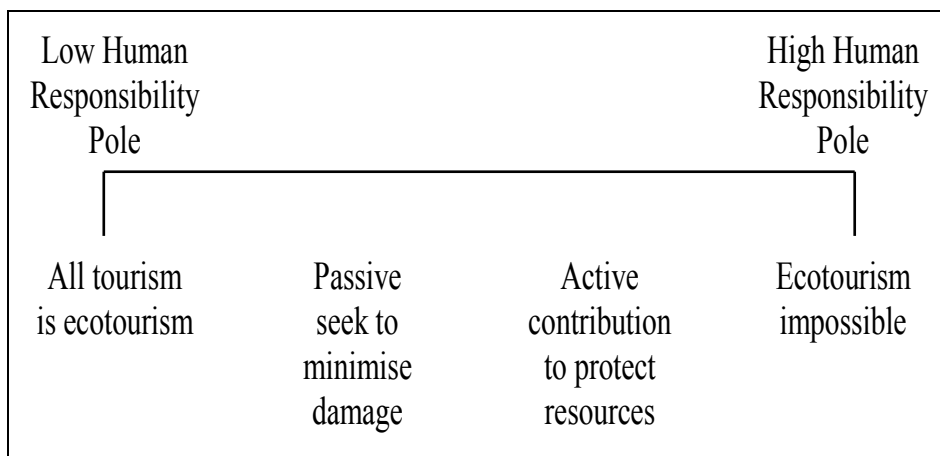
¹ Budowski, G. - *Environmental Conservation*, 1976, 3 27-31

evokes the positive images associated with the term “eco”, for example, in ecology, ecosystem, ecosphere and eco-sensitive, with the activity of tourism has been combined to create a name that expresses a concept which has become popular.

Visiting areas for the purpose of observing and experiencing elements of natural environment is not new. Safaris to wild places in Africa to view wildlife were popular amongst explorers and adventurers from Western Europe during the last century. Recreational activities such as hiking, climbing, cross-country skiing, fishing, canoeing and boating are all based on natural environmental features and were popular long before the term ecotourism ever existed. The activities which fall under the category of ecotourism, therefore, are not new. Rather, it is a new term which has arrived because nature-based recreation and tourism has become increasingly frequent and, to a lesser degree, as a reaction against more traditional forms of mass tourism.

There are a wide variety of names which refer to tourism which has, as its primary purpose, an interaction with nature, and which has, as an integral part of that inter-action, a desire to minimize or eliminate negative impacts. Because of this wide variety of terms and the increasingly widespread adoption of ecotourism as the generic label to describe this kind of tourism, there is a need to define the term more accurately. However, when one reviews the various definitions that have been given to the term ecotourism, it becomes apparent that there are a wide variety of meanings attributed to this label.

Miller and Kaae² views this diverse number of definitions and connotations associated with the term ecotourism as a continuum (see Figure 1).



Note: derived from Miller and Kaae.

Figure 1. The continuum of ecotourism paradigms

² Miller, M.L.; Kaae, B.C. - *Coastal and marine ecotourism: a formula for sustainable development*, Trends 1993, 30 35-41

This continuum of ecotourism paradigms is bounded by polar extremes. At one pole is the view that all tourism (including ecotourism) has negative impacts/influences on the natural world. Ecotourism is, in this view, impossible because any kind of tourism will have a negative effect. At the other extreme, humans are viewed as living organisms whose behaviour is natural and who have no obligation or responsibilities to consider other living things. As a result of this paradigm, people are literally unable to behave unnaturally or “un-ecotouristically”. There is, therefore, no difference between the “natural environment” and the human made environment and all tourism is ecotourism. These two positions represent extreme and unrealistic views. In reality, definitions of ecotourism can be considered as lying in a position somewhere within a range that lies inside these polar extremes (see Figure 1).

Ecotourism definitions can, however, be classified according to their tendency to be consistent with a high - or a low - level of human responsibility. For example, definitions that promote the idea that ecotourism should be active and contribute to the improvement of the natural environment lie toward the high level of human responsibility pole on the continuum. Toward the low level of responsibility are more passive approaches. These are definitions that argue that ecotourists must simply be unobtrusive and seek to minimize their damage to the natural environment.

Examples of definitions of ecotourism can be considered in terms of a position along this continuum. Ceballos-Lascurain, who was probably the first person explicitly to use the term ecotourism, defines as: “...travelling to relatively undisturbed or uncontaminated areas with the specific objective of studying, admiring, and enjoying the scenery and its wild plants and animals, as well as any existing cultural manifestations (both past and present) found in these areas...”.

This definition lies toward the low responsibility pole and can be classified as a passive position. Additional definitions which also take a passive position in terms of the Continuum include those by Zell, who views ecotourism as tourism which is “ecologically responsible”, Muloin, who sees ecotourism as “tourism which is environmentally sensitive” and Figgis, who states that ecotourism should avoid “damage or deterioration of the environment”.

Definitions such as those by Valentine, Richardson, The Canadian Environmental Advisory Council and Ziffer fall into the active Category and can be located toward the high responsibility pole on the continuum (refer to Figure 1). Valentine³ proposes the ecotourism is, or should be, restricted to that kind of tourism which is:

- (a) based upon relatively undisturbed natural areas;
- (b) non-damaging, non-degrading;

³ Valentine, P.S. - *Ecotourism and nature conservation: a definition with some recent developments in Micronesia*, in *Ecotourism Incorporating the Global Classroom*. International Conference Papers, 1992, 4-9

(c) a direct contributor to the continued protection and management of the protected areas used;

(d) subject to an adequate and appropriate management regime.

It is, therefore, a definition which, under part (c), requires that ecotourists take an active and responsibility role and contribute to the quality of the natural environment. Ziffer takes a similar “active” position: “The ecotourist practices a non-consumptive use of wildlife and natural resources and contributes to the visited area through labour or financial means aimed at directly benefiting the conservation of the site...”.

A number of ecotourism definitions are general in nature and fall closer to a central or passive position on the continuum. For example, the United States Ecotourism Society’s definition states that ecotourism is: “...responsible travel that conserves the environment and sustains the well-being of local people”.

In summary, this review of the variety of ecotourism definitions shows that, at a minimum, ecotourism is tourism which is based on the natural environment and seeks to minimize its negative impact on that environment. However, many definitions argue that ecotourists should attempt to do more than simply minimize impacts. They should also contribute to the health and quality of the natural attractions which they visit. It may be that one of the challenges for the ecotourism industry is to assist in moving ecotourists from a minimal passive position to a more “active” contribution to the sustainability of “eco-attractions”.

Ecotourism is big business. It can provide foreign exchange and economic reward for the preservation of natural systems and wildlife. But ecotourism also threatens to destroy the resources on which it depends. Tour boats dump garbage in the waters off Antarctica, shutterbugs harass wildlife in National Parks, hordes of us trample fragile areas. This frenzied activity threatens the viability of natural systems. At times we seem to be loving nature to death.

This statement typifies the concerns of many regarding the increasing number of tourists who are visiting natural areas and who are having a detrimental impact on those areas. Others, such as Wight caution that the ecotourism label is being utilized to take advantage of a “greening” of the economic marketplace and to “eco-sell” tourism and travel. In some cases ecotourism may well be nothing more than a new marketing gimmick which dresses up existing tourism attractions in an attempt to increase market share.

There is no question that “green” sells. Almost any terms prefixed with the term “eco” will increase interest and sales. Thus, in the last few years there has been a proliferation of advertisements in the travel field with references such as ecotour, ecotravel, ecovacation, ecologically sensitive adventures, eco(ad)ventures, ecocruise, ecosafari, ecoexpedition and, of course, ecotourism.

Despite many countries and agencies looking towards ecotourism as an answer to both economic and conservation objectives many remain unconvinced that such ventures are a panacea that both protects the environment and supports economic

activity. Considerable debate exists over whether eco-tourism can be sustainable and what management regimes/strategies can be employed to minimize the negative impacts which are associated with anthropogenic influences on natural ecosystems.

At a basic level, the overall goal of management strategies designed to control interaction between tourists and the natural environment is twofold: first, to protect the environment from detrimental impacts and, second, to provide for and promote enjoyable tourist experiences. However, it was suggested earlier that an objective of ecotourism experiences should be to attempt to move the visitor experience beyond mere enjoyment to incorporate learning and to facilitate attitude and behaviour change. Additionally, it is argued that ecotourism management regimes should attempt to move ecotourists from a passive role, where their recreation is simply based on the natural environment, to a more active role where their activities actually contribute to the health and viability of those environments. The success of a management regime can, therefore, be measured in terms of its effectiveness in moving the ecotourist experience towards these desired objectives (see Figure 2).

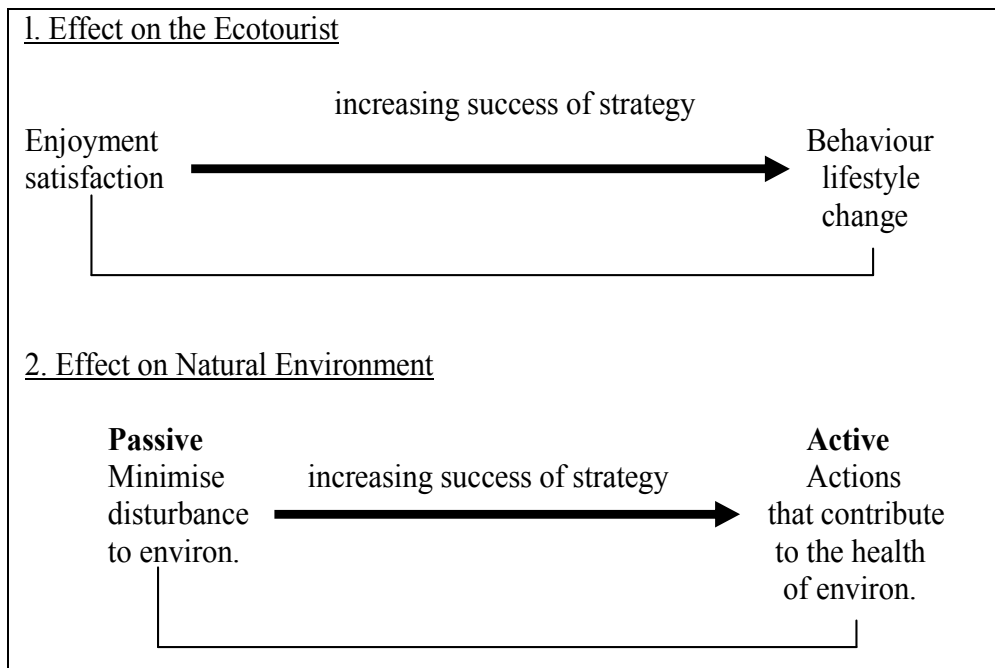


Figure 2. Objectives of ecotourism management strategies

It is recognized that this view is somewhat idealistic. However, the relative youth of the ecotourism industry (or at least the relatively recent recognition of its existence and importance) and the apparent struggle to agree on a definition for it, suggests that a framework which allows ecotourism operations to be measured is

needed. This kind of model can help clarify the place of various ecotourism operations within the wider ecotourism field.

In order to measure the success of management strategies in achieving a shift towards the aforementioned objectives a number of indicators need to be selected. These outcome indicators are shown in Figure 3.

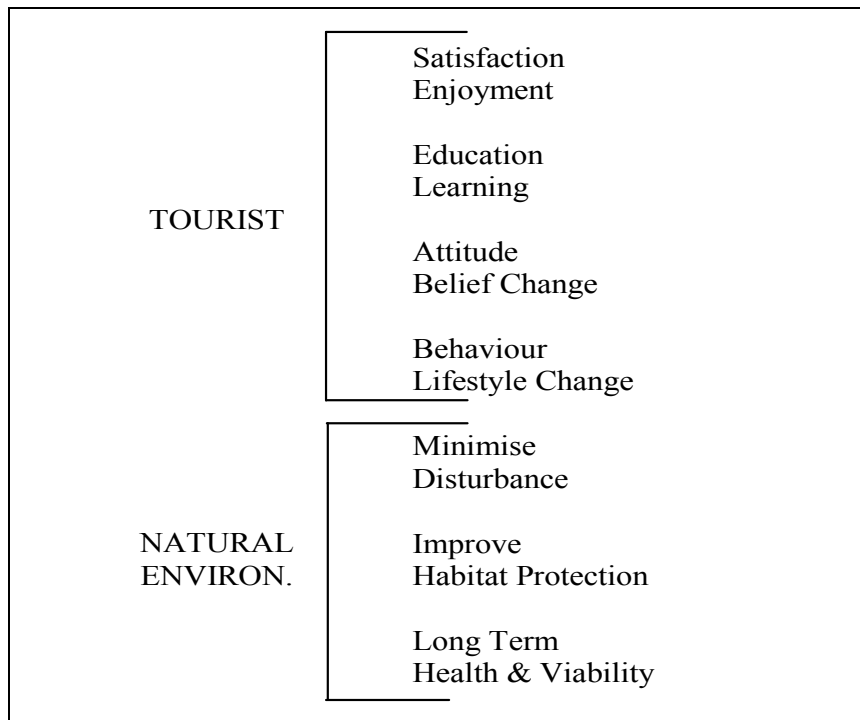


Figure 3. Outcome indicators

At the most fundamental level the success of any management regime can be measured in terms of its impact on tourist satisfaction and enjoyment. A good management regime will rank highly on this indicator. However, more complex educational and behavioural objectives may be achieved if the management strategies are particularly effective.

The intermediate steps which assist in this transition from enjoyment to behaviour change are, initially, the facilitation of education and learning and, subsequently, the changing of attitudes and beliefs to those that are more environmentally and ecologically sound. These four indicators, satisfaction-enjoyment, education-learning, attitude-belief change and behaviour-lifestyle change, can be used to measure the effectiveness of a management strategy in achieving the transition illustrated in Figure 2.

It is also important to assess both the direct and indirect, short - and long - term effects of tourist use on the natural environment (the second objective). These impacts can occur in many ways and differ widely depending on the environment on which the ecotourism is based. Nevertheless, the second sets of indicators shown in Figure 3 are suitably broad categories under which progress towards desirable ecotourism can be measured.

More specifically, these indicators can assist in measuring the transition from a passive position, where the ecotourist seeks to minimize detrimental impacts on the natural environment, to an active position where the ecotourism actually contributes to the health and viability of the environment. These three indicators, to minimize disturbance, to improve habitat protection and to contribute comprehensively to the long-term health and viability of the natural environment represent suitable measures of the desired transition outlined in Figure 2.

Collecting data to test hypotheses from each outcome indicators for tourists is not difficult. Accepted social science information-gathering techniques such as questionnaires and intercept interviews can be used to gather data on tourist enjoyment and satisfaction. Similarly, the level of learning, the degree of attitude change and tourists intention to change behaviour can be questioned. These data can be collected using a before-and-after type research strategy where the data collected before the ecotourism experience are compared with the data collected after to allow assessment of the effect of the ecotourism experience. Alternatively, a control-experiment situation can be tested where similar groups are exposed to different management strategies or experiences. The results are then compared and differences in indicators analysed.

In order to test for behaviour change a follow-up interview or questionnaire needs to be conducted. It is well recognized that intentions to change behaviour do not necessarily result in actual behaviour change. The follow-up should attempt to gather information on whether the desired behaviour change actually occurred.

Collecting data which allow the testing of hypotheses pertaining to tourist impact on the natural environment is far more difficult. Each environment on which the ecotourism is based will be different and, therefore, indicators selected to monitor progress toward the desired state will need to be chosen carefully. However, for each setting, decisions should be made on what types and levels of change in the natural ecosystem are acceptable. Second, what critical indicators should be used to monitor this change should be determined and, third, what human actions are appropriate and inappropriate for that setting need to be decided.

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CURRENT SITUATION AND TRANSFORMATION OF PUBLIC HEALTH FINANCING MECHANISMS IN THE REPUBLIC OF MOLDOVA

GHEORGHE COSTANDACHI *

ABSTRACT: *The essay discloses the problems are met moldovan public health during reforming financing mechanisms in the transition period, also are presented interests of subjects of this system and informal sources of incomes. Author describes the interests of head physicians of medical institutions in relation to system of financing of public health services consist. The structure of some economic mechanisms designed to implement innovation policy is disclosed.*

KEY WORDS: *system of financing of public health, informal sources of incomes, informal payments, obligatory medical insurance, deficiency of financing of public health.*

The profound analysis and reforming studying shows certain level of a sensitization practically all participating subjects of financing of public health services, and also that that any transformations to system of financing of public health services first of all infringe on interests of subjects of this system. As those acts:

1. Ministry of Public Health of the Republic of Moldova – MPH;
2. District Health Maintenance Departments – DHMD;
3. Municipal Health Maintenance Departments (cities, towns, villages, heads of hospitals);
4. Regional (regional) and municipal enforcement authorities;
5. Territorial structures of obligatory medical insurance.

Possibilities depend on positions and actions of these subjects and productivity of transformations in system of financing of public health services.

In the course of our research performances of heads of system of the Moldavian public health services of different hierarchies from heads of Ministry of Health to separate scientific reports, and also materials reports various health maintenance

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facility as in cities, areas and in a countryside have been investigated and studied, materials of budgets of territorial power structures and their correlation with health maintenance facility are studied. Also different interrogations and interview are spent some; situations in different health maintenance facility, reports and annual explanatory notes to them are studied. Meetings and discussions with different heads and employees of the organizations which are carrying out financing of medical aid and heads of the organizations giving medical aid to the population are held.

Leaning against the aforesaid and using the newest scientific methodology, we can characterize interests of all subjects in relation to reforming of system of financing as follows.

If to study activity of Ministry of Health of Republic Moldova from the point of view of the organization of financing of system, to it subordinated it is necessary to notice, that, despite presence of variety of the program documents accepted by Ministry of Health defining directions of necessary transformations in system of public health services in whole and in mechanisms of its financing in particular, it does not have strategy of reforms accurately thought over and realized by it. Accepted concepts and strategic plans, as a rule, do not contain realization indicators, and under the form remind program documents of Soviet times. By their preparation Ministry of Health considers opinion of other subjects of system of financing of public health services insufficiently.

Ministry of Health does not render the sufficient organizational-methodical help in realization of demanded transformations. Having faced obstacles in practical realization of declared problems, Ministry of Health does not search for new ways of their overcoming and does not bring corrective amendments in declared strategic targets. Rupture between declarations and practical actions with a surprising constancy are reproduced each time at realization of the next concept.

It is possible to explain such position of Ministry of Health in many respects features of interests of its executives. As well as at the majority of officials, at the heart of these interests two components lay:

- A. Aspiration to preservation or increase of the status (imperious powers);
- B. Aspiration to preservation or increase in the incomes.

These two components are interconnected, as the status allows receiving incomes in exchange for made imperious decisions. By presumable estimations of some respondents, real incomes of heads of the ministry many times over exceed their wages.

Indicators of it:

- purchase of expensive cars, apartments in prestigious houses,
- furniture and other subjects of long-term using;
- presence of business at their relatives (more often in public health services sphere),
- a way of life (expensive clothes, a habit to good restaurants, servants presence),
- study of children or grandsons in expensive institutions.

According to our research of feature of interests of workers of Ministry of Health are defined by specificity of sources of their incomes. Thus, we managed to allocate following sources of incomes:

- ✘ gratitude of firms for purchase of medicines and the equipment within the limits of realization of republican target programs;
- ✘ gratitude health maintenance facility for the account of their requirements at definition of the sizes of budgetary financing (in particular, assignment for purchase of the required medical equipment and medicines, on building of new cases, major repairs carrying out, etc.);
- ✘ gratitude district health maintenance department for allocation by it and subordinated to them health maintenance facility financial and material resources (the equipment, medicines) within the limits of realization of republican target programs;
- ✘ gratitude of manufacturers and distributors of medical products and the medical equipment for carrying out of their tests and registration;
- ✘ the gratitude of firms-suppliers for right granting to work without the license;
- ✘ gratitude of the organizations for delivery of the import license of the equipment through customs;
- ✘ gratitude of legal bodies for delivery of a various sort of permissions.

Often gratitude if it is expressed in the considerable sum, has no character of informal payments, and the Firm-addressee arrives in the form of non-cash payment to any firm for ostensibly rendered services, the given products, etc. has possibility to transfer the cashed money to real officials. Such mechanism, on the one hand, helps the official to save the face: he asks money not to itself (himself) personally and ostensibly for the help of other organization of public health services, to welfare fund, etc. On the other hand, this mechanism allows securing itself against possible prosecutions of law enforcement bodies.

For preservation or increase of the status officials should follow accurately all instructions arriving from above, in this case from the government. If the government demands performance of reforms Ministry of Health will spend them. If requirements are indistinct or uncontrollable is faster, all reshaping of transformations will proceed.

Officials traditionally minimize the activity, knowing, that probability to lose a place is considerable above in case of not too successful activity, than at a divergence. As a rule, at officials the motivation on avoidance of failures is stronger than orientation to success achievement. At the same time to officials well-known, that performance of all orders from above does not give a guarantee of preservation of the position in the ministry; any ranking officer of the ministry can easily lose the place at change of a management of Ministry of Health. And such changes occurred until recently very often.

To secure it, officials spend a lot of energy for creation of base in case of loss of a ministerial post. They create private commercial structures in public health services sphere, open for itself new institutes, hospitals, chairs, receive a professorial rank, provide existing hospitals with the equipment counting on possibility

subsequently to pass in these hospitals and to participate in reception of incomes of commercial use of this equipment, and in the long term, maybe, and to privatize them.

Thus, real priorities of activity of executives of the ministry, most likely, are:

- preservation of the positive image in the opinion of a higher management on which its stay in a post depends;
- preservation of the positive image in the opinion of a higher management on which its stay in a post depends;
- personal material welfare, search of ways of reception of money over the official salary.

Thus, in our opinion, force of interest of officials to reform of system of financing of public health services depends on force of requirements of its carrying out and the control over it from a higher management, and also from in what measure planned transformations can change possibilities of officials in creation of "spare places» and increase in own incomes.

The systems of financing of public health services established above a problem and direction of their decision do not open before officials of Ministry of Health of new possibilities of the decision of these problems. And it, apparently, in many respects explains insufficiency of their initiative and efforts in advancement of necessary transformations.

Further we will try to analyze a situation in District Health Maintenance Department. Interests of heads district health maintenance department in the basis differ from interests of executives of Ministry of Health, as however, and from other officials a little. Them also moves desire to keep the post and the incomes.

It is possible to carry to prospective sources of their incomes:

- Gratitude of firms-suppliers for purchase of medicines and the equipment for subordinated health maintenance facility (it is possible, it is the basic source of the income);
- Gratitude of civil engineering firms for granting of the right of building, reconstruction, major repairs subordinated health maintenance facility;
- Gratitude subordinated health maintenance facility for the account of their requirements at definition of the sizes of their financing from the regional budget;
- Gratitude of the medical organizations and privately practicing doctors for delivery of licenses for medical activity;
- Gratitude of the organizations for reception of a various sort of the permissions which are given out district health maintenance department.

For preservation of the post it is necessary to support the positive relation to from heads of regional authorities and Ministry of Health. In not developed relations with Ministry of Health mean, that a little that will receive region at distribution of resources within the limits of performance of programs, and it will lower the status of heads district health maintenance department in an estimation of their immediate superiors - heads of regional administrations.

As the regional authorities, especially on the threshold of elections, depend on electorate, they are interested in good level of rendering of medical aid to the

population, or, at least, in absence of social intensity. At the same time a real priority of activity district health maintenance department is creation of conditions for qualitative medical aid to regional elite.

In a choice of priorities of the policy heads district health maintenance department depend not only on regional authorities and Ministry of Health, but, at the same time, and from head physicians subordinated to them health maintenance facility, and, besides, from heads of municipal bodies of public health services. Quality of performance by that of decisions district health maintenance department, public opinion formation about an overall performance of heads district health maintenance department can essentially affect stability of their stay in the post.

Heads district health maintenance department in the majority are not inclined to carrying out of reforms under own initiative and will introduce innovations only under the pressure of the regional authorities and Ministry of Health. Even possessing the big powers on management of regional systems of public health services, they will not carry out reform rigidly enough and consistently while will not believe in their necessity. Besides, they always have reasons not to hurry up - unwillingness to risk stability of work of regional system of public health services and threat of possible decrease in the status, reduction of powers in case of failure of spent transformations.

Interests of heads of municipal and city bodies of public health services are similar to interests district health maintenance department. Therefore city bodies can significantly oppose the policy to the initiatives proceeding from higher bodies.

As municipal authorities depend on voters more than republican, and, hence, are interested in relative satisfaction of the population of a city by health services level also heads of regional public health services are substantially interested in it. This interest is caused also by that level of their salary basically is defined by the head of local administration (and it can be essential above the official salary of the head physician in a city), and the size of informal surcharges is insignificant. Apparently, informal payments from the heads health maintenance facility it does not arrive, there are only thanks from firms-suppliers, but scales of purchases of medicines and the equipment in these systems of public health services are insignificant.

Thus, priorities of activity of heads of municipal public health services are:

- maintenance of satisfaction of the population with health services level;
- preservation of the positive relation to from municipal authorities on which their stay in a post depends;
- preservation of positive relations with municipal bodies of public health services;
- personal material welfare, search of ways of reception of money over the official salary.

As a rule, regional bodies of the executive and representative power do not consider now public health services as priority sphere. Their relation to reforms in public health services is connected with the general political position. If the regional administration politically supports the government and the president - at least, in words - it supports reforms, otherwise resists to them.

At the heart of interests of heads of regional authorities the same two fundamental components, as at other officials lay: preservation of the status and increase in incomes received thanks to this status. But, as in difference, for example, from officials of Ministry of Health, they depend on voters, especially on the eve of elections are interested in good level of rendering of medical aid to the population, at least, in absence here social intensity. At the same time they want, that to regional elite there was a timely and effective medical aid. Sources of their informal incomes, apparently, lay out of public health services sphere.

Accordingly a priority of regional heads in public health services sphere is maintenance of such level of rendering of medical aid which will be apprehended by electorate more or less well, at least, will not cause social intensity. Regional heads will support only such reforms which will not cause discontent of the population. In this context not unimportant value is played by municipal authorities. Their interests in application to public health services are close to interests of the regional authorities. It is important to them to provide certain level of health services of the population to get electorate support, sufficient for a victory in the subsequent elections. But they are more sensitive, than regional heads, to satisfaction of the population public health services condition as are more close to voters and those have possibility directly to connect their actions with changes in availability and quality of service in municipal health maintenance facility. It does municipal heads more likely by opponents of reforms in public health services, than their supporters as changes in conditions of payment of medical aid, network re-structuring health maintenance facility are fraught with risk of a negative estimation of occurring changes from agricultural population. At the same time they are ready to support such innovations in the organization and financing of public health services which are directly expressed in improvement of health services of the population of the given municipal union.

Territorial structures of obligatory medical insurance as a whole more other subjects are satisfied by an existing situation. Their main interest consists in preservation of the existing position allowing them at a minimum of responsibility to have high formal earnings and informal incomes. They are ready to support any reforms which are not worsening them of position, but will resist to any changes infringing on their interests and personal interests of their heads.

The analysis of the insurance medical organizations has shown what exactly these subjects of system obligatory medical insurance are interested in preservation of the position in system of financing of public health services - in increase in the sizes of means with which they operate.

Discussed directions of necessary reforming of system of financing of public health services as a whole are equitable to interests of bigger part of insurers as strengthen their role of the buyer of medical services for the insured population, create conditions for development of obligatory and voluntary medical insurance. At the same time in a scale of priorities on the first place for insurers nevertheless there is a preservation of that they have now, *a preservation of existing formal and informal rules of financing in public health services.*

Feature of the Moldavian insurers is that they do not represent itself as the organized group of special interests which are carrying out collective actions on advancement of necessary changes in the legislation. Insurers prefer to operate alone, protecting an own insurance field, the individual role in the organization of movement of financial streams in system obligatory medical insurance.

Let's consider also interests of heads of the basic link of system of public health services, addressees of means from bodies of public health services, funds obligatory medical insurance, insurers - *head physicians of medical institutions*.

Their interests in relation to system of financing of public health services consist in the following:

- ✓ Maintenance of productive work of health maintenance facilities, estimated by the criteria used by higher bodies of management (indicators of quantity of the treated patients, death rates, circulation cots, average duration of stay of patients in hospital etc.);
- ✓ Maintenance of the positive relation to from heads of higher bodies of public health services on whom depends not only their appointment to a post, but also financing level of health maintenance facilities;
- ✓ Maintenance of the personal material welfare which basic sources are: surcharges to the salary at the expense of the incomes received health maintenance facility from paid services; thanks from firms-suppliers for medical products got at them and the medical equipment; own business (more often chemist's, formally belonging to other persons)

Head physicians health maintenance facility will resist to reforms if the last threaten to reduce financing health maintenance facility and to stimulate outflow from them qualified personnel. But head physicians do not possess sufficient force for counteraction to reforms. Nevertheless, their inclusiveness is necessary for effective carrying out of reforms in this process: «the Horse can be tired out compulsorily in water, but it is impossible to force to drink it».

Let's consider now in more details positions of these subjects, and also positions of other potential subjects of reforming of public health services in relation to the basic key component, namely: *economic conditions of rendering of medical aid to the population and possibilities of their change, and also a configuration of interests*.

Subjects of system of financing of public health services have rather descriptive positions both in relation to preservation of guarantees of free health services, and in relation to possibility of legalization of paid medical services, for the sake of reduction an expert of informal payment of medical aid.

Republic Moldova Ministry of Health constantly declares in it the relation about necessity maintenance equation of the state guarantees of health services of the population with state financing volumes. State guarantees are guided by partial reduction of requirements for state financing of public health services at the expense of its re-structuring, including reduction of the hospital places which use has low cost efficiency. Ministry of Health considers that deficiency of financing of public health services should be filled at the expense of increase or budgetary appropriations at

public health services, or increase of payments in Fund of Obligatory Medical Insurance.

The analysis of the given interviews spent with some heads of regional administrations of Republic Moldova, shows, that their positions in relation to prospects of preservation of guarantees of free medical aid are differentiated depending on a development economic level managed area, stability of the power and the developed orientation of social policy.

The more low level of socially economic development of area, the above probability of that its heads will adhere paternal to the focused social policy in which frameworks preservation of guarantees of free medical aid is considered as necessary. Such heads negatively concern more often practice of paid services in public health services, and its legal development consider as undesirable. Similar paternal orientations are shown also by what are rather dependent on the elite and, not wishing to spend any transformations, are capable to destabilize even more the power and to cause negative reaction from the population.

Some heads are focused on rather innovative social policy and consider expedient its differentiation which would consider various possibilities of groups of the population with various levels of incomes on fee in social sphere. Bosses of areas are well informed on scope of practice of informal payments for medical services; however do not see other mechanisms of struggle against the similar phenomena, except legal, marking a lack of legal and legislative maintenance for struggle against the similar phenomena. Some of them recognize, that only thanks to practice of informal payments leading hospitals of regions manage to keep the qualified skeleton of doctors and the experts successfully working in medical institutions.

Heads of municipal unions show even more cautious relation to practice of interventions in a guarantee of free medical aid, and legalization of paid services consider as dangerous enough step, capable to lead mass dissatisfaction from the population. Simultaneously they recognize necessity of the decision of the ripened problems of preservation of guarantees of free health services and coordination of these guarantees with the available financial resources; however the dominating point of view the belief is that these measures should be initiated by republican bodies and cannot be solved at level of one region or municipality.

Heads of territorial controls are assured by public health services, that acceptance of the program of the state guarantees is as a whole a step forward in comparison with previous time. It allows raising a transparency of system of financing of public health services though and it is insignificant. At the same time district health maintenance department are convinced, that «not guaranteed guarantees» is nonsense.

Reduction of volumes of the guaranteed given medical services will cause increase in additional paid services. Difference from present system of paid services will consist that the payment for them will be obligatory for everything whereas now the same service can be given as free of charge, and for money. Preservation of deficiency of financing of the state guarantees promotes: to increase in volume of paid services and informal payments and, as consequence, growth of social intensity; to

outflow of the qualified doctors (in the private medical organizations or in other fields of activity); to deterioration of health of the population.

Position of *municipal controls public health services* practically same. Territorial funds of obligatory medical insurance consider that they should have enough means necessary for a covering of real expenses health maintenance facility on existing norms. For this purpose the authorities should provide receipt of payments for the idle population in full or is centralized to grant the missing sums.

Head physicians of medical institutions recognize expediency of change of guarantees of free medical aid, realistic revision of volume of these guarantees by the state and the regional power, suppose possibility of introduction of additional payments of the population depending on level of those incomes or other groups of the population. Head physician's health maintenance facility, basically, positively estimate practice of development of paid services as thanking it they receive additional incomes on administrative expenses, and also have possibility to raise official level of wages to itself and other heads health maintenance facility of which their administrative commands consist. In spite of the fact that head physicians of hospitals have high level of incomes out of hospitals or use the position in hierarchy for increase of informal incomes, maintenance of controllability with a command remains for them the priority problem which decision is impossible without additional financial resources.

As well as heads of areas, head physicians health maintenance facility are well enough informed on practice of informal payments, however are convinced what to interfere with it probably only in cases of official statements of victims from similar practice or scandals. In spite of the fact that many of them are informed on existence in the clinics of practice of the control over informal payments from managing branches, they recognize, that the mechanisms which have developed it of due results yet do not give.

More consecutive supporters of the control over informal payments are head physicians of the polyclinics which problems are considerably facilitated at the expense of practice of the horizontal control from doctors of polyclinics which in hospitals is expressed much more poorly, however and they mark possibility of influence on informal "washing" practice. Head physicians of polyclinics also are interested in development of paid services, however notice, that for this purpose they yet have no due material resources. Besides, low solvency of the population visiting polyclinics, establishes naturally low level for development of paid services in polyclinics.

Head physicians of private polyclinics do not recognize the arguments which are put forward by head physicians of municipal polyclinics, and are convinced, that a real barrier on a way of development of paid services is low qualification of doctors of polyclinics which anybody for level of medical aid given by that to pay will disagree. They positively estimate prospects of development of paid services in system of private clinics thanks to high level of medical services which in them are given, and are convinced, that the population contingent, concordant to pay for medical services,

constantly grows, and not only at the expense of representatives of highly remunerative families.

Simultaneously head physicians even private clinics mark low readiness of the population to pay for medical aid to children that, in their opinion, speaks the representations which have developed still in the Soviet time that medical aid to children should appear only on conditions free medical services. Head physician's central district hospitals also estimate possibility of revision of guarantees of free medical aid as rather ripened problem, but skeptically express concerning its realization, especially if it is a question of agricultural population with low level of incomes and mass unemployment.

As data of researches of workers of the medical organizations, the more low hierarchy level have shown, the it is less on it than supporters of transformations in public health services. At the same time it is impossible to recognize the given conclusion absolute. A part of doctors show high level of interest in revision of guarantees of free medical aid that speaks desire at any cost to raise level of material incomes which at the majority of them remains rather low. Simultaneously a part of the doctors directly working with patients, notice low material level of the patients, the big share among last so-called social patients that predetermined cautious character of the estimations made them. The majority of these doctors, nearby 2/3, support preservation of guarantees of free medical aid. The others, about third of interrogated doctors, are convinced, that highly remunerative patients can and should pay for medical aid. For the others it should remain free.

As a conclusion we would like to mention that is quiet necessary to implement the experience of countries which recently have become EU- state members in filed of the consequence of reforms in health assistance system.

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THE ROMANIAN ACCOUNTING INFORMATION UNDER THE PRESSURE OF PROVIDERS AND USERS

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ABSTRACT: *In Romania of our days financial accounting and taxation accounting are not the same. They have different objectives, are subject to different rules and serve different purposes. Financial accounting involves the preparation of information for the purpose of decision-makers while the taxation accounting's main purpose is to raise revenue, being an excellent instrument of government economic and social policy. The aim of our study is to research accounting literature and practical experience of Timis county companies to gain an inside into the basis and form of this divergence and to the main creative accounting techniques, as results of this divergence. For the achievement of the proposed objectives the authors based their opinion on a research study by questionnaire realized at county level.*

KEY WORDS: *financial accounting, tax accounting, creative accounting, EU Directives, IFRS.*

1. INTRODUCTION

Globalization has become the main theme for conferences and seminars debate in international academic community. It is a key phenomenon of our age, affecting about every aspect of our live, even accounting area. Globalization, which characterizes the economic world, led to the necessity of understanding and comparison of the financial information of different corporations and also to present the fair view of businesses rather other interests like public interest in taxation.

Romanian accounting developed remarkably in the last fifteen years, as shown by the flow of accounting literature in this field at national level. This development is mainly the result of preparations for EU accession by increased needs for attracting foreign investments, of achieving international comparative analyses, of expressing rules for determining results, of providing minimal accounting information to players on European and international capital markets, as well as of harmonizing and

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subsequently converging national, European and global accounting standards. In view of adhering to the European Union, after 1997 Romania understood the necessity to line up with accounting standards in the Union and increased its efforts for adapting to these requirements.

In our opinion, a great weight in the decision for reforming the Romanian accounting system in that past period was represented by the necessity to take certain measures (including accounting) for helping Romania and its economy to develop and integrate itself among the European countries. Thus, at national level it has been perceived that the accounting harmonization process: will create the premises for attracting direct foreign investments; will reduce costs for Romanian companies looking for financing on international capital markets for preparation of accounting information; will create a benefic frame for development of capital market in our country; will reduce commercial barriers and those related to international monetary cash-flows.

In view of adhering to the European Union in 2007, Romania has to adopt since 1st of January 2006 the European legislation as accurate as possible, even in accounting area. Steps made toward accounting harmonization in the 15 years of social and economic democracy have been important, but not enough. We believe that increase of quality of financial reporting is a key-component of economic development in Romania. In the last years, this requirement became first priority for many European countries or for countries aspiring to the European Union like Romania, and that was the subject of significant reforms in this field. In these new conditions we had to make in Romania a real difference between financial accounting and tax accounting.

From Green point of view “financial accounting and tax accounting are not the same. They have different objectives, are subject to different rules and serve different purposes” (Green, 1995). Accounting involves the preparation of information for the purposes of control and decision making and may require interpretation as well as simply recording factual information. The main purpose of taxation is usually to raise revenue but it is also used as an instrument of government economic and social policy. For a tax system to operate successfully within the law it requires a degree of certainty that may not always be appropriate for financial and commercial accounting. Furthermore there may be alternative methods of preparing accounts that are equally acceptable in terms of accounting standards but the choice of which might be inappropriately influenced by the taxation implications.

By looking at the Romanian situation it is suggested that the adoption of the EU Directives or International Financial Reporting Standards itself had tax consequences, irrespective of any desire to incorporate these standards into the tax legislation. There are different levels of dependency within countries and no country is able to avoid the difficult relationship between accounting and taxation. The tax law in Romania should be continually reviewed by Romanian Government to ensure that it is meeting the needs both of modern business practice and the principles and integrity of the tax system. The different financial interest of Romanian Government, Romanian Company or other users led usually to application of some techniques of creative

accounting by Romanian companies that are applying now EU Directives or IFRS. In the following paragraph we will try to present, as result of our research, some of creative accounting techniques applied by Romanian companies.

2. THEORETICAL BACKGROUND

At international level different accounting patterns of behavior can be identified which are the outcomes of many years of development influenced by factors such as cultural values, legal systems (even tax regulations), political orientations, and economic development. The challenge now is to adapt what has served well in the past to the new global imperatives of transparency and credibility of accounting in order to facilitate efficient flows of capital to the world's financial markets.

In accounting area, the importance of culture and its historical roots is now increasingly being recognized. Nobes made a basic distinction between microeconomic and macroeconomic systems, and a further disaggregation between business economics and business practice orientations under the micro-based classification. Under the macro-uniform based classification, he made a disaggregation between a government/tax/legal orientation and a government/economics orientation.

Looking at this classification, at the Romanian practice level there are several reasons why financial reporting rules and practices might not always be appropriate for determining final tax liability. In these circumstances one of the main reasons could be the divergence in providing financial information between the interest of companies and the interest of the Romanian Government. From our point of view this divergence at financial level could generate the creative accounting.

Creative accounting, as is known in Europe, or earnings management, as is known in United States, is defined by different ways:

- For Schipper (1989) "creative accounting" can be equated with disclosure management, in the sense of a purposeful intervention in the financial reporting process.
- For Merchant and Rockness (1994) creative accounting means any action on the part of management which affects reported income and which provides no true economic advantage to the organization and may in.
- Naser (1993) said "creative accounting may be defined as: the process of manipulating accounting figures by taking advantage of the loopholes in accounting rules and the choices of measurement and disclosure practices in them to transform financial statements from what they should be, to what preparers would prefer to see reported, and the process by which transactions are structured so as to produce the required accounting results rather than reporting transactions in a neutral and consistent way".
- From our point of view, creative accounting transforms accounts from what they should be it is implied that there is some absolute truth in accounting that could be achieved if only the European Directives were applied impartially in Romania.

Along Europe the incidence of creative accounting is particularly strong in the United Kingdom compared with the countries of continental Europe such as France, Germany, Spain or Romania where the Roman law tradition applies and accounting rules do not allow the flexibility that enables accountants to make choices that favor them. In USA the common law tradition is applied as in the UK, but the high risk and cost of litigation have led the accounting profession to formulate agreed, highly detailed procedures that can be justified in court. By contrast, litigation risk is much lower in the UK.

But which is the motivation for creative accounting? Various research studies have examined the issue of management motivation towards creative accounting behavior. Half a century ago, Hepworth (1953) identified several motivations including the existence of tax levies based on income, confidence by shareholders and workers in management that is able to report stable earnings and psychological expectations relating to increases or decreases in anticipated income.

Tax is mentioned as a significant motivator also by Niskanen and Keloharju (2000) in a Finnish context and in Japan by Herrmann and Inoue (1996). In countries with highly conservative accounting systems the 'income smoothing' effect can be particularly pronounced because of the high level of provisions that accumulate. Another bias that sometimes arises is called 'big bath' accounting, where a company making a bad loss seeks to maximize the reported loss in that year so that future years will appear better.

Beidleman (1973) observes the positive effects of income smoothing on expectations, securities valuation and some element of risk reduction for analysts. Other motivations for creative accounting discussed by Healy and Wahlen (1999) include those provided when significant capital market transactions are anticipated, and when there is a gap between the actual performance of the firm and analysts' expectations.

A variant on income smoothing is to manipulate profit to tie in to forecasts. Fox (1997) reports on how accounting policies in some companies are designed, within the normal accounting rules, to match reported earnings to profit forecasts. When these companies sell products a large part of the profit is deferred to future years to cover potential upgrade and customer support costs. This perfectly respectable, and highly conservative, accounting policy means that future earnings are easy to predict.

Company directors may keep an income-boosting accounting policy change in hand to distract attention from unwelcome news. Collingwood (1991) reports on how a change in accounting method boosted a company's quarterly profit figure, by a happy coincidence distracting attention from the company slipping back from being the largest company in the industry in the USA to the number two slot.

Healy (1985) examines managers' earnings manipulations motives where executive compensation is linked to income measurement. Trueman and Titman (1988) discuss managers' motivations to reduce the perception of variability in underlying economic earnings of the firm.

Kamin and Ronen (1978) observe a difference in motivation between managers in owner-controlled and management-controlled firms. Owners who wish to retain control of a sizeable stake and who are therefore not interested in immediate exit strategies are less likely to be motivated to manage earnings.

Creative accounting may help maintain or boost the share price both by reducing the apparent levels of borrowing, so making the company appear subject to less risk, and by creating the appearance of a good profit trend. This helps the company to raise capital from new share issues, offer their own shares in takeover bids, and resist takeover by other companies.

If the directors engage in insider dealing in their company's shares they can use creative accounting to delay the release of information for the market, thereby enhancing their opportunity to benefit from inside knowledge.

It should be noted that, in an efficient market, analysts will not be fooled by cosmetic accounting charges. Indeed, the alert analyst will see income-boosting accounting changes as a possible indicator of weakness. Another set of reasons for creative accounting, which applies to all companies, arises because companies are subject to various forms of contractual rights, obligations and constraints based on the amounts reported in the accounts.

3. METHODS AND RESULTS

To discover and confirm the hypothesis regarding the implications of creative accounting between financial accounting and tax accounting, during the year 2006 we performed a survey on a representative sample of 70 companies in Timiș County, which in 2005 applied accounting standards in compliance with IAS and European Directives. Based on this survey we received answers from the heads of financial-accounting departments regarding a series of questions about Romania applying the European Directives in accounting starting with 1st January 2006.

The main questions were: Do you think the new accounting regulations according EU Directives allow you to apply creative accounting for tax purposes? Which are the main reasons for applying creative accounting? Which are the main creative accounting techniques used by your company? Which are the implications of these creative accounting techniques for your companies? By these questions we tried to question financial controllers from Timis County about their experience of creative accounting and they were able to conclude that a significant proportion of all categories of companies employ creative accounting techniques to some extent.

We examined some particular aspect or technique of creative accounting. All tend towards the conclusion that creative accounting using that particular technique does exist. Adopting and application of European Directives in accounting is considered a step toward integral adopting of International Financial Reporting Standards (IFRS), taking into account that large companies listed on stock exchanges in the European Union apply IFRS since 2005 but also a source for applying creative accounting.

Based on our survey, we registered the following results:

1. *Do you think the new accounting regulations according EU Directives allow you to apply creative accounting for tax purposes?*

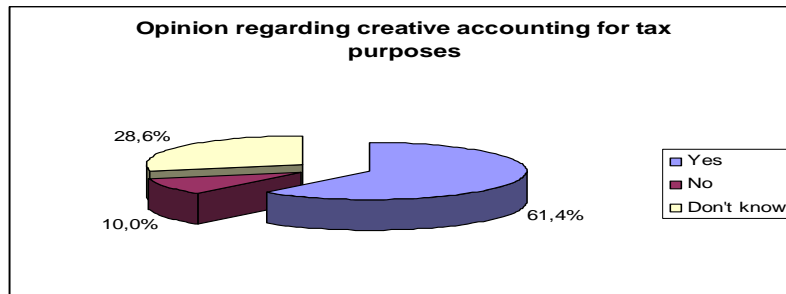


Figure 1. Knowledge regarding creative accounting

As we can see there are a large number of respondents which do not know the concept of creative accounting. This sector is represented by old professional accountants who are accustomed to apply the letter and the spirit of low regulation. A big number of accountants know the creative accounting and the techniques applying in and they admit that they practice creative accounting for tax reasons.

2. *Which are the main reasons for applying creative accounting?*

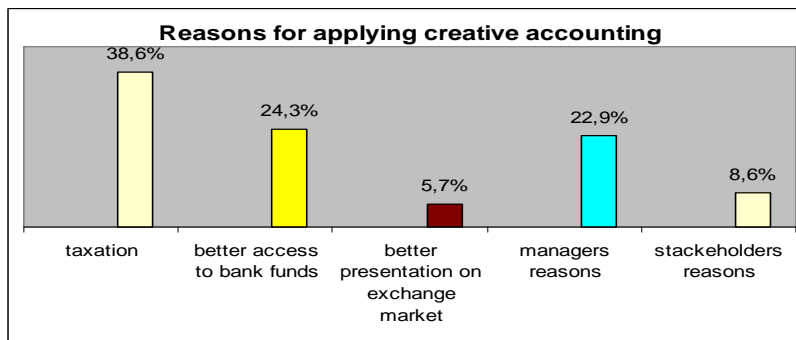


Figure 2. Reasons for applying creative accounting

As we can see from our research the main reason for creative accounting is taxation. In order to avoid the tax income or local taxes the companies try to apply different type of creative accounting. For the companies with managerial mandate, the managers try to arrange the expenses therefore they have good results (a big profit) and also a good managerial bonus. On the other hand Romania is a development country and Romanian companies have a big necessity to get funds for investments. That's why, for a better presentation face to banking institutions the companies try to arrange the accounts in balance sheet.

3. Which are the techniques of creative accounting?

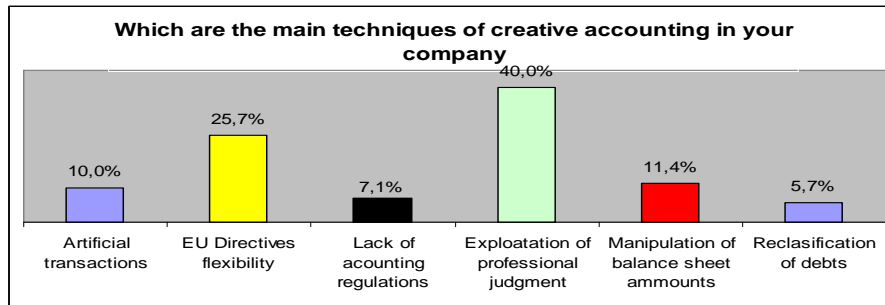


Figure 3. Techniques for creative accounting

The potential for creative accounting is found in few principal areas: regulatory flexibility, a lack of regulation, exploitation of professional judgment, the timing of some transactions, the use of artificial transactions and finally the reclassification and presentation of financial numbers.

The main reason for applying creative accounting techniques seems to be the flexibility of Romanian regulations in the field of accounting. This flexibility allow Romanian accountants to chose different accounting methods and finally to apply the professional judgment. On the other hands in the field of financial instruments for example we can find a lack of fix accounting regulation, and that situation can encourage the creative accounting.

According Largay, Mulford and Comiskey (2002) even in a highly regulated accounting environment such as the USA, a great deal of flexibility is available.

At Romanian accounting practice accounting regulation often permits a choice of policy; for example, in respect of asset valuation (International Financial Reporting Standards and EU Directives permit a choice between carrying non-current assets at either revalued amounts or depreciated historical cost). Business entities may, quite validly, change their accounting policies. But in practice such changes may be relatively easy to identify in the year of change, but are much less readily discernible thereafter.

Other areas are simply not fully regulated. For example, there are very few mandatory requirements in respect of accounting for stock options. In the majority of countries, accounting regulation in some areas is limited: for example the recognition and measurement of pension liabilities and certain aspects of accounting for financial instruments.

Other problem is the character discretionary and nondiscretionary elements of the bad debts provision. For that the accountants must apply professional judgment and the relativity may introduce some manipulations of result for the period. On the other hand our research found a sort of managers acknowledged manipulative behaviors and short-term orientations for their mandate for companies where the managers are not stakeholders.

The company's' artificial transactions can be entered into both to manipulate balance sheet amounts and to move profits between accounting periods. This is achieved by entering into two or more related transactions with an obliging third party, normally a bank. For example, supposing an arrangement is made to sell an asset to a bank then lease that asset back for the rest of its useful life. The sale price under such a 'sale and leaseback' can be pitched above or below the current value of the asset, because the difference can be compensated for by increased or reduced rentals.

Reclassification in balance sheet and presentation of financial numbers are relatively under-explored in the literature. The firms may engage in balance sheet manipulation to reclassify liabilities in order to smooth reported liquidity and leverage ratios. A special type of creative accounting relates to the presentation of financial numbers, based on cognitive reference points. As explained by Niskanen and Keloharju (2000): 'the idea behind this behaviour is that humans may perceive a profit of, say, 301 million as abnormally larger than a profit of 298 million'. Their study has indicated that some minor massaging of figures does take place in order to reach significant reference points.

As we can see from our empirically research even though manager's motivation for creative accounting may be established and accepted in practice. All of the creative accounting behaviors identified in this study was identified through careful analysis of the answers of financial controllers and of financial statements. Some of the manifestations were easier to identify than others, but all should be observable by a reasonably well informed user of the financial statements.

4. CONCLUSIONS

In Romanian accounting practice there are some unusual features of environment that merit special attention. The audit report qualifications are common, even in respect of major listed companies. The majority of qualifications in Timis County companies are oriented on fix assets valuation and to accrued expenses to avoid local taxes or decreases of profit for managers' bonus. In these conditions we ask: if the creative accounting behavior is so obvious, can it properly be classified as creative accounting at all? However, the extent to which users of the statements actually do observe such relatively clear examples of creative accounting is uncertain. It has been observed that analysts' reports in Romania usually fail to mention the existence of audit report qualifications, special authorizations from CNVM (National Securities Commission) or other manifestations of creative accounting practices. Regardless of creative accounting techniques we can suggest some recommendations to combat creative accounting.

Romanian accounting regulators who wish to limit the opportunities in which creative accounting can be used could consider the possibility of approaching separately the diverse situations that allow the application of creative accounting:

The first step towards the reduction of possibilities to use creative accounting is to be made by the Romanian regulators (Finance Minister or National Securities

Commission) and consists in the continuous development of a conceptual framework in the line of professional work. In this way, the objectives of financial information will be clarified and priorities clearly established. In these new conditions the orientations to design accounting rules have a double function, firstly they affect accounting standards-setters but they also establish general criteria which are useful to professionals in that they allow a more profound understanding of accounting legislation, which facilitates the analysis of complex cases and lays the foundations of a professional opinion about accounting practices.

The second step: in the field of election of an accounting method over another creative accounting could be reduced by reducing the allowed accounting criteria or clearly specifying the circumstance in which a method should be applied. It can also help to require uniformity in the use of accounting methods. Today, in Romania the accounting criteria can be changed if it is explained in the Annual accounts' report and the impact of this change is quantified in the result of the company. If the change of criteria is forbidden, when a company chooses criteria, because with it achieves the image that is needed for that financial year, the same criteria will have to be used in future circumstances.

The third step: limitation of financial managers potential abuse using their own opinion could be moderated by using two methods. The first method consists in designing accounting norms which minimize the use of subjective opinions. For example, accountants in the United Kingdom tended to use the extraordinary section in the profit and loss account to include accounts avoiding its inclusion in the ordinary profit. The Accounting Standards Board (ASB) in the United Kingdom responded by abolishing the category of extraordinary accounts.

The second method is that auditors must intensify their role in the identification of bad estimations. When completing auditing reports, these professionals must evaluate if there have been accounting manipulations of the annual accounts. In this area, it is worth mentioning the existing debate around the responsibilities assigned to the auditing function. Audit expectations gap, is the concept used to describe the difference between what is expected from auditors and what is actually established in current legislation. We sustain the opinion that the auditing function should include the evaluation of internal control systems of the company to identify in a preventive manner the cases of creative accounting, or in extreme cases of fraud which can be extremely dangerous for company, for their financial statements users and for the society.

Many managers argue the artificial transactions by invoking the concept of "substance over form", by which is the economic substance and not the legal form of the transaction what determines the accounting substance.

As we have seen in accounting literature creative accounting is perceived as a characteristic of the Anglo-Saxon approach to accounting, very flexible and with scope for different opinions, much more than the continental European model, which traditionally is more rigid and with detailed accounting norms. In any case both approaches have potential for the reduction of the possibilities to control creative

accounting. The continental European model facilitates the reduction of the possibilities to abuse the election of an accounting policy and the manipulation of accounting estimates. The Anglo-Saxon model drives towards the use of 'substance over form' and revaluations.

By applying IFRS and EU Directives the Romanian accounting is in the last years much more closer to Anglo-Saxon approach and the risks of bad presentation of financial information by financial statements is higher and the difference between financial accounting and tax accounting become to be deep.

For this reasons Romanian accountants have to accustom with ethical behavior and CECCAR (The Body of Expert and Licensed Accountants of Romania) make big efforts to develop this concept in our profession. On the other hands the Romanian regulator have to anticipate and action to reduce the techniques of creative accounting. In the last years with the assistance of professional auditors Romanian accounting tend to became more correct and trual fair-view oriented. Without this features Romania will lose at the level of credibility with direct effects on foreign invests or country image.

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SOME ASPECTS CONCERNING MERGERS OF PUBLIC LIMITED LIABILITY COMPANIES IN EUROPEAN UNION

DUMITRU COTLEȚ, ALIN MONEA *

ABSTRACT: *This paper presents some aspects of European Union reglementation regarding merger operatin between two or more public limited liability companies. The Member States need not made a merger in cases where the company or companies which are being acquired or will cease to exist are the subject of bankruptcy proceedings, proceedings relating to the winding-up of insolvent companies, judicial arrangements, compositions and analogous proceedings. Romania as a new Member State of European Union should apply European Union reglementation.*

KEY WORDS: *merger, provision, liability companies, interests, aquisitions, acquiring company*

1. INTRODUCTION

This paper presents some aspects concerning mergers of public limited liability companies of European Union Member States.

The Member States need not made a merger in cases where the company or companies which are being acquired or will cease to exist are the subject of bankruptcy proceedings, proceedings relating to the winding-up of insolvent companies, judicial arrangements, compositions and analogous proceedings.

The Member States shall, as regards companies governed by their national laws, make provision for rules governing merger by the acquisition of one or more companies by another and merger by the formation of a new company.

Merger by acquisition shall mean the operation whereby one or more companies are wound up without going into liquidation and transfer to another all their assets and liabilities in exchange for the issue to the shareholders of the company or companies being acquired of shares in the acquiring company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they

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have no nominal value, of their accounting par value. Merger by the formation of a new company shall mean the operation whereby several companies are wound up without going into liquidation and transfer to a company that they set up all their assets and liabilities in exchange for the issue to their shareholders of shares in the new company and a cash payment, if any, not exceeding 10 % of the nominal value of the shares so issued or, where they have no nominal value, of their accounting par value.

2. MERGER BY ACQUISITION

The administrative or management bodies of the merging companies shall draw up draft terms of merger in writing.

Draft terms of merger shall specify at least:

- the type, name and registered office of each of the merging companies;
- the share exchange ratio and the amount of any cash payment;
- the terms relating to the allotment of shares in the acquiring company;
- the date from which the holding of such shares entitles the holders to participate in profits and any special conditions affecting that entitlement;
- the date from which the transactions of the company being acquired shall be treated for accounting purposes as being those of the acquiring company;
- the rights conferred by the acquiring company on the holders of shares to which special rights are attached and the holders of securities other than shares, or the measures proposed concerning them;
- any special advantage granted to the experts and members of the merging companies' administrative, management, supervisory or controlling bodies.

Draft terms of merger must be published in the manner prescribed by the laws of each Member State for each of the merging companies, at least one month before the date fixed for the general meeting which is to decide thereon.

A merger shall require at least the approval of the general meeting of each of the merging companies. The laws of the Member States shall provide that this decision shall require a majority of not less than two thirds of the votes attaching either to the shares or to the subscribed capital represented.

Where there is more than one class of shares, the decision concerning a merger shall be subject to a separate vote by at least each class of shareholders whose rights are affected by the transaction. The decision shall cover both the approval of the draft terms of merger and any alterations to the memorandum and articles of association necessitated by the merger.

The administration or management bodies of each of the merging companies shall draw up a detailed written report explaining the draft terms of merger and setting out the legal and economic grounds for them, in particular the share exchange ratio. The report shall also describe any special valuation difficulties which have arisen.

One or more experts, acting on behalf of each of the merging companies but independent of them, appointed or approved by a judicial or administrative authority, shall examine the draft terms of merger and draw up a written report to the

shareholders. However, the laws of a Member State may provide for the appointment of one or more independent experts for all the merging companies, if such appointment is made by a judicial or administrative authority at the joint request of those companies. Such experts may, depending on the laws of each Member State, be natural or legal persons or companies or firms. In the report the experts must in any case state whether in their opinion the share exchange ratio is fair and reasonable. Their statement must at least: indicate the method or methods used to arrive at the share exchange ratio proposed and state whether such method or methods are adequate in the case in question, indicate the values arrived at using each such method and give an opinion on the relative importance attributed to such methods in arriving at the value decided on.

All shareholders shall be entitled to inspect at least the following documents at the registered office at least one month before the date fixed for the general meeting which is to decide on the draft terms of merger: the draft terms of merger; the annual accounts and annual reports of the merging companies for the preceding three financial years; an accounting statement drawn up as at a date which must not be earlier than the first day of the third month preceding the date of the draft terms of merger, if the latest annual accounts relate to a financial year which ended more than six months before that date; the reports of the administrative or management bodies of the merging companies. Every shareholder shall be entitled to obtain, on request and free of charge, full or, if so desired, partial copies of the documents referred above.

The laws of the Member States must provide for an adequate system of protection of the interests of creditors of the merging companies whose claims antedate the publication of the draft terms of merger and have not fallen due at the time of such publication. To this end, the laws of the Member States shall at least provide that such creditors shall be entitled to obtain adequate safeguards where the financial situation of the merging companies makes such protection necessary and where those creditors do not already have such safeguards. Such protection may be different for the creditors of the acquiring company and for those of the company being acquired.

Holders of securities, other than shares, to which special rights are attached, must be given rights in the acquiring company at least equivalent to those they possessed in the company being acquired, unless the alteration of those rights has been approved by a meeting of the holders of such securities, if such a meeting is provided for under national laws, or by the holders of those securities individually, or unless the holders are entitled to have their securities repurchased by the acquiring company.

A merger shall have the following consequences ipso jure and simultaneously: the transfer, both as between the company being acquired and the acquiring company and as regards third parties, to the acquiring company of all the assets and liabilities of the company being acquired; the shareholders of the company being acquired become shareholders of the acquiring company; the company being acquired ceases to exist.

No shares in the acquiring company shall be exchanged for shares in the company being acquired held either: by the acquiring company itself or through a

person acting in his own name but on its behalf; by the company being acquired itself or through a person acting in his own name but on its behalf.

3. ACQUISITION OF ONE COMPANY BY ANOTHER WHICH HOLDS 90 % OR MORE OF ITS SHARES

The Member States shall make provision, in respect of companies governed by their laws, for the operation whereby one or more companies are wound up without going into liquidation and transfer all their assets and liabilities to another company which is the holder of all their shares and other securities conferring the right to vote at general meetings. Such operations shall be regulated by the provisions.

The Member States may apply relementation to operations whereby one or more companies are wound up without going into liquidation and transfer all their assets and liabilities to another company, if all the shares and other securities specified above of the company or companies being acquired are held by the acquiring company and/or by persons holding those shares and securities in their own names but on behalf of that company.

In cases of merger where one or more companies are acquired by another company which holds 90 % or more, but not all, of the shares and other securities of each of those companies the holding of which confers the right to vote at general meetings, the Member States need not require approval of the merger by the general meeting of the acquiring company, provided that the following conditions at least are fulfilled: the publication must be effected, as regards the acquiring company, at least one month before the date fixed for the general meeting of the company or companies being acquired which is to decide on the draft terms of merger; at least one month before the date specified above, all shareholders of the acquiring company must be entitled to inspect the documents specified in law; must apply the Member State relementation.

4. CONCLUSIONS

The Member States shall bring into force the laws, regulations and administrative provisions necessary for them to comply with European Union relementation. However, provision may be made for a delay of five years from the entry into force of the provisions referred above for the application of those provisions to unregistered companies.

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ASPECTS REGARDING THE COMPETITIVE SITUATION OF THE NATIONAL PIT COAL COMPANY OF PETROSANI

DIANA CSIMINGA, MIRELA ILOIU *

ABSTRACT: *The paper tries to display a few particular elements regarding the competing analysis within the coal market, wishing to capture certain strategic aspects of the National Pit Coal Company. The approach appeals to a common analysis frame, a key instrument - "the five forces model", starting from the premises that there are enough similarities in the nature of competing forces that manifest themselves on various markets, although each branch exhibits certain particularities.*

KEY WORDS: *market analysis, mining industry, the five forces model, strategic prevision.*

1. INTRODUCTION

One of the main objectives of the mining branch strategy is the approach of the mining activity on open market principles which refers to:

- mining products development in the open market conditions, in competition with any other internal or external suppliers;
- reconsiderations of allotment in order to concentrate the extraction activity on the most productive areas;
- mining production activity on competitive costs.

In order to rise the economic efficiency of National Pit Coal Company activity (the greatest producer of power pit coal and coke pit coal in Romania) as a consequence of an investment strategy, it must be done a competitive status analysis which can predict, in a competitive context, the future of the National Pit Coal Company.

The approach appeals to a common analysis instrument - the five forces model.

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The five “Porter forces” that manage an industry are:

- “Threat of new entrants”;
- “Threat of substitute products or services”
- “Bargaining power of buyers”
- “Bargaining power of buyers”
- “Industry Competitors”; “Rivalry Among Existing Firms”

Having applied this technique of analysis to the situation of the National Pit Coal Company we try to answer the following question :what may happen within the environment the NPC deploys its activity and especially what may happen in its economic environment?

2. EVOLUTION OF THE JIU VALLEY MINING ACTIVITY AND ITS PRESENT CONDITION

The National Pit Coal Company (N.P.C., a joint-stock company) is the main energetic and coke pit coal producer in Romania, being located in the municipality of Petrosani, and exploiting the pit coal deposits of the Jiu Valley and, to a less extent, those of brown coal at Brad – Tebea; this is the reason why when referring to the National Pit Coal Company we mean, in fact, the coal basin of the Jiu Valley.

The strategy of developing the mining branch promoted before 1990 was based upon the concept of “economic self-support” in providing the needed mineral raw materials. As a result of this strategy the mining field was developed to an extent that surpassed the potential of exploitable solid mineral resources the country owned. In fact, during the period 1950 – 1989, coal exploitation at a national level, and especially in the Jiu Valley, had as a foundation a clear strategy that could be defined by the mission formulated for the Jiu Valley by the goals of the centralized management of economy as “the growth, at any price, of coal production, in order to get the energetic independence of the country, as well as the decrease, to a large extent, of coke and coke coal imports”. The consequence of implementing such a strategy determined the development of a mono-industrial activity in the Jiu Valley, the majority of the activities focusing around the activity of coal exploitation.

Taking into account the fact that, at present, the coal of the Jiu Valley is no more demanded by metallurgy, the main activity of NPC consists now in extracting, preparing, and processing pit coal and brown coal with a view of producing electricity in power-stations and thermal energy for population and various institutions.

3. COMPETITIVE ANALYSIS OF THE NATIONAL PIT COAL COMPANY OF PETROSANI

Taking into account the evolution of the last years, after 1990 two important questions raise:

- What is the National Pit Coal Company?
- What will be the National Pit Coal Company within the next 5, 10 or 20 years?

It is very difficult to answer these questions and at the same time a new problem raises waiting for an answer: what may happen within the environment the NPC deploys its activity and especially what may happen in its economic environment?

With a view of answering this question, we have tried to employ an instrument of market analysis, of the competition on the coal market, namely the “five forces” model.

The five “Porter forces” that manage an industry are in fact four economic forces that enter the ground of a dynamic competition considered, by the taxonomy proposed by Michael E. Porter, as “the fifth force” (Filipas, 2006).

1. The risks, threats or obstacles from the part of the new competitors who enter the market segment where the interests of the analyzed company are also present (“Threat of new entrants”)

2. The threat of potential substitutes, products or services having a similar functionality (“threat of substitute products or services”)

3. “Bargaining power of buyers”.

4. Bargaining power of suppliers, the degree of suppliers’ strength, existence of several suppliers or only of a few potential ones, existence of a monopole “Bargaining power of buyers”.)

5. The degree of rivalry among the existent industrial competitors, existence of a strong competition among them, existence of a market domination by one of the competitors or existence of a certain power equilibrium (“Industry Competitors”; “Rivalry Among Existing Firms”). That’s why the fifth “force”, as we have already mentioned above, is rather the economic ground of a dynamic competition among suppliers, buyers, the market entering of certain substitute products having a similar functionality, and the potential entrants that aggressively enter the market segment of a certain “organic” functionality already covered by previous companies.

Having applied this technique of analysis to the situation of the National Pit Coal Company, we exhibit next the factors that influence the N.P.C. market.

3.1. Existent competition

Referring to the pit coal market in Romania we can say that the National Pit Coal Company of Petrosani has no competitor or that such a competitor is almost inexistent. The only company besides N.P.C. that exploits and sells pit coal is the Mining Company Banat Anina, a joint-stock company that detached in 2000 from N.P.C., being directly subordinated to the Ministry of Economy and Trade. Although the pit coal extracted from the mines of Banat Anina company is superior from the point of view of its quality to the one extracted from the Jiu Valley, there are several factors that have made of this company a competitor that does not raise problems:

- On the one hand, the company has a reduced production capacity that cannot meet the demand of Romanian power stations.

- Economic indices (e.g. unitary cost, expenses at 1000 lei commodity production) are inferior to those of N.P.C.
- The distance that separates Anina from the power station of Mintia is quite long (250 km), while the Jiu Valley is situated near the pit coal consumers.
- On the other hand, Banat Anina Mining Company is on the list including the mines that are to be closed so that it cannot be a threat for N.P.C. anymore.

3.2 Potential new competitors

The potential new competitors on the Romanian pit coal market are the following: imported pit coal; pit coal extracted from the areas abandoned by N.P.C.; pit coal extracted from the newly disclosed areas

The only threat may imply imported pit coal as the other two possible competitors do not represent a real threat due to the fact that no new viable areas have been disclosed, and N.P.C. did not abandon good mining areas that are profitably exploited. Imported pit coal may become an attractive option for Mintia and Paroseni power stations in case the Romanian State stops subsidizing pit coal branch, and N.P.C. does not increase labor productivity at a level that allows its functioning without subsidies or in case production expenses per G calorie of pit coal extracted by N.P.C. to which adds the price of internal transport to the beneficiaries surpasses the price of a G calorie of imported pit coal the same beneficiary should pay.

3.3. Clients

In 2006, about 97.6 % of the net pit coal extracted by N.P.C. was sold to a single beneficiary, namely Termoelectrica, (a joint-stock company) a percent that is estimated to maintain in the future too with certain insignificant variations. This percent shows that within a normal market economy, Termoelectrica (especially owing to the power station in Mintia whose pit coal demand is of about 3,000 tons of net pit coal) might have an increased negotiating power within its trading relations with N.P.C. due to its position of single buyer. Yet, such a power is not a real one or does not represent a significant threat for N.P.C. at present owing to certain factors specific to the Romanian nowadays circumstances such as the fact that N.P.C pit coal is subsidized and consequently has a more advantageous price than imported pit coal, and pit coal price is not determined by the demand and offer interaction but by political and macro-economic factors. It may become an important threat in case the power plant of Mintia becomes private and pit coal subsidies would be eliminated, a fact that makes imported pit coal become a better alternative.

3.4. Suppliers

According to the acquisitions made in 2005, a number of 7 companies detain about 70 % of the total amount of N.P.C. acquisitions. Table 1 displays the percent

each important supplying company detains within the total amount of N.P.C. acquisitions.

Table no. 1. The main suppliers of the National Pit Coal Company of Petrosani

Suppliers	Products/Services	Percent within the total amount of acquisitions %
Electrica Deva, a joint-stock company	Electricity	25.73
Unio Satu Mare, a joint-stock company	Spare parts for band transporters	14.31
Global Petrosani, a joint-stock company	Food for miners	12.48
Upsrueem Petrosani, a joint-stock company	Metallic structures, pump and motors repairing	4.65
Comin Petrosani, a joint-stock company	Labor protection, raw materials and other materials equipments	4.51
Umirom Petrosani, a joint-stock company	Metallic structures, other repairing	4.31
Siderurgica Hunedoara, a joint-stock company	SG 23 profiles	3.99
TOTAL		69.98 %

Analyzing the above data, one can notice that N.P.C. does not depend on a single supplier, except for Electrica which is the only supplier of electricity. Yet, the price of electricity is fixed by the National Authority of Energy Regulation so that Electrica has no negotiation power within its relations with N.P.C. Lately, the restructuring and privatizing the national company of electricity as well as the liberalizing of this market determined the need of a “honest” trading behavior of N.P.C. regarding its energy supplying contracts, under the circumstances of enlarging the possibilities of “maneuver” within a market where important consumers may get important advantages”.

3.5. Substitute products

The possible pit coal substitutes are lignite and natural gas. The N.P.C. may be threatened in case the thermal power station of Mintia replaces pit coal with such resources, a fact that is less probable because the power station should adapt its burning boilers to the new type of fuel (that implies important costs); lignite burning is more polluting than that of pit coal and demands large investments made by the power station in order to diminish polluting emissions; the transport of a large quantity of lignite is also expensive, not to mention natural gas that should be imported; accordingly, the power station would depend on imports.

The strategy regarding the energetic field adopted by the Romanian government does not mention the intention of using a new fuel in the power station of Mintia, but the danger would come from nuclear energy, “the nuclear program being considered as the most safe alternative of diminishing Romania’s energetic dependence at present”, as the ministry of economy and trade declared at the end of 2006.

4. CONCLUSIONS

Starting from these aspects it is difficult to state now what will happen in the future with the mining activity of the Jiu Valley.

The strategy of the National Pit Coal Company of Petrosani should integrate within the government strategy which provides the regulating frame that allows each mining company owned by the State to proceed to the elaboration of its own reform programs.

As a solution of the economy condition, the government has elaborated the mining industry strategy for the period 2006-2020, for whose implementation it is constraint by the connections among the mining industry strategy, the energy strategy and the strategy of regional development of the mining areas affected by re-structuring due to the following facts:

- The electricity produced by thermal power stations which use coal is going to represent during the period 2006-2020 about 33-35 % of the total amount of electricity produced in Romania, a fact that also determines a raise of pit coal production from 2,5 million tons/year at present to 3.4 million tons/year in 2010;
- The electricity produced by the nuclear power station which uses uranium fuel produced in our country is going to represent during the period 2008-2020 about 14 % of the total amount of electricity produced by Romania from available internal resources.

Let’s also add the obligations assumed by Romania according to the EU Joining Treaty regarding the support of mining activities as well as Romania’s commitments regarding the administration of nuclear energy programs assumed by EURATOM Treaty.

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THE MATHEMATICAL SUBSTANTIATION OF THE OPTIMUM COMPANY STRATEGY

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ABSTRACT: *Dynamic programming is a method of solving a class of optimizing problems of a special type whose mathematic model belongs to the category of the so-called sequential processes. These processes have as a main characteristic the fact that within their structure one may delineate (although sometimes artificially) several stages (phases) which may be associated to optimum solutions, their dynamics being given exactly by the method of identification of such solutions. The most employed approach is the one that considers strategy as including a succession of adopted strategic decisions during a certain period within the company, according to different functional areas or to certain organizing structural subdivisions.*

KEY WORDS: *company strategy, strategic decisions, mathematical model of optimization.*

Optimum strategy designates an evolution trajectory selected out of a multitude of possible alternatives, whose application either assures the obtainment of a maximum economic effect, or the achievement of the envisaged strategic objectives with minimum efforts.

The problems of adapting the optimum alternatives of global and partial strategies within the company may be solved by operating with acknowledged mathematical instruments such as lineal programming or dynamic programming for which there are algorithms of determining the optimum solutions.

Dynamic programming is a method of solving a class of optimizing problems of a special type whose mathematic model belongs to the category of the so-called sequential processes. These processes have as a main characteristic the fact that within their structure one may delineate (although sometimes artificially) several stages (phases) which may be associated to optimum solutions, their dynamics being given exactly by the method of identification of such solutions.

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Analogically, in the field of management, the elaboration and application of the strategy are processes that can be easily associated with sequential problems structured according to a succession of stages that can include, for example: the adoption of strategic decisions corresponding to a certain period; the achievement of each envisaged strategic objective; the application of the lists and programs implementing the adopted strategic measures etc.

The most employed approach is the one that considers strategy as including a succession of adopted strategic decisions during a certain period T within the company, according to different functional areas or to certain organizing structural subdivisions. According to this reasoning, during each stage (phase) j , ($j = 1, 2, \dots, n$) a strategic decision x_j is selected (the decision of increasing production capacity, the decision of a certain investment volume for each sub-unit, plant or department j etc.). The problem of optimizing requires the determination of a global solution that minimizes or maximizes the objective function of efficiency F , defined owing to partial efficiency functions.

In order to solve such a problem one should appeal to the principle of optimality conceived by R. Bellman, according to which *every optimum strategy is made of optimum sub strategies only*. Subsequently, in order to assure the optimizing of the system of strategies, one should adopt an optimum strategic formula at the level of each subsystem (partial strategy).

The general form of a problem of optimizing a strategy assimilated to a sequential decisional process is made of three simple relations (that determine the objective functions) and of $n - 1$ recurrence relations:

$$\begin{aligned}
 &F_j(0) = 0, j = 1, 2, \dots, n \\
 &F_1(x) = e_1(x), 0 \leq x \leq D_R \\
 &F_{n+1}(x) = 0 \\
 &F_2(x) = \max(\min) \{e_2(x_2) + F_1(x-x_2)\}, 0 \leq x_2 \leq x \leq D_R \\
 &F_3(x) = \max(\min) \{e_3(x_3) + F_2(x-x_3)\}, 0 \leq x_3 \leq x \leq D_R \\
 &\dots\dots\dots \\
 &F_n(D_R) = \max(\min) \{e_n(x_n) + F_{n-1}(D_R - x_n)\}, 0 \leq x_n \leq D_R
 \end{aligned} \tag{1}$$

Where: x_j represents the multitude of admissible decisions for each stage j ;

D_R - the resources available in order to implement the strategy;

F - the objective function or the criterion of optimizing the strategy (income, profit, cost etc.);

$F_1(x)$ - the value of the partial optimum of objective function calculated for the first step of the process of optimizing (during the last stage n of the strategy's period);

$F_2(x)$ - the partial optimum of the objective function determined for the last two stages of the strategy's period ($n - 1, n$);

$F_n(D_R)$ - the optimum value of the objective function (global optimum) that is obtained by gathering all n stages;

$e(x)$ - economic effect or the costs induced by the adopted decision.

Besides recurrence equations, the mathematical model of optimization includes the restrictions system associated with the function – objective. It should provide the framing of the elaborated strategy within the limits of the existing financial, material, human resources the company dispose during a certain period, quantifying concrete demands such as: the limited volume of financial funds that can be allocated for the whole strategy or for each partial strategy; the maintenance within the prefigured terms of achieving the envisaged objectives and of obtaining the effects that limit the field of admissible solutions within the elaborated strategy.

One should also notice that the foundation of mathematical expression (1), and of the problem of optimizing a global or partial strategy, stood *retrospective analysis*. The starting point of such an analysis is the envisaged final strategic objective (final state due to s_n^*); through successive partial optimizations the optimum constituents of the state vector S will be determined, reaching afterwards the initial state s_0^* after going through the following steps: step no.1 determines the optimum strategic decision for the last stage n ; according to step no.2, the chosen decision will try to optimize the last stages considered as a whole; step no.3 will take into consideration the last three stages considered as a whole, and so on, until the initial state s_0 is reached. Obviously, each step will try to optimize the chosen efficiency function, adopting that decision which is going to lead to a extreme value of the objective function. The description of the dynamics of the analyzed system is done owing to the vector of state indicators S which is capable to characterize the technical, material or financial situation of the system at the beginning of each j stage, on the whole or according to the component elements (invariable funds, employees, production and services volume etc.).

Yet, irrespective of the adopted direction regarding the mathematical procedure of solving the problem of optimizing the strategy, it is necessary to specify the terms of the relation established between the partial optimum and the global one of the analyzed efficiency function F . Accordingly, recurrence equations of problem (1) express the fact that any optimum partial strategy of the sequential process interrupted at the phases $j, j+1, \dots, n$ and whose efficiency function is F_{n-j+1} , should include as one of its components the partial optimum relative to the interrupted process at phases $j+1, \dots, n$. Consequently, optional condition is considered separately: for each phase j an efficiency function e_j having real values is associated to it, measuring the quality of decision x_j that exclusively depends of vector s_{j-1} and of the previous phase decision. Global efficiency function F depends on partial efficiency functions, that is:

$$F = F (e_n(s_{n-1}, x_n), e_{n-1}(s_{n-2}, x_{n-1}), \dots, e_1(s_0, x_1)) \quad (2)$$

Taking into account this relation, any partial strategy adopted during a certain phase j of the analyzed sequential process (the optimum of efficiency function associated to the strategic process limited by the first j phases being g_j, s_j), includes the conventionally optimum previous values of the objective function F . They are called values of partial optimum, as they have been appreciated as optimum only according to possible states and results of previous stages.

At the last iteration one gets the optimum value of the global objective function that corresponds to the vector of the optimum partial strategies determined during the previous stages $x^* = (x_1^*, x_2^*, \dots, x_n^*)$. Consequently, if s_n^* is the imposed output state (that describes the determined global strategic objectives), the relation optimum partial strategy – optimum global strategy can be mathematically formalized as follows:

$$F(s_n^*, e_n(s_{n-1}, x_n), \dots, e_1(s_0, x_1)) = \text{OPT } F(s_n^*, x_1, \dots, x_n) = g_n(s_n^*) \quad (3)$$

It is clear that one may notice here the presence, in a particular form, of Bellman principle which, according to the terms of the relation below, has also known other formulations:

- an optimum evolution has the characteristic that, irrespective of its initial state and the decision at the initial moment, the following decisions should provide the optimum behavior when compared with the state obtained as a result of the first decision;
- whatever the state of a system before a following stage, the decision for that stage should be chosen so that its economic effect plus the optimum effect during the next stages be maximum.

One must notice that in case we have in view the modeling of the global strategy approached as a result of aggregating partial strategies in terms of a dynamic programming, the hypothesis of the additive character of the economic effects of partial strategies could, at first, be contradictory to the opinions of certain authors who consider synergy a special component of each strategy. This means that the effects meant to be obtained due to the rational implementation of global strategy should raise to a level superior to the simple arithmetic sum of the effects generated by partial strategies.

Nevertheless, such a contradiction is not a one of essence, but a superficial one because the application of Bellman principle to the problem of optimizing the strategies of a company is not founded on the classical interpretation of dividing the global strategies into partial strategies specific to different fields of the company.

The solution of the problem of optimizing the strategies (irrespective of their degree of complexity) with the support of dynamic programming requires their temporal decomposition (not their spatial one) according to the component stages of the envisaged strategic horizon. Accordingly, a partial strategy designates the coordinates of a decisional process occurring during a certain stage (of 3.5 or even 7 years) together with the concrete ways of allocating and mobilizing the resources and with the envisaged effects as a result of implementing the adopted strategic decision.

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INCOMES AND EXPENDITURES OF THE SYSTEM OF SOCIAL PROTECTION IN THE EUROPEAN UNION

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ABSTRACT: *Within the other policies of the EU, social policy is to be found among those which are not strongly integrated, the member states still having the last word regarding its co-ordination. Nevertheless, there are voices that support the foundation of a common social policy at the European level, this fact being enforced by the similarities of the schemes of social protection of the member states. A conclusive example is the analysis of the incomes and expenditures for social protection of each member state.*

KEY WORDS: *social protection, European Union, incomes, expenditures*

Social protection at the level of the European Union represents those measures, money and material benefits given with a view of protecting the incomes in case social risks appear. The organization and financing of social protection schemes is the responsibility of the member states. Nevertheless, the European Union plays an important part in maintaining the co-ordination of the national systems of social protection, owing to communitarian legislation, accordingly giving the opportunity to all citizens to benefit from an adequate social protection within the Union.

The incomes/inflows of the system of social protection come from social contributions, from general government contributions, and from other sources. According to the ESSPROS 1996 Guidebook, social contributions consist of the contributions paid by the employers and the contributions paid by those who are insured.

The contributions paid by employers are the costs they pay with a view of guaranteeing the access to the social benefits of their employees, their former employees and subordinates. These contributions may be current or imputed and they might be paid both by resident employers and by non-resident employers¹.

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¹ European Commission, Eurostat, *ESSPROS Manual 1996*, p. 26

In 2003, the major sources of financing social protection at the level of 15 countries of the European Union were social contributions that represented 59.9% of the whole, as well as general governmental contributions coming from taxes (38.9%). Social contributions may be divided into contributions paid by the persons who are insured (employees, self-employed persons, retired, etc.) and contributions paid by employers (Table 1).

**Table 1. Incomes of the system of social protection according to categories in 2003
(% out of the whole amount of the inflows)**

	Employers' social contributions	Contributions paid by insured persons *	General governmental contributions	Other incomes
UE-25	38,8	21,1	36,8	3,3
UE-15	38,9	21,1	36,9	3,1
Belgium	50,1	22,2	26,0	1,8
Czech Republic	50,8	24,7	23,2	1,3
Denmark	9,7	20,7	63,0	6,7
Germany	36,6	27,3	34,4	1,6
Estonia	79,2	0,6	20,1	0,1
Ireland	22,8	13,9	61,7	1,6
Greece	37,5	23,5	29,6	9,4
Spain	51,9	16,3	29,6	2,2
France	45,9	20,7	30,0	3,5
Italy	43,1	15,2	40,1	1,6
Cyprus	9,2	25,0	53,5	12,3
Latvia	48,2	17,3	34,4	0,0
Lithuania	54,3	6,1	39,2	0,4
Luxembourg	27,1	24,2	44,8	3,9
Hungary	43,5	14,9	34,8	6,9
Malta	46,5	20,7	29,4	3,4
The Netherlands	32,9	34,8	19,5	12,8
Austria	37,5	26,2	34,5	1,7
Poland	26,8	23,2	33,6	16,4
Portugal	33,4	16,9	40,0	9,7
Slovenia	27,1	39,6	32,0	1,3
Slovakia	49,3	19,2	29,1	2,4
Finland	39,0	10,9	44,3	5,7
Sweden	40,6	8,8	48,8	1,8
Great Britain	32,0	16,8	49,7	1,6

* Ensured persons are the following: employees, self-employed, retired and other persons

Source: European Commission, Eurostat, Population and social conditions, Social protection, 2007

The European average masks major national differences of the structure of social protection funds, the rate of each category within the whole amount of inflows being exhibited by Figure 1. The part financed by social contributions represents about 70% of the whole amount of the funds in Estonia, Czech Republic, Belgium, and Latvia.

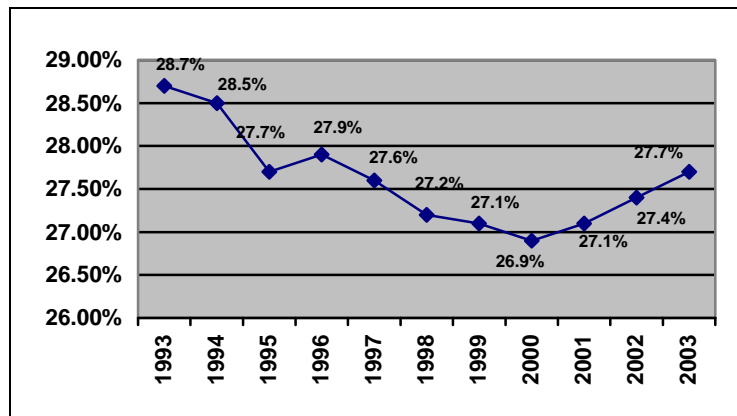


Figure 1. Evolution of social protection expenditures of EU-15 in 2003 (% of the GDP)

Denmark and Ireland finance their systems of social protection mainly from taxes representing over 60 % out of the whole amount. Great Britain, Sweden, and Cyprus also greatly rely upon governmental financing (more than 45 %).

The differences are due to certain historical reasons and to the institutional system that is to be found behind these schemes of social protection. North European countries where governmental financing is predominant, are characterized by „Beveridgian” tradition (within such a system one may only be a resident who needs social protection in order to be entitled to demand social benefits). Other countries observe „Bismarchian” tradition where the system relies upon the concept of insurance (represented by contributions). Nevertheless, the differences among European countries gradually diminish with the increase of financing coming from taxes in those countries where such a thing was done to a smaller extent (France, Germany, Italy, Portugal) and with the increase of financing coming from contributions in those countries where there are high levels of governmental financing.

The contribution of other incomes (such as real estate taxes) is quite low: 3.3 % in 2003 in 25 countries of the European Union. Nevertheless, such a contribution represents more than 10 % in Cyprus, the Netherlands, and Poland. The financing of social protection is also analyzed at a communitarian level from the point of view of budget expenditures. In 2003², the expenditures regarding social protection represented 27.4 % of the GDP in the 25 countries of the European Union (Table 2).

² For this analysis 2003 data are used as 2004 data are provisioned values or estimated values

Table 2. Total expenditures for social protection (in current prices as % of the GDP)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
UE-25	-	-	-	-	-	-	-	26,6	26,8	27,0	27,4	27,3 ^(e)
UE-15	28,7	28,5	27,7	27,9	27,6	27,2	27,1	26,9	27,1	27,4	27,7	27,6 ^(e)
Belgium	29,3	28,7	27,4	28,0	27,4	27,1	27,0	26,5	27,3	28,0	29,1	29,3
Czech Republic	-	-	17,4	17,6	18,6	18,5	19,2	19,5	19,4	20,2	20,2	19,6 ^(p)
Denmark	31,5	32,5	31,9	31,2	30,1	30,0	29,8	28,9	29,2	29,7	30,7	30,7
Germany	27,8	27,7	28,2	29,3	28,9	28,8	29,2	29,2	29,3	29,9	30,2	29,5 ^(p)
Estonia	-	-	-	-	-	-	-	14,0	13,1	12,7	12,9	13,4
Ireland	20,2	19,7	18,8	17,6	16,4	15,2	14,6	14,1	15,0	16,0	16,5	17,0
Greece	22,0	22,1	22,3	22,9	23,3	24,2	25,5	25,7	26,7	26,2	26,0	26,0
Spain	24,0	22,8	21,6	21,5	20,8	20,2	19,8	19,7	19,5	19,8	19,9	20,0 ^(p)
France	30,4	30,2	30,3	30,6	30,4	30,0	29,9	29,5	29,6	30,4	30,9	31,2 ^(p)
Italy	25,7	25,3	24,2	24,3	24,9	24,6	24,8	24,7	24,9	25,3	25,8	26,1 ^(p)
Cyprus	-	-	-	-	-	-	-	14,8	14,9	16,3	18,5	17,8
Latvia	-	-	-	-	15,3	16,1	17,2	15,3	14,3	13,9	13,4	12,6 ^(p)
Lithuania	-	-	-	13,4	13,8	15,2	16,4	15,8	14,7	14,1	13,6	13,3 ^(p)
Luxembourg	23,3	22,9	20,7	21,2	21,5	21,2	20,5	19,6	20,8	21,4	22,2	22,6 ^(p)
Hungary	-	-	-	-	-	-	20,7	19,3	19,3	20,3	21,1	20,7
Malta	-	-	-	16,5	17,2	17,1	17,0	16,3	17,1	17,1	17,9	18,8
The Netherlands	32,3	31,7	30,6	29,6	28,7	27,8	27,1	26,4	26,5	27,6	28,3	28,5 ^(p)
Austria	28,0	28,8	28,7	28,6	28,6	28,3	28,7	28,2	28,6	29,1	29,5	29,1
Poland	-	-	-	-	-	-	-	19,5	20,8	21,2	20,9	20,0 ^(p)
Portugal	21,0	21,3	21,0	20,2	20,3	20,9	21,4	21,7	22,7	23,7	24,2	24,9 ^(p)
Slovenia	-	-	-	24,0	24,5	24,8	24,7	24,9	25,3	25,3	24,6	24,3 ^(p)
Slovakia	-	-	18,4	19,3	19,6	20,0	20,0	19,3	18,9	19,0	18,2	17,2 ^(p)
Finland	34,2	33,7	31,5	31,4	29,1	27,0	26,2	25,1	24,9	25,6	26,5	26,7
Sweden	37,9	36,5	34,3	33,6	32,7	32,0	31,7	30,7	31,3	32,3	33,3	32,9 ^(p)
Great Britain	29,0	28,6	28,2	28,0	27,5	26,9	26,4	27,1	27,5	26,4	26,4	26,3 ^(e)

Source: European Commission, Eurostat, *Population and Social Conditions, Social Protection, 2007*; Note: ^(e)-estimated values; ^(p)-provisioned values

In 2003, the countries of the European Union with average or higher percents (27.4 % or more) represented about 43 % of the population of the European Union; the group with percents ranging between 23 % and 27 % represented almost 32 % of the inhabitants of the European Union; that with percents between 18 % and 22 % of the GDP represented more than 23 %, and the countries that spent less than 17 % of the GDP represented less than 3 % of the population of the European Union³.

³ Eurostat, *Statistic in Focus, Population and Social Conditions*, 14/2006, p.2

The countries exhibiting the highest percents – Sweden (33.3 %), France (30.9 %), Denmark (30.7), and Germany (30.2 %) – spend twice the amount of the three Baltic countries exhibiting the lowest percents – Estonia (12.9 %), Latvia (13.4 %), and Lithuania (13.6 %).

Taking into consideration the 15 countries of the European Union as a whole (for these countries there are available data beginning with 1993), after a percent of 28.7 % of the GDP recorded 1993, the expenditures with social protection dropped to 26.9 % in 2000 (Table 2, Figure 1). This percent increased afterwards continually beginning with 2001 and reached 27.7 % in 2003. Accordingly, 2003 represented a peak year for the 25 countries of the European Union, excepting Czech Republic, Greece, Latvia, Lithuania, Poland, Slovenia, and Slovakia.

This situation reflects rapid increases of the expenditures with social protection as percent of the GDP that nevertheless decreased in the European Union in 2002 as compared with 2001 and then again in 2003 as compared with 2002. The expenditures with social protection target either areas that are not especially affected by the economic environment (such as health expenditures and pensions) or are in fact non-cyclic (unemployment or social exclusion).

The situation within certain new member states of the European Union (Latvia and Lithuania) is a bit different when compared with that of the other states of the EU as their GDP keeps on recording an important increase during the period 2001 – 2003 and the expenditures with social protection as percent of the GDP consequently decreased⁴.

In case social protection expenditures are expressed in PPS⁵ then the differences among countries are more significant (Table 3).

Within the EU countries, Luxembourg spent the most important amount of money in 2003 (11271.8 units of purchasing power per capita), followed by Sweden and Denmark (more than 8000 units per capita).

Baltic countries, on the other hand, are characterized by a very low level: 1411.9 units of the purchasing power per capita or less. Data that represent 7 times less than the level of the 3 countries of the EU having the highest level (medium value).

The differences among countries are partly due to the different levels of welfare and reflect at the same time the differences among the systems of social protection, demographic trends, unemployment rate and other social, institutional, and economic factors.

⁴ Eurostat, *Statistic in Focus, Population and Social Conditions*, 14/2006, p.3

⁵ PPS (*Purchasing Power Standards*): is a measuring unit independent of the national currency that replaces the distortions which are a result of the differences among prices level. The values of this unit derive from the Parities of the Purchasing Power which are obtained as a ponderate mean of the relative percents of the prices of certain goods and services which are homogenous, comparable, and representative for each member state.

Table 3. Social protection expenditures per capita (PPS)

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
UE-25	-	-	-	-	-	-	-	5350,1	5586,5	5823,1	5964,9
UE-15	4682,9	4850,9	4996,0	5267,3	5453,9	5606,1	5861,9	6210,6	6455,0	6712,4	6880,8
Belgium	5181,0	5321,5	5149,0	5429,4	5530,0	5655,0	5862,4	6216,5	6676,7	7100,4	7480,7
Czech Republic	-	-	1861,3	2046,6	2204,3	2218,5	2381,7	2540,9	2667,1	2943,3	3006,0
Denmark	5687,3	6291,4	6123,4	6331,0	6460,1	6657,2	7072,4	7316,3	7612,6	7771,2	8077,8
Germany	5068,5	5262,2	5256,3	5682,9	5774,5	5928,6	6225,6	6572,5	6731,6	7004,2	7119,5
Estonia	-	-	-	-	-	-	-	1186,5	1197,3	1282,0	1411,9
Ireland	2689,3	2817,2	2862,3	2946,4	3148,9	3187,5	3338,5	3572,9	4025,7	4554,2	4803,7
Greece	2399,5	2477,2	2450,5	2624,4	2835,9	3071,1	3387,0	3764,5	4084,8	4357,0	4588,3
Spain	3048,5	3022,7	2931,7	3064,5	3122,8	3223,8	3426,6	3655,3	3785,4	4055,9	4223,1
France	5269,2	5442,5	5383,1	5662,1	5949,5	6160,7	6387,7	6719,4	7027,6	7330,0	7514,8
Italy	4509,3	4628,9	4393,0	4611,0	4905,3	5071,3	5308,5	5626,0	5826,6	6004,0	6045,4
Cyprus	-	-	-	-	-	-	-	2446,2	2629,3	2901,3	3234,6
Latvia	-	-	-	-	864,1	978,7	1104,3	1084,2	1103,2	1156,4	1191,7
Lithuania	-	-	-	773,6	884,2	1057,0	1154,9	1208,3	1234,4	1271,2	1336,0
Luxembourg	6294,0	6478,8	6468,5	6866,6	7136,0	7418,0	8419,8	8795,3	9311,6	10187,2	11271,8
Hungary	-	-	-	-	-	-	2016,8	2091,9	2284,3	2589,5	2764,0
Malta	-	-	-	2173,3	2355,3	2456,4	2537,4	2609,9	2668,1	2792,4	2867,2
The Netherlands	5734,5	5864,3	5659,3	5790,6	5994,7	6083,1	6248,7	6585,0	7019,7	7446,3	7677,1
Austria	5381,4	5761,4	5655,7	5940,4	6100,0	6275,5	6755,9	7121,3	7270,7	7533,1	7712,4
Poland	-	-	-	-	-	-	-	1821,5	1998,4	2112,9	2131,8
Portugal	2263,0	2364,7	2465,6	2480,9	2671,9	2935,6	3230,3	3513,2	3789,2	4053,6	3839,5
Slovenia	-	-	-	2723,3	2988,1	3194,4	3429,2	3652,0	3895,7	4058,6	4061,5
Slovakia	-	-	1275,3	1476,0	1595,7	1708,9	1767,3	1848,3	1923,3	2092,8	2060,0
Finland	5293,5	5470,3	5109,2	5353,2	5460,4	5448,5	5551,3	5750,9	6001,9	6339,5	6510,3
Sweden	6533,5	6631,6	6244,7	6384,6	6468,3	6543,4	7019,5	7346,9	7517,4	7904,4	8385,8
Great Britain	4630,1	4854,7	4743,5	5002,2	5283,1	5389,0	5529,6	6087,3	6488,4	6594,4	6700,1

Source: European Commission, Eurostat, *Population and Social Conditions, Social Protection, 2007*

Social protection expenditures include the following⁶:

1. Social benefits that consist in money or goods transfers to households or individuals with a view of their protection against a definite set of risks or needs;
2. Administration costs that represent the expenses determined by organizing and administrating social protection schemes;
3. Other expenditures that consist in mixed expenses of the social protection systems (payment of real estate incomes and other payments). In fact, the real estate income usually refers to the interest paid by the social protection schemes to the banks or to other creditors for the contracted credits.

⁶ European Commission, Eurostat, *ESSPROS Manual 1996*, pp. 34-35

**Table 4. Social protection expenditures according to categories in 2003
(% of total expenditures)**

	Social protection benefits	Administration costs	Other expenditures
UE-25	96,2	3,1	0,7
UE-15	96,1	3,2	0,7
Belgium	95,4	3,5	1,1
Czech Republic	96,7	3,3	0,0
Denmark	97,1	2,9	-
Germany	96,4	3,4	0,2
Estonia	98,5	1,5	-
Ireland	95,9	4,0	0,2
Greece	96,8	3,1	0,1
Spain	97,4	2,4	0,2
France	93,9	4,1	2,0
Italy	96,4	2,7	0,9
Cyprus	98,2	1,8	-
Latvia	97,1	2,3	0,6
Lithuania	96,8	3,0	0,2
Luxembourg	98,1	1,6	0,3
Hungary	97,9	2,1	-
Malta	98,7	1,3	0,1
The Netherlands	93,8	4,9	1,4
Austria	96,9	1,7	1,4
Poland	98,5	1,3	0,2
Portugal	92,9	2,6	4,5
Slovenia	97,7	2,0	0,3
Slovakia	96,7	3,2	0,0
Finland	96,8	3,2	-
Sweden	96,4	3,6	0,0
Great Britain	98,2	1,8	0,0

Source: European Commission, Eurostat, *Population and Social Conditions, Social Protection*, 2007

Certainly, the most significant part of the total amount of expenditures is represented by social benefits that had a value of 96.2 % in EU-25 in 2003 (Table no. 4). Yet, there are also differences among countries, maximum values being witnessed by Malta (98.7 %), Poland and Estonia (both with 98.5 %). At the opposite pole we find Portugal (92.9 %), The Netherlands (with 93.8 %) and France (with 93.9 %).

We should also mention the fact that the share of this category of expenditures within the total amount of social protection expenditures did not register significant modifications from one year to the other; with this in view we find relevant the values for EU – 15 beginning with 1993 until 2003 (Table 5).

**Table 5. Social protection expenditures according to categories for EU - 15
(% of the total amount of expenditures)**

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Social protection benefits	95,8	95,7	95,8	96,0	96,0	96,0	96,0	95,8	95,7	95,9	96,1
Administration costs	3,4	3,5	3,4	3,3	3,2	3,2	3,3	3,3	3,3	3,3	3,1
Other expenses	0,8	0,8	0,8	0,7	0,8	0,8	0,8	0,9	1,0	0,8	0,7

Source: European Commission, Eurostat, *Population and social conditions, Social protection, 2007*

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BENEFITS OF THE SYSTEM OF SOCIAL SECURITY IN THE EUROPEAN UNION

OANA DOBRE-BARON *

ABSTRACT: *The goal of all member states of the EU is that of providing their citizens a decent living standard, namely social welfare for them and their families. In order to counteract the undesirable effects associated with the risks of daily life (illness, accidents, unemployment) and in order to have a larger covering, the schemes of social security in the European Union stipulate benefits in money or goods that are classified according to their functions as ESSPROS Manual of the European Commission established.*

KEY WORDS: *social security, European Union, benefits of the schemes of social protection.*

Social benefits/programs consist in transfers, either in money or in goods, of the schemes of social security towards households or individuals with a view of protecting them against risks. The classification according to their **functions** of social benefits includes¹:

1. **Sickness/health benefits** – imply the maintaining of the income and money support in case of physical and mental diseases, excepting invalidity. Health benefits have as a goal health maintaining, recovering or improvement of assured persons, irrespective of the nature of the illness.
2. **Invalidity benefits** – imply the maintaining of the income and money or goods support of those who suffer of physical or mental invalidity with a view of their employment in economic and social activities.
3. **Old age benefits** – imply the maintaining of the income and money or goods support for old persons.
4. **Survivors' benefits** – imply the maintaining of the income and money or goods support in case a member of the family dies.
5. **Family/children benefits** – imply money or goods support concerning the costs

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¹ European Commission, Eurostat, *ESSPROS Manual 1996*, p.37

- that regards pregnancy, birth, adoption, children education and support for the other members of the family.
6. **Unemployment benefits** – imply the maintaining of the income and money or goods support in case of unemployment.
 7. **Housing benefits** – in most countries of the European Union these benefits refer to money benefits given to households or individuals, after testing their incomes, for rent payments and household expenditures.
 8. **Social exclusion benefits** (non-classified elsewhere) – imply money or goods benefits especially in order to fight social exclusion whenever individuals are not part of any kind of the social protections types mentioned above.

In the 25 countries of the European Union, **old age benefits and survivors benefits** represented the most important part of social protection expenditures: 45.8% of the total amount of the benefits (Table 1, Figure 1).

Table 1. Social benefits according to their functions in 2003
(% of the total amount of the benefits)

	Sickness/ health benefits	Invalidity benefits	Old age benefits	Survivors benefits	Family/ children benefits	Unemploy- ment benefits	Housing benefits	Social exclusion benefits
UE-25	28.1	8.1	41.2	4.6	8.0	6.6	1.9	1.5
UE-15	28.2	8.0	41.0	4.6	8.0	6.7	2.0	1.5
Belgium	27.0	6.8	34.0	10.3	7.6	12.4	0.2	1.6
Czech Republic	35.5	8.1	40.1	1.1	7.6	4.0	0.6	3.0
Denmark	20.5	13.5	37.2	0.0	13.2	9.8	2.3	3.4
Germany	27.9	7.7	41.4	1.5	10.5	8.6	0.8	1.7
Estonia	31.8	9.3	44.0	0.8	10.0	1.8	0.6	1.6
Ireland	41.8	5.1	18.0	5.1	16.0	8.4	3.2	2.4
Greece	26.5	5.1	47.4	3.3	7.3	5.7	2.3	2.3
Spain	30.1	7.5	41.1	2.9	3.5	13.2	0.8	0.9
France	29.7	5.9	36.9	6.6	8.5	7.9	2.9	1.5
Italy	25.0	6.3	51.9	10.2	4.4	1.9	0.1	0.3
Cyprus	25.8	3.7	45.1	1.9	10.7	4.9	3.5	4.5
Latvia	23.3	9.5	49.3	2.5	10.7	3.2	0.6	0.9
Lithuania	29.8	9.6	45.6	2.0	7.9	1.8	0.0	3.3
Luxembourg	24.7	13.4	26.2	11.0	17.7	4.2	0.7	2.2
Hungary	29.7	10.3	35.9	5.4	13.0	2.8	2.3	0.6
Malta	25.9	6.5	50.5	1.9	5.6	6.7	1.6	1.3
The Netherlands	31.1	11.0	35.4	5.3	4.9	6.2	1.3	4.9
Austria	24.9	8.6	46.7	1.3	10.9	5.9	0.3	1.4
Poland	20.1	12.3	53.5	4.9	4.3	4.0	-	0.8
Portugal	28.8	11.5	39.3	6.9	6.5	5.5	0.0	1.5
Slovenia	32.4	8.3	43.3	1.7	8.6	3.1	-	2.6
Slovakia	32.9	8.9	38.2	1.1	8.3	5.8	0.4	4.5
Finland	25.1	13.3	33.2	3.8	11.5	9.9	1.1	2.1
Sweden	26.0	14.2	38.0	2.3	9.6	5.9	1.8	2.2
Great Britain	29.9	9.4	41.3	3.5	6.9	2.8	5.5	0.8

Source: European Commission, Eurostat, Population and social conditions, Social protection, 2007

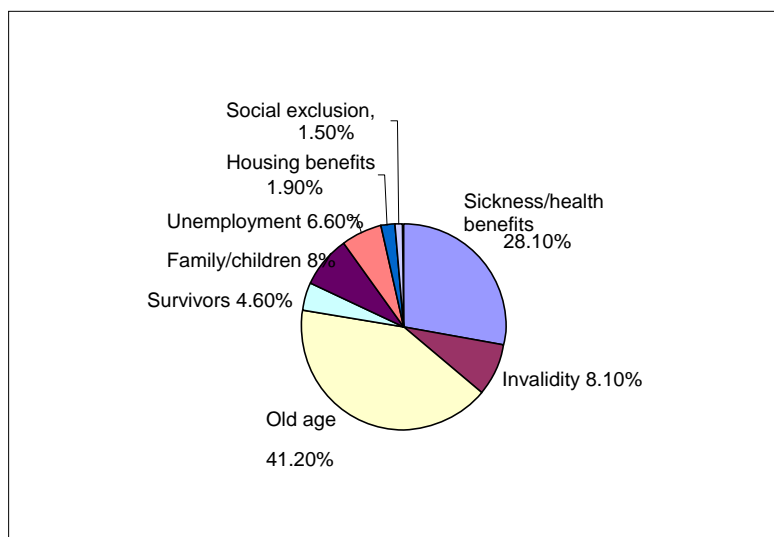


Figure 1. The benefits of the social protection scheme according to their functions in EU-25 during 2003 (% of the total amount of the benefits)

These benefits are extremely important in Italy where they represent 62.1% of the total amount of the benefits (in Italy these benefits also include divorce benefits that are partly included in unemployment expenditures. These benefits represent about 5% of the total amount of the benefits). The determining factors include the increased percent of 60 years old persons and older (25% in January 2003 as compared with an average of 21.6% in the 25 countries of the EU)².

Poland (58.4%), Latvia (51.8%), Malta (52.4%) and Greece (50.7%) are also over the European average regarding the share of these benefits within the total amount of social benefits. On the contrary, in Ireland, old age benefits and survivors' benefits represent about 23% of the total amount of the benefits. This is due partly to the fact that Irish population is the youngest in Europe: 28.8% of the population was under 20 in January 2003 (as compared with an average of 22.8% in the 25 countries of the EU) and less than 15.1% over 60 years old.

Illness and health care expenditures represent more than 28% of the total amount of the benefits (7.6% of the GDP). They overpass old age and survivors expenditures in Ireland (41.8%). In Denmark, on the other hand, health expenditures represented 20.5% of the total amount of the benefits, and in Poland 20.1%.

Invalidity benefits represent more than 13% of the total amount of the benefits in Sween, Finland, and Luxembourg, as compared with an average of 8.1% (2.1% of the GDP) in the 25 countries of the EU. The percent was raised (more than 11%) in Poland, Portugal, and The Netherlands too. In France, Greece, and Ireland, on the other hand, the percent was smaller namely 6%.

² European Commission, Eurostat, Statistics in focus, Population and social conditions, 14/2006, p.5

Family/children benefits represent 8% of the total amount of the benefits (2.1% of the GDP) in the 25 countries of the EU. Such expenditures represent 13% or more of the total amount of the benefits in Luxembourg (the highest level: 17.7%), Ireland (16%), Denmark (13.2%), and Hungary (13%). Nevertheless, in Spain, Italy, Poland, and The Netherlands these benefits rise to less than 5% of the total amount of social benefits.

There are significant differences among the states members regarding **unemployment benefits**: while the average for the 25 states of the EU is 6.6% of the total amount of the benefits (1.6% of the GDP), the percent rises to more than 12% in Spain and Belgium, for example. On the contrary, in Estonia, Italy, Latvia, Hungary, and Great Britain unemployment benefits rise to less than 3% of the expenditures.

In order to better emphasize the differences among the countries of the European Union regarding the distribution according to their functions of social benefits as well as their level, the overall view in 2003 is exhibited in Table 2.

Table 2. Social benefits per capita according to their functions in 2003 (PPS)

	Sickness/ health benefits	Invalidity benefits	Old age benefits	Survivors benefits	Family/ children benefits	Unemploy- ment benefits	Housing benefits	Social exclusion benefits
UE-25	1614.8	465.1	2363.2	261.5	457.5	379.1	109.8	85.7
UE-15	1865.0	530.9	2713.5	303.7	528.8	443.6	129.6	98.4
Belgia	1927.0	485.0	2428.7	736.3	540.4	887.4	14.7	117.3
Czech Republic	1032.1	236.3	1165.0	31.6	221.4	116.8	16.4	87.4
Denmark	1608.2	1056.7	2918.0	2.7	1038.5	771.9	182.0	267.0
Germany	1914.1	528.3	2838.8	101.6	721.4	590.9	53.3	114.9
Estonia	443.1	129.7	612.4	11.2	138.8	25.2	8.5	22.6
Ireland	1925.0	234.5	829.2	234.6	737.1	387.6	146.2	111.3
Greece	1176.9	226.1	2107.5	147.8	325.4	254.0	102.8	101.7
Spain	1239.3	307.6	1690.7	119.6	143.6	541.1	33.2	37.2
France	2097.9	415.4	2606.7	466.8	601.1	560.9	204.2	104.7
Italy	1454.9	366.2	3026.8	593.2	256.8	111.1	3.1	15.3
Cyprus	819.4	117.8	1433.3	58.9	341.5	154.2	109.9	142.5
Lethonia	269.5	109.5	570.8	29.3	123.7	36.5	7.0	10.6
Latvia	385.4	124.0	589.1	26.3	102.4	22.8	0.1	42.9
Luxembourg	2729.3	1477.8	2900.4	1216.0	1952.7	465.6	77.7	241.2
Hungary	803.9	277.6	971.7	145.8	352.0	77.0	61.6	17.0
Malta	733.2	184.0	1427.7	52.3	159.2	189.1	46.0	36.2
The Netherlands	2239.1	790.9	2549.1	378.6	351.3	442.9	93.6	352.1
Austria	1858.7	642.5	3489.6	100.7	811.7	444.5	24.6	104.0
Poland	423.1	259.0	1123.5	102.7	91.0	83.2	-	17.5
Portugal	1028.0	408.8	1401.5	245.9	233.2	195.4	0.3	55.1
Slovenia	1286.8	328.4	1717.4	67.3	341.9	122.2	-	104.2
Slovakia	654.6	177.8	760.9	21.1	165.3	115.0	8.3	89.5
Finland	1580.5	836.5	2092.8	237.8	722.8	623.1	72.3	134.0
Sweedeen	2106.2	1145.0	3072.6	182.3	779.5	475.9	149.3	175.9
Great Britain	1968.7	615.8	2714.8	228.7	457.0	181.0	364.2	49.7

Source: European Commission, Eurostat, Population and social condition, Social protection, 2007

Social benefits paid in cash represent the most important form of the benefits in the EU (Figure no. 2). In 2003, cash benefits represented 67.5% of the total amount of the benefits of social protection or 18.1% of the GDP. They are paid at regular periods of time or as premiums. The percent of cash benefits is at its highest in Poland (82.9%) and Cyprus (79.3%). In Germany, Austria, and Belgium they rise at more than 20% of the GDP.

Goods benefits represent 32.5% of the total amount of the benefits or 8.7% of the GDP. Ireland (46.9%) and Sweden (41.1%) witnessed the highest percent of goods benefits, proving a larger use of services and goods within all categories of social protection.

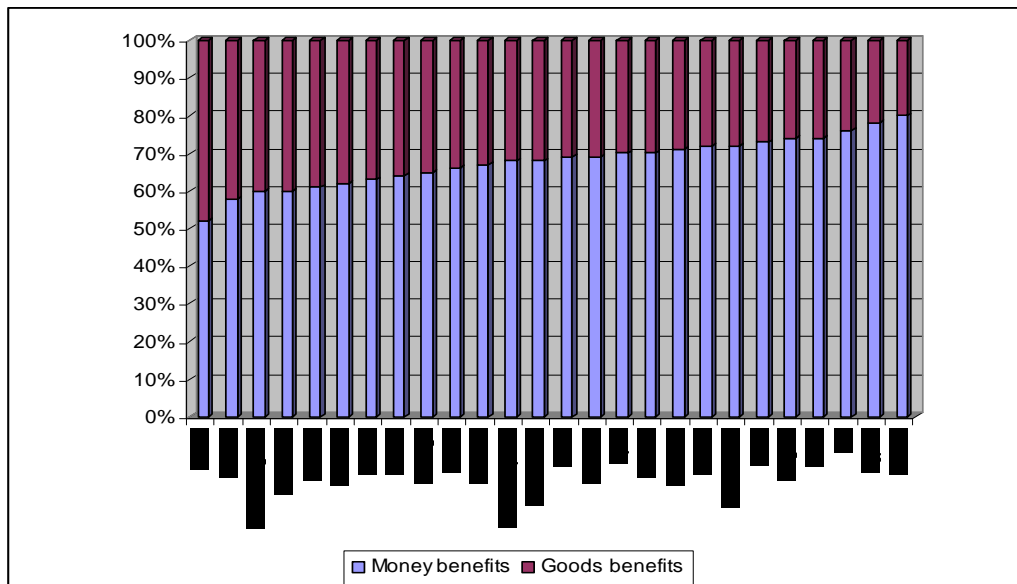


Figure 2. Social benefits in money and goods, 2003 (% of the total amount of the benefits)

The changes noticed at the level of various social categories are the result of the changing of population's demands, of economic, demographic and legislative fluctuations regarding social protection.

During the period 1999 – 2003, social benefits differently developed at the level of various categories. Taking into account the whole amount of the benefits, the increase during this period had an average of 2.7% per year in 15 countries of the EU (Table no.3), namely the group of the European countries that were monitored during a long enough period.

Nevertheless, this increased average dissimulates important variations, with Slovakia at one of the poles of the hierarchy witnessing a virtual stability and Ireland at the other pole registering an increase of 10.2%. Significant increases of the benefits were witnessed in countries as Hungary, Luxembourg, and Greece, while the increases

in Austria, Germany, Finland, and Denmark were under the average. Moreover, the general changing in each country determined specific rates corresponding to the various functions³.

As regards the functions of individual social protection, the annual average increase ranged between 1.3% and 4.2% with **housing benefits** and **social exclusion benefits** at one pole, and **sickness/health benefits** at the other one.

Expenditures at constant prices with **old age** and **survivors benefits** increased with 2.3% per year between 1999 and 2003, in 15 of the EU countries. The changes within this group were due mainly to the changing regarding pensions that represent about 91% of the benefits given to old persons and survivors in 2003 (85.5% of the last ones are in fact pensions). The percent of the 60 years old persons or over in 15 of the EU countries rose from 21.4% in January 1999 to 22.2% in January 2003 (a yearly average increase of 1.3% of the number of persons). The increases regarding old age and survivors' benefits (that are not due to the aging of the population) are partly explained by the fact that pensions raised quicker than prices and by the fact that the average pensions of the women who work longer than in the past increased.

The average increase of old age and survivors benefits in 15 of the EU countries is mainly due to the changings in the most important countries of the group (Germany, France, Great Britain, and Italy) that register 73% of the benefits. The most significant increases in the EU were registered in Ireland (8.1% per year), and Hungary (7.7% per year). Average increases of the benefits were less important in Italy (1.4%), Denmark (1.6%) and Germany (1.7%).

With an increase in real terms of 4.2% per year between 1999 and 2003 on the whole of the 15 countries of the EU, **sickness/health expenditures** increased more than those having other functions during this period. Although sickness/health expenditures increased slower during the first half of the decade 1993 – 2003 (0.2% per year between 1999 and 1998), lately they significantly increased. Such circumstances reflect, among other things, the efforts of certain member states with a view of providing the general access to the health system as well as population's aging.

The increase noticed beginning with 1999 represents a general tendency of the EU, excepting Slovakia, Austria, and Germany. The most important increases between 1999 and 2003 were registered by Ireland (11.5%) and Hungary (9.8%).

Invalidity/labor incapacity expenditures constantly increased during the period 1999-2003 in the 15 countries of the EU (an average of 1.7% per year). Labor incapacity pensions represent the most important part of such expenditures (58.5% of the total amount). Nevertheless, eligibility conditions significantly differ from one country to the other. Such expenditures greatly increased in Ireland, Malta, Greece, and Slovakia. In Finland, Portugal, Slovenia, The Netherlands, Germany, and Austria, these expenditures did not grow so much. These expenditures registered a decrease in Belgium and France.

³ European Commission, Eurostat, *Statistics in focus, Population and social conditions*, 14/2006, p.7-9

Table 3. Social benefits in constant prices, yearly average during the period 1999-2003⁴

	Old age and survivors benefits	Sickness/health benefits	Invalidity benefits	Family/children benefits	Unemployment benefits	Housing and social exclusion benefits	Total benefits
UE-25	-	-	-	-	-	-	-
UE-15	102.3	104.2	101.7	102.0	101.9	101.3	102.7
Belgia	103.8	106.2	95.6	100.2	104.2	105.6	103.5
Czech Republic	103.5	106.2	103.8	100.9	106.3	109.4	104.5
Denmark	101.6	103.4	104.9	102.6	99.0	100.6	102.2
Germany	101.7	100.9	101.3	101.7	100.9	99.6	101.3
Estonia	-	-	-	-	-	-	-
Ireland	108.1	111.5	110.7	115.0	103.0	111.2	110.2
Greece	104.7	107.5	106.7	104.7	105.3	101.0	105.3
Spain	102.4	104.3	101.8	107.9	104.7	100.7	103.4
France	102.2	104.8	98.0	100.5	104.4	102.0	102.7
Italy	101.4	104.6	102.7	104.8	98.4	113.4	102.3
Cyprus	-	-	-	-	-	-	-
Latvia	-	-	-	-	-	-	-
Lituania	-	-	-	-	-	-	-
Luxembourg	104.5	105.4	104.7	109.9	115.8	135.7	106.5
Hungary	107.7	109.8	109.2	107.2	95.4	99.8	107.6
Malta	104.8	106.9	108.0	94.7	105.4	102.4	104.8
The Netherlands	102.0	104.8	101.2	106.4	103.7	100.0	102.9
Austria	102.2	100.5	101.2	103.8	104.6	100.1	101.9
Poland	-	-	-	-	-	-	-
Portugal	104.9	104.2	101.0	102.5	92.0	102.6	104.2
Slovenia	102.7	104.2	101.0	102.5	92.0	115.4	102.8
Slovakia	102.1	99.2	107.2	95.9	96.1	95.0	100,1
Finland	103.3	104.3	100.3	99.3	98.7	99.2	102.0
Sweeden	103.3	104.0	106.1	103.2	94.0	99.2	103.0
Great Britain	103.1	107.9	103.0	100.4	98.5	101.8	103.9

Source: European Commission, Eurosts, *Statistics in focus, Population and social conditions*, 14/2006

Family and children expenditures rose with 2.0% in real terms between 1999 and 2003. This increase is not linked with the increase of the number of children as the population between 0 and 19 years old dropped with 1.7% between January 1999 and January 2003. Cash family benefits registered a percent of 73% of the total

⁴ Yearly important fluctuations regarding the exchange euro – national currencies require the use of a different basis in order to calculate the indices for UE-15 and UE-25. At this level the indices are obtained of the ponderate mean of the year's index in each country (in national currency). The expenditures of each country, in Ecu/euro of the previous year are used as a ponderating basis (e.g. the expenses in 1999 are used in order to ponderate the index of 2000/1999, the expenditures of 2000 to ponderate the index of 2001/2000)

amount of the expenditures in this category. According to each country, the situation is the result of allocating significantly increased sums of money and of certain reforms that support family to a larger extent (changing of access conditions, indemnifications, and creation of new benefits).

The expenditures with family and children benefits increased a lot, in real terms, in Ireland and Luxembourg during this period. In Ireland, the reform of the system regarding maternity and family abandoning determined a significant increase of such expenditures. In Luxembourg the circumstances are due to a large extent to the increase of the indemnifications. In Malta, Slovakia, and Finland, nevertheless, the expenditures with family benefits registered a decreased in real terms. The decrease of the number of population ranging between 0 and 19 years old between January 1999 and January 2003 in Slovakia (-9.5%), Malta (-4.5%), and Finland (-2.4%) determined to a large extent the decrease of the expenditures in the field in these three countries.

Unemployment expenditures rose with 1.9% in real terms during the period 1999 – 2003. The increase of the expenses with unemployment initially registered a descendant course that went on during 1999 and 2000 but that was followed by a real explosion of the benefits given for unemployment in 2001 (Spain, Great Britain), 2002 (Czech Republic, France, Italy, Malta, The Netherlands, Austria, Portugal, Slovakia) and 2003 (Denmark, Latvia, Lithuania, Finland, Sweeden) as a result of labor market weakening in most of these countries. The decrease registered at the beginning of the period was partly due of a gradual improvement of the economic environment and partly due to the reforms of the system of granting the benefits in certain countries. The diminution was at the same time a result of the limitations imposed for the period such benefits are being paid and as a result of the more restrictive conditions of granting such benefits.

Housing and social exclusion expenditures in constant prices increased with 1.3% per year between 1999 and 2003. Significant increases were registered in Luxembourg, Slovenia, Italy, and Ireland.

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EVALUATING THE ROMANIAN BANKING SYSTEM BASED ON THE MAIN PRUDENTIAL INDICATORS

IMOLA DRIGĂ, CODRUȚA DURA *

ABSTRACT: *The general term of internal audit was established in relation to the financial accounting activity; this notion was gradually replaced by a new approach which expands the sphere of the audit so that the preoccupation for the future is very important for any audit activity. If forming and consolidating a favorable image of the bank among service consumers represents a marketing problem, then solving it requires numerous instruments from the marketing policies; the most important role is attributed to the audit. The final goal of the marketing audit is drawing up a table regarding the performances and the efficiency of the bank, in relation to the risks involved by financial institutions and its operations. In this respect, specialists in banking management have come up with different models of calculations and rating systems in their trials to obtain the most accurate scan of the “state of health” of the banks, and moreover in their trials to identify the institutions which face financial and operational difficulties leading to bankruptcy.*

KEY WORDS: *bank rating system, supervising activity, prudential indicators*

The general term of internal audit was established in relation to the financial accounting activity; the major task of the traditional auditor was to carry out analysis and diagnoses based on historic facts, which had already been gathered. This notion was gradually replaced by a new approach which expands the sphere of the audit so that the preoccupation for the future is very important for any audit activity. Moreover, the audit function is open to the entire company: we do not refer only to a mere examination of a company's accounting documents, but also to the quality audit, information technology audit, marketing audit etc.

The general notion of marketing audit is relatively new, as it was introduced in the specialized literature at the beginning of the 5th decade of the past century. Schuchman (1959) is one of the first people who have tackled the importance of the audit in the marketing activity and who have indicated its contents. According to his

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conception, the marketing audit represents an examination and an assessment of the marketing activities: of the objectives and marketing policies, as well as of the methods, techniques, strategies and of the activity of the personnel towards reaching the objective. Other authors set this new concept in a wider context of the management control, referring to the marketing audit as a way to support the management in evaluating the efficiency of marketing operations within the company (Tirman, 1971). The main flaw of this definition is that the sphere of the audit is limited to the post-factum analysis of the marketing activity indicators and it does not include the diagnosis of the organizational systems, of the operating procedures, of the decisional processes and of the marketing strategies, etc.

The famous American specialist Ph. Kotler is the one who lays the large foundations of the audit in marketing, proving that this represents a complete, systematic, independent and periodic examination of the environment, of the objectives, strategies and activities of a company, in order to identify the fields who raise problems and to recommend remedial measures to improve its marketing efficiency.

The efforts to delimitate the concept of marketing audit have led to a clear definition of this term, which was widely accepted; however, they were parallel to the theoretic debates regarding the appearance and the development of marketing services. The only approach that tries to extend the concept of audit to wards services belongs to Wheatley (1983), who elaborates the so-called model of marketing service planning. This deals with a set of self-evaluating techniques which are materialized into guide lists, destined to marketers. The strong point of this action is the connection of marketing audit to the service sector; on the other hand, the main flaw of this action lies in placing the audit tasks into the hands of marketers within the organization; this fact compromises, at least partially, the objectivity of the researches performed.

Although this new concept of marketing audit for services is useful, Wheatley's approach focuses exclusively upon professional services, so that the financial - banking marketing - autonomous specialization of service marketing - is still an unexplored territory from this point of view. It is, however, obvious that the audit can be an extremely important instrument in encouraging the executive management to identify and cover the risks that are likely to appear within the activities of financial – banking institutions. Ultimately, the situation/position of the bank, reflected with the help of a system of performance and efficiency indicators, represents the nucleus of its image. Hence it follows the important role of marketing, in general and mainly of the audit in the complicated network of relations between the bank and its clients.

Thus, if forming and consolidating a favorable image of the bank among service consumers represents a marketing problem, then solving it requires numerous instruments from the marketing policies; the most important role is attributed to the audit.

The final goal of the marketing audit is drawing up a table regarding the performances and the efficiency of the bank, in relation to the risks involved by financial institutions and its operations. In this respect, specialists in banking management have come up with different models of calculations and rating systems in their trials to obtain the most accurate scan of the “state of health” of the banks, and moreover in their trials to identify the institutions which face financial and operational difficulties leading to bankruptcy. This refers to the category of banks which needs a special attention from the supervising authorities.

The uniform bank rating system is a specific instrument for the supervising activity and has its origins in the USA; it has later been borrowed by German, Italian, Great Britain authorities, which use influential components in their banking system; later on, their system was adopted by most central banks within the European Union. It has proved to be a useful system for the countries it is being applied to, considering the fact that it is a mathematical model which works with balance sheets and periodic reports supplied by banking institutions to central banks. The only precarious component is the management, which is judged based on figures.

In Romania, the uniform bank rating system has been implemented by N.B.R. (the National Bank of Romania) since 2000; the specific components that were analyzed are: the capital adequacy (C), the quality of assets (A), the management (M), profitability (P), liquidities (L) and sensitivity (S) starting from the year 2005. For short, this system is called CAMPL. Each of its components is assigned scores between one and five, where one stands for a financial indicator that describes a strong financial standing and a score of five for a poor standing. The evaluation of these specific elements represents an important criterion for establishing a compound rating, which means assigning scores to each bank. The compound rating for the banking system is established based on economic – financial indicators and prudence indicators.

According to the director of Bank Surveillance Department within N.B.R., the general risk rate in the Romanian banking system has gone, in the last couple of years, below 50%, compared to the states of the European Union, where it reaches 60%; this is an advantage for Romania in its process of adhering to the EU. The risk rate is the average of the individual bank risk, calculated according to the amount of credits and to the degree of exposure to risk.

In 2002, taking into consideration the set of criteria set by the N.B.R. within the bank rating system, the system was concentrated on its higher levels (it included banks which scored 1 and 2 points). The Bank Surveillance Department within N.B.R. assigned the score one to only one Romanian financial institution. Although they formed the majority by the end of 2002, the banks with a score two lowered their weight (from 76.4% in 2001 to 62.6% in 2002) in favor of banks which scored three points (from 16% to 19.2% during the same period of time).

According to the classification made by the N.B.R. in the Annual Report for 2004 regarding the evaluation of financial institutions based on the Uniform Bank Rating System, only 90% of the banks are considered of rating 2, on condition that the best level of classification is rating 1. According to the criteria established on

December, 31st, 2004 and at the end of 2003 by the N.B.R. within the bank rating system, there was no bank which could meet all the requests imposed by the maximum rating. In 2004, in comparison to year 2003 major changes could be noticed in categories 2 and 3, meaning that some banks passed from rating 3 to rating 2; the balance sheet of banks with a score of three showed a decrease by 7.7%, continuing to 12.4%, in favor of banks with a score of two which increased their weight by 87%. (Table 1).

Table 1. The situation of Romanian banks based on the main prudential indicators according to the volume of assets

- % -

Year	Rating 1	Rating 2	Rating 3	Rating 4	Rating 5
2003	0	79,3	20,1	0,5	0,1
2004	0	87,0	12,4	0,5	0,1
2005	0	78,2	21,2	0,5	0,1
2006	0	74,1	25,3	0,5	0,1

This analysis takes into consideration some specific components, such as: capital adequacy, shareholding quality, asset quality, management, profitability and liquidity; as a consequence, 14 financial institutions scored 3 points, a medium rating level characteristic for 12.5% of the bank assets. The last place in the top is held by a bank of rank 4, which holds 0.5% of the bank assets, and it is currently under the observation of the National Bank of Romania as far as the shareholding quality is concerned.

The lowest score is 5, and only one financial institution which holds 0.1% of the total bank assets falls into this category. This bank has restrictions regarding the granting of credits and depositing money from the population; according to the regulations of the central bank it is allowed to grant credits that amount to 50% of its own funds. In case a bank of score 5 does not increase its capital, it is very likely to lose its licence, according to NBR regulations. Specialists say that under these circumstances, the bank should reduce costs and it should diversify its services and widen the range of products; it should increase its capital; it should not borrow money from the market and instead it could find cheap financial sources.

By the end of 2005, a new bank rating indicator had been introduced - sensitivity to market risk, in accordance with Basel II regulations, which defines the nature of the surveillance activity and it shows the bank's reactions towards various systems shocks. Sensitivity has joined the other operational components necessary in the analysis of a bank. In this respect, NBR has not demanded from the financial institutions to complete additional financial reports; the new indicator is used to evaluate, through econometric models, the possibility that a bank should register losses as a consequence of the variation of some shock factors brought about by the decrease of the interest, of the currency, by the liberalization of the stock account. The first step

in this direction was taken in 2003, when the International Monetary Fund (IMF) created a soft, which would be used to evaluate the impact of some slight shocks upon the banking system: both the direct effect and the indirect ones (which are felt by the economic agents, financed by the banking system).

According to the criteria set by NBR regarding the bank rating system, no bank could meet the requirements imposed by the maximum rating by the end of 2005 and 2006. Significant changes could be noticed in the case of banks which scored 2 and 3 within the rating system. Thus, by the end of 2005, the asset weight of the banks of rank 3 has increased by 8.8% compared to the year 2004, to the detriment of the banks of rank 2; by the end of 2006, the asset weight of banks which scored 2, decreased by 4.1% (down to 74.1%), in favor of banks of rank 3, the weight of which went up to 25.3%.

NBR and Ernst & Young consulting firm (with which NBR has signed a contract at the end of 2003 for the improvement of the bank rating system; it was financed by the European Union through the Phare programme) finalized in December 2004 the methodology for the implementation of the new bank surveillance indicator, how it is calculated and interpreted. An IT system was developed, an ergonomic calculation matrix which can determine the sensitivity of the banking system based on various elements. During the last part of 2004, the last testing phase took place; banks were grouped into rating categories.

The analyzed matrix comprises own funds, liquidity, solvency, general risk rate, currency risk, as well as the impact of some exterior phenomena upon the banking system. The shocks came from a sudden increase of the interest, of the exchange rate. Thus, the consequences upon the banks' joint stock, upon their own funds and upon the solvency indicator were closely observed. Using the simulation method, it was noticed that a series of banks, with capital paid in foreign currency, reach their limit regarding their own funds, and this imposes an increase of the capital. It can be assumed that the implementation of this new indicator will improve the knowledge about the banking system with the help of the inputs received from external factors; this means, in fact, to be aware of the sensitivity of the Romanian banking system.

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THE NEW BASEL CAPITAL ACCORD - AN INTERNATIONAL CONVERGENCE OF CAPITAL MEASUREMENTS AND CAPITAL STANDARDS IN BANKING

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ABSTRACT: *The International Convergence of Capital Measurements and Capital Standards was finally published on June 26, 2004 by the Basel Committee on Banking Supervision. This framework is known in the market as Basel II and it replaces the current framework (Basel I) for banks as to how they calculate their capital requirements. The Basel II describes a more comprehensive measure and minimum standard for capital adequacy that national supervisory authorities are implementing through domestic rule-making and adoption procedures. It seeks to improve on the existing rules by aligning regulatory capital requirements more closely to the underlying risks that banks face. In addition, the Basel II is intended to promote a more forward-looking approach to capital supervision.*

KEY WORDS: *the Bank for International Settlements, the Basel Committee on Banking Supervision, capital requirements, capital adequacy.*

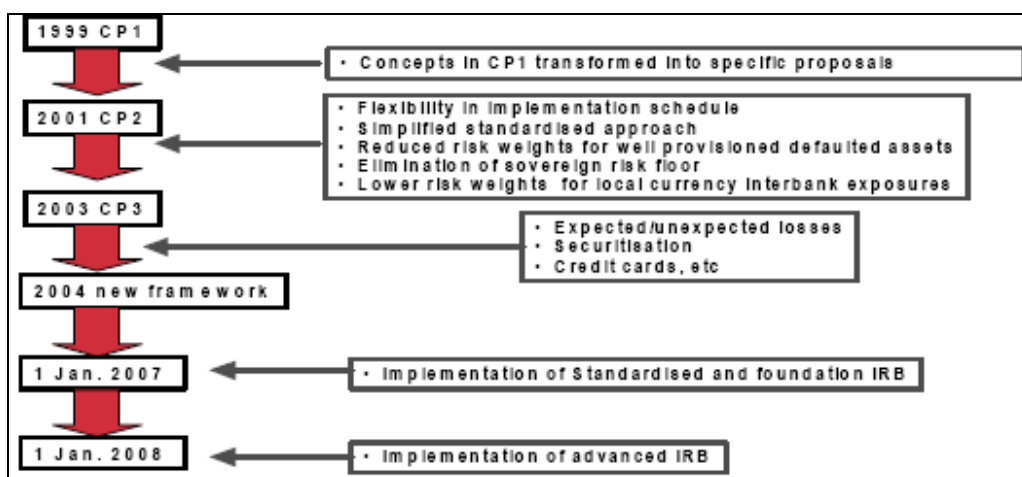
The Bank for International Settlements (BIS) is an international organisation which aims at promoting monetary and financial stability, acts as a forum for discussion and cooperation among central banks and the financial community and acts as a bank to central banks and international organizations. Promoting monetary and financial stability is one key objective of the Bank for International Settlements that is accomplished through the following committees: the Basel Committee on Banking Supervision; the Committee on the Global Financial System; the Committee on Payment and Settlement Systems; the Markets Committee; the Irving Fisher Committee on Central Bank Statistics.

The Basel Committee on Banking Supervision provides a forum for regular cooperation on banking supervisory matters. Its objective is to enhance understanding of key supervisory issues and improve the quality of banking supervision worldwide. It

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seeks to do so by exchanging information on national supervisory issues, approaches and techniques, with a view to promoting common understanding. At times, the Committee uses this common understanding to develop guidelines and supervisory standards in areas where they are considered desirable. In this regard, the Committee is best known for its international standards on capital adequacy; the core principles for effective banking supervision; and the concordat on cross-border banking supervision.

The “International Convergence of Capital Measurements and Capital Standards” was finally published on June 26, 2004 by the Basel Committee on Banking Supervision (BCBS). This framework is known in the market as Basel II and it replaces the current framework (Basel I) for banks as to how they calculate their capital requirements.



Source: Münstermann, B. - *Basel II and Banks Key Aspects and Likely Market Impact*, Nomura Credit Research, London, 2005

Figure 1. The evolution of the Basel II framework

The Basel II describes a more comprehensive measure and minimum standard for capital adequacy that national supervisory authorities are implementing through domestic rule-making and adoption procedures. It seeks to improve on the existing rules by aligning regulatory capital requirements more closely to the underlying risks that banks face. In addition, the Basel II is intended to promote a more forward-looking approach to capital supervision, one that encourages banks to identify the risks they may face, today and in the future, and to develop or improve their ability to manage those risks. As a result, it is intended to be more flexible and better able to evolve with advances in markets and risk management practices.

The purpose of Basel II is to create an international standard that banking regulators can use when creating regulations about how much capital banks need to put aside to guard against the types of financial and operational risks banks face. Advocates of Basel II believe that such an international standard can help protect the

international financial system from the types of problems that might arise should a major bank or a series of banks collapse.

In practice, Basel II attempts to accomplish this by setting up rigorous risk and capital management requirements designed to ensure that a bank holds capital reserves appropriate to the risk the bank exposes itself to through its lending and investment practices. Generally speaking, these rules mean that the greater risk to which the bank is exposed, the greater the amount of capital the bank needs to hold to safeguard its solvency and overall economic stability.

The Basel II framework uses a three-pillar structure:

- *Pillar I - minimum capital requirements* - aims to achieve a far closer link between regulatory and economic capital charges, dealing with maintenance of regulatory capital calculated for three major components of risk that a bank faces, namely: credit risk, operational risk and market risk. The credit risk component can be determined in three different ways of varying degree of sophistication: standardized approach, foundation internal rating-based approach and advanced internal rating-based approach. For operational risk, there are three different approaches, namely: basic indicator approach, standardized approach, advanced measurement approach and for market risk the preferred approach is VaR (value at risk).

- *Pillar II - the supervisory review process* - allows the national regulator to potentially set minimum capital requirements that exceed those outlined in Pillar 1, depending on the risk profile of the bank. Banks also have to assess credit concentration risks and credit stress-tests in an economic slowdown. Thus, it deals with the regulatory response to the first pillar, giving regulators much improved tools over those available to them under Basel I. It also provides a framework for dealing with all the other risks a bank may face, such as systemic risk, pension risk, concentration risk, strategic risk, reputation risk, liquidity risk and legal risk, which the accord combines under the title of residual risk.

- *Pillar III - market discipline* - allows the market to verify the banks' internal capital calculations because banks are required to publish their risk-weighting calculations, capital breakdown and capital adequacy. Thus, it provides the disclosures that the bank must make, being designed so as to allow the market to have a better picture of the overall risk position of the bank and to allow the counterparties of the bank to price and deal appropriately.

Basel II introduces more sophisticated approaches for calculating credit risk capital requirements, aims to reduce the scope for regulatory capital arbitrage, allows credit risk mitigation techniques and introduces a capital charge for operational risk as well as greater transparency through comprehensive disclosure requirements.

The National Bank of Romania elaborated prudential standards in order to implement the new Basel II capital adequacy regime, known as the Basel II Framework, which is a major global reform of capital adequacy requirements for banking systems that seeks to harness into the regulatory process best practices in risk management.

Thus, new policies and banking supervision approaches were issued through regulatory framework developments that changed substantially the supervisory methodology, from a compliance-based approach to a risk-based assessment. In December 2006, Government Emergency Ordinance No.99/2006 regarding credit institutions and capital adequacy was published. The legal act, ensuring transposition at principle level of EU Directives both for credit institutions and financial investment companies, gathers together the legal provisions for all types of credit institutions (banks, saving banks for housing, credit co-operatives, mortgage loan banks), which had previously been governed by separate pieces of legislation.

In terms of risk management, Government Emergency Ordinance no. 99/2006 regarding credit institutions and capital adequacy provides for:

- need for an efficient risk management system, including: risk identification, monitoring, reporting to the bank management, and internal control mechanisms;
- capital requirements determinations for covering credit, market, operational risks;
- prudential supervision process;
- NBR prudential supervision approach and Supervision Department cooperation with other competent supervisory authorities;
- consolidated supervision principles—establishing the competent authority at Romanian or EU level.

The National Bank of Romania conducts supervision of credit institutions, Romanian legal persons, at both individual and consolidated levels, in case of competent authority designation by developing the necessary techniques for credit institutions supervision at individual level. In the same time, the NBR concludes cooperation agreements with other authorities in Member States and other countries in order to ensure: financial stability, flexibility in adapting the ever changing cooperation framework, uniform implementation of principles of Basel II Accord (especially in terms of risk management centralization at group level, outsourcing principles at group level).

All commercial banks from the Romanian banking system will have to move to Basel II on January 1st, 2008, without derogations. The information provided by the Banks Association shows that the lending institutions are ready for that. The Central Bank official showed that the banks would enforce the new regulations given if they opted for the standard version that is the simplest method of Basel II.

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GIFT SYMBOLISM IN INTERNATIONAL BUSINESS

GABRIELA DUMBRAVĂ, ADRIANA KORONKA *

ABSTRACT: *Preparing for a business meeting requires thorough knowledge not only of the information to be discussed and the material to be presented, but also of details regarding specific business etiquette, which varies dramatically from one cultural space to another. The paper focuses on an important component of business manners, namely gift offering, which can make the difference between a successful meeting and a fiasco.*

KEY WORDS: *gift giving, symbolism, business meeting, business etiquette, cultural patterns.*

1. INTRODUCTION

The business meeting is an instance of social ritual governed by patterns of behavior that may vary dramatically according to the cultural context. As a social gesture and, at the same time, a component of the business relations context, gift giving may be expected in some countries, whereas it is considered a bribe in others. Therefore, knowing the cultural patterns of behavior associated with gift giving for a certain country we are supposed to visit or a company we do business with can make the difference between a successful partnership and social blunder, associated with business failure.

Some multi-national companies and some governments have very strict policies regarding their employees accepting gifts and, to embarrassing situations, it's imperative to learn them. On the other hand, we should always be aware of such religious prohibitions as food containing pork or garments made of pigskin in the Jewish and Muslim religions, food containing beef or garments made of cowhide in India, or alcohol in Muslim countries.

However, two elements should be kept in mind for any gift selection, namely: quality standards and discretion. This means that, when looking for the right gift, we should focus both on high quality and on avoiding conspicuousness. For instance, if the

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gifts to be offered display our company logo, the latter should be discreet, and it is advisable to avoid such gifts altogether in such countries as Greece, Spain and Portugal. A particular form of gift offering is hosting a business meal at a restaurant, which can be both a way to thank our hosts for, and to show our guests how much we appreciate their collaboration. In either case, however, a well organized business meal is a valuable opportunity to socialize with our partners and strengthen the business relationship with them.

2. GENERAL GIFT CATEGORIES

- *Sharp Objects*. In many cultures, items with a sharp edge symbolize the severing of a friendship or relationship. In these cases, we will not select a knife, pair of scissors, or a letter opener for a gift. Because of this common symbolism, it is better to select a gift from another category, rather than risk making a bad choice.

- *Locally Produced Items*. When doing business in a country known for producing a particular product, etiquette dictates that we should not offer that item as a gift, especially if it is manufactured elsewhere. Good examples are: leather and wine in Argentina; leather in Brazil and Uruguay; beer and wine in Germany; wine in France and Italy; vodka in Russia and Poland; scissors in Finland; and silver in Mexico, because they would be considered too common.

- *Electronic Gadgets and Office Accessories*. Business gifts that are useful for a businessperson, whether an executive or a staff member, are electronic items such as laser pointers, PDAs, calculators, and address books. Desk and office accessories that make good gifts include fine quality pens, or pen and pencil sets, business card holders, good leather briefcases or leather organizers for use in the office or in a briefcase. If the person smokes cigarettes, a nice cigarette lighter could be given.

- *Liquor*. A quality bottle of liquor or wine always makes a good gift for someone who drinks alcohol, unless the person lives in a region noted for producing the product.

- *Chocolate*. Universally, this is a good choice. There are many fine quality chocolates that make exquisite gifts for a business meeting, paying a visit to our business partners at home, or thanking a staff member for his or her help on a project. Because it can be boxed in various sizes, it also works as a gift for a large group. There is even kosher chocolate for to give to Jewish business associates and clients.

- *Flowers* can be frequently used as a gift, especially if we are invited to someone's home. We may want to bring the flowers personally to the house, send them prior to the dinner party, or have them sent the following day as a 'thank you'. It is best to advise the florist that the bouquet is to be a gift for a certain occasion, so an appropriate selection can be made. In Europe, the old tradition of always giving an odd number of flowers is still followed today (except 13, which is considered unlucky).

In some cultures, a particular color or type of flower is associated with romance or funerals, and would not be a good choice to give a hostess. Red roses are frequently considered romantic, whereas funeral associations frequently occur with

lilies or calla lilies, chrysanthemums, Frangipani, white roses, marigolds, carnations, heather, and white or purple flowers. In some Latin countries, yellow flowers symbolize contempt.

3. GIFT SYMBOLISM AND PROTOCOL IN DIFFERENT CULTURES

In today's world, with global companies, as well as countries populated and influenced by different religions and cultures, it is important to develop good business relationships by taking the time to learn more about our business partners. This knowledge will offer us insight into choosing more meaningful and suitable gifts, meant to build up a positive business environment.

The Chinese culture. Countries in the world with a Chinese cultural influence generally accept gifts with a reserved demeanor. In order not to appear greedy, a gift will not be immediately taken, but refused three times before finally being accepted. Each time it is refused, we, as givers, must graciously continue to offer the gift and, once it is finally taken, we should remember to tell the person how happy we are our gift offering has been accepted. The gift must be gift – wrapped and offered using both hands. However, we should not expect the recipient to open the gift in front of us, as this is not customary in this cultural space. On the other hand, when receiving a gift, we are supposed to follow the same process of refusing it three times then accept it with both hands, not opening it at once.

In China, official business policy considers gifts as bribes, which are illegal. Though the policy is softening, there may be times when a gift we offer will absolutely not be accepted. Should we find ourselves in this situation, it is advisable to graciously say we understand, withdraw the gift and waiting until negotiations have concluded, which will eliminate the appearance of bribery. A suitable approach would be to offer a gift on behalf of the company we are representing. As it is essential to always honor the most senior person, he will be the individual we actually present with the gift, stating we want him to accept it on behalf of his company. This gesture, company to company, will usually circumvent any problem regarding undue influence. If we have several gifts to present, we will avoid giving the same item to people of different rank or stature.

In this respect, the general rule is: *the more senior the person, the more expensive the gift.* Typically, one person is not singled out to receive a special gift, especially in front of a group. If we have established a good working relationship with someone and want to give a gift, we should make arrangements to meet the person alone to present it. Then when offering it, we will make sure to say it is a gesture of friendship, not business. Another important detail to take into account is that a gift's value should be commensurate with the level of the business dealings. This applies both to an individual's gift and a corporate gift. There are times when an expensive gift fits the occasion and circumstance, but an overly extravagant one could create complications or embarrassment, as the recipient may not be able to reciprocate.

In Chinese culture symbolism is important, with colors and numbers having special meaning. For instance, at Chinese New Year, money may be given in a red envelope, using an even number of new bills. Red is a lucky color, pink and yellow represent happiness, and the number 8 is the luckiest number. The colors black, white and blue and the number 4, or four pieces of anything, are negatively associated with death or funerals. Also included in this category are clocks, handkerchiefs, and straw sandals. To avoid an inadvertent selection of a gift, we should resort to a local store, where we will be given the proper information and direction. At least it is wise to have gifts we bring from home wrapped once we have arrived in the country, to eliminate incorrect choices of colors and types of paper.

The Japanese culture. In Japan gift giving is an art form, representing friendship, respect, and gratitude. Therefore, the ceremony pertaining to it is essential: the gift is always in a gift box, or beautifully wrapped in quality paper, and given with great respect. There is an expectation that a gift will be offered at the first meeting, and gifts will continue to be part of business dealings. Therefore, we will come prepared to the first meeting with a beautifully wrapped, quality gift, but not something extravagant. As it is customary to reciprocate with a gift that is half the value of the gift received, offering a gift that is too expensive could create an awkward situation.

If we have a gift to present, we will avoid suddenly doing this at the end of the meeting, in order not to surprise our Japanese associate. The proper procedure is to tell him or her sometime during the meeting that we have a small gift, or gifts, we will want to present at the end of the meeting. This verbal cue respects the protocol, and allows the opportunity to make arrangements for any additional people who may need to come into the meeting for the presentation.

The gift offering will be made using both hands and with a bow, saying something to the effect that ‘this gift is insignificant in comparison to the importance of our business relationship’. However, we should remember that the Japanese will politely refuse a gift once or twice before accepting it, and they will not open it in our presence. When a gift is offered to us, we are supposed to follow the same ceremony: polite refusal once or twice, acceptance with both hands, and saving the gift to open later. In addition to gifts being routinely given for various occasions or meetings, there are two ‘gift giving’ seasons each year. One is mid-summer (*O-Chugen*) and the other at the end of the year (*O-Seibo*).

Gifts of food or liquor (cookies, expensive candy and fruit) are always good choices, especially for modest gifts. If we are bringing a gift from our home country, we should make sure it is not ‘made in Japan’, or display a company logo that may be a promotional and look cheap. Because of the long held traditions, we may choose to shop for, or at least have our gifts wrapped by a store, after we arrive in Japan, thus making sure our gift will be appropriate for the occasion or for a particular business partner. Under no circumstances are we supposed to forget how important symbolism is in Japan. For instance, a gift with a pair of items is considered lucky, but sets of four or nine are unlucky; the number 4 also means death; the color red is associated with funerals, so don’t give a pen with red ink, and don’t write out a card using red. Books

aren't appropriate either, as they may imply the recipient is not cultivated enough; and sharp objects like knives, scissors, and letter openers are not recommendable either, as they symbolize 'severing a relationship'.

Another crucial element pertaining to the ceremony of gift offering is wrapping. The selection of the wrapping paper is critical, so we will not offer a gift wrapped in white, which symbolizes death, and we will not use bright colors or bows to wrap the gift. In order to avoid surprising the recipient and create an embarrassing situation, we should give our hosts some warning during the evening that we intend to give them a present.

The gift will be offered, at the end of the visit, after due warning to the host, it will be given with both hands, and, if we are offered a gift in return, it will be accepted in the same way. Generally, gifts will not be opened in our presence but, if our host insists that we open the gift, we should do so graciously and express our gratitude and. Moreover, knowing the pride they take in the art of gift wrapping, we should always show our admiration and appreciation for the effort. We should also remember not to admire anything belonging to our host too closely: as the Japanese are known for their efforts to please their guests, they may feel obliged to offer us the thing we like so much.

The Latin Culture. Generally, Latin cultures do not have formal or traditional gift giving ceremonies. However, as business relationships are developed exactly on the same grounds as personal relationships, gifts are a thoughtful way to make a good first impression and build a strong and lasting business partnership. As business relationships become personal, we will try to find out details about the lifestyle of our Latin partner or client. These details will enable us to select insightful gifts that will reflect our good intentions and appreciation for the respective person. The gift will necessarily be wrapped in quality paper, as this is a subtle detail that can express the value of the relationship. If a man is supposed to give a business gift to a female business partner, in order to avoid the misinterpretation of the offering as a romantic gesture, she will be informed that it is made on behalf of the firm he represents.

Symbolism in this culture will also influence the choices we make for gifts and wrapping paper. Thus, black or purple paper is to be avoided, as it is used exclusively during Holy Week. Items associated with death or funerals that should not be used include handkerchiefs, and yellow, red or white flowers. As in other cultures, sharp objects such as knives or scissors should never be given, since they represent a 'severing of a relationship'.

The Jewish Culture. When selecting a gift for partners belonging to this culture, especially if it falls into the category of food, we will remember that Orthodox Jews have dietary laws that are very specific regarding which foods are acceptable to eat, as well as their processing and preparation. The foods that meet these stringent regulations are called *kosher* foods and they are labeled as such. One of the most important things to remember, in order to avoid serious blunders and embarrassing situations, is that they are not allowed to eat pork and shellfish.

On the other hand, because wine is used in religious ceremonies, it is required to be kosher even for social drinking. Therefore, all wine and wine-based drinks consumed must be kosher, prepared and bottled by Jews. Unlike wine, other types of alcohol are not required to be kosher. Therefore, we can select a fine bottle of liquor to give to a Jewish client or associate if he drinks. If we want to buy a gift of food, wine, or even fruit, it is advisable to shop at a kosher store to guarantee we will be giving an acceptable gift to our Jewish business associate.

The Muslim Culture. When doing business in the Muslim culture, a critical detail to take into account is that the Koran forbids alcohol. Therefore, gifts of liquor, or any product that contains alcohol, even perfume, would never be selected to offer under any circumstances. This culture also forbids products or foods coming from what they consider scavengers: pork, birds, and shellfish. Other categories of inappropriate gifts include personal clothing items, which are far too personal to give as gifts. As dogs are considered unclean, any dog item, even something including a picture of a dog will never be offered as a gift. Knives and sharp objects will also be avoided, because they carry the same symbolism of severing relationships.

Artwork that consists of sculptures, drawings or photos showing the human body, especially a nude or partially nude female body, is not acceptable as a gift. On the other hand, although smoking is generally discouraged, nicotine and tobacco products are largely used in the Arabic and Middle Eastern countries being, therefore, acceptable as gifts. A good gift for a devout Muslim is a compass: since each day he must face Mecca for prayers, with a compass, no matter where he happens to be in the world, he can easily find the correct direction.

If we're in a country that is not predominantly Muslim, and we are supposed to be entertaining Muslim business associates, we will select a restaurant that serves *halal* food and no alcohol, especially if any government or religious officials are attending, even if we know our guests may drink in private. It is also recommended to behave and dress conservatively when entertaining guests from this culture. Gifts are presented using either the right hand, or both hands. The left hand is never used alone to hand someone a gift, as it's considered unclean.

The Hindu Culture. In the Hindu culture the cow is sacred, whereas fish and all animal products, except milk or butter, are forbidden. Therefore, we would never select any leather or food product from these categories. Since most Hindus do not drink alcohol, though some will, especially if westernized, it is not advisable to ever offer a gift of liquor unless we know the person drinks, and we have verified with him that it would be an acceptable gift. In some cases, the person may drink when traveling abroad or in private, but will not drink in public when in his home country. Gifts are given and accepted using the right hand, or both hands, never only the left hand, which is considered unclean, since it is used for personal hygiene. Gifts are not opened at the time they're received.

The US and Canada. As multicultural countries, the United States and Canada are more flexible and permissive in terms of human relations, which holds good for the business relations field as well. Although American and Canadian

business etiquette does not display any severe restrictions or interdictions, there are some minimal rules of behavior to observe when we are supposed to do business with partners or clients in these countries.

In **Canada**, punctuality for meetings and appointments, as well as promptness, is a valued quality. Although in French areas time is more relaxed, we, as guests, will be expected to arrive at the appointed time, even if the French attending the meeting don't will not. Traditional, gracious manners are part of the culture, even in more rural areas, so, when traveling to different cities or areas, we should pay attention to local customs. As far as gifts are concerned, we should remember that they are not routinely given. However, if we do choose to give a gift on our arrival or departure, it will have to be a modest one, as a lavish gift, even when accepted, would be considered either embarrassing, or conspicuously intended to oblige the other to be at least as generous. As gifts are usually given to celebrate finalizing a negotiation, a contract, or a project, office objects, a nice bottle of wine or liquor would be appropriate. Taking a business associate to a nice meal or sporting event, a play, or symphony is always a nice gesture.

We should remember, however, that in Canada invitations to private homes are rare. Only occasionally, in the western provinces, we may be invited to someone's home. If we are invited, we may take candy, flowers, or liquor to the host or hostess. Since, traditionally, business is not discussed during dinner it is polite to wait for our host to start a business conversation during or following a meal. It is also useful to keep in mind that personal space and body movement or gestures differ between the English and the French provinces and cities. In the English areas, body movement is minimal, there is rarely touching other than handshakes, and personal space is about two feet, whereas in the French areas, people stand closer together, they will frequently touch, and gestures are more expressive.

In the **United States** business conversation *may* take place during meals, although it is customary to have social conversation on different topics during the actual meal. Business meetings may be arranged as breakfast meetings, luncheon meetings, or dinner meetings, depending on time schedules and necessity. Generally a dinner, even though for business purposes, is treated as a social meal and a time to build rapport. Gift giving is discouraged or limited by many US companies. Therefore, a gracious written note is always appropriate and acceptable. If we do give a gift, however, we will have to do our best to make it not appear as a bribe. An invitation for a meal or a modest gift is usually acceptable.

4. CONCLUSION

Understanding the culture in a country or region in which you are doing business is a critical skill for the international business person. Without this knowledge, the very outcome of the business meeting can be in jeopardy. Therefore, the right attitude towards the ceremony and symbolism of gift giving as part of the business relations context is to regard them not as obstacles, but to make efforts to

learn about them so that we should be able to turn them into advantages. The most important thing to remember, however, is that the efficiency of a personal meeting with associates and clients will never be replaced by modern communications technology.

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COMPARATIVE ANALYSIS OVER THE ESTABLISHING WAYS TO MAKE STOCK COMPANIES IN THE EUROPEAN LAW SYSTEM

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ABSTRACT: *The stock companies is the most complex and evolved form of company, able to gather the greatest funds and act in the most important areas of activity. Because of the important contribution to the constitution of registered capital and blurring the personal qualities of the stockholders, the stock is also known as joint stock company. This type of company is dedicated to the achievement of great business with great funds. The company is conceived in such a manner as to be able to drain the modest fund contributions for developing great funds, needed for realizing great investments.*

KEY WORDS: *stock company, shareholders, registered capital, founders.*

A basis component for the EU institution is the accomplishment of a common market, of a common economic monetary union and the implementation of common policies. The main demand in the economic field is represented by the insurance in the EU, of the free movement of people, services, goods and stocks. An important role in the accomplishment of this demand have the business company, as main economic agents in the European market.

The globalization phenomenon in the economic international relation, even more accentuated in our days, created new challenges regarding the necessity of improving the legal status of the business companies. The acutest thing was the need for some new rules for running the business companies in order to ensure the stockholders protection, especially those who make the investments in the transferable securities on the international market.

The stock company is the most complex and the most evolved form of company, able to gather the greatest funds and to act in the most important areas of activity. In this type of company, the most important are the shareholders contribution and not their personal qualities. Generally speaking the stockholders form the

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registered capital without an effective participation to the company's activity. These contributions are also important for the third parties because the shareholders responsibility for the social duties are limited to these contribution. Thanks to the contribution importance and the blurring of personal qualities of the shareholders, the stock company is also known as joint stock company.

This type of company is assigned to realize great business which generates great funds. The company is conceived in order to drain the modest money contribution for developing some great funds, necessary for the achievement of some great investments. With this purpose, it is authorized to appeal to public subscription.

The stock company is organized and acts on democratic principles. It has some compartments with limited competences based on the power separation principle, decision compartments, managements compartments, supervision and control compartments. It works as a democratic organism where the minority is submitted to the majority and managers supervise the company based on an authorization, and the censors control the legal aspect of their work. The stock company can be defined as that type of company constituted by association of a number of persons called shareholders in order to develop a commercial activity for the purpose of splitting the benefits and whose contributions are represented by negotiable parts called shares, the responsibility for the social parts being limited by the contribution.

The stock company are legal persons and they are formed according the law through agreements and the statute can be realized as a legal document, also known as company charter. This is signed by all the shareholders or in case of public subscription by the founders and concludes an authentic form. The registration to the Trade Register offers the company a legal persona character. The company agreement has three essential parts are particular towards other synalagmatic agreements: registered capital; affectio societatis; the participation to benefits and losses.

The constitution of the registered capital through the shareholders contribution is the main condition for the company's existence. In the condition of a lack of patrimony, we can't speak about legal person, and without a registered capital its hard to imagine an economic activity. The law threats carefully and with great caution also the subscribing to the registered capital and maintenance of this capital all through the companies' existence.

The registered capital is the common value of the shareholders contribution and is part of the passive of the balance sheet. The registered capital is different for every legal type of company and its activity. The registered capital is expressed in the national currency. The registered capital, in the sense of the present law nr. 31/1990 is special term different from, the one used in economy and accounting language such as "social funds". Even more, the regulation of share market (art.7 alin.4 law no. 297/2004) speak about an "initial fund" and other components of the balance sheet. The registered capital (in the sense of the present law) has lost its importance regarding the assessments (the economic ones) to which is submitted a company through its existence (for example the assessments of the rating agents, bank assessments, liquidation and absorption assessments, the assessments of potential business partners).

It's a legal term born , in the golden age of the commercial codes half of XIX century. Today from the economic assessments point of view and rating regarding the credibility and the performance of the company are much more important the economic concepts as the turnover, risk capital, clients portfolio, contracts portfolio).

The condition to form the social funds remains in the financial sector, the banks, insurance, investments because all these type of company benefit from public funds and this must be protected indirectly by ensuring a financial stability of the deposit and of the beneficiaries. The law admits the importance of the persons who initiated the company and signed the initial act by calling them "founders". This quality is recognized also for the persons who create a company by public subscription. The founders can be also natural persons and legal persons.

There are also considered to be founders the persons with a great role in the company constitution, which can generate some problems. This problem is not just a theoretical one because the founder can be paid with parts of benefits (atr.32, alin.1 LSC). Also in case the company starts to liquidate, the founders can claim for damages against the company if the liquidation has affected them, of this action could benefit only the persons whose qualities was admitted by the initial act. The company is created based on the initial acts, accompanied by the formalities that can be submitted to the authorization idea by the local public power of some new legal persons. Only as a consequence of a legal constitution, the company benefits by the essential elements of a legal person (the estate initially created through the shareholders, original identification elements, which individualize the new legal person, towards the shareholders and third parties, as the headquarters, the name, the emblem, the council board which exercise the rights and assume the obligations of the company).

In order to start the constitution process, once the constitution acts elaborated, the company benefits from a legal person, limited to the purposes of the constitution. Based on this legal person statute, the company even though is not yet a legal person fully constituted, will be able to own a banking account for the registered capital and will be able to conclude a lease agreement or any other legal act to ensure the use of a building as headquarters. This kind of legal acts will be signed in the name of the company by the manger or by any other shareholders. A series of legal acts or other operations are concluded by the founders even before the signing of the initial acts, having in perspective the constitution of the new company.

The stock company in the French system of law is named joint anonym stock company. As for any type of company, the consensus of the parts must correspond to the real will of those interested in creating the company. The same as our Romanian legal system, also for the French law system is not necessary for a person to have the quality of a tradesman for becoming a shareholder, also the quality of shareholder doesn't offer the quality of tradesman.. There are no incompatibility or any interdiction to take part to the constitution of the stock company, there for any fully rights person can become a share holders, also the legal person can become shareholders of a joint stock company. The stock company has a commercial nature, whatever is its destination, civil or commercial one. Its object of activity must be legal and possible.

Regarding the shareholders number, there is no maximum limit provision, but it is stipulated the fact that a joint stock company can't be created without at least 7 shareholders, unlike the Romanian legal system of law where are necessary only 2 shareholders that the company was conceived in legal conditions. The demand in the French legal system of 7 shareholders is criticizable, especially by the small companies. The contributions can be made in kind or in cash, the industry contributions are forbidden in the case of joint stock company, and doesn't give right for owing shares of that company. The minimum registered capital is regulated through the paragraphs of the French commercial code: 225000 euro in case of stock company created by public subscription; 37000 euro for the case of stock companies simultaneously created. The nominal value of registered capital can be modified only through acts that change the initial act. Also the details regarding the social fund must be present in the company's documents and in those answering the publicity for the third parties. In Romanian law system the registered capital amount is regulated by law, not less than 25000 euro for joint stock company.

The constitution process of the joint stock company. The joint stock company can be constituted in two ways: through public subscription: the founders do not have their own funds, so they offer to public subscription the shares of the future company; through simultaneous constitution, the founders subscribe their own, all the company's shares. Even though the French law regulates in detail the joint stock company through public subscription, most of the stock companies are not created in this way, by using the simultaneous form of constitution.

The simultaneous constitution. The registered capital, established by statute (In the French law system at least 37000 euro, in our law system 25000 euro), must be totally and unconditioned subscribed. All the shares must be distributed between the subscribers, which must be at least 7, unlike our law system where 2 founders are enough. The shares created at company's constitution will be issued effectively, only after registering of the joint stock company. The nominated value of the stocks can be established by the statute, if this thing is not stipulated in an imperative manner.

The shares in cash, must be deposit in the moment of subscription, the deposit value must be at least half of its nominal value. The rest of the subscribed shares must be deposit in a 5 years period of time, from the moment of the registration. If the remaining amount, which represented the rest of the cash, hadn't been deposit in a 5 years period of time, any person interested can ask the president of the legal commerce court to demand the shareholders to bring their contribution or to assign a mandatory.

The founders or the managers of the company that issued shares without being initially subscribed, according to the legal conditions are submitted to a 9000 euro fine or prison,(one year) in the French system of law (C.com. fr, art. L 242.1.al 2). The money that form the registered capital can be deposit to a public notary, at a bank and this amount can not be available until the public registration. Considering the contribution values and the value of the goods that form this contribution can be exaggerated affecting the company, the third parties or other stockholders, the French law has predicted an express procedure for checking the kind contribution. Demanding

one or more of the founders, the president of the commerce court of law, can assign more experts to evaluate the kind contributions.

The experts establish, on their own a report regarding the value of the contributions in kind. The report will be deposited at the company headquarter in order to serve the future company's shareholders which must be aware of the report at least 3 days before the signing of the initial act. The signing the initial act and the statute there is also approved the reduction of the kind contribution. By depositing the difference to the cash contribution, and the kind contribution the obligation of the depositing the contributions is considered entire from the moment of the subscription. Considering that by creating the company, some shareholders or even third parties have made the necessary forms, in the statute there will be stipulated for them some private advantages. The most frequent situation is the distribution of preferential shares. The concept of advantages has a deeper meaning including any kind of favor distributed personally o a shareholder or a third parties. The risk of this advantages is represented by the possibility of a balance rupture between the a shareholders or affecting the social interest.

The initial act (originally elaborated in the correct number, for doing the legal forms of publicity) must contain the essential information and some elements particularly for the joint stock companies: the number of the shares issued and their value, the founders name, the identity of those who deposit the kind contribution and the beneficiaries of the private advantages, the nature of these advantages, the kind contribution evaluation, the identity of the first managers and censors.

In case of omitting one of the necessary elements, any person interested can act for regulating this. Also the initial act must be followed by the experts report regarding the evaluation of the kind contribution and the acts made in the name of the company, by showing the way the company respond from each and everyone of them. The initial act must be signed by all the shareholders, personally or through a representative agent.

The publicity and registration forms. The registration forms are identical as in any type of company: registration, publishing in a public news paper with this particular kind of destination legal and official (Official Journal), the depositing of the initial acts, the registration at The Trade Register. The registration offers the company legal statute. In this moment the founders are discharged of the obligations assumed during the constitution of the company. The amount for the cash contribution will be unblocked and used according to the company's needs. In the case the company has not been registered, any subscriber of the cash stocks can demand the amount disbursed in the company's account in a term of 6 months since the deposit.

The constitution of the joint stock company through public subscription. The constitution of the joint stock company is used rarely, in order to create a new company in the French system of law. In compensation, it's very well regulated through legal dispositions by the French legislator through the law from the 2 July 1998 concerning the constitution through public subscription. In this way, considering these regulation, the public subscription is made by: admitting a financial instrument at the existing negotiations on a regulated market; issuing or ceasing some financial

instruments towards the audience by publishing them, or by using the credit institutions or the investment companies. The issuing or ceasing of some financial instruments towards a restricted number of investors can't be considered public subscription, and these investors act on their own (according to the French doctrine). The persons that wish to use the public subscription for creating a new company must be first published and put at disposal to any interested person a document assigned to public information, containing information about subscription, organization, financial situation and the issuer evolution.

The objective of the public subscription procedure is to reunite a great number of shareholders, in the purpose of gathering an important capital, the constitution will last several months and needs more operations, precise regulated. These are:

1. The elaboration of a statute project, signed by the founders, one copy is deposited at the commercial court from the future headquarter. The third parties can analyze this project and can obtain a copy on their expense.

2. The publishing of information: the project signed by the founders is dedicated to inform the future subscribers, being published in the Official Journal;

3. The registered capital must be subscribed: this must reach the value of 225.000 euro. The persons that subscribe a cash contribution must sign a subscription bulletin, indicating the number of stocks subscribed and receiving, and receiving one copy. These must disburse half of the subscribed shares value (C.com fr. Art. 225-3 al 2). The subscriptions and disbursements are established through a deposit certificate.

4. The convening of the general statutory meeting: this is called in a 6 month period of time from the statute deposit. This procedure is used only for the public subscription procedure, because in case of the simultaneous constitution, in this stage must be signed.

In order to finish the procedures regarding the constitution of the joint stock company through public subscription, there must be realized the publicity and registration forms to the Trade Register.

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ASPECTS CONCERNING THE VALUE ADDED TAX IN INTRA-COMMUNITY OPERATIONS

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ABSTRACT: *Under the conditions of Romania's accession to the European Union, the harmonisation of legislation of the national economy departments was necessary. Given the importance of fiscal legislation both with respect to the financial side of the fiscal field - of insurance of budgetary resources at national and community level - and the elimination of double international taxation, recent regulatory acts amended and supplemented the Fiscal Code initially approved by Law no. 571/2003, the intra-Community relationships being especially regarded. We shall present hereinafter the main aspects regarding the value added tax in intra-Community operations, applicable to tax-payers from Romania starting with 2007.*

KEY WORDS: *VAT, community tax, intra-Community operations, taxable base, taxable person, invoice.*

1. TAXABLE OPERATIONS

Through Romania's accession to the European Union, the economic agents from Romania shall act within a common market that provides the European companies the benefit of acting in a stable and extensive market, with a view to increase investments, profitability and competitiveness. Although the Member States of the European Union decided the abolition of fiscal frontiers, the Community fiscal competences stopped where the national sovereignty started, whereas fiscal policy constitutes an attribute of national sovereignty.

Products made in Romania can no longer be directly or indirectly protected in the competition with similar products from the European Union Member States. Also, exports of products to other State Members can no longer receive tax refund, whereas the European fiscal harmonization determines the elimination of fiscal obstacles that influence the free circulation by eliminating fiscal distortions. With a view to eliminate fiscal discriminations, two directives were adopted in 1967 in order

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to replace the value added tax with the cumulative and the uni stage tax. **The Value Added Tax** is an indirect tax due to the state budget and it acts in all the European Union Member States.

The Romanian fiscal legislation was harmonized with the European legislation by transposition of provisions of the Directive no. 77/799/EEC concerning mutual assistance between the competent authorities of the Member States in the fields of direct charge and insurance premium taxation with subsequent amendments. These fiscal stipulations shall apply as from the date of Romania's accession to the European Union (01.01.2007).

Given the importance of fiscal legislation both with respect to the financial side of the fiscal field - of insurance of budgetary resources at national and Community level - and the elimination of double international taxation, recent regulatory acts amended and supplemented the Fiscal Code initially approved by Law no. 571/2003, the intra-Community relationships being especially regarded. We shall present hereinafter **the main aspects** regarding the value added tax in intra-Community operations, applicable to tax-payers from Romania starting with 2007.

The value added tax, as regulated by the Fiscal Code, ensures the observance of **the base of taxation principle**, of the **neutrality principle** conferred by the deduction right does not represent a cost, as it is paid only by final consumers (who are not tax payers - natural persons, institutions, associations, foundations etc.) and its refund cannot be conditioned by supplier's unpayment of tax except when the parties' bad faith is proven.

The Intra-Community Acquisition of Goods is the acquisition of the right to dispose as owner of movable tangible goods which are dispatched or transported to the destination indicated by the buyer, by the supplier, by the buyer or by any other entity acting on behalf of the supplier or the buyer to a Member State, other than that from which the goods are dispatched or transported. They are assimilated to intra-Community acquisitions, on the one hand, the use in Romania by a taxable person, with a view to conduct his/her own economic activity, of some goods dispatched or transported by this person or any other entity on his/her behalf, from the Member State to the territory where these goods were made, drawn out, purchased, acquired or imported by him/her, in order to conduct one's own economic activity, if the transport or dispatch of these goods, in case it had been performed from Romania to another Member State it would have been considered as transfer of goods to another Member State and on the other hand, a non-taxable legal person's acquisition of some goods imported by that person in the Community and transported or dispatched in a Member State, other than that where the import was made.

2. PLACE OF INTRA-COMMUNITY ACQUISITION

According to the European conception, **the Country-of-Destination Principle** operates in the field of value added tax. It presumes that irrespective of origin of

products, either import or made in country, they are imposed through the taxation quotas practiced in the market of the state where they are consumed.

The Intra-Community Delivery of Goods is value-added tax exempted if the buyer gives the purchaser a valid registration code for VAT purposes, issued by the fiscal authorities from another European Union Member State.

The purchaser has the duty to verify the validity of the registration codes for VAT purposes provided to the Romanian sellers by purchasers from other Member States.

The persons registered for VAT purposes in Romania may verify the validity of the registration codes for VAT purposes and the identification data of the persons registered for VAT purposes from the other Member States as follows:

- accessing the Internet page of the European Commission;
- sending a request by electronic mail;
- mailing a written request or sending it directly to the registry of General Directorates of County Public Finance, respectively Bucharest or to the Registry of the General Directorate for Big Taxpayers Assistance.

The request to verify the validity of registration codes for VAT purposes and the identification data of the persons registered for VAT purposes in the other Member States hereinafter referred to as "Verification Request" can be sent solely by persons registered for VAT purposes in Romania, directly or through a legal representative.

The taxable persons registered for VAT purposes that during the reporting trimester made deliveries and/or intra-Community acquisitions, as well as deliveries and acquisitions within a triangular operation have the obligation to submit each trimester to the territorial fiscal body until the 25th inclusive of the following month "the statement regarding deliveries/acquisitions of goods".

The taxable persons registered for VAT purposes shall submit the recapitulative statement only in the reporting trimester when the exigibility of the tax for intra-Community deliveries/acquisitions as well as for deliveries and acquisitions within a triangular operation comes into existence.

Every taxable person registered for VAT purposes must submit to the competent fiscal bodies a recapitulative Statement regarding the intra-Community acquisitions for which the moment of tax exigibility comes:

- in the fifteenth day of the following month after the one when the generator act took place, respectively the delivery or,
- if an invoice for that delivery was issued to the person who buys the goods, except the invoices for partial advances encashment, before the day of 15th of the following month when the generator act took place, respectively the delivery, the tax exigibility intervenes upon the issue date of this invoice, both for intra-Community deliveries and for intra-Community acquisitions.

The Place of Intra-Community Acquisition of Goods is considered to be the place where the goods are when the dispatch or transport of goods is concluded. In certain cases of intra-Community acquisition of goods, if the buyer communicates to

the supplier a valid registration code for VAT purposes¹, issued by the authorities of a Member State, other than that where the intra-Community acquisition takes place, the place of the acquisition is considered to be in the Member State for which the registration code for VAT purposes was issued. If an intra-Community acquisition was subject to tax payment both in another Member State and in Romania, the tax base is correspondingly reduced in Romania. The intra-Community acquisition of goods within a triangular operation in a Member State other than Romania, by the reseller purchaser registered for VAT purposes shall be considered having been subject to payment of value added tax in that Member State.

The Place of Supply of Services is considered to be the place where the provider is established or has fixed premises where services are performed. By way of derogation, the place of supply is considered to be the place where the immovable goods are located for the supply of services performed in relation to immovable goods, the place where the transport takes place, having regard to the distances covered, in the case of transport services, other than the intra-Community transport of goods, the parking place of an intra-Community transport of goods. Intra-Community transport of goods means any transport of goods where the place of departure and the place of arrival are situated within the territory of two different Member States or where the place of departure and the place of arrival are situated within the territory of the same Member State, but the transport is performed in close connection with an intra-Community transport of Goods.

In the case of supply of services that consist of transport ancillary activities, e.g. loading, unloading, handling and similar services, the place of supply of services is considered to be the place where the services are physically carried out. In case such services imply activities ancillary to an intra-Community transport of goods and are performed for a customer who supplies a valid registration code for VAT purposes issued by the competent authorities from a Member State other than that where services are physically carried out, it is considered that the supply is performed in the Member State that issued the registration code for VAT purposes. For the intermediary services performed with reference to an intra-Community transport of goods by intermediary agents acting on behalf and for the account of another person, the place of supply of services is considered to be the Member State where the place of departure of the transport is. For the intermediary services performed with reference to services

¹ As from 01.01.07 the registration code for VAT purposes issued to taxable legal persons by the competent fiscal body shall have the preffix "RO" followed by the fiscal identification code. All the legal VAT payer persons registered in the fiscal records until 01.11.06 shall be operated ex officio by the competent fiscal bodies in the records of taxable legal persons registered for VAT purposes and the registration certificate for VAT purposes shall be issued . The procedure of registration and issue of the registration certificate for VAT purposes does not apply to the taxpayers who are registered in the special records or are declared inactive taxpayers. The registration code for VAT purposes assigned to the taxable legal persons shall be obligatorily entered in the registration certificate for VAT purposes. The legal persons have the obligation to enter the registration code for VAT purposes in the delivery documents as from 01.01.07.

ancillary to intra-Community transport of goods by intermediary agents acting on behalf and for the account of another person, the place of supply of services is considered to be the place where the ancillary services are carried out.

The place of supply of services is considered to be the place where the customer the services are delivered to is established or has fixed premises, on the condition that this customer is established or has fixed premises outside the Community or is a taxable person acting as such, established or with fixed premises in the Community, but not in the same state as the provider, in the case of the following services: Renting of movable tangible goods excluding means of transport; leasing operations involving the use of immovable tangible goods excluding means of transport; transfer and/or transmission of use of copyrights, patents, licences, trademarks and other similar rights, advertising and marketing services, services provided by advisers, engineers, jurists and lawyers, accountants and expert accountants, study offices and other similar services, data processing and supply of information, banking, financial, insurance, including reinsurance operations excluding the renting of safes; the supply of staff, granting the access to the systems of natural gas and electric energy distribution, including the services of transport and transmission by means of these networks, telecommunication, radio-broadcasting and television services, services delivered electronically and the supply of services by intermediaries. For the cultural, artistic, sporting, scientific, educative, entertaining or similar services, including the ancillary services and those of organisers of such activities, expertises concerning the movable tangible goods and the activities performed in relation to them, the place of supply of services is considered to be the place where they are carried out.

For Renting or Leasing of transport means, Romania is considered to be the place of supply when these services are delivered by a taxable person, established or who has fixed premises outside the Community, from which services are delivered, if services are physically carried out in Romania by the beneficiary or outside the Community, when these services are delivered by a taxable person, established or who has fixed premises in Romania, from which services are delivered, if services are physically carried out outside the Community by the beneficiary.

3. THE TAX BASE

In case of an intra-Community acquisition of goods, the tax exigibility intervenes upon the issue date of the invoice by the person who makes the acquisition for the entire counter value of delivery of goods, but no later than the fifteenth day of the following month after the one when the generator act took place. For the intra-Community acquisition of goods, the tax base is established on the basis of the same elements used for determining the tax base in the case of delivery of the same goods inside the country. **The Tax Base** also includes the excise duties paid or due in a Member State other than Romania by the person who makes the intra-Community acquisition, for the acquired goods.

The following are **tax-exempt**: the import and intra-Community acquisition of goods whose delivery in Romania is under any situation tax-exempt inside the country, the intra-Community acquisition of goods whose import in Romania is under any situation tax-exempt, the intra-Community acquisition of goods for which the person who buys the goods would have in any situation the right to complete refund of the due tax if the respective acquisition were not exempt, the definitive import of goods that meet the conditions for definitive customs duty exemption on the basis of Regulation 918/83/EEC, of the Directive 83/181/EEC, of the Directive 69/169/EEC and of the Directive 78/1035/EEC of the Council, the import of goods by the diplomatic and consular offices that benefit from customs duty exemption, the import of goods performed by representatives offices of international and intergovernmental organizations accredited in Romania, as well as by members within the limitation and in compliance with the conditions set in the conventions of establishment of these organisations, the import of goods to the armed service of NATO foreign member states, for their use or the use of the accompanying civil personnel or for the supply of officers' messes or canteens, if it is meant for the joint effort of defence, the reimport of goods in Romania performed by the person who exported the goods outside the Community in order to be subject to reparations, transformation, adjustment, assembling, on the condition that the exemption be limited t to the value of goods in the moment of their export outside the Community, the import in captures harbours, unprocessed or preserved with a view to commercialization before being delivered, performed by persons who engage in sea-fishing, the import of natural gas by means of the distribution system of natural gas and electric energy import, the import in Romania of goods that have been transported from a third territory, when delivery of these goods is a short delivery, the import of gold performed by the National Bank of Romania.

There are also **tax-exempt**: the deliveries of goods dispatched or transported outside the Community by the supplier or another party on his behalf, deliveries of goods dispatched or transported outside the Community by the buyer who is not established in Romania or by another entity on his behalf, except goods transported by the buyer himself and who are used to outfit or supply pleasure ships and tourism planes or any other transport means for private-use, the supply of services, directly in connection with export of goods or goods placed under depository regime of value added tax or in one of the suspensive customs regimes, the supply of services of transport, the supply of services ancillary to transport and other services directly in connection with import of goods if their value is included in the tax base of the imported goods, the supply of services performed in Romania on movable acquired or imported goods, placed under the customs regime of active perfecting and transported outside the Community by the services provider or by the customer if the latter is not established in Romania, or by any other entity on behalf of any of their names, the intra-Community transport of goods performed from and into the islands that form the Azores Autonomous Regions and Madeira, as well as services ancillary to it, the international passenger transport, in case of ships for sea navigation used for

international transport of passengers and/or goods, for fishing or any other economic activity or for first aid or assistance at sea, in case of aeroplanes used by airways, mainly for international transport of passengers and/or goods, deliveries of goods and supply of services in favour of diplomatic and consular offices and their personnel, as well as foreigners with diplomatic or consular statute in Romania or any other Member State, under mutual conditions, deliveries of goods and supply of services in favour of representatives of international and intergovernmental organizations accredited in Romania or in another Member State as well as their members within the limitations and in compliance with the conditions set in the conventions of establishment of these organisations, the supply of goods which are not transported outside Romania and/or supply of goods performed in Romania, meant for the official use of the armed service of NATO foreign member states, or for the use of the accompanying civil personnel or for the supply of officers' messes or canteens, if the army takes part in the joint effort of defence, the supply of goods transported or dispatched to another NATO member state, meant for the official use of the armed service of a state, other than Romania or for the accompanying civil personnel or for the supply of officers' messes or canteens, if the army takes part in the joint effort of defence, deliveries of gold to the National Bank of Romania, deliveries of goods to the acknowledged organical structures that transport or dispatch these goods outside the Community, as part of humanitarian, charitable or training activities.

The intra-Community deliveries of goods to a person who communicates the supplier a valid registration code for VAT purposes, issued by the fiscal authorities from another Member State are **tax-exempt** except the intra-Community deliveries performed by a small enterprise, others than intra-Community deliveries of new transport means and intra-community deliveries that were subject to the special regime for second-hand goods, works of art, objects of collection and antiquities, intra-Community deliveries of new transport means to a buyer that does not communicate the supplier a valid registration code for VAT purposes, as well as the intra-Community deliveries of excisable products to a taxable person or to a non-taxable legal person that does not communicate the supplier a valid code of registration for VAT purposes.

Taxable person that performs a supply of goods or services other than a delivery/supply without right to tax deduction must issue an invoice to the beneficiary not later than the fifteenth working day of the following month after the one when the generator act took place, except when the invoice has already been issued. Also, the taxable person must issue an invoice to the beneficiary for the amount of advances encashed in connection with a delivery of goods or a supply of services, not later than the 15th working day of the following month after the one when he encashed the advances, except when the invoice has already been issued.

The person registered for VAT purposes must **self invoice** within the legal limits every delivery of goods or supply of services to oneself.

The taxable person shall issue an invoice within the limit set for each distance selling he/she made and a self invoice, within the limit set for each transfer performed in another Member State.

4. CONCLUSION

Amendments concerning the regime of value added tax were necessary whereas, starting with the moment of accession, Romania shall have to contribute to the European Union budget with a part of the encashed value added tax and if the collection level is inadequate an increase in the quota to this tax is not excluded. The current incomes of the Romanian budget shall also be diminished by customs taxes that shall be collected entirely to the European Union budget. Although the financial package for Romania from the first year of accession stipulates that the value of the due contribution shall be lower than the value of allocations received from the European Union, the biggest challenge being the increase of budgetary incomes on the basis of economic development and, essentially, without raising the taxes and fees quotas.

The fiscal harmonization will not be easy. In fact, none of the European States really wants this, **tax being one of the last elements with national mark**, under the conditions of losing the national currencies.

The fiscal competition is still present, even if the fiscal boundaries considered as harmful are removed, taxes shall continue to be more lax in some countries as compared to others. It should be kept in sight the fact that loyal competition is the only hope for private entrepreneurs and overtaxed companies to see the fiscal pressure weakening.

Romania shall not be exempt either, after accession, from these phenomena of fiscal nature that shall create quite enough accession problems.

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ADVERTISING ON LINE - THE MOST EFFECTIVE WAY OF BRANDING CREATION

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ABSTRACT: *The author, basing on scientific researches, examines the brand phenomena at local and global level. In condition of world globalization that the brand can be created in many ways, but the most effective mode it seems to be through the internet. Because we live in the World which is changing day by day very rapidity and IT are more and more used in all fields, it is visible also the opportunities of advertising on line. We have to mention that this context generates some new aspects like social and ethical one. Thus, the brand creation is a very complex system.*

KEY WORDS: *Internet, advertising on line, brand.*

In a globalized world, every place must compete with every other place for its share of the world's wealth, talent, and attention. Just like a famous company, a famous city, region or country finds it much easier to sell its products and services at a profit, recruit the best people, attract visitors, investment and events, move in the right circles, and play a prominent and useful part in world affairs. It is all too easy to become famous for the wrong reasons. A place's reputation needs to be built on qualities which are positive, attractive, unique, sustainable and relevant to many different people around the world.

A place brand strategy determines the most realistic, most competitive and most compelling strategic vision for the city, region, or country, and ensures that this vision is supported, reinforced and enriched by every act of investment and communication between that place and the rest of the world. But unless every government department or agency consistently communicates and demonstrates the same carefully developed brand, people in other places will quickly become confused about what the place brand stands for.

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The acts of communication which a place performs, now and in the future, include the products which it exports; the way it promotes itself for trade, tourism, inward investment and inward recruitment; the way it behaves in acts of domestic and foreign policy and the ways in which these acts are communicated; the way it promotes and represents and shares its culture; the way it manages and develops its built and natural environment; the way its citizens behave when abroad and how they treat strangers at home; the way it features in the world's media; the bodies and organizations it belongs to; the other places it associates with; the way it competes with others in sport and entertainment; what it gives to the world and what it takes back. If done well, such a strategy can make a huge difference to both the internal confidence and the external performance of the place. [3]

At the moment an effective way for creating brand is Internet. For example Microsoft buys a quantity for \$6 billion; Google acquires Double Click for \$3.1 billion; Yahoo purchases the 80% of Right Media it doesn't already own for \$680 million. Ad firm WPP gets 24/7 Real Media for \$649 million. The common thread: All the takeover targets are online advertising companies. The race to consolidate the online advertising industry comes as a host of factors collide, including the industry's rapid growth relative to other forms of advertising. The Interactive Advertising Bureau (IAB) and PricewaterhouseCoopers (PwC) reported online advertising revenue was up 35% in 2006 to a record \$16.9 billion. In 1999, the IAB and PwC reported Internet advertising revenue of \$4.6 billion, a total just shy of revenues in only the fourth quarter of 2006. [2]

There are a lot of factors that influence the brand. As we know the brand environment consists of the brand itself – expression, perception and recognition – surrounded by internal and external factors that have an influence on the brand. Only by taking these factors into consideration can management understand the entire brand proposition, and how it is affected in different markets. Some factors affect some brand elements more than others, some types of brands are more sensitive to particular factors, and the effect may vary according to markets and consumer segments.

Thus, the problem facing brand managers is how to unravel all these elements and turn their insight into policies that will unlock the full potential of their brand in a particular market, and across multiple markets at the same time. This requires a common framework that can be used across markets in order to obtain equivalence of brand analysis. A framework ensures not only that global brand management talks the same brand language and follows the same procedures as local brand management, but also that it becomes clear which internal or external factors are uniquely influencing to particular societies or even segments of societies.

There are two levels of brand phenomena: global and local one. Global brand management needs to understand how various markets compare on these issues in order to determine how best to manage the brand globally. Determining communalities and differences in business strategy, brand expression and marketing provides insight into the extent to which the organization's policies and activities regarding the brand

diverge, as well as the causes and rationale for divergence. Doing the same for the situational factors, the brand perception and the brand recognition provides an understanding of the extent to which the brand is perceived differently across markets, and what causes these differences. A complete analysis offers brand management an appreciation of the core elements of the brand, as expressed and perceived around the world. This type of information forms the basis for shared strategizing and planning for the branding process by global, regional and local brand management. Decisions regarding brand extensions, harmonization, rejuvenation, portfolio rationalization, alliances and acquisitions depend on a thorough understanding of a brand and its environment.

Meanwhile, as advertisers demand more return on their marketing dollars, companies like Google plan to provide tools like a web-based "dashboard" to allow advertisers to track media buys across all advertising formats. Google rivals Microsoft and Yahoo have similar plans and are adding companies and talent to deliver the next generation of advertising.

According to Wharton marketing professor Peter Fader there's a good reason a company like Microsoft is willing to pay an 85% premium for aQuantive: It's the inevitable evolution of advertising. "What online firms are doing - accountable advertising - is the future," says Fader.

Fader says that all forms of advertising will be based on accountability and quantifiable results. Marketing dollars will be allocated based on the answer to one question: Did the ad deliver the intended reaction? It's a concept that uses the techniques of the direct marketing industry, such as tracking response rate. In the online world, metrics such as the number of people who "click through" an ad or the number of leads generated from a particular search query are readily available. There some researchers in this field which consider that the benefits of other forms of advertising, like television and print, are more intangible. But with something like television, you have to ask about the return and how it will be tracked. If I have branding goals, what are the best measures? In this way other forms of advertising are always going to be fuzzier compared to measuring click-throughs online." [2]

"Previously, advertising was a creative discipline built on established relationships. Online advertising has thrown both out the door" says Hosanagar. "Advertising has fundamentally changed from an art form to a combination of art and science. That has implications for all players. Advertisers will seek out metrics and performance information. The ones that can act on the metrics will demonstrate the best ROI. Media firms best able to match advertisers and consumers will be most successful. And consumers will benefit the most. They will get a highly customized media experience which includes seeing only those ads of most interest to them."

Wharton experts agree that Internet advertising -and its potential to transform an industry - make it more than just a passing fancy or the result of irrational exuberance. "Internet advertising isn't a bubble. And the floor isn't going to fall out any time soon," says Williams.

While Internet advertising is growing at a rapid clip, it is still dwarfed by other forms of advertising. According to TNS Media Intelligence, spending on television advertising for 2006 was \$65.4 billion. Newspapers, magazines and radio garnered 2006 advertising spending of \$27.9 billion, \$29.8 billion and \$11 billion, respectively. Based on the IAB's figures, Internet advertising surpasses only radio thus far. Those figures are part of the reason that Google is dabbling with selling ads for traditional media such as radio and print as well as its traditional search advertising. Within the online category, advertising based on search keywords, Google's specialty represented 40% of the 2006 revenues. Display advertising - banner ads, sponsorships and video - accounted for 32% of the total, according to the IAB.

Search-based advertising is currently the darling of the category and experts at Wharton see no reason for that to change. Legal studies and business ethics professor Kevin Werbach notes that search advertising "is an extraordinary success story." The popularity of search advertising, Williams adds, "will top out, but no time soon." According to Hosanagar, keyword search advertising is so popular because it satisfies both the consumer and the advertiser. On the advertiser's side, search results yield better click-through rates and offer better targeting. Consumers can also benefit. They are "essentially using the search engine to get somewhere else. Advertising is an effective way to enable that process," says Hosanagar. "Finally, search advertising occurs when users are close to their purchase decision, and it becomes really important at that point to advertise to influence choice. All these factors will remain, and search engine advertising should continue to be appealing." [2]

Some experts agree that this efficiency won't happen overnight, but they are confident that the advertising industry will change across all forms of media. As advertising evolves it would be foolhardy to write off traditional media. Integrating across multiple forms of advertising is going to be the biggest challenge for traditional agencies. The advertising industry has been searching for 20 years for ways to be integrated and reach across all forms of media. The reality is that integration is harder to achieve.

The infrastructure of the buying process is different across media. Furthermore, some traditional advertising venues can charge a premium for their ability to speak to a broad audience. At present, the price of online advertising doesn't come close to what the television industry charges for an ad during a hit show. Even though online advertising will probably be a more efficient choice among the various forms of media, chances will remain inexpensive relative to other forms. Because of supply and demand. There are so many places where you can go to advertise online. At the moment, there are many different pages on web sites. It's a huge amount of supply and relatively small demand. Nevertheless, the price gap between Internet and traditional forms of advertising will close as Internet advertising becomes more expensive and the price of traditional media decreases.

The "optimists" in technological progress believe that technology will solve all these problems. Remote controls make it easier for us to screen out TV commercials.

And in the future, some argue, new technologies like agents and filters will shield us from messages we don't want to receive - each is going to make it even harder for marketers to get our attention.

Glenn Urban, former dean of the Sloan School of Management at MIT, could serve nicely as spokesperson for the technology optimists. In a recent interview with *American Demographics* magazine, Professor Urban explained his vision of a world in which virtual intelligence "advocates" will operate ceaselessly to advance the agenda. For example, software agents and bots will roam the Internet hunting for deals tailor-made for you. They'll screen your e-mail and guard your computer's security.

They will act as concierge and consigliere all rolled into one. The optimists believe that the Internet is good, that it will connect us and deliver finally on the promise of McLuhan's global village. The "pessimists" see a dark lining in the silver cloud. They see the Net as a mixed blessing. Nets connect, but they also capture. If we're not careful, the Net will capture us, permanently tethering us to it. Today, being in touch 24-7 is almost expected. Tomorrow, choosing to be out of touch, at least occasionally, may become a necessity. We are becoming entwined by electronic communications. More than ever, we need to balance our connectedness with periods of quiet and anonymity.

Until now, new media technologies have been celebrated for giving us more choices and making information more abundant. But some observers are already challenging that notion. One-time director of the Freedom Forum of Columbia University, Eli Noam, observed that "the real issue for future technology is not production of information. Anybody can add information. The difficult question is how to reduce it." Although P&G's rules and regulations have been successful in the past, they may tend to stifle innovation in the future. And even if they don't, they may tend to slow things down - a side effect that could prove dangerous as the pace of marketing accelerates. If you practice persuasion physics, it's a risk that runs in the family.

Persuasion physicists believe in the concept of effective reach - the idea that communications effectiveness can be equated with frequency of ad exposure. Persuasion physicists believe in the concept of efficiency. Year after year they demand of their media planners, and show us how you've improved efficiency. Persuasion physicists believe in the concept of targeting - and their targets are often the size of small countries. They use words like tonnage, impact, and target. If marketing is war, then persuasion physicists are the field generals. They believe that if the weight of the message barrage is right and the creative is above average, then the brand will sell. It would be tempting to suggest that persuasion physics ought to be discarded. Actually, persuasion physics still works for many brands and situations.

So, some experts consider that persuasion physics has been a valuable tool, but one that is wearing down. It still chugs along, but with continued wear it may soon stop working altogether. We need new approaches, not to completely replace our old ones just yet, but to expand the tool set we have available. [3]

In advertising's future, all forms of media would be relevant, says Hosanagar. "An advertiser would allocate budget across the media to target specific demographics. Traditional media is indispensable for branding, and online advertising has excellent pay-for-performance characteristics.

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NATURAL UNEMPLOYMENT - THE BASE OF FULL EMPLOYMENT

ALINA FLEȘER *

ABSTRACT: *The occupation of labor force is the main goal of all economic politics. In this context the paper try to approach the most significant aspects of full employment and natural unemployment. Work is considered to be the active and determining production factor as it anticipates the action's goal, settles the means to be employed, diminishes the volume and the structure of the goods to be manufactured, characterizes and watches the activity according to the received signals, creatively destroys on behalf of rarity and rationality.*

KEY WORDS: *unemployed, full employment, natural rate of employment, work place.*

Economic development is fundamental for the existence of the human beings and, at the same time, human beings detain the most important place within economic development as they are, beside nature, an “origin” production factor. As an origin factor, work directly intervenes within each economic activity, through the agency of biological and natural, social and human characteristics, transforming and combining the other production factors specific to each labor division. Under such circumstances, work is considered to be the active and determining production factor as it anticipates the action's goal, settles the means to be employed, diminishes the volume and the structure of the goods to be manufactured, characterizes and watches the activity according to the received signals, creatively destroys on behalf of rarity and rationality.¹

“That's why – J.M.Keynes writes – I share the classic conception according to which work manufactures everything, helped by what we previously used to call “craft”, and by what we call today “technique”, by natural resources that cost nothing

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¹ Popescu C-tin, *Cresterea care saraceste*, Editura Tribuna Economica, Bucuresti, 2003, p. 181

or that are obtained in exchange of a rent, depending on how rare or abundant they are, and by the results of previous work, embodied in capital goods that also have a price depending on how rare or abundant they are.”²

Work factor is obtained through the agency of labor market that is a subsystem of competitive market economy; transactions on this market have as an object work or labor³. Consequently, labor market is founded on the encounter and confrontation between labor demand and offer.

Alfred Marshall identifies four factors that determine labor demand:

- The degree to which work is essential for manufacturing certain goods; depending on this and relying on the characteristics of being substitutable, an entrepreneur may replace a type of work by another one (in case the last one is cheaper) or may substitute work for capital;
- The elasticity of the demand of resulted products;
- The percent salary cost detains within total production cost;
- The elasticity of the demand of the other production factors.

It is evident that the first and most important factor that exerts its influence upon labor offer is population size, “from whom it is delimited by a series of criteria, of social and demographic conditions, of options specific to the persons having the legal work age and being apt of work.”⁴

According to the opinion of the American specialists McConnel and Brue, labor offer may be understood, at the same time, as⁵:

- The total number of apt persons who search for work in exchange of a remuneration;
- The number of hours they want to work and they effectively work;
- The effort they make;
- The degree of qualification that determines the quality of their work.

The foundation of labor market continually develops according to the efforts and difficulties of knowing the boundaries of labor market as well as of the choice of the target model. Choosing/building the most adequate model of labor market should take into account both the actual development stage and the goals of attaining a superior economic and social stage in the future.

Out of the confrontation between labor demand and labor offer on the labor market, a balanced state may result, an ideal situation on this market where “employees work as much as they want, and the companies employ exactly the work quantity they

² Keynes J.M., *Teoria generală a folosirii mâinii de lucru, a dobânzii și a banilor*, Editura Stiintifica, Bucuresti, 1970, p. 229

³ Ciucur D., Gavrilă I., Popescu C-tin., *Economie. Manual universitar*, Editura Economica, Bucuresti, 1999, p. 241

⁴ Dobrota N., *Economie Politică – O tratare unitară a problemelor vitale ale oamenilor*, Editura Economica, Bucuresti, 1997, p. 147

⁵ Preda D., *Ocuparea forței de muncă și dezvoltarea durabilă*, Editura Economica, Bucuresti, 2002, p. 59

need at a balanced level of the real salary”⁶ or, on the contrary, a state lacking in balance, with negative effects such as economic underdevelopment, increase of unemployment, decrease of the living standard, etc.

Of course, the main goal of employment politics is represented by the balance on labor market, that is full employment.

The concept of labor employment has known different approaches, developments, contradictory ideas resulting a high complexity level. Its understanding needs to analyze another concepts, such as: labor market, salary, unemployment, economic growth, inflation etc.

The full employment regarding the place of work ensuring for the peoples so, non unemployment existence. But only in the theory the unemployment rate can be zero. That is why, instead of full employment objective is using the expression: high employment level, which means, a rate about the natural employment one⁷.

Therefore, normal functioning of labor market takes place when there is a natural unemployment which rate is corresponding with a totally labor use. So, we can say that the natural rate of unemployment is a rate which ensuring the macroeconomics balance. From this point of view, unemployment is considering to be excessive only if is excelling his natural level.

To define the natural rate of unemployment is not so easy, but there are some approaches. So, some economists defining the natural rate on unemployment to be the rate when the salaries and inflation are stabile, or on the acceptable levels. Another authors claims that the natural rate of unemployment is the rate of unemployment for that the vacancy work place are equal with the numbers of unemployment peoples, which means the full employment taking place.⁸ Another definition is given by James Tobin⁹ [9] which affirm that natural rate is the unemployment rate with an stable unemployment and with normal fluctuations of unemployed workers number and unemployment duration.

In the '70 years, some economists like Milton Friedman, claims that natural unemployment is voluntary unemployment.

Voluntary unemployment (natural unemployment) is characteristic for that peoples who decided to stop the work, totally or partially, because they considered that the salary is to small and prefers to have free time or they are looking for a new place of work high remunerated.¹⁰

⁶ Bacescu M., Bacescu – Carbutaru A., *Macroeconomie si politici macroeconomice*, Editura “All” Bucuresti, 1998, p. 684

⁷ Dobrotă N.(coord.), *Dicționar de Economie*, Editura Economica, București, 1999, p. 330

⁸ Roman M.D., Roman M.M., *Rata naturală a șomajului în România*, în *Revista Română de Statistică*, anul III, nr. 2, 2003, p. 14

⁹ Bărbăcioru C-tin, Popescu D., Bărbăcioru C., *Laureații Nobel în Științe Economice*, Editura Scrisul românesc, Craiova, 1999, p. 328

¹⁰ Ciucur D., Gavrilă I., Popescu C-tin., *Economie. Manual universitar*, Editura Economica, Bucuresti, 1999, p. 522

One of the most critical problem of the economic policy is to establish the point when the economy is in full employment conditions, and for this purpose it is necessary to have in view all the factors who can influence the natural rate of unemployment. We can mentioned:

- the population structure and migration from respective country; the natural rate of unemployment can be calculated like a weighted average of the natural rates of unemployment for different demographic groups and in this context any change in this groups structure on the labor market affects the natural rate of unemployment from respective economy;
- the level of different activities sectors growth rate's. In generally, the sectors with bigger growth rates will absorb much more labor force and the one who are diminishing own growth rate will reject labor force. Taking in account that the available labor force has a low mobility we can conclusion that the growth difference between the activity sectors will be larger and the general level of unemployment rate will be higher;
- the power of unions can influence natural rate of unemployment through they negotiation capacity. Generally, the unions tending to keep the work places and to rise the real wage of the union's members. The cost of this action is a large rate of occupation fluctuation of this peoples who are not members of the union;
- the unemployed ability and desire to keep up to search for a job;
- the unemployment allowance level and duration.

We can stand that the last two ideas deserves a special attention. Some person can live his actual work of place in order to have more to search for a better job. In this case we talk about *searching unemployment*.¹¹ If all the jobs would be identical, the unemployed would accept the first offer. If some jobs are better than the others, the effort to search and wait something better it is worth.

If the costs of unemployment are very high level (for example an low unemployment allowance), any job offer has many chances to be accepted. But, if the level of the unemployment pays are high and its are given for long period of time, the unemployed persons are available to wait some time in order to receive some good offers. More than that, once the unemployment pays costs and others modalities to support the unemployed are growing, to searching a new job is not important.

- the *histeris*¹² *phenomenon* can be consider like an element who influenced the natural rate of unemployment. So, the natural rate of unemployment can be influence by temporary changes in the actual rate of unemployment. For example, the workers who became unemployed

¹¹ C-tin. Bărbăcioru, *Macroeconomie*, Editura Universitaria,. Craiova, 2001, p. 216

¹² Histeris is a term from physics. It is appears when a variable which is temporary influenced by an external force, are not coming back on his initial level even if the action of this external force are disappear.

persons can suffer a human capital deterioration, thus they unemployable even after the unemployment shock has pass away.¹³

Normally, the natural rate employment it should be establish taking in account the demographic structure of labor force. But, in the last years, we can notice a growth tendency of the natural rate unemployment over the one which is determined by the demographic structure, because was registered long period of high unemployment, aspect who made impossible to came back to the initials natural rates.

The opinion of many economists are that the main cause for the rise of natural rate of unemployment is consider to be *young unemployment*, which are frequently unemployed than the others population categories. In this context, we can discussed about:¹⁴

- *insertion unemployment* - who's regarding the young persons who didn't work before, and the probability to quickly find out for a job is very low, especially for those who are less qualified.
- *recurrence unemployment* are taking in account this young persons who, in short periods, are became unemployed, and than they are rehire on instable and low qualified jobs, and which, after a few months became again unemployed.

At the same time, another type of unemployment is represented by *frictional unemployment*, who is manifested when a person or a group of person live, voluntary or by dismissal, theirs jobs, became unemployed for a period of time. This form of unemployment is compatible with full employment, because there are place of works, but it takes time in order occupied them.

The *involuntary unemployment* regarding the special situation of the unemployed persons who are disposed to work for an low real wage, but they don't find available places of works.

Taking into account the aspects below we consider that in the first place the employment problem can not be treat superficially, only through theoretical programs, because the degradation of human capital under unemployment conditions, determines budgetary compulsions and for the future vast social disturbances. In the second place, it needs to be a strong connection between competent human resources need and development of human resources funding properly.

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THE EFFICIENCY OF THE FINANCIAL INVESTMENTS

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ABSTRACT: *The material investments are reflected in the corporal immobilizations, with priority in the devices and in the installations, in the lands and in the fittings, in the buildings and in the constructions, in other endowments, but also in other actions and expenses that are assimilated to the investments. The social and economic mutations that have taken place in the transition process and in the adaptation to the market mechanisms, in our country, impose a new vision concerning the evaluation of the investments. The departure point is represented by the enlargement of the sphere of content of the investment process which structurally and synthetically comprises the three elements: the material investments, the non - material investments and financial investments.*

KEY WORDS: *investment, market mechanism, material investment, non-material investment, financial investment.*

1. INTRODUCTION

The evolution of the investments is mainly connected to their content, so to the aim and to the means of their realization.

The social and economic mutations that have taken place in the transition process and in the adaptation to the market mechanisms, in our country, impose a new vision concerning the evaluation of the investments. The departure point is represented by the enlargement of the sphere of content of the investment process which structurally and synthetically comprises the three elements: the material investments, the non - material investments and financial investments.

The material investments comprise: the expenses of research - development, the expenses for the creation, the maintenance and the logistics of the commercial network, the expenses for the purchase or for the conception of informatic programs; the expenses adequate for the professional formation.

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The financial investments are reflected in the money placements, on a long term, mainly unprofitable, in the economy of other economic agents. Concretely, the financial investments consisted in the use of some money resources necessary to get debts or value titles issued by other commercial societies, financial institutions or by the state.

Their effects have financial valences under the form of dividends, participations, interests, that come in the quote – part of the investments that had subscribed to the constitution of the liquidations of capitals of the issuers of value acts. So, the financial investments constitute by excellence the non - corporal investments that cannot be subjected to the wear and to the amortization in the traditional sense. Taking into consideration their nominal value, the capitalization or the non - capitalization of the acts and of the value titles is possible on the financial market.

In the context of the economic reform the number of the banks with state capital or with private capital has substantially increased, banks which are in this way functioning in a commercial regime.

In these conditions, without taking into consideration the nature of the investments and the investor, the investments, from the economy can generally be realized, as it is the case, from own sources, from budgetary sources or from credit. From here, it results that, in the legal conditions, any physical person or any economic agent can realize the investments from own resources and in certain conditions from banking credits.

The evaluation of the investment cannot of course ignore their nature, but especially, it depends on the resources that make up the budget of the investment. More precisely, the evaluation of the investment remains in the investor's responsibility, of course in the limits of the concrete and legal administration of the patrimony, if the financing of the project is realized from own resources. In the case of a partial or total use of the credits, the evaluation of the investment also remains in the investor's responsibility, but the financing bank reserves the right of verifying the evaluation and the efficiency of the investment.

When we refer to the public investments, so to the ones that are financed from budgetary resources, the state as a public agent imposed its own obligatory methodology aiming at the content, at the structure and at the flux of the technical and economical documentation, as well as at the ensemble evaluation and at the detailed evaluation of the reference investments.

The evaluation of the financial investments has become a present reality, because both the physical persons and also the economic agents have become to realize, in our country too, placements in actions for other societies with an economic or banking profile and the issuing of some state tiles was settled.

It is obvious that the evaluation of such placements mainly takes into consideration the nominal development of these value acts, but in time, their value can be considered over or under their nominal value, fact that can leads to additional costs or incomes for the owner. The problem that appears here aims at the place and at the role of this category of investment which is specific for the market economy.

2. THE FINANCIAL ANALYSIS OF THE INVESTMENT PROJECTS

The financial analysis of the investment projects has a complex content. Compared to the economic analysis, which implies the use, in the evaluations, of some comparable prices, this supposes the use of the current prices. These are operational prices in the activity of the enterprise.

The financial analysis and the investment projects, which generate incomes, are based on the criterion of getting a profit. In this context it is realized on the following coordinates:

1. More different projects are implied in the analysis used as parameters or more variants of the same project.
2. By means of the static indicators, it is preferred the variant that supposes smaller investment and exploitation costs, bigger profits and incomes, for equal operating durations or which can assure the equal parameters but within a smaller exploitation duration.
3. For the comparable parameters, it is preferred the variant of project which implies a more reduced budget of the investment or which supposes a structure of the budget for the investment which is more favourable for the financial status of the company.
4. For the preferred variant of project, the net flux of treasury must reflect a precise “recovery” of the sums which have been immobilized in the project, by cashing operations.
5. The cost of the capital must be more reduced and bearable compared to the financial status of the company and with the conjuncture of the placements
6. The dynamic indicators based on the actualization technique will differentiate the projects, by favouring the identification of the most rentable project if:
 - the actualized net value in the comparison conditions of the projects is bigger;
 - the profitableness coefficient of the projects is bigger than 1 and it has the biggest level of the figures;
 - the recovery duration of the project in years is the most reduced;
 - the internal rate of profitableness, so the efficiency limit of the project has the biggest level;
 - the integrated rate has the tendency, on time segments, towards closer levels compared to the internal rate of profitableness.
7. The financial analysis of the investment projects takes into consideration the possibility and the constitution manners of the budget for the investment. In this context we take into consideration two possibilities.

In the first case, we take into consideration if there is the base of the integral self financing for the project, taking into consideration the increase of the capital by the launching some obligatory actions, etc., amortizations and reserves which have been constituted based on the part of the profit which had been affected by the development.

In the second case, if the budget of the investment complementarily supposes the use of the banking loans, then the financial analysis of the investment projects is amplified.

2. THE DISINVESTMENT IN THE FINANCIAL DECISIONAL CONTEXT

The disinvestment constitutes, at first sight, the act of renouncing to the exploitation of an asset which has become inadequate in the economic plan. But, in the same time, they go on the idea according to which the available resources can be used in more rentable activities.

The disinvestment is, in certain cases, an accidental act, isolated and a little systematically applied in an urgent situation which partially escapes from the tactical managerial limits of the performer.

In other cases, the disinvestment is an operation which is carefully prepared within the administration practice of the enterprise. It consists in the systematic retraction of a commercialized product, after a prolonged time when the action seems to be compromised or the assignment by a third party of a part of the activity by sale towards a concurrent company, a part which cannot comply anymore with the orientation and with the performer's strategic objectives.

A disinvestment project implies the settlement of the fluxes and of the financial parameters, and the taking on the decision is based on the profitability calculation and on economic criteria of choice, inclusively on reasoning that aim at the multiple opportunities and on the conjuncture of the report between the disinvestment and the reinvestment.

In this context we will refer to (disinvestment): the strategic conception of the disinvestment; the process of choice of the disinvestments, the reasoning concerning the opportunities of disinvestment and of reinvestment.

The financial parameters of the disinvestment are: the recoverable value, the resting life duration, the flux of lost fluxes, the future lost residual value, the actualization rate, etc.

The recoverable value of an investment constitutes the real flux of capitals made up of the income realized by the associated assets of the reference activity, which have been concluded, this value being decreased by the adequate expenses of this action. As a consequence, the monetary positive flux of the recoverable value, actualized by the marginal rate of the capital is decreased by the monetary negative flux reflected by the expenses with the disinvestment.

The restrained life duration for the assets subjected to the disinvestment can be settled based on the information a posteriori concerning the investment, but they

must be actualized for the concrete exploitation conditions and for the effects of the investment, in the moment of the disinvestment decision.

The flux of lost incomes is registered between the moment of the option of launching the disinvestments and the year which has been foreseen for the finalization within the settled exploitation duration.

Schematically, the flux of lost incomes (F_{vp}) totalizes the net exploitation surplus which has been lost (ENE) and the fiscal economy upon the lost amortizations (E_{fap}):

$$F_{vp} = ENE_p + E_{fap} \quad (1)$$

$$ENE = EBE (1-i) \quad (2)$$

$$ERE = CA_p - CV_e - CF_e \quad (3)$$

Where: EBE represents the gross exploitation surplus;
i - the tax note; CA_p - the lost business figure;
 CV_e - the avoided variable expenses;
 CF_e - the avoided fixed expenses.

The future lost residual value reflects the net value of the adequate incomes for the immobilizations and for the recovery value of the need of the reserve fund that will not be recuperated at the end of each year within the resting life duration for the activity.

The actualization rate corresponds to the cost of the capital or to the rejection rate which can be applied for an activity, taking into consideration the risk characteristics which are similar to the investment projects.

The financial evaluation of the investment consists in comparing the recoverable value from today with the actualized value of the lost future fluxes of incomes, the first size being imposed as positive. There are three questions that are inevitable concerning the disinvestment and more exactly. To do it or not to do it? When is it justified? How to do it? The answer is in fact reflected in fact in the effects of the operation:

1. Under the temporal aspect, the choice of the disinvestment moment must exceed the stage of a simple alternative.
2. To take a correct decision concerning the disinvestment, it is necessary to take into consideration the modifications that are produced each year, aiming at the foresight of the flux of incomes.
3. Depending on the mentioned criteria, the disinvestment must be sequentially treated.
4. The research algorithm for an optional policy of investment has three essential variants when the recoverable value is inferior to the actual value of the fluxes, when it is superior to the actual value of the fluxes and when it is superior to all the values.

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SENSITIVITY, UNCERTAINTY AND RISK IN ECONOMIC AND FINANCIAL ANALYSIS OF INVESTMENT PROJECTS

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ABSTRACT: *Any investment work is materialized in investment objectives which, in the end, participate at the accomplishment of the production process as permanent capital. Therefore, the aim of any investment work is to constitute the material substance on which the future estimated action is being developed, having either productive or socio-cultural character. The whole strategy of conception and accomplishment of the investment objectives, related to economico-financial results of future production of goods, is encompassed by the feasibility study of each investment objective.*

KEY WORDS: *sensitivitate, uncertainty, risk, investment projects.*

It is natural that all actions that precede an investment objective or its transformation to permanent capital to be subordinated to the mechanism that produces goods by this permanent capital, i.e. to ease the development of socio-cultural events. As this mechanism should be as simple as possible, flexible and efficient, the investment works are to be organized and realized so that the resulted objective – permanent capital – to operate at optimum parameters.

Therefore, the final purpose of economic efficiency growth of goods production and services should be taken into consideration, not from the date of operating the permanent capital but from the settlement of the first brick of investment objectives and even before, from its conception and design.

The whole strategy of conception and accomplishment of the investment objectives, related to economico-financial results of future production of goods, is encompassed by the feasibility study of each investment objective.

Therefore by feasibility study one may understand the ensemble of written pieces (technical and economical computation, designs, substantiation memoirs, measures for concrete actions) regarding the needs of the future objective, the supply

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sources for raw material and outlet, the capital insurance – credit liquidity. The resources strategy necessary to finance the economical aid meant for the developing countries is realized by different ways according to the financial activities.

The international community has created an adequate financial institution known as International Monetary Fund – IMF.

On different activity levels, this financial institution has created specialized bodies which directly contribute with currency funds, technical support of high level, performing technology transfer, to the economical raise of the countries that need this assistance. For investment matters, IMF specialized body is the International Bank for Reconstruction and Development (IBRD), known as the World Bank in the international economical practice. There has been another similar bank that supports some European countries, i.e. the European Bank for Reconstruction and Development (EBRD).

International Bank for Reconstruction and Development started to function on the 25th June 1946 and it was created to credit or to guarantee credits for economic projects.

For constituting the funds necessary to credit, the formation sources are made of primary and additional sources.

Primary sources come from subscriptions usable in capital, net credit made by the bank from the international financial markets and net incomes from its own activities.

Additional sources come from credit reimbursement granted by the bank and from selling the debts to other investors.

The subscription of an applicant country lasts till after the consultancy between the applicant and the bank.

The gross income of a bank can be calculated with the formula:

$$Gi=(Ii+II+Sc+Cc+Csr)-(Ae+Ibl+Ebi+Ead) \quad (1)$$

Where: Gi - gross income

Ii - income from investments

II - income from loans

Sc - sale goods and commissions

Cc - commissions from commitments

Csr - commissions discharged into special reserve

Ae - administrative expensive

Ibl - interests paid for the bank loans

Ebi - expenses for bank issuing

Ead - expense for assignment of debts

Loans granted by IBRD depend on a series of conditions such as:

- claimed funds to be orientated towards the institutional objectives in order to ensure the development of economical infrastructure, of agriculture, of alimentary industry and of education;

- loans should be guaranteed by the credit beneficiary and should be orientated towards those investments that ensure a high economical efficiency;
- acquirement of equipment, technologies, raw materials and materials is realized only with international auction where credit beneficiaries have priority, subject to the equipments and technological devices to be realized on a technical and qualitative level on the international market.
- on loan granting, a specialists bank team always analyzes the economico-technical project of the future investment objective;
- evaluation of economic efficiency of the project is realized only through IBRD methodology by its specialists and by the applicant country.

Each credit request should be doubled by an economic Report that justifies the need of the loan, the encompassing of that objective within the general development strategy of the national economy, the level of economic efficiency of the future objective for which the credit is required, the possibilities to cover the need of raw materials and materials, the outlet and so the insurance of credit reimbursement within the established terms and period.

In order to completely underlie the investment projects to ensure a maximum efficiency for the future economic objective, as well as to ensure the reimbursement of the loan granted for the elaboration and analysis of an investment project, the following phases are to be covered: identification of investment projects; feasibility study of the project; specific aspects of the IBRD methodology of investment projects evaluation.

a). IDENTIFICATION OF INVESTMENT PROJECTS

In this phase, it is analyzed how the future economic objective fits the general development strategy for applicant countries. The projects should contain as well data which can confirm that the obtained production fits the world quality standards and world prices.

Generally, to identify the investment projects one may use two methods: relay project method, when there is an initial project and so the new one represents an improvement of it; and the method of development strategic projects which means the elaboration of the project within the general development strategy of the domain or activity that includes the future economic objective that is about to be realized.

b). FEASIBILITY STUDY OF THE PROJECT

Here, there are items that reflect:

- project history;
- market;
- objective capacity;
- instrumentation;
- emplacement study;
- engineering;
- objective organization;
- financial and economical evaluation.

Regarding the *project history*, the feasibility study should nominate the project advocate, its framing within the general strategy of the country economical development, the elements that have imposed the development of production capacities, the final cost of the study and all investments that have been made for preparing and performing that project.

The information regarding the demand and *outlet* of the future products has an important role within the study and points to the dimensions and current estimated capacities of the industry (specifying the market conditions); past and future evolution of that production (specifying the main development programmes), past imports and future trends as volume and prices, priorities and objectives regarding that industrial domain, current demand dimension and its past evolution, the main demand factors, details about the products selling and commercialization, an estimate progress.

Products selling and commercialization should draw the outlet, the anticipated competitiveness for the project from the possible local or foreign manufacturers, selling programme, income from estimated annual selling of products and spin-offs, estimated annual costs of promoting, selling and commercializing.

Chapter *instrumentation* refers to the approximate supply need, approximate estimation costs of raw materials and local and external materials; possibilities to ensure current and potential materials.

An important role plays the details regarding the utilities, especially thermic and electric energy.

Emplacement refers to proposed emplacement materials, advantages and disadvantages for each variant, terrain cost, additional expenses necessary when buying land etc.

Within the feasibility studies, *engineering* activity has a crucial role as now is the time to establish the area surface, technologies, equipments and requested works. Regarding the technologies and equipments, a general graph of proposed apparatus is to be realized, pointing: production equipments, auxiliary equipments, service equipments, spare parts, unit construction, tools; a general estimation of investment costs is made for local or external equipments only just started. The required works have to include a general design, a brief account of bricks and of used materials, a brief account of the estimated costs for the required works regarding the area preparation, buildings in the make and previous ones.

The objective organization refers to the general organization plan regarding production, administration and management unit as well as additional costs estimated for this activity and recouped for this enterprise, administration and financial activity.

Financial and economic evaluation refers to the total costs for investments, financing way of the project (capital structure, interest), production cost (permanent and material costs), financial estimation (reimbursement period, internal rate for return), economical estimation, estimation of employment-demand effect, estimation of currency economies, profit-cost analysis.

Now it is differentiated total efforts with production investments, annual and total economic effects, annual flow of money and so, economical efficiency of the investment.

c). SPECIFIC ASPECTS OF THE IBRD METHODOLOGY OF INVESTMENT PROJECTS EVALUATION.

When evaluating IBRD financing projects, which is realized by bank specialists or by external consulting expert, the following issues are to be analyzed:

- economical aspect, where it is analyzed internal resources management with maximum efficiency;
- technical aspect includes data regarding emplacement, dimension of production capacity, performance procedures, technological solutions, equipment to be used, investment graph, exploitation condition of the future objective;
- institutional organizing and management aspect regarding work force, possibility to train, enterprise's diagram, other issues related to the future objective;
- commercial aspect of the acquisition referring to the possibilities of buying raw materials and of selling finite products, consumption level for the main materials;
- financial level where financial results are analyzed on the basis of consumed funds and of future influx.

The main characteristic for the analysis way of the investment objectives efficiency on the ground of IBRD methodology is the differentiation between the economical analysis and financial analysis.

Inside the market economy, a sensitivity analysis is to be done. This type of analysis proposes to analyze how sensitive the future investment objective will be at some changes, especially negative, that show up in time. Among the elements that will certainly change the influence level in the next 10-20 years (the objective's life), there are: run low of initial resources, of raw materials and supply market change; supply market change for raw materials; saltatory rise, obsolescence that implies prices decreasing for old finite products. It is important to establish how the future objective is stable in a changing climate under normal circumstances.

The sensitivity analysis implies issues concerning the risk and economical uncertainty inevitable for investment projects. An investment represents a safe financial and material expense for a future with uncertain elements. Any productive investment deals with uncertainty and risk. During the production process, some causes that can influence the economical results may show up, such as: extension of the objective accomplishment or of designed parameters; exceeding the initial investment volume, prices raise for raw materials and materials, salary growth, changes of finite product prices on external and internal market.

All these changes implies the change of internal profit rate of the investment project, a fact that attracts a sensitivity of investment projects towards different changes that may show up by recalculating the internal profit rate. This may be

calculated both ways, but it is advisable to recalculate the internal rate of financial profit as one may feel here the influences that may show up over the economical results.

Moreover, we consider that using these directives within the analysis methodology of economic efficiency of productive investments from our country creates the desired conditions for a better evaluation of economical efficiency level, as well as minimal limits for economical use of production capacities.

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INVESTMENTS ROLE IN ROMANIA IN THE PROCESS OF TRANSITION TO MARKET ECONOMY

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ABSTRACT: *Whatever the social structure or the political system, the investments represented and still represent a crucial factor for economic and social development through their volume, structure and quality. An analysis of the investments role in our country can be achieved only by using its two hypostases: Retrospective one, Prospective one. In retrospective context, one may notice the assiduous use of investments in economic and social development, especially in the 7-9th decades of the 20th century in Romania. This is possible in a statist economy, almost integrally based on the power monopoly over the private propriety. In prospective context, the investments role is amplified and diversified, taking into account the complexity of the transition process of our country to a market economy, as well as the implications of economic, social and political reform started in 1990.*

KEY WORDS: *investment, process of transition, market economy, retrospectiv one, prospective one*

The social structure or the political system, the investments represented and still represent a crucial factor for economic and social development through their volume, structure and quality.

An analysis of the investments role in our country can be achieved only by using its two hypostases:

- Retrospective one
- Prospective one

In **retrospective context**, one may notice the assiduous use of investments in economic and social development, especially in the 7-9th decades of the 20th century in Romania. This is possible in a statist economy, almost integrally based on the power monopoly over the private propriety.

Thus, the investments role has influenced the following directions:

1. Promoting the industrializing process of the country, a fact which can be neither denied nor ignored. It cannot be denied because these investments effect

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signified factories and plants in almost every urbane and urbanized locality, communications, social and cultural points. Yet, excessive use of investments in industrializing process proved to be out of control. The result was that, especially after 1975, these created industries, most of them based on investment goods, entailed new investments. And this happened on a background of the energetic crisis acceleration, of a material resources crisis, of the reorganization of foreign market. The result was that the investments role in an industrializing process required by the Romanian postwar economy to be misused by overstressing.

Thus, it was created a new industry structure difficult to be maintained, an energy and material consumer with a decreasing efficiency coefficient. Investments role within the industrializing process in postwar Romania cannot be ignored as the recorded level and the inadequate structures of the Romanian present industry represent a base within the reform process and the transition to market economy.

2. We may notice that for a series of domains, such as constructions, transportation, town administration, the investments represented a positive change for their material basis. Moreover, for agriculture we have to notice that the investments followed the expropriations of the owners and thus it generated, somehow, a decreasing of the interest of rural population for the way and the degree of exploitation.

3. The investments role cannot be forgotten when speaking about the new jobs created, especially in the industry and constructions. Thus, we notice the implications of this fact, the amplification of commutation and migration process of work force from rural to urbane, the necessity of cities development and training.

4. Due to the state monopoly over the propriety, due to the statist character and economic decision-made centrism, the investments represented the main factor that forced the establishment of new structures within the national economic complex.

5. The investments have a special role for Romanian participation to economic changes, especially on certain markets and in special conditions.

In *prospective context*, the investments role is amplified and diversified, taking into account the complexity of the transition process of our country to a market economy, as well as the implications of economic, social and political reform started in 1990.

But in the same context, we have to notice the special condition of the investments activity in our country during the last years. A concise characterization of investments situation after 1990 becomes relevant:

- Structural relations from economy were confused, economical decision became an attribute of every economical agent;
- A series of investment projects were stopped, canceled, blocked, a series of works were abandoned in various levels of performance;
- Most of the investment funds received a different destination;
- Comparing to 1989, the main indicators recorded a negative change: decrease of industrial and agricultural production; decrease of net national product and gross national product; decrease of investment interest and potential; prices and

inflation raise; appearance and raise of unemployment; raise of consume imports and decrease of export; depreciation of national currency.

Thus, one may ask in this context what the directions are where the investments role is to be expressed. The investments role should consider similar orientation, but in new qualitative conditions, such as:

1. The investments are to be the crucial factor in the process of reform settled for the de-construction and structural and qualitative re-build of the national economic complex. Thus, it is required investment processes to ensure the improvement of material basis according to the new requirements of the national economic complex structures, adapted to the market mechanisms.

2. We may notice the role the investments can have within the process of capital migration from a domain to another, in the competition's conditions and with tri-annual profit. This role's incentive is the profit anticipated by the investor, without omitting the possible economical, social, ecological and other restrictions.

3. An important role is meant for the economic, social and professional re-construction. In this context, one may take into consideration investment projects so that some activities come to live: technologies, factories adapted to the new market requirements, a continuous adaptation to the technique and technological progress, retraining for the unemployed work force, to stop the economical decrease and to stimulate some processes of economic relaunch.

4. Yet, playing this role in the above mentioned directions is conjecturally.

When the phase of the transition to market economy ends, the investments role will have the following directions:

- Contribution to economic increase process by improving the material basis of the society and Romanian economy within the conditions of market mechanisms.
- To integrate the technique progress in the main structure of the national economy.
- To sustain the training and employment processes according to the dynamic social and economical requirements.
- Environment protection.
- To promote the social and cultural projects in terms of *requirements - possibilities*.
- To increase the capacity of country defense.
- To promote the project that strengthens the foreign economic relationships.

The investments role within the economic mechanism is placed under various factors, such as:

- social needs reflected by goods and services request;
- saved funds;
- self-financing capacity;
- credit cost;
- lucrateness level.

One must notice that realized investments set out rigorously the limits, the parameters for production factors, for a large amount of time, generating complex effects on long term.

At the beginning, the investment appears as an action of change and increase of initial heritage: industrial and civil constructions, acquisitions, assembling and installations of some industrial equipment, buying some apparatus, machinery. At a deep analysis, the investment means to assign the saved capitals to lucrative activities with profitable character which to increase the value of initial capitals.

Financially speaking, the investments represent the change of a sum of money, which is real, concrete, hoping to obtain a superior and profitable future income. From the financial perspective, the investment represents the assignment of an available treasury in order to obtain fixed assets to generate financial income flux and exploitation expenses.

In other words, the investment represents the decision to spend for the acquisition of fixed or current assets also with speculative purposes in order to obtain idle money and so an increased income that belongs to a judicial or natural person.

Transition of the Romanian society and its steps on the market economy coordinates imply new approaches of the economic theory – practise relationship. As for the investment concept, we notice the interest for its classification.

The concrete problems of the transition to market economy imply new and difficult tasks for economic theory. Among these, a clear approach of “investment” concept is still away from an united definition. The issue is of real interest, as the groups of anonymous determinant factors that deal with the investments mechanisms have always represented the elites from all industrial societies.

The issue is a current one too for the fact that industrial potential does not reflect itself through the volume of advanced (financial, material and human) resources, but through human ability to transform them in achieved tasks.

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THE ECONOMIC EFFECTS AND EFFORTS WITHIN THE ECONOMIC EFFICIENCY OF THE INVESTMENTS

ZAHARICA FLOREA IANC *

ABSTRACT: *An important role is that of the concept of economic efficiency, this one realizing the relation between the allotted sources for the realization of an action and the results gotten as a consequence, this concept is orienting the dosage of the resources towards those fields of activity, where their use is assured the used with a maximal efficiency in the conditions of a rational and harmonious development of the national economy. The efficiency is synonymous with the effectiveness; but in the last years the term of efficiency has received a large use.*

KEY WORDS: *effects, efforts, economic efficiency, investment*

The analysis of the development degree for an economic system, of its capacity of surviving, of the final development direction, supposes the definition and the exact measurement of the economic efficiency.

The economic efficiency is a modern conception of evaluation of the activity and it serves in the substantiation of the decisions, so that the available resources should be consumed in the most favourable manner for the society. The efficiency is synonymous with the effectiveness; but in the last years the term of efficiency has received a large use.

The terms of efficacy and effectiveness are not new, they being used since the ancient times. The both words come from Latin: the efficiency derives from *efficere* = to effectuate, and the effectiveness comes from *efficax* - *efficacis*= which has the desired effects.

In the economic filed, we can find some references to the efficiency at the great thinkers of the last century, such as Adam Smith or Karl Marx. The concept of efficiency has known a large spreading in our century. Now, it has a general applicability in the application of the decisions, in any country, without taking into

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consideration the social order. The economic efficiency is so contoured after the comparison of the effects of an action, with the efforts that are necessary for its production.

Another definition, formulated by V.V.Novojilov is the following: the economic efficiency, generally, makes the difference between the useful effects and the other expenses made to get them.

In DEX, the economic efficiency is defined as the quality of getting useful economic effects, and in the dictionary of political economy, the efficiency is defined as an expression of the report between the effects or the gotten results and the effort or the expense realized for it.

A definition that consciously deviates from the principle of the similarity is the one given by Ștefan Matei: the economic efficiency of an activity is a feature of it which is expressed by the relation of causality between the total effects, which are equivalent as a nature and as a time and the total resources which are equivalent as a nature and as a time and which are implied by this activity, relation which is positive itself compared to other variants of the activity and to the regularized sizes which express the requirements of the national economy of saving of the economy.

Another definition is also formulated, so: the economic category of efficiency expresses the relation of causality between the effects resulted from the development of an activity and the effort necessary for this.

We appreciate that the most comprehensive definition of the efficiency is given by the economist Petre Jica. This one attributes four senses to the notion of efficiency, and more exactly:

1. a very large sense where the efficiency is defined as the quality of an activity, of an action or of a resource of producing positive economic effects that are expressed by comparing the effects with the efforts;
2. a large sense within which there are also included the direct effects and the connected ones, respectively the direct and connected effort. So, we are dealing with the absolute efficiency, that does not suppose the comparison with other alternatives of this action;
3. a restrained sense which supposes that the report effect/effort or effort/effect to be acceptable compare to other reports of the activity or to other variants or to a standard regime of efficiency
4. a very restrained sense which represents the most synthetic and the most complex approach of the notion of efficiency, approach that supposes a correlation of the efforts that are equivalent as a nature and as a time to the usual effects, also being equivalent as a nature and as time.

The Professor Ivan Romanu appreciates that the term of efficiency can be found with two senses:

- in the first sense, it defines the efficiency as being the attribute of an action, of a person or of a thing of producing more favourable effects for the society;
- the second sense is more restrictive and it compares the results of an action with the resources necessary to realize it.

By means of the above definitions we can each to the conclusion that the economic efficiency expresses a complex ensemble of causality relations between the economic effects (positive and negative) that an action has, gotten both by the performer of the action and also at the other levels, effects that are in a certain correspondence with the social need and with the total expenses supposed by their realization, the effects and the expenses being comparable, relation that leads to the advance of the expenses by the difference between the positive and negative economic effects.

We can say that the economic is closely related to the use process of the resources in the economy, and its essential feature is the report of causality effort/effects.

Generally, when we talk about the economic efficiency of the advanced or allotted resources, the efficiency criterion is of saving them. For the consumed resources we have the problem of their degree of capitalization, which means of getting some bigger economic effects for the unit of consumed resource

The comparison of the effects with the efforts, for the determination of the economic efficiency, represents however only a formula of principle. The concept of economic also associates other judgement elements, without which the efficiency would be incompletely defined, and sometimes even erroneously:

- the structure of the consumed resources and the structure of the gotten results can give indices with an essential importance in the adopting of the decisions with economic character. An action considered as being excellent by means of the report between the effects and the efforts becomes inopportune if it refers to the consumption of some non - indicated resources, such as the materials from the import, or if it leads to unpleasant results for the society, such as the products that are in a enormous quantity on the market;
- the time acts upon the efficiency as a factor that stresses a researched variant. It is normal that a technological procedure to be preferred instead of another if the production process takes place in a shorter interval, which means that the society will earlier take benefits from its useful effects;
- the most significant part of the economic efficiency is constituted by the quality of the effects. An efficient activity is characterized by the best results; the products which have been obtained must have some raised performances, with a special utility for the society in the considered moment.

The increased performances from the production are equivalent to the efficiency when they are gotten in the conditions of a rational, use, in an economic regime of the devices and of the equipments. So, the increase of the production is accompanied by reduced costs and by big profits, which are increasing.

The last sense is the most concluding because it illustrates the useful effect for the unit of allotted resource E/R or the vice versa, the effort done to get an unit of effect R/E . Seen by means of its concretely applicable part, the efficiency can be defined as an objective and quantitative report, between the effects and the efforts done to get them.

$e = E/R$ max; the maximization of the effects gotten for the allotted and consumed resource unit;

$e = R/E$ min; the minimization of the consumption of resources on the gotten effect unit.

The nature and the character of the efforts and of the effects is reflected upon the character of the efficiency.

From the point of view of the resources, the analysis of the efficiency of a human activity must answer to the questions: how the resources are used and what quantity is consumed? We take into consideration their saving and the capitalization degree? In this context it is necessary that the resources should be more rigorously structured to answer the analysis requirements.

Depending on the criterion of the regenerations in time, they can be divided into:

- regeneration resources: the human resources, the material resources of vegetal nature, certain energetic resources;
- non-regeneration resources: the material resources of inorganic nature.

Depending on their nature, the resources can be:

- humane;
- material;
- technical;
- financial.

Depending on participation manner in the economic circuit, the resources can be grouped in the following way:

- potential resources: which did not enter into the economic circuit;
- the resources already entered in the economic circuit.

From the point of view of the effects, the efficiency study must find an answer to the questions: which are the effects in different spheres of the social life? Where and when are they produced? How big these effects really are?

The effects can be:

- direct: which can be identified at the place where the activity is realized;
- indirect: they can be identified in other fields or sectors of activity.

Depending on the moment when they are produced we talk about:

- immediate effects;
- possible and future effects; that is why, when we study the investment efficiency in different moment of the life duration for a project, we must take into consideration its estimative character, its potential or effective character.

Depending on their nature, the effects that are not generated by the human activity can be: economic, social, ecological, technical.

From the point of view of the nature of the effects we can talk about the productivity of an activity when the effects are of the production nature. We can talk about the profitableness of an activity when the effects are of the nature of the net

income, of the profit. We can talk about the saving when the effects are of the nature of the savings.

After the investment effort we get different economic effects which are also reflected on the financial plan. The level of these effects, reported to the investment effort, gives the measure for the investment efficiency.

The economic effects which have been obtained, depending on the character of the investment can be:

- the reduction of the operation cost for the devices (maintenance expenses and reparations) in the account of the investment of replacement of the machines and of the devices;
- the decreasing of the expenses with the work force, especially gotten in the account of the investments of modernization and of appliance of the innovations;
- the increase of the profitableness for the activity of the company, by expansion investments, which lead to the increase of the production capacity or/and to the addition of a new product to the existent area; based on such investments we are expecting for some additional profits which are bigger than the ones from the decreasing of the costs;
- to get some indirect effects from the investments of general interest. For ex: the expenses realized by the anti-pollution system from a plant, which have economic and social effects on a larger plan.

By its content, the economic expresses a relation of double relativity: on the one side it supposes to get some maximal economic effects with a given consumption of resources, and on the other side, it supposes to get a certain volume of effects with a minimal consumption of resources. The character of relativity also appears from the comparison between many variants in time and with a certain efficiency limit.

The efficiency of the investments must also be appreciated in correlation with the ensemble interests of the national economy, which means to take into consideration the multiple effects downstream and upstream created in that field of the material production.

The financing of the investments constitutes a significant stage in the investment process, within which, as a consequence of the investment decisions, the financial resources are included in the investment budget and they can be used for the payments in order to realize the project.

In our country, the organizational frame for the financing of the investments is marked by some significant aspects such as:

1. the organization of the state enterprises as autonomous institutions or as commercial societies;
2. the determination and the evolution of the privatization and of the free initiative;
3. the reconsideration of the state role in the financing process of the investments;
4. the reorganization of the banking system and the adaptation of a new role.

Without taking into consideration the representation degree in the territory, the commercial banks realize their activity based on some general principles such as:

- the operation in a commercial regime, which means that the relation between the bank and its clients is based on the contractual transactions;
- the commercial banks were constituted as societies which perform complex services;
- the clients' address to the banking services is voluntary, diversified and it implies the negotiation of the clauses;
- in our country, the commercial banks which are constituted and which are operating now are profiled, only as an exception, on fields or on categories of clients and on genders of activities.

Generally, the clients' option for the realization of the relations with a certain commercial bank is free.

The settlement of the structure for the financing capital of the investments or for the businesses of a company supposes the determination of an optimal report between the own capital and the borrowed capitals for a middle and for a long term. For the structure of the financing capital, for its definition, we use variations such as: the debt optimal report, the degree of optimal debt or the optimal structure of the capital.

The choice of a financing structure for the investments constitutes the effect of an important decision of financial policy, by conditioning the equilibrium on long term of the enterprise.

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WORK RELATIONS IN PUBLIC ADMINISTRATION INSTITUTIONES

ANCA JARMILA GUȚĂ *

ABSTRACT: *The paper presents the way work relations develop between public administration institution clerks, their relations with their superiors, the main subordination types of public administration clerks. The paper also dwells on the role played by the head of an institution belonging to public administration in establishing the most favorable work relations, the behaviour the subordinates should have with the institution head, the way a superior exerts his prerogative of making a decision and the optimum modality of communicating it to the subordinates.*

KEY WORDS: *institution, public administration, work relations, public institution head, public administration clerks, subordinates.*

Public administration is one of the fundamental institutions of the law state. The types of activity embraced to carry out its role lend public administration a specific character that neither industrial-economic nor social cultural establishments have. This fact is reflected in the nature and quality of the relations that develop between public administration as a state institution and the public, the whole human community, on the one hand, and on the other hand between public administration and the other organizations of the law state as well as between its workers, and the various organizing and operational levels it has.

From a strictly professional viewpoint, the clerks should enter into relations with one another to fulfill their duties in keeping with the demands of each department, should behave rationally and work accurately without other implications of emotional, cultural nature. In fact, in any establishment the clerks relate to each other through their entire personality, which has not only positive but also negative effects on their work. Therefore, a general demand regarding the clerks line of conduct is that in their relations attitudes incompatible with moral uprightness and especially with professional dignity should not arise. All that injures one way or another, human

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sensibility, dignity or reason, everything that proves to be unjust, incorrect, absurd, degrading or trivial belongs to the category of attitudes that influence the working climate, including the relations with the public negatively.

In the relations between clerks, like in the relations between all human beings there is always included a powerful element of affectivity and sensibility, there takes place an exchange of information, of social, philosophical, artistic considerations, rational and moral principles are asserted. Although this is a known truth, it is not always taken into account. Some people, either heads of department or subordinates, behave at work according to spontaneous impulses or tendencies, without being aware of their significance. They pay too little attention to greetings, smiles, handshakes, to the effect of a kind word, of a friendly gesture, to civility, etc. in setting up most favourable working relations.

However, it is known that the public administration clerk relates with people of the most varied professions and social-cultural status and he is expected to become an active stability factor in civilized relationships. In fulfilling his role, the public administration clerk will take the peculiarity of his work team relations as a model.

Depending on their quality he will have either a civilized, correct or vitiated behaviour. The character of interhuman relations is determined by a series of factors, such as: the ensemble of working conditions, the personality of the leader, the individual features and personal qualities of the people. For example, work in unsuitable spaces, management deficiencies, overwork, delays in solving various issues give to animosity and impair the quality of the relations between the respective workers.

The unequal performance of different clerks gives rise to discontent regarding merit rating, payment, promotion, and resentment can be felt against those who constantly achieve success in their profession.

It is also to be noticed that troubled family life, an ill-regulated personal life, emotional instability, character deficiencies have a negative impact on clerk relationships, bringing about mistrust, suspicion.

On the contrary, good job management, reasonable task allotment, the competent guidance of each clerk by his office head have a positive impact on the quality of the relations between office workers.

1. HEAD - SUBORDINATE RELATIONS

The head of the institution and the other superiors have an important role in ensuring healthy relations between workers.

The head will always have an upright, civil behaviour towards each employee. He will take care not to offend anyone, not to injure the personality, dignity of his subordinates. When he has to impose his viewpoint, he won't resort to arguments such as: "I am the head, do as I ask you to do!" An ideal superior will motivate his decision this way: "I don't give this order because I am the chief, but because it is at least necessary (but not enough) to solve the X problem completely".

It is desirable that the establishment head and his subordinate heads should consider their subordinates not only as the persons who make the necessary arrangements but as their closest assistants. The heads should show tact, goodwill, politeness self-control, concern for the employees' welfare, regard for human dignity, fairness, kindness, inner force; they should have knowledge of laws and apply them correctly, understand the time spirit, be sociable and stick to rules of conduct. They should be self – disciplined and exacting, set a personal example, and know- how to rule their own life.

The head should create a two-way communication from himself to his subordinates and vice versa.

Thus, many of the tense relations between them will be averted. He should come close to his subordinates, as it is known that to manage a public institution means to rally its staff in order to fulfil the duties incumbent on it. A self – centred chief experiences estrangement from the staff.

At the same time, some personality traits, such as temper can influence work relations and efficiency to a large extent. A choleric, impulsive, unruly chief ready to make general appraisals can be rash and sometimes unfair in the relations with his subordinates. For example, if he unjustly reprimands a melancholic clerk, he can trigger off a process of conscience, which becomes apparent by discouragement, anxiety and finally can influence the work of the respective subordinate negatively. In other words, the low work efficiency could be the consequence of interhuman relations being vitiated by the chief's unsuitable behaviour.

The office head's tone of voice when discussing with his subordinates is of great importance. A scornful tone, orders given in smutty words worsen the head's relationship with his subordinates, impair the working climate/environment, have a negative effect on the relations the subordinate has with the public and bring about resentment against subordination.

2. TYPES OF SUBORDINATION

We can come across three types of subordination to the office head, depending on the personality features, the specific conditions of the work place.

There are public clerks who hardly bear subordination, considering it to be a forced, imposed relationship. The disagreeable feeling of blind submission prevails in their consciousness, a feeling that arises at merely hearing the notion of subordination. These people seem to be hardly capable of understanding and duty. Such a clerk will tend to consider any instruction as an encroachment upon individual freedom, and this will get on his nerves. He will accept an order given in friendly terms more easily and will carry it out more willingly if he doesn't feel he is supervised.

A second clerk category is made up of those who are content to be subordinates as this situation doesn't oblige them to think too much, they don't have to make major decisions which imply a higher degree of responsibility. In time this type of subordination turns into habit sometimes quickly enough being a convenient way of

avoiding any responsibility and danger for the respective clerk. Such clerks are usually inoffensive, constituting the classic bureaucratic type in the administrative machinery. They are not recommendable for the central domain of public relations.

The third category is made up of public clerks who consider subordination a social requirement which they understand in close connection with a sense of professional duty. Subordination doesn't constitute an impediment to personal initiative for them.

It is the most valuable type of subordination, with remarkable practical results, the sphere of public relations included. In this subordination category positive, most authentic work relations arise between public administration clerks. Special care will be taken not to vitiate them by the inopportune interventions of the office head or of other people.

The clerks within small teams most often work equal terms and their relations develop in approximately satisfactory conditions. Hierarchical subordination relations raise a lot of problems and if they are not taken into account, there are always negative effects for life and atmosphere at the work place.

3. THE ROLE OF THE HEAD IN SETTING UP OPTIMUM WORKING RELATIONS

The role of the head in setting up natural, normal, statutory subordination relations is important.

A head should know the bulk of work problems, the duties and capacity of his subordinates quite well. He is responsible both for his work and for that of his subordinates. Therefore, he will not act by himself and he will constantly establish job relations with his subordinates, taking an interest not only in their work but also in their life problems besides their profession.

Collaboration with the subordinates implies a permanent dialogue, continuous communication as well as a favourable emotion element. The office head will patiently listen to the ideas, opinions and desires of his subordinates. Of course, listening doesn't always mean agreeing to what the subordinates say, understanding is not equivalent with accepting. Before formulating a final decision and giving an order regarding a labour problem or before visiting a subordinate, the respective chief will get informed as well as possible. Deciding, giving orders and acting according to simple impressions means laying obstacles in the way to success at work, in the relationship with the subordinates.

In the dialogue with the subordinates, the chief will observe, at least, the following requirements:

- he should not address to his subordinates under the influence of powerful emotional states, because the objectivity and clarity of thinking can be impaired, the collaborators and subordinates experience a tension state with negative repercussions on the work climate and efficiency;
- he should clearly know what to communicate and under what circumstances;

- he should find a proper wording to express accurately what he wants to communicate;
- the information transmitted should be understood, he should make sure that none of his subordinates has doubts about what has to be done further on;
- he should create a climate favourable to the cooperation and cohesion of the respective team by the way he speaks;
- the decision communicated should express the choice of the best solution of all the possible ones, so as to set off efficient actions in solving the respective problem.

The superior will get involved affectively in the relations with subordinates. He will not set rigid modalities of action or strict patterns of interhuman relations in the organization he runs. He will let the employees act autonomously and find suitable procedures to the problems they are confronted with. This way he will develop their creative spirit, flexibility in thinking, trust in their own capacity, and will come close to them not as professionals but also as people. The dissatisfaction with the subordinates and the penalties imposed will always be based on clear, verified, irrefutable arguments while the solution (decision, order, instruction) should express the conclusion of logic, correct reasoning.

The faults the head makes will be reflected in the behaviour of his subordinates, who will evince a bent towards individualism, a leaning towards hypocrisy, flattery, slander in order to please their chief. Sometimes, in the relations between heads and their subordinates can appear tendencies of favouritism, exaggerated indulgence, a tolerance above acceptable limits for some employees and intolerance for others. The consequences can be especially serious when we speak of unprincipled relations with persons of the opposite sex, which can result in degrading and completely distorting work relations.

The head, irrespective of his place in the public administration hierarchy, is required to set an example of correct behaviour in the relations with his subordinates, with the public, to have a rigorous, orderly work style, to have the capacity to understand his subordinates, to know how to make them take to him, and to create a positive psycho-social climate in the organization he manages.

A head having a correct behaviour, respectful to his subordinates will make each public administration clerk identify himself, to a fairly large degree, with the institution he works for, with its purpose and the result will be an efficient integration in the system of work relations and of the relations with the public. To this effect, the direct office head has a special role. However, his role is not meant to be a petty nagging role of supervising and guiding the head is the coordinator of the entire activity in the respective group.

4. REQUIREMENTS FOR SUBORDINATES

In their turn, the subordinates will be guided in their relations with their office heads by the observance of hierarchical norms and rules, by the respect of the subordinate for his chief. It is the clerk's duty to subordinate to his head, to report the

activities undertaken periodically, also the fulfillment stage of the duties incumbent on him and the deficiencies that occurred in his work. The employee will consult his superiors when faced with difficult issues, asking for their help.

It is the duty of any subordinate to carry into effect the orders received and report their fulfillment to the direct superior. The controls carried out by the superiors, their possible discontent should not lead to anger and doubts but to improvement in the activity of the respective clerk.

The subordinate will try to win both the respect of his superiors and that of his fellow workers. There are clerks that do not mind the opinion of their superior and underestimate their colleagues' opinions. They are driven by their own narrow goals. In time, they will be contested by their colleagues. If a clerk is appreciated both by his superiors and his colleagues, he is in a balanced position. On the other hand, if a hard-working, competent clerk is not appreciated either by his superior or his colleagues although he would be entitled to it, because of the results he obtained, he will feel discontent, hurt and he will carry out his duties faultily.

Finally, the case when a public institution clerk, who deserves it, is appreciated by his colleagues more than he is by his superior, it is preferable and more stimulating than the case when the appreciation of his superior is not accompanied by that of his colleagues or even contradicts it. The opinion of the work fellows has a very great influence on the activity of the clerk, on his attitude towards the institution and its specific tasks.

5. MAKING THE DECISION AND LETTING THE DISPOSITION BE KNOWN

As it is known, the decision represents the defining element by which the chief asserts his quality manager of the organization. The superior exerts, in fact, his duty to anticipate, to organize, to manage, to order and to control by the decision he has made. For this reason, the efficiency of the head's leadership is directly proportional to the quality of the decision made, of the order given.

Of course, it is not easy to make a correct decision, knowing that it represents the choice of a solution from several possible, that it can trigger off one or several actions or no action at all.

Whenever a superior's decision is understood and appreciated by his subordinates, a current of opinion is in its favour, which can diminish or do away with impediments or individual misbehaviour. A decision can be a factor for the improvement of relations in the work group or it can have a negative influence.

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THE EVOLUTION OF FACTORS OF MONEY-GOODS CORRELATION'S EQUILIBRATION

GHEORGHE ILIADI *

ABSTRACT: *The author, based on personal scientific researches, examines the reproduction process as a complex system of incomes' and material values' movement from the position of financial-cost aspect. At the same time, the evolution of the process is monitored by the objective need of money-goods equilibrium as preconditions of sustainable and long-term economic growth.*

KEY WORDS: *money-goods equilibrium; metallic money system; innovation factor in the price dynamics; credit relations and money in circulation; goods and services flows; regulating principles of equilibrated economy.*

1. INTRODUCTION

The modern Moldovan economic system is based on the experiences of developed countries. At the same time, a certain specific peculiarity of the domestic post-socialist economy, like its transition character, which determine the misbalancing and which is intensified during market reforms, is ignored. In the conditions of macroeconomic misbalance, the outputs of regulating methods and schemes adopted by western countries, where proved to be efficient, are denatured.

Of course, the theory and practice of contemporary economy regulation must be based on the reproduction process examination as a complex system, where, first of all, the movement of income that relates to goods and services circulation is reflected, its financial and value aspect. At the same time, an efficient economic growth is registered only when the proportion of the movement of monetary and material resources are characterized by equilibrium and concordance.

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Depending on the mentioned types of resources, which movement is examined from the point of view of concordance of their creation and utilization, the following equilibrating peculiarity of economic development could be outlined. Although the movement of the monetary means fund reflects the movement of material values, at the same time, it is separated from the last, being distinguished by a relatively independence. A sustainable economic growth and an increase of production efficiency lead to the necessity to equilibrate the correlation money-goods, in other words, to a certain concordance between goods and monetary flow.

Fulfillment of conditions of the financial-value aspect of the equilibrium predetermines the possibility to reach the monetary equilibrium of the economic system. At the same time, the last one can be assured also in the conditions of the misbalance of material goods and the correlation money-goods by issuing supplementary money as a source of expenditures' financing.

In the process of historical development the specificity of the mechanism of realization of the dynamic equilibrium of economy has suffered essential changes conditioned by the criteria of prices formation, of monetary circulation, and of technological-organizational conditions of production. On each stage of the equilibrium realization, the mentioned factors' evolution had its own peculiarities.

2. PECULIARITIES OF THE 1ST STAGE

In the second half of the XXth century the realization of the concordance between goods and money flows is of principle different from the mechanism of adapting of goods supply to monetary demand, characteristic to the era of free competition in capitalism.

In the market economy of free competition the equilibrium of correlation money-goods of social production was automatically realized under the influence of prices as a main regulator. The determinant place in the mechanism of its spontaneous creation was hold by the metallic monetary system. Such a situation of principle had maintained also during the transition to money with intrinsic value based on the gold standard.

The solvent demand was determined by the existence of the noble metal in the country, but the reduction of payment means because of the metal reflux on purpose to hoard up, increase of its technical consumption, or decrease of accumulation from new extraction reduced the money volume and led to the reduction of the general level of prices.

Within the relation between demand (monetary flows) and supply (goods flows) the coordinating role belonged to the first (demand), because the volume of money in circulation was determined by existed reserves of the noble metal, by its volume and condition of production, and by the distributing specificity according to usage ways. The establishment of equilibrium of the correlation money-goods of the

economy in these conditions represented a spontaneous multiple process of reciprocal coordination of production volumes by independent producers of goods (and services) and market prices.

3. PECULIARITIES OF THE 2ND STAGE

In the second half of the XIXth century, the social-economic conditions of production process were radically changed. In the prices' dynamics the value of innovational factor increased and it was conditioned by the creation of a multitude of new goods with more perfect consumption peculiarities. Free prices, created spontaneously under the influence of demand and supply, was replaced in monopolized branches by production prices, which was established based on production expenditures and reflected changes of its efficiency and size.

4. PECULIARITIES OF THE 3RD STAGE

Later, at the end of the XIXth – beginning of the XXth centuries, in the process of rapid development of production capacities under the influence of technical-scientific progress and extension of credit relations, the necessity of monetary mass needed to assure the reproduction process suddenly increased. But, the extraction of noble metal fell behind the development of production capacities, which led to the misbalancing of money and goods and services flows. The metallic monetary system was in contradiction with the new way of price formation and new production conditions.

Being based on the gold standard, the mentioned system started to influence essentially upon the normal character of price growth, upon the dynamics of reformation of prices creation system and gold excluding first from monetary spheres and later from currency spheres of the capitalism. The equilibrium of the correlation money-goods started to be created by means of reproduction crises.

5. PECULIARITIES OF THE 4TH STAGE

In the process of establishment of the money-goods equilibrium of economic development in the second half of the XXth century, prices already became a relatively independent parameter. Their level was determined especially by technical-economic conditions of production and production sales.

The economy of industrially developed countries is characterized by a high level of production concentration and capital centralization, by a developed diversification, specialization and cooperation system, by a tight interconnection and interdependence of different branches, by an increasing role of science as an evident production capacity, by considerable changes in the domain of human necessities, etc.

Such a structure of economy has led to the development of monopolistic regulation of conditions of production, sale, investment of capital and change of competition forms and methods. Large ventures, as a main lever of production structure, on purpose to consolidate and extend their positions in a competition, elaborate long term strategies of economic growth, which include programs of creation of new types of products, forecasts regarding volume of production and investment, forecasts of prices' dynamics, etc.

In such conditions, the mechanism of price formation obtains qualitatively new characteristics. Prices of the most part of goods are regulated by large corporations basing on the special norm of profit according to the principle of "expenditures plus", by "prices leadership", etc.

Forms of competition based on price are supplemented and substituted by non-price forms (in the domain of products' quality, customers' service, renewal of goods assortment). The main way of market enlargement becomes its resumption through increasing dynamics of prices, and not the price reduction and correspondingly, demand increase.

In developed countries with a high level of living the volume and structure of goods' production, i.e. supply (goods flows), has also obtained certain independence with regard to demand (monetary flows). They are determined especially by the level of satisfaction of existing human necessities and development of new goods and services as a result of assortment resumption under the influence of technical-scientific progress and through their promotion as living standards.

At present, the equilibrium of the correlation money-goods is established through reciprocal coordination of production volumes of goods and services and volume of money in circulation in cases of relatively independent prices, predetermined especially by technical-economic factors. In such conditions, the volume of really created goods serves as a source of material ensuring of money.

6. PECULIARITIES OF THE 5TH STAGE

Under the influence of reformation of monetary-crediting mechanism and price formation system, development of large productions, extending of social functions of the state in the second half of the XXth century, the necessity of regulation of state influence upon ensuring the concordance between monetary and goods flows has appeared.

Lacking this influence or being inadequate to reproduction particularities of a modern economy lead to the appearance of inflation as a spontaneous reaction, expressed through prices' increase, of the economic system to the misbalance of money and goods flows oriented to the realization of their concordance.

The reproduction peculiarities of the modern economy lead to the necessity and possibility to assure the concordance of monetary and material aspects of economic development through macroeconomic indicators that characterize the

financial-value aspect. That aspect of reproduction process reflects the movement of incomes created as a result of the circulation of goods and services.

The most important among these indicators are “financial resources of the state”. This parameter serves as one of the indicators of economic development of the state, which characterizes the incomes created within the national economy and which the society, without provoking the misbalance of social production and, respectively, the intensification of inflation, can orient it to the final consumption – fix assets recovery and their total renewal, ensuring of enlarged reproduction and satisfaction of state’s necessities and social needs.

Sources of their creation (constitutive elements) are profit, amortization, goods and services taxes, propriety tax, payment for natural resources usage, receipts to social and extra budget funds, receipts from population, taxes on income resulting from external economic activity, incomes from state activity, incomes from state propriety sale, etc.

In the conditions of monetary-credit circulation the financial-value aspect of social production can become a connecting lever between monetary and material aspect only if the incomes created in the national economy are represented by the corresponding monetary means. Only in this case the created incomes become financial resources and can be used as they are designed.

Therefore, in the modern economy the monetary aspect of economic development equilibrium become a financial-monetary aspect, which consists in concordance between financial resources created in the real sector of economy and monetary mass in circulation, as well as, in the equality of incomes and receipts of the total volume of expenditures on financing the social-economic development of the country.

7. CONCLUSIONS

1. Thus, in contemporary conditions, the volume of money in circulation is the objective macroeconomic indicator determined by the size and efficiency of the reproduction process. The last one doesn’t represent an exogenous parameter like it was when metal money was functioning.

That is why the monetary-credit policy has to be oriented to the monetary mass regulation according to the dynamics of financial resources created in the real sector of economy. In such a case, the volume of money in circulation will optimally correspond to the necessities of national economy turnover, which lead neither to inflation increase, nor to deficit growth.

2. Of course, normalizing the total volume of money in circulation doesn’t eliminate the question with regard to realization of concordance between money and goods flows in the Moldovan economy.

On this purpose, realization of a complex of measures oriented to rational territorial distribution of monetary means, improvement of payment and calculus

organization, reanimation of real sector crediting, creation of the mechanism of personal savings transformation into investments in fix assets, increase of efficiency of financial resources spending (both state and private), etc., is needed. The same direction is oriented the attenuation of structural disproportions of economy.

TLA – A INNOVATIVE PROBLEMSOLVING APPROACH TO REGIONAL DEVELOPMENT

ANDREEA IONICĂ, VIRGINIA BĂLEANU, SABINA IRIMIE *

ABSTRACT: *The Tourism Learning Areas approach (TLA) develops an innovative approach, that of learning areas, to upgrade skills in the tourism industry, thus enhancing the economic and social dimension in the tourist areas and improving competitiveness. The tourism sector is at the heart of the transformation that is taking place due to globalization, being instrumental in developing the global economy through increased travel opportunities, making use of new technologies to deliver its multiple products and services, and being used as a central tool in local and regional development strategies. However, the continued growth and sustainability of the sector also has to be adapted to these new conditions, which is why learning to innovate is so important.*

KEY WORDS: *Tourism Learning Areas (TLA), Learning Area, education, sustainability.*

1. INTRODUCTION

The tourism sector is at the heart of the transformation that is taking place due to globalization, being instrumental in developing the global economy through increased travel opportunities, making use of new technologies to deliver its multiple products and services, and being used as a central tool in local and regional development strategies. However, the continued growth and sustainability of the sector also has to be adapted to these new conditions, which is why learning to innovate is so important.

The tourism industry in general has problems of retaining labour especially (high labour turnover) and, Romania as it was shown in the **Master Plan for National Tourism Development 2007-2026**, is experiencing problems of recruiting labour. The industry struggles with a poor image as a low wage, seasonally erratic employer

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(particularly in the accommodation/hospitality and restaurant sectors). Tourism is also experiencing a skills gap. Despite an improvement in the level of formal education, tourism is still — with exceptions for sub sectors such as travel agencies, transport companies and tourism organisations — characterised by a relatively low level of education compared with other sectors of the economy.

The **SWOT analysis** from the Master Plan 2007-2026 pointed out as weaknesses, the following aspects related to the **human resources** involved in the tourism industry:

- The weak consciousness of the importance of tourism for the national economy;
- The lack of the hospitality schools;
- The small salaries and heavy working conditions which generate the migration of the workforce from the hospitality industry;
- The lack of correlation between the employers demands and expectations and the workforce performance achieved after formal and non formal learning;
- The insufficient education in the field of environment protection and tourism;
- The impossibility of accessing learning experiences at the destination/regional level;
- The weak consciousness of the opportunities for the careers perspectives in the tourism industry.

In this context, it is imperious necessary an innovative problem solving approach for eliminating the weaknesses, an approach focused on education and training in order to develop the quality of existing or future workforce involved in tourism industry in a local/regional area. TLA can be the solution for these problems and also the way for sustainable development in the Romanian tourism industry.

2. THE TOURISM LEARNING AREAS APPROACH (TLA)

Learning Areas are the concrete application of a new approach to basic education and training for sectors with a high diversity and highly complicated learning situation. They help in organising the necessary dialogue and collaboration between education and training institutions and the sector stakeholders, as well as the capability of enterprises to develop the existing workforce. They constitute local cooperation platforms for learning and qualification of tourism professionals.

Strategies and measures designed to upgrade skills in the tourism industry show a trend towards more holistic solutions based on partnerships and dialogue between training institutions, the tourism industry and other major stakeholders, such as public authorities.

It works envisaging the growth of local economies and the sustainable development of tourism, and to improving the labour environment and careers perspectives of the local population.

The aim of the approach is to improve the quantitative and qualitative development of **stakeholder performance in the tourism industry**:

- ⇒ making SMEs more innovative and competitive;

- ⇒ making public administrators more supportive and efficient;
- ⇒ gearing learning centres towards fostering innovative and entrepreneurial potential;
- ⇒ helping members of the workforce and local residents to improve their contribution and rewards.

Everything is possible by taking the processes of **formal, and informal learning**, and structuring them in a more coherent and effective manner to achieve better workforce/SME performance and improved sectoral administrative processes in a given tourist destination.

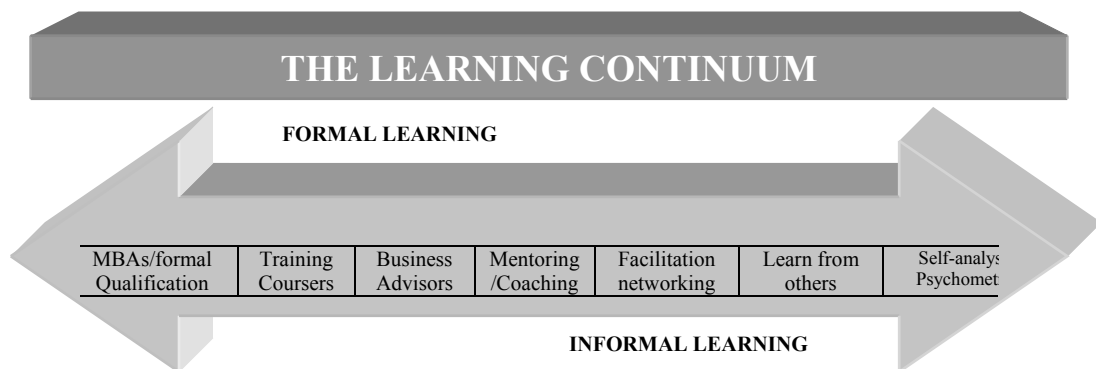


Figure 1. The learning continuum

To fully appreciate the subject matter involved in a tourism learning area, it is essential to understand many new and complex issues, such as:

- the concept of **lifelong learning**;
- the development of **learning regions**;
- the idea of **knowledge networks**
- the formation of **network clusters**.

Additionally, themes such as **human capital, complex systems, innovation, entrepreneurship and sustainability** need to be considered.

The diagram of the **learning pyramid** is an excellent graphic representation of all the levels of activity that are generated in a **learning region**. The pyramid also shows how each level is integrated in a regional networking process.

The ‘three dynamic wheels’ in this diagram show how stakeholder participation, holistic learning and entrepreneurial innovation are brought into a single process to animate each level of the learning area.

A tourism learning area (TLA) is a concept of a multi-stakeholder, inter-sectoral, problem solving approach aimed at improving SME performance and human potential in the tourism sector at the destination level. The TLA approach engages a broad range of regionally based stakeholders, bringing them together in a top-down/bottom-up process to form coherent information and cooperation networks.

When discussing tourism-sector learning needs and solutions, it is useful to distinguish between large tourism enterprises, who generally manage their own in-house training quite well, and micro-enterprises or small and medium-sized enterprises (SMEs), who usually have neither the time, inclination nor capacity to benefit from training and educational processes. Yet the European tourism industry value chain consists of over 2 million SMEs, all needing to respond to modern sectoral issues, as well as more than 7.7 million workers (3), who, as individuals, face the same global challenges in their personal lives.

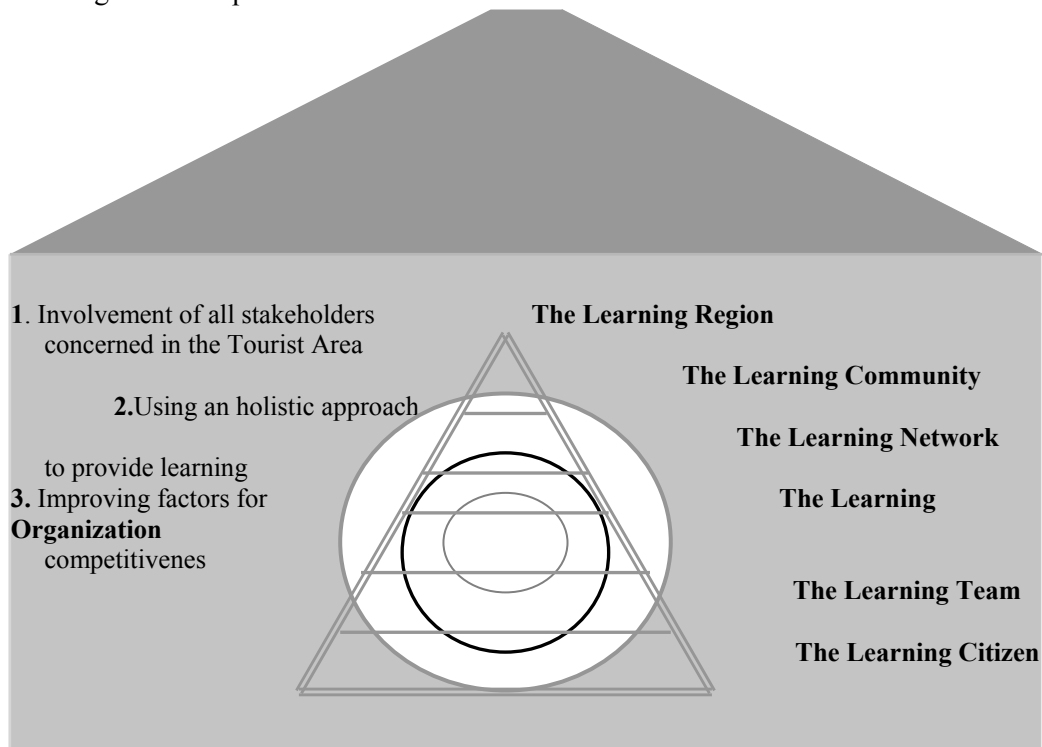


Figure 2. The dynamic learning pyramid

There is therefore an ongoing need to develop a suitable framework for analysing and delivering learning opportunities, particularly for SMEs, and for analysing and identifying skills needs (competencies) in anticipation of contemporary and future job profiles, and to ensure that newly acquired information and knowledge lead to improved entrepreneurial performance.

An example of this synergy is the continuing efforts of many municipalities and regions to improve local living conditions, to attract skilled workers to live in an area, to create a human resource base, to attract companies and to improve regional competitiveness. Such synergy is a key for developing innovation.

When applied to the tourism sector, **a learning area should develop stakeholders who are more capable of:** forming partnerships, networks and clusters;

improving the quality and flow of timely information to regional stakeholders; accessing a higher level of learning experiences at the destination/regional level; creating quality products and services; demonstrating innovative capability; increasing performance and outputs to achieve greater competitiveness; being more autonomous; displaying greater workplace flexibility; operating in an entrepreneurial context; working with changing technology; developing adaptive strategies in the face of globalisation and global change; understanding how to work in a more sustainable way; enjoying an increase in quality of life, based on fuller access to information.

This conceptual approach was based on three basic premises, which can be visualised as dynamic wheels moving the sector forward.

1. The dynamic wheel of stakeholders (centre), formed by involvement of all stakeholders in an area through coherent partnership, networking, and coordination actions that followed topdown/bottom-up approaches.

2. The dynamic wheel of learning (inner), formed by the combination of strategic information, learning, consultancy/guidance and support.

3. The dynamic wheel of labour factors for competitiveness (outer), formed by improvements in competitiveness by taking into account the labour environment, organisational structures and competences for transforming knowledge into innovation.

The following stakeholders have such knowledge, and can together determine the form and content of each learning area: regional development organisations (coordinating bodies, sectoral departments, public–private partnerships); business associations (SMEs, managers, owners, employees); learning centres (educational or training institutes); local/regional authorities (councils, NUTS III–V); local social partners (trade unions, NGOs);

The following forms of inter-organisational cooperation are considered important in a tourism learning area: partnerships, networks, clusters.

The overall process of setting up a learning area involves three main steps (namely **initiation, coordination and development**). This will involve: an initiator to get the ball rolling; identification of stakeholders who have an interest in developing learning and networking mechanisms; raising awareness of needs and challenges, and forming goals and possibilities; establishing a coordination process for stakeholders to act collectively; profiling the TLA learning offers and requirements; developing a work programme that involves designing and constructing a web portal to bring stakeholder networks together; implementing learning opportunity improvement projects and processes; monitoring your progress.

3. CONCLUSIONS

Tourism Learning Areas (TLA) develops an innovative approach, that of learning areas, to upgrade skills in the tourism industry, thus enhancing the economic and social dimension in the tourist areas and improving competitiveness.

A learning area aims to bring together people in a destination (or thematic area) in order to work together to improve their individual performance and the quality of

tourism (in the area) through the development and exchange of skills, knowledge and experience.

The world is receptive to the TLA approach. We can also speak about good practices and learn from them.

➤ **Algarve provisional learning-area working group process.** In Portugal, the Escola de Formação Profissional do Algarve and Algarve Euro Info Centre were key actors in developing the provisional learning-area process in this 300-km coastal destination which hosts 4.5 million tourists.

➤ **'Gallu — Developing people in tourism'** is a programme developed in 2004 in response to demand from local tourism associations. The programme is available to all tourism-related businesses in four areas of south-west Wales, with the support of the South West Wales Tourism Partnership, ELWA and ESF Objective 1 funding.

➤ **Leipzig Lernt — Germany (learning region).** The project is derived from four smaller projects — all aimed at improving cooperation and transmission of knowledge. All projects have similar target groups, namely students, young people at the beginning of their career, adults, seniors citizens and entrepreneurs. The projects are: tourism academy: development, testing and evaluation of a modular system for further education for actors in the field of tourism (especially SMEs); learning in the Obstland region: preparing the convent of Sornzig to become an adventurous learning environment; environmental education and sustainable development; development of a network of 'I points' for counselling.

➤ **North West Tourism Skills and Employment Network, UK.** The network was established during 2000 with the aim of enhancing the competitiveness of tourism businesses via the development of a skilled and motivated workforce. It has been funded via the regional development agency (RDA). The starting point was a comprehensive research programme that included tourism enterprises (especially SMEs) and key national and regional agencies. This identified current and anticipated skills shortages and gaps. The research helped inform the tourism workforce development plan.

The practical results over the entire world of the TLA approach are the proofs that we need at the initial stage, the catalyze for innovation in Romanian tourism development.

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THE STRATEGY FOR THE COMPANY'S AUTOMATION

ALIN ISAC, CLAUDIA ISAC *

ABSTRACT: *This paper presents the necessity and the starting points/the basis for implementing information strategies. Within an informational society, the automation of the company and the use of specific computer programs for financial – accounting activities, for managerial and administrative activities represent a must-have in order to ensure competition. Therefore we have outlined the phases of the strategy implementation process, as well as the main variables that determine decisional automation, which is part of the management process.*

KEY WORDS: *information, company, strategy, implementation, knowledge.*

In the international specialized literature, the first approach of the concept of strategy within company management belongs to Alfred Chandler, who identified it with “a long term determination of the goals and objectives of an organization, taking action and allotting the necessary resources to reach these goals”. In the long run, the term **strategy** has been approached differently, referring to a plan, maneuver, a behavior pattern or “a set of major long term objectives of a company, the main methods to succeed together with the allotted resources, in order to gain the competitive advantage established by the organization” [2], [5].

Among the strategies for modernizing companies, the automation strategy holds a special place. The continuous improvement of the managerial activity imposes the use of the newest science discoveries and modern technologies on a large scale, especially the use of computers and operation systems. At the beginning of the 3rd millennium, in the context of the rising global competition and continuous development, even more intelligent computer systems make companies redesign their information, production and management processes which are important for the development and the survival of many organizations.

Thus, by using information systems on a large scale there is the change from an economy based on physical resources into an economy dominated by information, a knowledge-based economy respectively (figure 1).

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New digital technologies make the access, the archiving and the sending of information easier and easier and more accessible. The evaluation of the automation process is closely related to the evaluation of the role the information subsystem has for the managerial process. From among the components of the company's management system, the information subsystem is characterized by dynamism and intense flexibility due to spectacular progresses within the information science. The influence of the other three subsystems upon the informational one represents in fact the materialization of a set of strategic, tactical and current decisions. The information subsystem comprises the total of principles, of methods, of procedures and means used for the retrieving, gathering, storing/archiving and processing the data in order to analyze and send it towards the management so that decisions could be made for the entire system of the company.

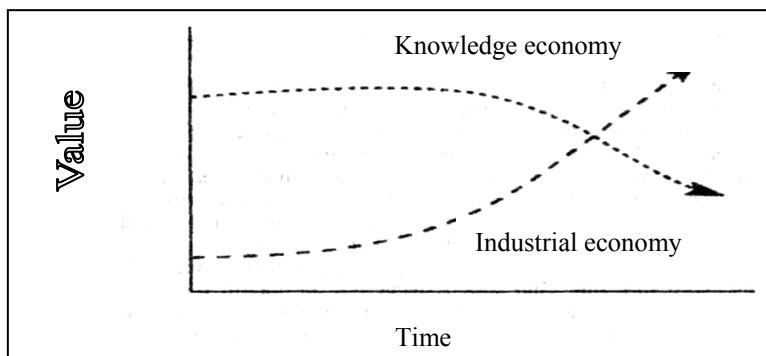


Figure 1. Interference between the industrial economy and the economy of knowledge [4]

The managerial instruments of any company evolve in an unstable environment, which is why the management processes cannot be carried out without an information system which is able to supply all the data necessary in making decisions. Thus, the information system can be compared to the human's circulatory system, providing the raw material, the necessary information for establishing and accomplishing the company's objectives. Generally, in the specialized literature, the information system is defined as being the set of data, information, information flow and circuit, of procedures and means of processing information which contribute to reaching the company's goals.

The information system can be considered a linking subsystem together with the decisional subsystem, the organizational subsystem and the methodological – decisional subsystem. As a consequence, the management information subsystem can be defined as being a hierarchical set of information processes which ensure the informational connections between the management system and the system managed, and between the components of these systems in order to achieve an end under conditions of maximum efficiency. The management information subsystem together with the organizational subsystem must ensure the cohesion of the management system, as well as its ability to develop and change/improve. The role of the information

subsystem is to record, systematize/organize, manipulate, analyze, store and send the necessary information to managers in order to make decisions. A company's information system uses specific data processing means and methods and it sends the results of this process to managers, thus sparing enough time which could be used for studies and creative activities. The role of the information subsystem is to permanently meet the company's development requirements and its strategic goals, because the management system must allow the company to adapt itself to external changes. In order to accomplish this, it is compulsory to modernize/automate the economic unit, a process which involves a strategy for implementing the information system (figure 2).

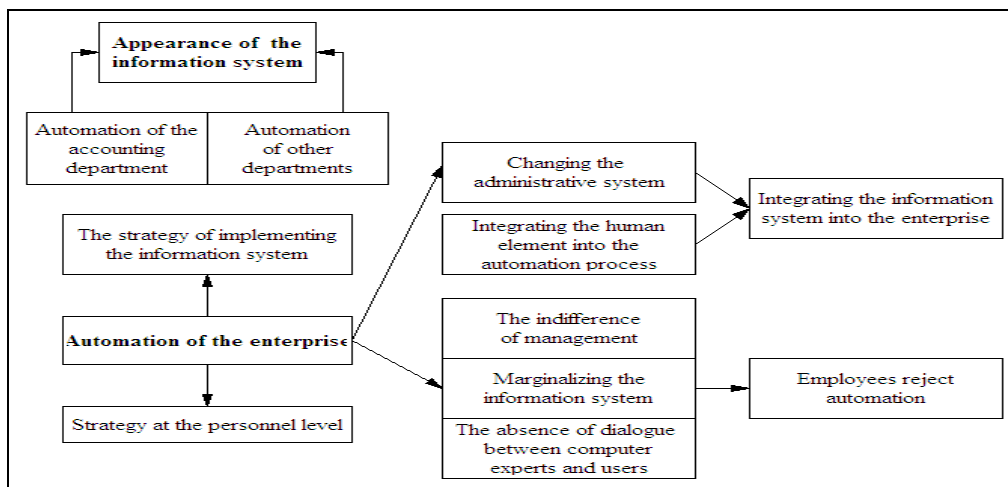


Figure 2. The Strategy for Implementing the Information System

The information system, as part of the management uses some specialized programs that have the role to substantially increase the decision speed and efficiency/the speed and the efficiency of decisions. The main variables which can determine decision automation/the automation of decisions [3] are: managers have the necessary knowledge and ability to use computers efficiently; installing computers of high performance within companies; making specialized programs which are useful to managers in conceiving and applying decisions; the possibility to use some giant information systems, like the Internet which provides managers with quick and cheap information that they need in their decisional processes; the companies have a large data base, the content of which is indispensable to the process of decision making; within companies an organizational culture with a pronounced data processing dimension begins to take shape. All these variables lead to the increase of the rationality degree of decisions, to the acceleration of their adopting process, thus favoring the integration in the optimum decisional period.

The functional performances of the management information subsystem are dependent mainly on the quality of the set of quasi-general phases regarding information "handling". The first phase/step of gathering information begins with

elaborating/working out the necessary documents and it ends with transcribing the information on mechanical - graphical carriers. The factors which act upon the quality of data are: the place where the information was gathered from, the gathering operations, the way the information was gathered (continuous, periodically or by market researches), the technical means used and last but not least the number and the professional level of the people involved. The next step/phase of preparing and forwarding the data in order to be processed implies a thorough check of the information that has been gathered, and thus it should be selected according to some pre-established principles and it should be transposed into forms capable of being manipulated. Sending the information can be done either orally or by special means of communication: fax, internet, computer network.

Information manipulation or processing is the phase which implies great intellectual effort and a lot of time from the human factor. The way of processing information is influenced by a set of factors: how it will be used, how the information will be presented, whether it refers to numerical/digital information or non-numerical/digital information, whether the content of the facts and the causes that generate the deficiency have been checked, etc. regardless of the way this information is manipulated, the results of this process must be sent very quickly to all those who are interested in order to use them when making decisions or when taking operative measures. The access to information represents a phase/an integrant process of retrieving data no matter if the information is operative or strategic. The use of such information is the purpose of this laborious and costly/expensive process of gathering, storing/archiving and managing information flow.

In this context, the role of the management information system is to provide the manager with information necessary to efficiently run the company. In order to function efficiently and competitively, the company must have an appropriate information system, either it is considered of utmost importance or not. Lately, the specialized literature has imposed the term of information management. This includes a set of methods, auxiliary means and operations which provide the company with the necessary information so that the activity could be carried out in the optimum/most favorable conditions. The majority of authors consider that the principle on which the information management process [1] is based is: the functioning of the information system depends on the requirements of the company's management/board of directors.

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FEEDBACK BETWEEN DECISION AND MANAGEMENT INFORMATION SUBSYSTEM

CLAUDIA ISAC , ALIN ISAC *

ABSTRACT: *The functioning of the entire system of the company can be statically and dynamically quantified through a set of state variables, while its interaction with other structures of the national economy forms the total of inputs and outputs. The company's system inputs take the shape of adjusting parameters containing values, limits or intervals imposed from the exterior in order to ensure the global optimization at the level of national economy.*

KEY WORDS: *decision, management information subsystem, information, system, feedback.*

Any company can be regarded as a system which is made up of a set of cross-correlated components that are organized and function in order to achieve a specific goal in their activities. In this respect it is represented by a complex socio-economic system, which ensures/encourages the function of transforming resources, physical/material flows (raw materials and products) and financial flows (payments towards suppliers, clients' regulations). Due to the fact that all the elements of the system compete with each other in order to change inputs into outputs, the functioning of the system at some point is given by the total of operations performed during that certain period of time and it is influenced by the external environment which also acts/works upon both the leading system and the led one.

The company's system outputs consist of quantitative and qualitative elements which ensure the carrying out of some evaluations and decisions regarding the achievement of the established goals. The company, considered as a total system, can be regarded, according to certain criteria, as a correlated assembly of subsystems, which are characterized in their turn, by the set of inputs, parameters and outputs. From **the point of view of the leading mechanism of the company's system**, we can distinguish among the decisional subsystem, the organizational subsystem, the methodological – managerial subsystem and the information subsystem.

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From among the components of the company's management system, the information subsystem is characterized by dynamism and flexibility, due to the spectacular progresses in computer science. The information subsystem comprises the total of principles, methods, procedures and means used for the retrieving, gathering, storing, manipulating and processing data in order to analyze and send information towards the management which makes decisions for the entire system of the company.

In order to attain this goal, the information plays a decisive/determinant part; the information system retrieves data both from the external environment (suppliers, clients, etc) and from the interior, from the level of the operational subsystem. The management information subsystem screens/filters information of any kind gathered by the information system in any quantity, thus lying at the base of a realistic analysis of the company and of the decision making process. The decisions that have been made act upon the transformation process through the elaboration of budgets and production orders, and on the other hand, upon external partners: clients and suppliers (figure 1).

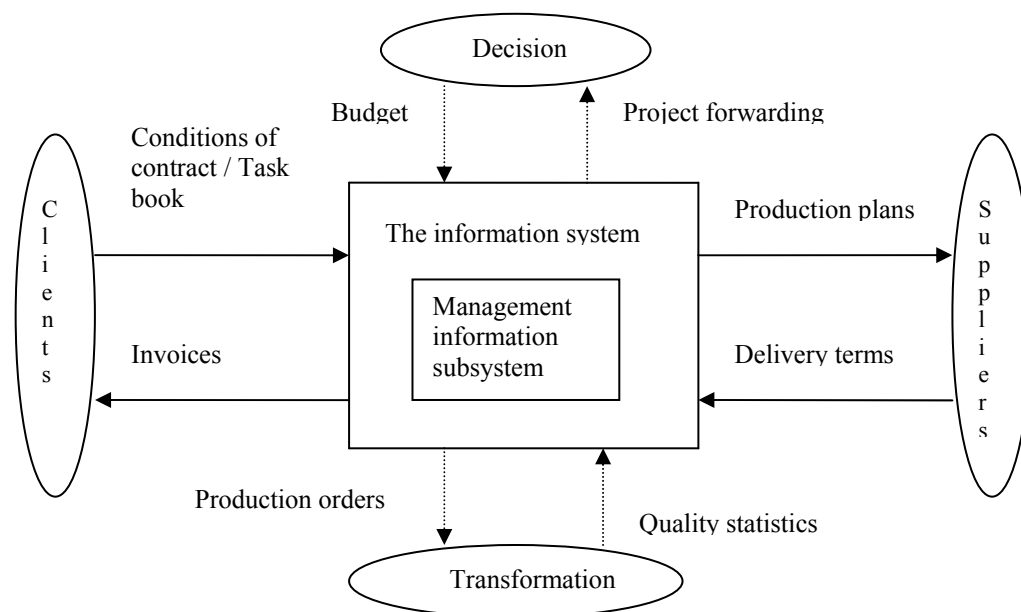


Figure 1. The company's information system

The management information system is a component of the company's information system. Its goal is to help the process of decision making, decisions which ensure the achievement of the company's objectives, they coordinate activities so that these can be carried out according to pre-established plans, and they also manage performances so that the actions are in concordance with the plans [3].

Many of the interdependencies can be found between the information subsystem and the decisional subsystem; the most noticeable of them is **the relation information subsystem – decision**. The first function of this relation is the decisional

one which provides informational support for the conception of the numerous decisions adopted and applied/made by every company. As a consequence, for underlying, adopting, applying and controlling decisions we must establish the information content, the information transmission, processing and interpreting methods. When the data provided by the information subsystem is real, complete, diverse and operative, more efficient decisions can be made, since most of the information within the system leads to a decision. The decisional subsystem consists of the assembly of management activities, coordinating activities, adjusting and controlling activities which make the entire company system function at its best by adopting pertinent decisions with strategic, tactic and operative characteristic.

Another phase of interdependence between the decisional system and the informational one consists in bonding and blending the roles of employees from within these subsystems. The decider is both the sender and the receiver of information and the dimensions of his thought and actions, both decisional and informational, eloquently synthesize the relation between the information and decisional subsystems. In the first place, the managerial process can be understood as a process of using the information, since the process of management can be carried out during the following cycle **information -> decision -> action**. Therefore, the relation between the two subsystems does not go toward a single direction, information subsystem – decision respectively; it also includes, automatically, the relation **decision – information subsystem**.

The bond/link between the information subsystem and the decisional one, with all the elements included by them, can be represented as follows [1]: at the beginning, the information subsystem supplies the decisional subsystem with “raw material” which is then processed by the latter; at the end, the information subsystem controls the decisions that have been made within the decisional subsystem so that they would be followed and applied by other subsystems of the company; the decisional subsystem implicitly requires an internal information circuit, its central point being its own information flow. As a consequence, the information subsystem and the decisional one are interdependent; the input variables of one of them are output variables of the other (figure 2), thus the information represents the support for the decision making process. One important parameter of this relation is the information feedback at the decisional level of the company.

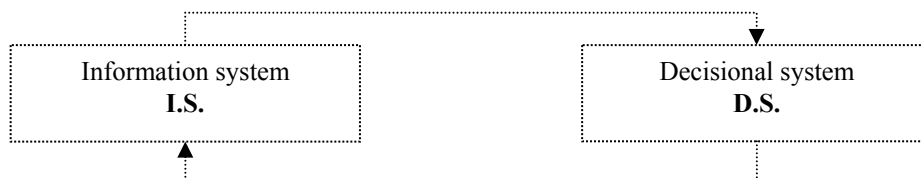


Figure 2. Information subsystem – decisional subsystem relation

Within economic systems there is a multitude of feedback loops and mechanisms. Their characteristic is the fact that the material/physical nature of the

flows or of the subsystems involved is not as important as the informational and decisional nature of the connections within a system and the effects of transmitting various decisions. Feedback is the message regarding the interaction among communicators (systems, processes, phenomena, managers, etc) [2] and it represents a closed relation circuit between the variables which define a cybernetic system. In order to be efficient, the feedback process must have the following characteristics [4]: it should be **descriptive not estimative**, thus it will refer to clear and concrete examples instead of motives, intentions; it should be **direct and also specific**, that is to say that if it comes directly from the source it is more concrete, and without generalization it is more useful; it should be given **at the right time**. Thereby, any system can be self-regulated and there are two techniques of system control – regulation: feedback control and feed-forward control (anticipative).

In the first case/process, the input of the system regarded as information, can be compared with the desired dimension of the output using a control block; in case there are deviations, the control block generates an input signal and elaborates a decision for the correction of the process in order to attain the wanted goal.

In managing/conducting cybernetic economic systems, it is very important to be aware of the regulation loop, of the way the changing of a state variable (information, for example) can influence the system output (the decision) in order to increase or reduce the differences between the achieved values and the desired ones. Systems which function based on feed-forward behavior and defined as **feed-forward** systems imply a permanent control and quantification of the inputs and of their activities. Information about the inputs and the data obtained through quantification of the system's activity are received by the monitoring - forecasting block which will then predict future outputs. These predictions/forecasts are taken by the adjusting/regulation block which will make decisions regarding the correction of the functioning parameters of the system when these comparisons show a significant deviation (figure 3).

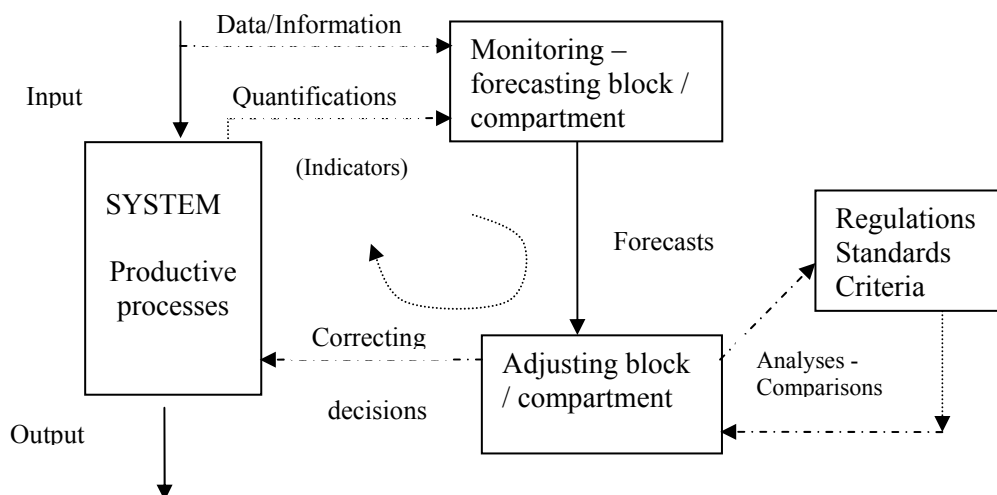


Figure 3. Feed-forward control chart

By putting forward/turning to advantage the possibilities of controlling – adjusting the feed-forward loops, the following relation can be improved: information – decision – efficient system.

On the whole, cybernetic economic systems, as well as their components, are characterized by the multitude of activities performed within them. The activities that take place in each cybernetic economic system are determined and determine, in their turn, multiple labor power flows, raw materials, energy, information flows, flows received from other systems; all these make up the sector of system inputs. The results of the activities carried out within each cybernetic economic system are directed towards other systems; all these form the system output vector.

The feedback process between decisions and the management information subsystem, the decisional process respectively, can be put into an equation by the administration, based on the feedback and it is noted with X .

The decision committee analyses the output vector y of the system and compares it with the scheduled tasks, with the vector \tilde{y} respectively. In case there are unwanted differences between the two vectors, the decision committee must adopt the adjusting decision (correction) which is marked by $R(y)$. If we note u the input vector for implementing the correcting decision, this will become $u + R(y)$, while the output vector will be:

$$y = X \cdot (u + R(y)) \tag{1}$$

Supposing the operator $E - X \cdot R$ is bidirectional, the output vector is represented by the following equation:

$$y = [E - X \cdot R]^{-1} \cdot X(u) \tag{2}$$

According to (1) and (2) it results that the feed backing adjusting operator has the following form:

$$\hat{R} = [E - X \cdot R]^{-1} \tag{3}$$

This equation is graphically illustrated by figure 4.

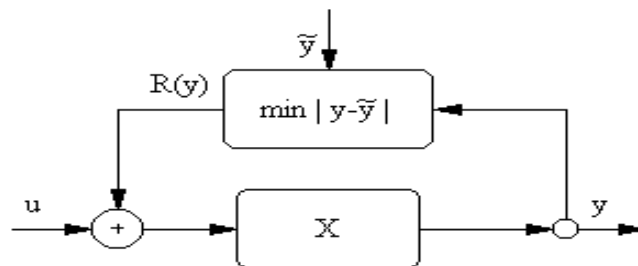


Figure 4. Graphical presentation of the systems’ auto-adjusting mechanisms

At the same time, the feedback influences the evolution of cybernetic economic systems through labor power flows, material, energetic and financial flows.

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COMPUTER ASSISTED AUDIT TECHNIQUES

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ABSTRACT: *Today, the environment based on informatics influences continuously auditors' work, because it creates new opportunities and new risks, additional rules in what concerns security, fairness and acceptable margin of error. The growth of the systems' complexity, especially the informatics accounting Systems of ERP type (Enterprise Resource Planning), so as the large volume of transactions registered at present have lead to the replacement of the „manual”, classic audit techniques with modern techniques, assisted by the computer and known as CAAT (Computer Assisted Audit Techniques).*

KEY WORDS: *Computer Assisted Audit Technique, auditors' work, the environment based on informatics.*

1. GENERAL CONSIDERATIONS CONCERNING COMPUTER ASSISTED AUDIT TECHNIQUES

Today, the environment based on informatics influences continuously auditors' work, because it creates new opportunities and new risks, additional rules in what concerns security, fairness and acceptable margin of error. The growth of the systems' complexity, especially the informatics accounting Systems of ERP type (*Enterprise Resource Planning*), so as the large volume of transactions registered at present have lead to the replacement of the „manual”, classic audit techniques with modern techniques, assisted by the computer and known as CAAT (*Computer Assisted Audit Techniques*).

Computer assisted audit techniques can be defined as tools that have as a ground the computer and as a purpose the improvement of the efficiency and efficacy of the audit process; an alternative definition would be that of “techniques used by auditors which use the computer as an instrument for collecting and analyzing data necessary for the audit”.

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The initial usage of electronic processed data has led to the accomplishment of an “*audit around the computer*”. In a first stage, the reaction of the auditor was to completely ignore the computer, treating it as a “black box”, which offered quick access to documents and accounting registers. His major interest was concentrated on data and information processed by the computer, and not on the internal structure of the informatics applications.

2. THE GOALS OF COMPUTER ASSISTED AUDIT TECHNIQUES’ USAGE

The integration of these techniques and modern instruments of audit assisted by the computer is an essential condition for the improvement of efficiency and efficacy of an audit activity, irrespective if it is about internal or external audit, but it doesn’t represent a purpose itself.

The result of this integration should bring auditor on an optimal position for „taking the pulse” of an organisation, in the conditions in which planning, testing and repeating happen in parallel and in real time. Even under these circumstances, the usage of CAAT must be planned and approached only if it adds value to the audit or if manual procedures prove to be useless, less economical or less efficient.

Both the analyse of CAAT availability and the compatibility of the programs package of the auditor to the audited organisation’s system are the minimum two conditions approached by the auditor before using them. When the usage of CAAT is inefficient or impracticable, you can opt for adopting other facilities or accomplishing a corresponding combination of the manual audit techniques with the assisted by computers ones.

The audit standard 1009 „Computer assisted audit techniques” helps the auditor’s reasoning in determining the opportunity of their use and recommends in this purpose, the analyze of the following factors:

- *knowledge, specialization and experience in the informatics domain of the auditor.*

He must be conscious that the usage of CAAT in some circumstances might imply knowledge and specialization at a significant level.

- *availability of CAAT and corresponding informational facilities*

The organisations cooperation with IT personal might offer processing facilities, might help run auxiliary activities.

- *the impossibility of applying manual tests.*

Many financial-accounting informatics Systems can accomplish various processing, functions for which there are no visible proofs and, under these circumstances, it will be practically impossible for the auditor to accomplish manual tests. Lack of visible proof can appear in different moments:

- *imposibilitatea de aplicare a testelor manuale.* Numeroase sisteme informatice financiar contabile pot realiza diverse prelucrări, funcții pentru care nu există dovezi vizibile și, în aceste condiții, auditorului îi va fi practic imposibil să realizeze teste manuale. Lipsa unor dovezi vizibile poate apărea la momente diferite:

- entrance documents might not exist when sales and refund orders have been received on-line. Moreover, some transactions such as discounts, interest's calculation, are generated by certain program modules without a visible authorization of the individual transactions.
- exit reports might not be produced by the system. Moreover, a typed report might contain synthesized totals, while the details are in other files of the application.
 - *efficiency and efficacy of the audit procedures can be improved through the use of CAAT.* In general, their use implies the testing of the entire date volume, what leads to an efficiency rise at a similar level of cost. Transactions or balances details and printed reports of unusual elements can be analyzed more efficient through the use of computer than in stead of manual methods.
 - *time standardization*

Today, in an era of informatics, the necessity of expressing an authorized opinion in a real time comes up, in disfavour of the classic approach, with historical character. The auditor must appreciate qualitative the information produced by informatics Systems, pressures coming both from internal management and external shareholders, who feel the need to be informed in order to resist the competitive medium.

3. THE ANALYZE OF SOME CAAT USED IN INTERNATIONAL AUDIT OFFICES

A) **ACL (Audit Command Language)**¹ is unanimously accepted as leader between audit software packages and its popularity is the result of flexibility, simple usage and trust that it offers. It has been developed by ACL Service and it allows auditors to connect their own laptops to the client's system and than download his data for a future analyze. The application provides detailed journals of the accomplished audit, which are printed, being used as a reference and starting point for the audit documents that follow to be accomplished.

There can be observed that the application provides a variety of tests, which is the object of an audit mission such as: testing of data from the integrity, completeness, uniqueness point of view. Before this kind of analyze, the auditor must make sure that data is complete, because the lack of transactions will generate an invalid investigation.

Gaps option from *Analyze* menu allows *testing of analyzed data completeness*, which can be described as follows: the system associates to each registration from a file a unique sequential number and the result of the command will be a transposition of the lacking transactions. (figure 1).

Data uniqueness testing, possible with the help of the Duplicates option allows the identification of duplicated transactions from a file, having as a result the screen from figure 2. The user is requested the search keys of the duplicated registrations (for example to screen all the bills that have the same value and emission date).

¹ www.acl.com

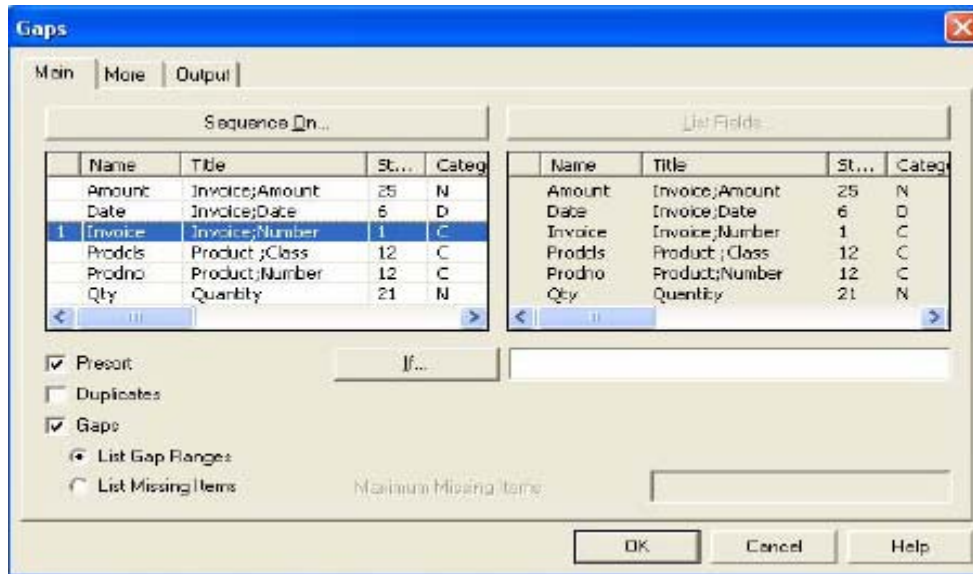


Figure 1. Form of data completeness testing

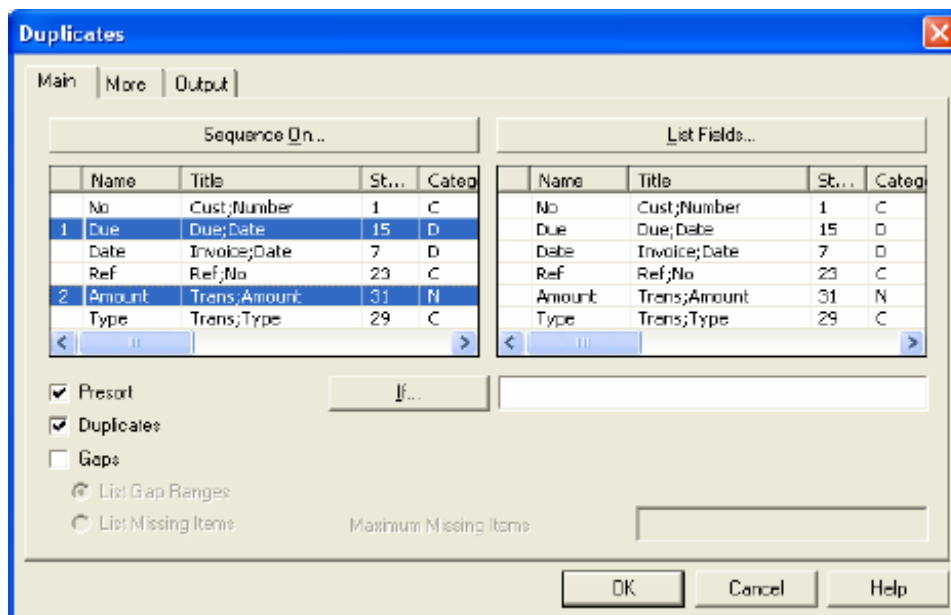


Figure 2. Form of identifying duplicated transactions

Another important option, Classify, allows grouping bills on account of providers, identifying the most important providers, for example first three, with detailed transactions and afferent totals.

Basically, ACL stands out through its analyze analytic capacities which allow:

- assurance of data integrity (through COUNT, TOTAL, VERIFY functions)
- fraud detection using Benford algorithm
- a classification of information after importance, „age” (through Stratify, Age, Classify commands)
- sequential tests (Sequence, Gaps, Duplicates)
- a crossed control of data from different files (Facturi, DocumentPlata)
- selection of samples (Sampling)

This instrument stands out through at least 3 essential characteristics:

- *interactive capacity* which allows auditors to test, investigate, analyze and provide results in due time.
- *the capacity of providing an audit trail at any time* – which, basically, is a history of a file’s registrations, commands used by auditors and the associated results.
- *the capacity of generating reports in different formats*, including predefined and personalized formats.

One of the important advantages of ACL is the impossibility of complex data structure files processing.

B) IDEA (*Interactive Data Extraction & Analysis*) is also known as a standard in data analyze. The application offers the auditor a series of facilities which will allow:

- the accomplishment of audit objectives concerning financial situations, offering verification and calculation instruments, crossed data verification, calculation options of the samples and their selection;
- fraud investigation;
- testing of security norms;
- managerial analyzes and reports: classification of data on clients, products, performance measuring.

C) PENTANA – is a management integrated system of risks and audit, which allows the user to develop a variety of activities, assisting him in the important steps of its mission. The application allows, in a first step, the determination of a universe of audited entities, through collecting data that have to do with the organisation itself: name, type, entity’s address, the contact person. Associated with the *Planning* step, an essential step for any audit mission, Pentana offers a global evaluation of the entity’s risks and the planning of audit works (the so-called calendar of audit).

Also during this step of the audit, the application allows the accomplishment of an evaluation of specific risks and corresponding controls. With this purpose, every risk is associated a „score”, calculate don ground of two components: the probability of risk accomplishment (L) and associated impact (I) – a size on the 0 to 10 scale being associated to the 2 components, as shown in figure 3. During the „Execution of audit test” step, PENTANA plans and accomplishes audit tests, memorizes the obtained results, significant results, keeping this way a history of every mission. Final situations and conclusions from each step will be the ground of generating an audit report in which the necessary recommendations are stressed.

Risks & Controls - [Houston Branch]								
Entity Mode	Ref	Risk Area	Cat/Type	Title	Description	Assessments		
						L	I	Score
Corporate Risks								
Entity-Specific Risks								
Entity Summary	01	Physical Security	Both	Risk of flooding	Local river flooding causing damage to premises, goods etc	7	8	56
Assess Global Risks	1			Response to warnings	Local weather station gives advance warning. Sand bags placed at all entrances. Perishable goods stored above the high water level. Vehicles parked on higher ground (off-site if necessary)			
Risks & Controls	02	Management		Remuneration/benefits	Remuneration & benefits package makes recruitment/retention of staff difficult	4	6	24
Risks & Controls Analysis	1			ratio	Review of remuneration against published industry figures			
Close Entity	2			ratio	Exit interview information			

Figure 3. Form of global evaluation of the risks of a 40entity

In conclusion, PENTANA distinguishes itself through a new approach: it doesn't accomplish a detailed analyze of the client's data, but it emphasises a documentation of every step of an audit mission and the preservation of their historic. The application approaches especially the general evaluation of an entity's risks and of the specific ones, the appreciation of the existing controls, the analyze of a matrix associated to these risks.

D) AutoAudit is an application developed by Paisley Consulting, which joins the same category with Pentana. The application stands out through the following facilities:

- an inventory of the audit works with the auditors implied in its accomplishment;
- an evidence of the auditors from the office with the specific characteristics;
- a planning of the mission with the establishment of the estimated hours for each work and payments. Each work has a plan of activity associated which will represent a guide of work for the implied assistants;
- accomplishes an evaluation of the missions' risks, base don some predefined enquiries, depending on the analyzed type of risk;
- an inventory of the working sheets;
- an analyze of the client's data.

E) ProAudit Advisor is another application used in an audit mission which allows:

- The creation of the audited entity's universe;
- The determination of an audit's approach;
- Risk and control evaluation.

Activity Checklist - 001 Information Systems
Created By: Lev Tis 5/22/2002

AutoAudit
for Windows

Information
 Subject: Travel Arrangements Checklist

To Do...	Status	Comments
1. Booked flight arrangements	<input checked="" type="checkbox"/> Completed Teodora Vahina 02/06/2007	Not needed
2. Booked hotel arrangements	<input checked="" type="checkbox"/> Completed Teodora Vahina 03/06/2007	Not needed
3. Arranged ground transportation	<input checked="" type="checkbox"/> Completed Vahina Teodora 04/06/2007	Booked internal y

Figure 4. Form of presenting an audit plan with the associated activities

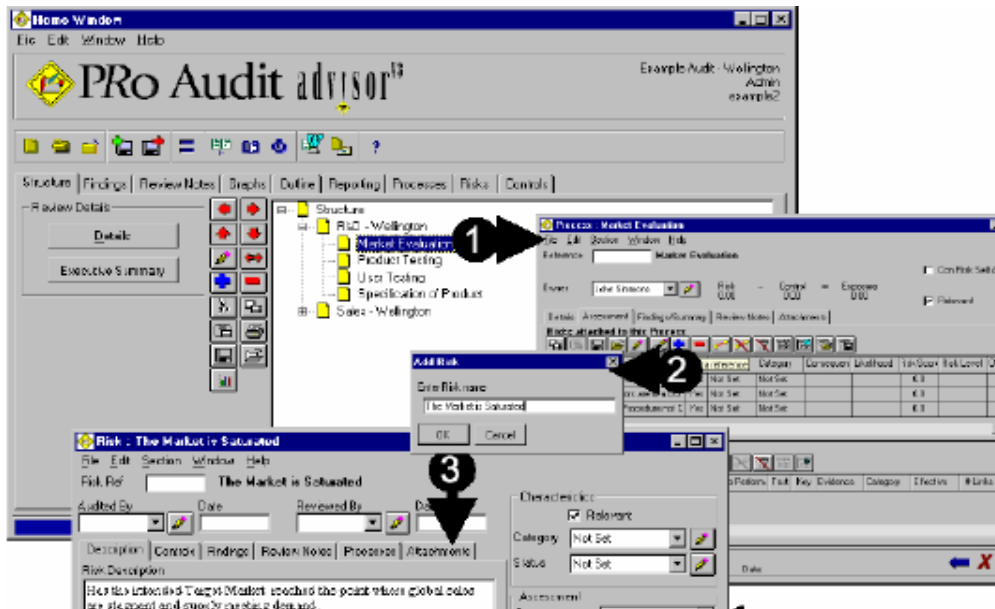


Figure 5. ProAudit Advisor ²

² www.methodware.com/products/proaudit

After this analyze, it can be observed that there are numerous CAAT instruments, which are characterized through an ensemble of common facilities, but also through particularities which individualizes them. The presented examples have emphasised a category of applications which focuses on data analyze (ACL, IDEA) and another category (Pentana, AutoAudit, ProAudit Advisor) which supposes the maintenance of a historic for every processed mission, with the developed plan of the audit, the identification and evaluation of risks at an organization's level – applications which can allow an analyze of the efficiency and efficacy of an audit mission.

The growth of the informatics accounting systems' complexity and of the audit process itself have lead to a new tendency in developing audit software, through the integration of OLAP and Data Mining techniques, which can assure a multidimensional analyze of data, fraud detection, the discovery of knowledge hidden behind classics data, offering new opportunities to the auditors.

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A STUDY REGARDING THE RE-TREATMENT OF THE BALANCE SHEET AND OF THE PROFIT AND LOSS ACCOUNT UNDER CIRCUMSTANCES OF INFLATION AND HYPER-INFLATION APPROACHED ACCORDING TO THE CONCEPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

MARIANA MAN, RALUCA ELISABETA FELEA *

ABSTRACT: *Inflation constantly has been seen as a controversial economic phenomenon that has generated numberless chronic lacks of balance in economy. In a hyper-inflationist economy the report without inflation re-treatment of the balance sheet and the profit and loss account is no more relevant for those who use accounting data, and the 90s' Romania certainly faced such a hyper-inflationist economy. As the evaluation basis in accountancy is historic cost, and, due to the fact that under circumstances of high inflation, historic cost suffers a series of changes that distort reality, several accounting methods are employed. These accounting methods under circumstances of inflation may rely on conversion, evaluation or other mixed methods that consist in re-treating the financial reports of the companies at opening and closing these financial reports. As under the present circumstances a too rapid economic growth is envisaged for Romania that might determine the increase of inflation, the re-treatment of the balance sheet and of the results account could be a necessity in the future.*

KEY WORDS: *inflation, balance sheet, profit, loss, re-treatment, evaluation, index, adjustment, price, hyper-inflation.*

1. THE CONCEPT, CAUSES AND EFFECTS OF INFLATION

The concept of inflation is one of the most controversial and most complex economic phenomena that determine chronic lacks of balance in economy, being the

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The paper has been awarded with the second prize at the National Economic Olympics for Students, held in 2007 at the „Babes-Bolyai” University of Cluj-Napoca, Romania.

subject of various interpretations and attempts of measuring and counteracting its effects. One of the most complete definitions of inflation is formulated by the Austrian economist Helmut Frish: “inflation is a complex process that exhibits various lacks of balance in economy having a general character and being under a continual evolution.” He identifies four characteristics of inflation: a state of generalizing the excess of demand when “too much money runs after extremely few things”; a growth of money reserves or of incomes, either as a total amount or per capita; an increase of prices level; a decrease of money value as compared to other currencies, measured by currency exchange rates or by gold price or indicated by an excess of gold demand or of official courses foreign currencies.

The all inclusive sphere of manifestation of inflation requires the identification of its **causes** in order to elaborate solutions able to diminish its negative consequences. Its causes are the following: the existence and continual launching of huge quantities of money on the market; unemployment; labor immobility; lack of balance of aggregate demand as compared with aggregate offer; lack of labor productivity; international circumstances of comparing national economy with worldwide economy; increase of oil price; labor division; quality of governing, etc. Inflation determines the following economic **effects**: continual and self-nourished increase of prices; deficit of the foreign exchanges; increase of the quantity of circulating currency; re-distribution of incomes in economy; decrease of the living standard; companies bankruptcy, etc.

2. CHARACTERISTICS OF THE HYPER-INFLATIONIST ECONOMIC ENVIRONMENT

In a hyper-inflationist economy, the report without re-treating the results and the financial position is no more relevant for those who use accounting data. Currency loses its buying power to such an extent that the comparison of the sums coming from transactions and operations done at different moments leads to the distortion of reality. As Romania had to face an increased inflation during the '90s, Romanian specialists have implemented a model of inflation accounting. During the fiscal exercises 1995 and 1996, important contributors were those who determined taxable profit by inflation actualizing the elements of the balance sheet at the beginning and at the end of the year. The procedure was very complicated and costing, and was abandoned after only two years.

The main **characteristics** of hyper – inflationist economic environment, according to **I.A.S. 29 “Financial Reporting in Hyper-Inflationist Economies”** are the following: the majority of the population prefers to accumulate their fortune in non-monetary assets or in a stable foreign currency; the values owned in local currency are immediately invested in order to maintain buying power; monetary values are expressed as compared with a foreign currency relatively stable (e.g. debts, salaries, etc.); credit sales and buying are done at such prices that compensate the expected loss of buying power during the credit although the latter one is short; interests rate, salaries

and prices are interconnected by a price index; cumulated rate of inflation during a three consecutive years period gets nearer to or surpasses 100%.

3. CHANGES OF THE BALANCE SHEET AND OF THE RESULTS ACCOUNT DUE TO HISTORIC COST EVALUATION. ALTERNATIVES OF EVALUATION

Within financial reports patrimony elements can be exhibited as follows: at their replacement cost/ actual cost (current cost of buying of a similar asset); at their net possible value (current sale price of an asset without expenses required by sale); at their economic value; at their historic price.

The basis of evaluation in accounting is historic cost that is corrected by amortizations and depreciation provisions. According to I.A.S., under the circumstances of applying historic cost, "the assets are registered according to the sum paid in cash or cash equivalents or, according to the fair value at the moment of their buying. Debts are registered according to the value of cash equivalents obtained in exchange of the obligation or according to the value that is to be paid in cash or cash equivalents in order to cease debts, and according to the normal business course."

The main **distortions** of the data exhibited by the balance sheet due to the application of historic costs are the following: under-evaluations of fixed assets; under-evaluations of stocks; under-evaluations of net situation.

Within the **profit and loss account**, under inflation circumstances, the following data modifications may appear: under-evaluation of the cost of materials and goods as a result of stocks under-evaluation; under-evaluation of amortizations (as a result of under-evaluating fixed assets); over-evaluation of financial expenses (expenses determined by the interests paid for bank credits); increase of taxable profit due to under-evaluating expenses determining the over-evaluation of results.

As an evaluation basis alternative to historic cost one may employ the following: **current cost**: the assets are registered at their cash value or cash equivalents that has to be paid if the same asset or a similar one is bought at present; debts are registered at their cash value or cash equivalents required in order to discount the debt at present; **achievable value**: price value that could result after selling certain assets at present or that has to be paid in order to pay a debt during the business normal course; **up-dated value**: value of the future cash flows that are going to be generated during the normal course of the company's activity. Stocks are evaluated at the minimum between cost and net achievable value, value titles at their market value, and debts regarding pensions at their up-dated value.

4. ACCOUNTANCY METHODS UNDER INFLATION

Conversion relying methods. Such methods imply that patrimony movements within the current accountancy of the period should be expressed at their historic cost, and annual financial situations should be converted so that they partly or

completely re-evaluate their positions according to the evolution of the general level of prices. Conversion coefficients are calculated according to the price indices proper to the analyzed period. These methods have as a goal the maintaining of the buying power of personal capitals.

The stages of conversion relying methods are the following: conversion of the opening balance sheet in monetary units at the closing moment; conversion of the closing balance sheet in monetary units at the closing moment; calculation of profit or monetary loss; display of indexed profit and loss account. These methods have a series of **advantages**: they provide an objective quantification of the effects of inflation upon the activity; provide comparability in time and space of the data of financial reports; cancel the adjustments imposed by fiscal adaptation (application of LIFO method, etc.). Among **disadvantages** one can notice the following ones: too high costs of re-treatments; the profit determined by net monetary situation does not represent the result of the company's own effort.

Evaluation relying methods. These methods have in view the total or partial replacement of historic cost by actual cost or replacement cost. They look for results capable of taking into account necessary corrections in order to maintain the exploitation capacity of the company. Whenever replacement cost is higher than the net achievable value and than up-dated value the basis of evaluation should be the maximum between net achievable value and current cost. The methods relying on actual costs employ certain specific price indices in order to correct the values of the various categories of goods (tangible assets, stocks), of amortization, and of sales cost.

The **advantages** of these methods are the following: they allow the adoption of more relevant information than those relying on conversion; the appreciation of the performance of the company and of its financial position is closer to reality; they allow the elaboration of more correct provisions regarding future cash inflows. Yet, beside advantages, there are also certain **limits**: they have a high degree of subjectivism, replacement cost being difficultly determined for those goods that do not have an active market; they imply complicated calculations, difficultly implemented; replacement cost isn't easy to be determined under the circumstances of a continual technical progress.

Mixed methods. Mixed methods are a formal combination of the two independent aspects: measuring unit and evaluation basis. They have as a goal the maintaining of the capital at a constant buying power and goods evaluation at actual values.

Among their **advantages**, one can notice the following ones: they offer the best comparison basis as they exhibit in the annual financial reports both elements in measuring units at the end of the year and in replacement costs; financial reports exhibit both the profits from detaining adjusted to inflation and the result from monetary elements that does not appear in case of the methods based on evaluation. Among their **drawbacks**, one can notice the following: they imply complex calculations and high costs; the adjustments are difficultly attainable by certain categories of users.

5. RE-TREATMENT OF FINANCIAL REPORTS IN HYPER-INFLATIONIST ECONOMY. STAGES

Re-treatment of financial reports in terms of buying power on the date of drawing out the balance sheet implies the application of certain specific procedures and of professional reasoning. **The stages of re – treatment procedures** are the following:

Selection of the general prices index. I.A.S. 29 stipulates that the sums exhibited by the balance sheet, the profit and loss account, and the situation of cash flows should be re – treated by employing a general prices index that reflects the variations of the buying power. It is advisable that all entities that report in the currency of the same economy should use the same index. Accordingly, one can use: consumer prices indices; wholesale price indices.

Division of patrimonial elements in monetary and non-monetary elements. The integration of patrimonial elements in the category of monetary and non-monetary elements is done according to their fundamental characteristics. Monetary elements representing liquid assets as well as debts are not re-treated as they are expressed in measuring units in force at the moment of the drawing out financial reports. The assets and the debts connected by a contract with price changes are adjusted according to it being registered at their adjusted value in the re-treated balance sheet.

Re-treatment of non-monetary elements. Non-monetary elements are evaluated at their historic cost and exhibited in the balance sheet either at their buying cost or at their production cost, diminished by possible amortizations and provisions registered until the drawing out of the balance sheet. As the value of these elements is expressed in measuring units in force at the moment of their entering the patrimony it is necessary to re-evaluate them by applying a general prices index after the date of their entering the company.

Non-monetary elements evaluated at their fair value are the following: fixed assets that have undergone a re-evaluation; fixed assets and stocks in financial reports at their market value or at their net achievable value.

These elements should be re – treated by applying the general index of price increase after their last evaluation. Re – treated fixed assets are limited to their retrievable value, stocks to their net achievable value, and short term investments to their market value.

Re-treated cost or re-treated cost minus amortization for each non-monetary element is determined by applying a variable index of prices beginning with the date of buying until the date of the balance sheet drawing out to historic cost and cumulated amortization. Tangible assets, financial investments, raw materials and goods stocks, trading fund, patents, registered marks and other similar assets are re-treated beginning with the date of their buying.

Under the circumstances of buying an asset on a contractual basis that allows payment postponement without interest, it is re-treated on the date of payment not on the date of buying. At the same time, the inclusion of the differences of exchange in the accounting value of an asset is re-treated on the date of buying.

At the beginning of the first period of applying I.A.S. 29, the elements of one's capital except reported result and the surplus determined by re-evaluation are re-treated beginning with the date when these elements have appeared. Re-treated reported result derives from all other values of the re-treated balance sheet.

Regarding the **registration of re-treated differences**, in order to re-treat the elements of the opening balance sheet, according to the Order of the Ministry of Public Finances no. 94/ 2001 that approves accounting settlements adjusted according to the 4th Disposal of the European Economic Communities and to the International Accounting Standards, account 1051, namely "Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment", has been used. As this account is no longer included within the Account Plan approved by the Order of the Ministry of Public Finances no.1752/2005 that approves accounting settlements according to the European directions (which abrogates the former Order of the Ministry of Public Finances), in order to register re-treated differences, I propose the creation of an analytic account of account 105, "Reserves from re-evaluation", having the form 105x, also called "Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment".

As regards the profit and loss account and the closing balance sheet, in order to register the differences from re-treating non-monetary elements, according to the Order of the Ministry of Public Finances no.94/2001, the following accounts have been included in the General Plan of Accounts: 688, "Expenses from inflation adjustment", and 788, "Incomes from inflation adjustment". These accounts are no longer used due to the abrogation of the Order of the Ministry of Public Finances no. 94/2001 that stipulated them; accordingly, I propose their replacement with two analytic accounts as follows: within group 68, "Expenses with amortizations, provisions, and adjustments for depreciation or loss of value", and within account 686, "Financial expenses regarding amortizations and adjustments for loss of value", I am going to create the analytic 686x, "Expenses from inflation adjustment"; within group 78, "Incomes from provisions and adjustments for depreciation or loss of value", and within account 786, "Financial incomes from adjustments for loss of value", I am going to create the analytic 786x, "Incomes from inflation adjustment".

Re-treating results account. According to I.A.S. 29, all the elements of the profit and loss account should be expressed according to the measuring unit in force at the moment of the drawing out of the balance sheet. All the values registered during the exercise should be re-treated by applying the variation of the general index of prices beginning with the dates when the incomes and expenses elements have been initially registered until the date of the drawing out of financial reports.

The calculation of the profit and loss from net monetary position. Due to the fact that the buying power diminishes as inflation increases, the company is going to register a profit or a loss from detaining monetary elements. Net monetary report is determined according to the following formula: **Net monetary situation = Monetary assets – Monetary intangible assets.**

A company that detains assets that surpass monetary debts is going to register a loss from these assets which is bigger than the profit from debts. On the whole, the company is going to register a loss from detaining monetary elements. Under inflation circumstances, it is better that the company registers a negative monetary report as it will have a profit from the debts it repays in depreciated currency.

The difference (the profit from net monetary position) that can be seen in the opening balance sheet of the first exercise of applying I.A.S. 29 is registered within personal capital. The subsequent profits or losses are considered incomes or expenses of the exercise during which they have been identified.

Drawing out treasury fluxes. In order to do this, under inflation circumstances, and according to I.A.S. 29, all the elements should be expressed in measuring units in force on the date of the drawing out of the balance sheet. These elements are going to be re-treated by applying conversion factors relevant on the date when the transaction took place.

Re-treating corresponding (comparative) sums. Corresponding sums proper to the previous reporting period based either on the model of historic cost or on that of current cost, are re-treated by applying a general index of prices in such a manner that comparative financial reports are exhibited as compared with the measuring unit in force at the end of the reporting period.

Whenever an economy ceases to be hyper-inflationist and the company interrupts the drawing out and display of financial reports according to I.A.S. 29, it should employ the value expressed by the measuring unit in force at the end of the previous period as a basis of the accounting values of the subsequent financial reports.

6. ACCOUNTING MONOGRAPH REGARDING THE RE-TREATMENT OF THE BALANCE SHEET AND OF THE PROFIT AND LOSS ACCOUNT

Re-treating the opening balance sheet of a company. The balance sheet of company x is exhibited as follows (table 1).

Supplemental information: company x has been founded at the end of exercise N-2; the balance sheet on 31.12.N-1 is exhibited after profit distribution; stocks on 31.12.N-1 were bought on 01.10.N-1; stocks on 31.12. N were bought on 01.12.N; expenses with amortization registered during exercise N regard equipments and installations – 12000 lei, transport means – 8000 lei, and buildings – 4000 lei.

1. Fixed assets bought at the beginning of the exercise N-1 are re-treated; the general index of prices exhibits the following evolution:

01.01.N-1	01.07.N-1	01.10.N-1	31.12.N-1	01.12.N	31.12.N
100	120	130	140	160	170

Table 1. The balance sheet of company x

- RON -

ELEMENTS	N-1	N
<u>Fixed assets</u>		
Installations (gross value)	60000	60000
Amortization	12000	12000
Net value	48000	36000
Transport means (gross value)	40000	40000
Amortization	4000	12000
Net value	36000	28000
Buildings (gross value)	-	140000
Amortization	-	4000
Net value	-	136000
TOTAL FIXED ASSETS	84000	200000
<u>Quick assets</u>		
Goods	10000	16000
Clients and assimilated accounts	24000	30000
Cash assets	12000	24000
TOTAL QUICK ASSETS	46000	70000
C. <u>Advance Expenses</u>	-	-
<u>Debts that should be paid in less than a year</u>		
Suppliers	12000	22000
Short term bank credits	9000	12000
AVT	4000	6000
Profit tax	5000	8000
TOTAL DEBTS THAT SHOULD BE PAID IN LESS THAN A YEAR	30000	48000
E. Net quick assets or net current debts (B+C-D-I)	16000	22000
F. Total assets minus current debts (A+E)	100000	222000
<u>Debts that should be paid in more than a year</u>		
Long term bank credits	20000	26000
Suppliers of fixed assets	30000	114000
TOTAL DEBTS THAT SHOULD BE PAID IN MORE THAN A YEAR	50000	140000
<u>Provisions</u>		
Litigation provisions	-	2000
I. <u>Advance incomes</u>	-	-
<u>Capital and reserves</u>		
Social capital	40000	40000
Reserves	10000	10000
Reported result	-	30000
TOTAL CAPITAL AND RESERVES	50000	80000

The average index for the operations made during exercise N is the following:
 $(140+170)/2 = 155$. Installations have a buying value of 60000
 $(60000 \times 140/100 - 60000) = 24000$ lei

213 “Technical installations, transport means, animals, and plantations”	=	105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	24000
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2. Amortization of the installations bought at the beginning of exercise N-1 is re-treated: $(12000 \times 140/100 - 12000) = 4800$ lei

105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	=	2813 “Amortization of installations, transport means, animals, and plantations”	4800
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3. Transport means bought on 01.07.N-1, buying value: 40000 lei:
 $(40000 \times 140/120 - 40000) = 6666.6$ lei

213 “Technical installations, transport means, animals, and plantations”	=	105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	6666.6
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4. Amortization of the transport means (4000 lei) is inflation re-treated:
 $(4000 \times 140/120 - 4000) = 666.6$ lei

105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	=	2813 “Amortization of installations, transport means, animals, and plantations”	666.6
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5. Goods stocks on 31.12.N-1 represent 10000 lei and were bought on 01.10.N-1. Stocks re-treatment: $(10000 \times 140/130 - 10000) = 769.2$ lei

371 “Goods”	=	105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	769.2
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6. Social capital is re-treated: $(40000 \times 140/100 - 40000) = 16000$ lei

105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment”	=	1012 “Subscribed capital put away”	16000
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Re-treated opening balance sheet is the following (table 2):

Table 2. The re-treated opening balance sheet

- RON -

ELEMENTS	SUMS
A.Fixed assets	
Installations (gross value)	84000
Amortization	16800
Net value	67200
Transport means (gross value)	46667
Amortization	4667
Net value	42000
TOTAL FIXED ASSETS	109200
B.Quick assets	
Goods	10769
Clients and assimilated accounts	24000
Cash assets	12000
TOTAL QUICK ASSETS	46769
C. Advance Expenses	-
D.Debts that should be paid in less than a year	
Suppliers	12000
Short term bank credits	9000
AVT	4000
Profit tax	5000
TOTAL DEBTS THAT SHOULD BE PAID IN LESS THAN A YEAR	30000
E. Net quick assets or net current debts (B+C-D-I)	16769
F. Total assets minus current debts (A+E)	125969
G.Debts that should be paid in more than a year	
Long term bank credits	20000
Suppliers of fixed assets	30000
TOTAL DEBTS THAT SHOULD BE PAID IN MORE THAN A YEAR	50000
H.Provisions	-
Litigation provisions	
I. Advance incomes	-
J.Capital and reserves	
Social capital	56000
Reserves	10000
Reserves from inflation adjustment during the first year	9969
Reported result	-
TOTAL CAPITAL AND RESERVES	75969

Re-treating the closing balance sheet of a company

7. Re-treating installations and equipments bought at the beginning of exercise N-1: $(84000 \times 170/140 - 84000) = 18000$ lei

213 “Technical installations, transport means, animals, and plantations” = 786x “Incomes from inflation adjustment” 18000

8. Amortization of installations and equipments bought at the beginning of exercise N-1: $(16800 \times 170/140 - 16800) + (12000 \times 170/100 - 12000) = 12000$ lei

686x "Expenses from inflation adjustment"	=	2813 "Amortization of installations, transport means, animals, and plantations"	12000
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9. Re-treating transport means acquired on 01.07.N-1:

$(46667 \times 170 / 140 - 46667) = 10000$ lei

213 "Technical installations, transport means, animals, and plantations"	=	786x "Incomes from inflation adjustment"	10000
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10. Amortization of transport means:

$(4667 \times 170 / 140 - 4667) + (4000 \times 170 / 100 - 4000) = 3800$ lei

686x "Expenses from inflation adjustment"	=	2813 "Amortization of installations, transport means, animals, and plantations"	3800
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11. Re-treating buildings acquired at the beginning of exercise N:

$(140000 \times 170 / 140 - 140000) = 30000$ lei

212 "Buildings"	=	786x "Incomes from inflation adjustment"	30000
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12. Amortization of buildings acquired at the beginning of exercise N:

$(4000 \times 170 / 140 - 4000) = 857.1$ lei

686x "Expenses from inflation adjustment"	=	2812 "Buildings amortization"	857.1
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13. Re-treating goods stock: $(16000 \times 170 / 160 - 16000) = 1000$ lei

371 "Goods"	=	786x "Incomes from inflation adjustment"	1000
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14. Re-treating social capital: $(56000 \times 170 / 140 - 56000) = 12000$ lei

686x "Expenses from inflation adjustment"	=	1012 "Subscribed capital put away"	12000
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15. Reserves re-treatment: $(10000 \times 170 / 140 - 10000) = 2142.8$ lei

686x "Expenses from inflation adjustment"	=	106 "Reserves"	2142.8
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16. Re-treating reserves from inflation adjustment during the first year:

$(9969 \times 170 / 140 - 9969) = 2136.2$ lei

686x “Expenses from inflation adjustment” = 105x “Reserves from re-evaluation proper to the opening balance sheet of the first year of applying inflation adjustment” 2136.2

Litigation provisions are not re-treated and are drawn out at the end of exercise N. The result of the exercise is difference determined. Re-treated balance sheet on 31.12.N is the following (table 3):

Table 3. The re-treated balance sheet on 31.12.N

- RON -

ELEMENTS	SUMS
<u>A.Fixed assets</u>	
Installations (gross value)	102000
Amortization	40800
Net value	61200
Transport means (gross value)	56667
Amortization	16467
Net value	40200
Buildings (gross value)	170000
Amortization	4857
Net value	165143
TOTAL FIXED ASSETS	266543
<u>B.Quick assets</u>	
Goods	17000
Clients and assimilated accounts	30000
Cash assets	24000
TOTAL QUICK ASSETS	71000
<u>C. Advance Expenses</u>	-
<u>D.Depts that should be paid in less than a year</u>	
Suppliers	22000
Short term bank credits	12000
AVT	6000
Profit tax	8000
TOTAL DEBTS THAT SHOULD BE PAID IN LESS THAN A YEAR	48000
<u>E. Net quick assets or net current debts (B+C-D-I)</u>	23000
<u>F. Total assets minus current debts (A+E)</u>	289543
<u>G.Depts that should be paid in more than a year</u>	
Long term bank credits	26000
Suppliers of fixed assets	114000
TOTAL DEBTS THAT SHOULD BE PAID IN MORE THAN A YEAR	140000
<u>H.Provisions</u>	2000
Litigation provisions	
<u>I. Advance incomes</u>	-
<u>J.Capital and reserves</u>	
Social capital	68000
Reserves	14279
Result of the exercise (difference determined)	65264
TOTAL CAPITAL AND RESERVES	147543

Re-treating profit and loss account

Profit and loss account on 31.12.N, in its simplified form is the following one (table 4):

Table 4. Profit and loss account on 31.12.N

- RON -	
ELEMENTS	SUMS
Incomes from goods sale	400000
Other incomes from exploitation	20000
TOTAL INCOMES FROM EXPLOITATION	420000
Expenses regarding goods	250000
Employees expenses	100000
Expenses with amortization of fixed assets	24000
Provisions expenses	2000
TOTAL EXPLOITATION EXPENSES	376000
EXPLOITATION RESULTS	44000
7. Interests incomes	6000
TOTAL FINANCIAL INCOMES	6000
8. Expenses regarding interests	10000
TOTAL FINANCIAL EXPENSES	10000
FINANCIAL RESULT	-4000
9. CURRENT RESULT	40000
TOTAL INCOMES	426000
TOTAL EXPENSES	386000
GROSS RESULT	40000
10. Profit tax	6400
NET RESULT OF THE EXERCISE	33600

In order to re-treat the incomes and expenses of the profit and loss account I am going to employ an average index of prices increase during year N:

$$(140+170)/2 = 155$$

1. Incomes from goods sale: $(400000 \times 170 / 155 - 400000) = 38709.6$ lei

$$686 \text{ "Expenses from inflation adjustment"} = 707 \text{ "Incomes from goods sale"} \quad 38709.6$$

2. Other incomes from exploitation: $(20000 \times 170 / 155 - 20000) = 1935.4$ lei

$$686 \text{ "Expenses from inflation adjustment"} = 758 \text{ "Other incomes from exploitation"} \quad 1935.4$$

3. Expenses regarding goods: $(250000 \times 170 / 155 - 250000) = 24193.5$ lei

607 "Expenses regarding goods"	=	786x "Incomes from inflation adjustment"	24193.5
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4. Employees expenses: $(100000 \times 170 / 155 - 100000) = 9677.4$ lei

64x "Employees expenses"	=	786x "Incomes from inflation adjustment"	9677.4
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5. Expenses from amortization of fixed assets: $(36590.4 \text{ lei} - 24000 \text{ lei}) = 12590.4 \text{ lei}$

- for installations: $12000 \times 170 / 100 = 20400.0$ lei

- for transport means: $8000 \times 170 / 120 = 11333.2$ lei

- for buildings: $4000 \times 170 / 140 = 4857.2$ lei
36590.4 lei

6811 "Exploitation expenses regarding amortization of fixed assets"	=	786x "Incomes from inflation adjustment"	12590.4
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6. Incomes from interests: $(6000 \times 170 / 140 - 6000) = 1285.7$ lei

686x "Expenses from inflation adjustment"	=	766 "Incomes from interests"	1285.7
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7. Expenses regarding interests: $(10000 \times 170 / 140 - 10000) = 2142.8$ lei

666 "Expenses regarding interests"	=	786x "Incomes from inflation adjustment"	2142.8
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Profit tax expenses are not re-treated, being drawn out on 31.12.N.
The profit and loss re-treated account is the following (table 5).

Adjustment of re-treated opening balance sheet of exercise N with price increase reflected in the closing balance sheet (170/140)

The balance sheet on 01.01.N expressed by the buying power on 31.12.N (table 6).

7. PROSPECTS AND DIFFICULTIES

European Union requires quoted companies to apply the International Standards of Financial Report instead of national accounting standards applied until now in order to draw out consolidated financial reports. This fact as well as the increase of the number of countries (e.g. Australia, Russia, Tanzania) that either effectively adopt the International Standards of Financial Report or use them as a

Table 5. The profit and loss re-treated account

- RON -

ELEMENTS	SUMS
Incomes from goods sale	438710
Other incomes from exploitation	21935
TOTAL INCOMES FROM EXPLOITATION	460645
Expenses regarding goods	274194
Employees expenses	109677
Expenses with amortization of fixed assets	36590
Provisions expenses	2000
TOTAL EXPLOITATION EXPENSES	422461
EXPLOITATION RESULT	38184
7. Interests incomes	7286
TOTAL FINANCIAL INCOMES	7286
8. Expenses regarding interests	12143
TOTAL FINANCIAL EXPENSES	12143
FINANCIAL RESULT	-4857
CURRENT RESULT	33327
10. Profit tax	6400
11. Incomes from inflation adjustment	107604
12. Expenses from inflation adjustment	74867
TOTAL INCOMES	575535
TOTAL EXPENSES	515871
RESULT OF THE EXERCISE BEFORE PROFIT OR LOSS FROM MONETARY ELEMENTS	59664
Profit from monetary elements	5600
NET RESULT OF EXERCISE (from re-treated closing balance sheet)	65264

source for their national accounting standards, are going to determine the wide use and acceptance of these standards.

Romanian companies quoted on a settled market that draw out consolidated financial reports are required to apply the International Standards of Financial Report, beginning with the financial exercise of 2007. At the same time, these companies may also draw out a distinct set of annual financial reports obtained due to the application of these standards, meant for data users other than state institutions.

Public interest in accounting alternatives of inflation considerably diminished once prices stability largely restored during the last decade. I.A.S. 29 deals with financial reporting within hyper-inflationist economies. Its goal is to convert financial reports of those entities that operate under circumstances that make un-adjusted financial reports have a diminished value or no value at all according to the evaluations of their condition and performance. Although during the last years the number of the countries that have suffered from inflation decreased, nevertheless there is still a current need for guidance that is even probable to grow in the future.

Table 6. The balance sheet on 01.01.N

ELEMENTS		SUMS
FIXED ASSETS		
Installations (gross value)	84000 x 170/140	102000
Amortization	16800 x 170/140	20400
Net value		81600
Transport means (gross value)	4667 x 170/140	56667
Amortization	4667 x 170/140	5667
Net value		51000
TOTAL FIXED ASSETS		132600
QUICK ASSETS		
Goods	10769 x 170/140	13077
Clients and assimilated accounts	24000 x 170/140	29143
Cash assets	12000 x 170/140	14571
TOTAL QUICK ASSETS		56791
C. ADVANCE EXPENSES		-
D.DEBTS THAT SHOULD BE PAID IN LESS THAN A YEAR		
Suppliers	12000 x 170/140	14571
Bank short term credits	9000 x 170/140	10929
AVT	4000 x 170/140	4857
Profit tax	5000 x 170/140	6071
TOTAL DEBTS THAT SHOULD BE PAID IN LESS THAN A YEAR		36428
E. NET QUICK ASSETS OR NET CURRENT DEBTS (B+C-D-I)		20363
F. TOTAL ASSETS MINUS CURRENT DEBTS (A+E)		152963
DEBTS THAT SHOULD BE PAID IN MORE THAN A YEAR		
Bank long term credits	20000 x 170/140	24286
Fixed assets suppliers	30000 x 170/140	36429
TOTAL DEBTS THAT SHOULD BE PAID IN MORE THAN A YEAR		60715
PROVISIONS		
Litigation provisions		-
I. ADVANCE INCOMES		-
J.CAPITAL AND RESERVES		
Social capital	56000 x 170/140	68000
Reserves	10000 x 170/140	12143
Reserves from inflation adjustment during the first year	9969 x 170/140	12105
Result of the exercise		-
TOTAL CAPITAL AND RESERVES		92248

In Romania, this standard has not yet been applied. I.A.S. 29 application requires the display of the following data: the fact that financial reports and the sums corresponding to previous periods have been re-treated in order to reflect the evolution of the general buying power of the currency, being expressed by the measuring unit in force on the date of the balance sheet; the method employed in order to display

financial reports (historic cost or current cost); the price index employed, its value on the date of the balance sheet, as well as its variation during the current period and during the previous one.

Romania is a country witnessing a relatively increased instability of prices. It is one of the few countries in the world where, during the last 17 years, a raised continual price instability has been registered.

As regards inflation rate in Romania after 2000, one can notice that it has witnessed a strongly decreasing trend having as a background the gradual development of economy and the quite rapid evolution towards the integration in the European Union. Surprisingly, in December 2006 the registered level of inflation was under the level envisaged for the end of that year.

Starting from an inflation of 9% in 2004, 8.6% in 2005, 4.87% in 2006, a rate of 4% is envisaged for this year. The National Bank of Romania has nevertheless foreseen a deviation from the inflation target. According to the quarterly report regarding inflation in February 2007 of the governor of the National Bank of Romania, Mugur Isarescu, direct foreign investments, structural funds, public investments, private investments although on a long term determine an economic increase, on a short term they determine inflation due to an excessive demand. At the same time, the International Monetary Fund has shown the fact that there are underground forces that nourish inflation and against which the National Bank of Romania should express its concern.

As European stake means an inflation rate of about 2% until 2009 – 2010, an equilibrated balance of external payments, the maintaining of a budget deficit under 3% of the Gross Inner Product, the National Bank of Romania is ready to launch a series of measures, such as: leu strengthening within currency exchange; increase of interests in order to diminish consumption credits and excessive demand; a strict salary policy; ceasing external loans. At the same time, taking into account the fact that the prices of most goods are expressed in dollars, a strengthening of euro as compared to the dollar would determine a decrease of the dollar price in lei and, implicitly, a cheapening of these goods. In other words, Central Bank hopes to diminish inflation making the dollar an anti-inflationist anchor.

Consequently, the decrease of inflation rate is a necessity in order to have a competing economy. Romania should diminish inflation down to the level of its direct competitors in the European community.

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THE ECONOMICAL EFFECTS OF MINING ACTIVITY RESTRUCTURING IN JIU VALLEY

MIRELA MONEA *

ABSTRACT: *Restructuring process in Romania, which starting in 1990, affected all the mining areas, one of these being Jiu Valley – an area with specific characteristics. This process generated an increasing in local unemployment rate and also caused many subsequent economical effects. Under the coal sector restructuring circumstances it is necessary to analyze the economical effects, and to find some solutions which have to be in the accordance with the economical and political rules and to encourage economic development of this area affected by the mining activity restructuring.*

KEY WORDS: *restructuring, mining activity, economical effects, programmes assessment, economic development.*

1. INTRODUCTION

Jiu Valley is an area with specific particularities like monoindustry (coal industry was the basic industry), a great concentration of population in the urban environment, closed geography among the mountainous massifs and infrastructure weak developed. Jiu Valley is the largest bituminous coal area in Romania with a surface of 170 square kilometres and live here 170.000 inhabitants. Coal industry was the basic industry in Jiu Valley because the coal deposit is the biggest from the country covering the bottom of the Petrosani Depression. Jiu Valley was the most important coal basin from Romania, if we take into account coal reserve on unity of surface, coal quality and the experience into operation, acquiring rightly the reputation like “the land of the black diamond”.

Mining of coal deposits have begun in 1840 when was opened up the first mine working at Petrila, Dâlja and Lonea. Coal output started to register stepped extension after 1868 (805 tons/year), and in 1872 the coal output was 234.000 tons/year. New pit were opened in the next years: Aninoasa (1880) and Lupeni (1881), mining activity spreading also at Uricani and Vulcan.

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A pick output in the first hundred years from the mine exploitation opening was registered in 1941 (2,75 million tons/year). Coal output, after that period in 1965 increased to 4,6 million tons/year, and in 1968 is almost 7 million tons/year. In the latest decade even if was opened up new mines (Livezeni, Iscroni, Valea de Brazi) the early coal output was about 5 million tons/year. The coal output decreased at the present time (almost 3 million tons/year in 2005-2007). In the whole social and economic activity from Jiu Valley, Bituminous Coal Company held a weight of 90%, so that the population was dependent directly or indirectly upon coal sector. Inhabitants in the area are usually trained in jobs which are not very spread and also, which cannot be easily reconvertible, such us: mineworker, coal dressing, miner mechanic. Their families are generally with a great number of members and also, only a single person has a job supporting financially the whole family and usually these jobs was in mining sector.

All these particularities and characteristics of Jiu Valley are important because will represent conditions of social environment on restructuring process and together with the conditions given by the new economic environment of Bituminous Coal Companies suggest the dimensions and complexity of the problems raised putting into practice the restructuring measures.

2. CONSEQUENCES OF RESTRUCTURING PROCESS

Restructuring process in Romania which started in 1990 affected all the mining areas, one of this being Jiu Valley, a zone with specific characteristics. In principle, the mining sector restructuring in Jiu Valley has the aim to achieved optimal conditions to a sustainable development in the area. The most important and strong impact during the restructuring process due to measures which have to be applied is on human factor. One important measure to achieve the efficiency of activity take in consideration the necessity of adapting the existing number of the workforce in the company.

Most of 50% of the mining industry employment lost their jobs. This process generated an increasing in local unemployment rate and also, caused many subsequent socio-economical effects.

It is necessarily to built the legal setting required for the implementation of restructuring programmes concurrently with developing protection measures for the unemployed resulted in the process, as well as promoting alternative economic development of the mining zones for creating new jobs.

For this purpose it is necessarily to draw up an adequate legislative framework to attract miners to others fields of activity, to promote and support new investment in order to stimulate employment creation, and also, to help people to create their own business. The labour market had to absorb the release employees from the mines, and find work places for young people looking for jobs after leaving education.

Successful of restructuring programmes is, in this way, conditional upon elaboration and achievement of social programmes which have to find and to put into practice special measures for economical development and recovery, to promote the

creation of new jobs in alternative fields. The number of job loses in the coalfield and also to allow younger people to find an appropriate job on the labour market.

Experiences in Western Europe suggest that a coal sector-restructuring programme should have two clear objectives: to get working age mineworkers into a new jobs quickly; to diversify the regional economy's structure and markets over the medium term. Each objective should be persuaded by separate organisations, with a clearly defined mission appropriate to their tasks.

The lack of preliminary stages preparing the reconstructing process – such as action-taking directed towards the economic development of the mining regions affected and creation of jobs-generator alternatives –resulted in these areas being confronted with severe economic and social problems.

3. EFFECTS OF RESTRUCTURING MINING ACTIVITY IN JIU VALLEY

After 1989 because of necessity in under going transformation from a controlled economy to the market economy, Romanian Govern is drawing up a special programme to hurry the structural reforms and to create appropriate conditions of market economy. A government programme proposed to achieve some actions as follows: diversity of the economy; privatization process transition and a free trade; reduce government subsidies and create a real concurential environment in market economy.

This new economic environment had an impact on coal mining industry restricted it. To be in accordance with these restrictions Bituminous Coal Company initiated a restructuring programme regarding its own activities which have to take into account:

- structure reorganization;
- financial recovery and cost control (it aims to reduce costs);
- reconsideration of a legislative framework;
- changes in exploitation methods;
- adapting the coal output taking into consideration coal demand which decreased at the present time in comparison by the beginning restructuring process;
- analyse mines performance (there are 3 categories: viable, stationary and unviable) and closing gradually those with weak performances;
- to reduce number of employees.

The employees number before the beginning of restructuring process was 54.500 employees (in 1989) and decreased to 37808 employees at the end of 1997 and 12522 employees (in 2007). The major decreasing was registered in 1997, a results of applying the Govern policy which was a policy of no compulsory redundancies. The mineworkers were therefore offered a financial compensation to leave the coal industry and to accept redundancy compensation terms. Each mineworker who was agreeing to leave his job in the coal mining industry was paid with an amount of money (compensation), depending on years of seniority, with the condition that the worker not to wish to get his job back in the mining sector.

Bituminous Coal Company in the first phase of restructuring process calculated carefully the terms of the compensation packages offered to employees, in order to encourage takes up by older workers. The package was designated to attract the older workers into early retirement.

The impact of redundancies has to be quantified not only on local level because it is well known that Jiu Valley population increased in time as a result of mining activity development or because of a migratory spore. The concern is not really justified because only few mineworkers (7-8 percent from the number of workforce) wanted to turn back. So that, the main attention has to be given to Jiu Valley, area really affected by these restructuring process.

It is obvious that the local level of unemployment rate increased substantially because of restructuring process. That's why the Govern had to approve special measures and reconversion programmes which are complementary with the restructuring process, to draw up and to put into practice such programmes, it was necessarily that the govern to collaborate with the other bodies from Romanian society such as: employment organisations, financial institutions, companies, local authorities.

The labour market had to absorb the release employees from mining activity and find workplaces for young people looking for jobs after leaving education.

Reorientation and reorganization of socio - economic activity in Jiu Valley in order to allow creation in equilibrium economy which will replace monoindustry and, in the same time to ensure a sustainable development being necessarily to take into account on drawing up the restructuring programme few basic concepts:

- identify actions to improve the infrastructure and the environment in Jiu Valley in order to ensure a minimal comfort for inhabitants;
- stimulate those activities with great potential and export-market;
- special legislative measures to promote and support new investments in order to stimulate employment creation;
- training programmes for mineworkers in accordance with the identified opportunities;
- achievement of new investments in the main fields of interest, which normally consist in investments in infrastructure, land reclamation, education and training provision, stimulating industrial research and development;
- help long term unemployment people;
- help and support mineworkers to initiate and carry on their own business;
- integrate young people into the labour market;
- support the adaptation of workers to industrial and technological changes.

Another important aspect had to carry out on concerns to the mine closure process, which had to be established in acceptable limits. Alternative to closure should be reviewed in order to make sure that the workable reserves are necesarly abandoned. The decision had to be made fairly and based on financial and technical grounds.

The main attention of a managerial team in the mining company is to find and to apply some instruments and methods to minimize the social consequences. Few instruments werw already applied in the initial phase of restructuring process, such as:

- early retirement of older mineworkers;

- financial compensations to mineworkers who accepted to leave the coal mining sector in the previous conditions. These leads to conclusion that the mineworkers themselves increasingly perceived that remaining in a contracting industry will be not in their long term interest;
- training programmes for redundancy workers in accordance with the existing opportunities at that moment.

All these measures had a positive effect only on short time. Researches and analyses elaborated till now in the area suggest the priority of such programmes which have to be put into practice in Jiu Valley in the first phase. These programmes required substantial financial funding, but, in the same time create new jobs which could be considered like a first step in absorption of mining workforce.

On long term the process to investment promotion will be slow and long, but could have success if we put the economic accent in promoting modern industry, which are in the top of the modern economic growth.

These modern industry are:

- industrial branch based on the intellectual capacity such as informational technology and telecommunication;
- the products for health including fine pharmaceuticals, diagnostic and support services;
- education and training and method of teaching professional training;
- industries based on tourism and recreation.

On local level, could be adequate and could have success in the near time the following: enterprises in the fields of imported products, food industry; a beer factory, a furniture factory, cloth and leather industry; enterprises in the field of soft-technology and technical design; rehabilitation and modernisation of hard-machines, especially for the export-market; waste recycling, reconstruction of mine yards; optics industry (lenses of higher quality), an enterprise for exploitation and processing limestone, a factory of construction materials (brick and prefabs), electronic industry (factory of optic fibres and silicon plates). All these investments which could be started in Jiu Valley could contribute in the shorter time at the diversification and development of the local economy and also to the employment creation.

The researches and analyses which was made until the present time, promoted the (prioritarily) main programmes which has been put into practice in Jiu Valley in the first stage. Also, the programmes, which could apply in the field of public interest, are the following: rehabilitation of transport in Jiu Valley; rehabilitation of waste collecting and dumping system; rehabilitation of the cleaning residual water system; modernisation and development of the local roads network; ecologisation of Jiu river; rehabilitation of the thermal network in Jiu Valley; reconstruction of mine yards; a factory of construction materials; exploitation and processing limestone; electronic industry (optic fibres, silicon plates), optics industry (lens of higher quality).

Programmes and projects mentioned together with the other in this field which will be identified in the future, have to be supported with the public financial funding, and it is possible with foreign support.

The financial effort necessarily is substantially, but not only the direct results-creation of new certain jobs-attractiveness to stimulate business-lead to the conclusions that the investments will be quickly recouped and will generate profits

Another alternative in the area takes into consideration the higher touristic potential. That potential was till now not explored but in perspective, it could become one of the most serious resources to ensure a real opportunity for further development.

The tourism trade is a serious and potentially resources for Jiu Valley development because it could create many secure jobs in specific activities such as: accommodation, services, entertainments, touristic objectives services.

Tourism development in Jiu Valley will be concentrate upon achievement of the following objectives: improvement of the Jiu Valley touristic's profile on the national and international market; the development of an realistic tourism offer, concerning on the winter sports and summer activities; implementation of the environmental infrastructure improvements, so that Petrosani town to become a "entrance gateway" for the tourist trade activity in Jiu Valley; the value of the touristical potential could generate profits and in time we could talk even about a tourist trade industry in Jiu Valley.

4. CONCLUSIONS

With appropriate action and public and private initiatives the impact of coal sector restructuring can be minimised and a more secure economic future can be foreseen for the coalfields and for Jiu Valley. If the local development programmes are consequently applied, there is the possibility to create in the future new jobs outside of mining activity. These opportunities will lead to improve substantially life quality for inhabitants and employees in Jiu Valley, and to increase the level of economic activities generating benefits on long term and to encourage economic development.

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LEGISLATIVE AND INSTITUTIONAL FRAMEWORK FOR CONTROLLING THE ROMANIAN LABOUR MARKET

DORINA NIȚĂ *

ABSTRACT: *As soon as the transition to a new organization form was made, the changes from the Romanian economy (privatization, technological and organizational restructuring, the introduction of mechanisms characteristic for the market economy) have led to new coordinates of the labour market in our country. By knowing all the elements which characterize the labour market, one is able to outline the action coordinates in order to ensure an efficient management of the labour market – on regional level, on economic branch level, on national economy level – holding employment as the main objective. In order to make employment an instrument for creating a functional labour market, pragmatic and operational reactions are needed, reactions which mainly target an institutional and legislative framework that ensures the creation of a flexible and efficient labour market.*

KEY WORDS: *labour market, efficiency, legislative framework, institutional framework, European standards*

During the ample and complicated process of transition to a market economy, the issue of creating a flexible and efficient market labour market has always drawn the attention of governors, of trade unionists, as well as of specialists in this field. Efforts were concentrated upon a legislative framework which regulates collective and individual work relationships, the social security of the unemployed and the salary level, assisted by an institution that controls the labour market on a national, regional and local level.

Facing a series of new situations which could hardly be met by the legislation before 1989 (unemployment was not officially acknowledged even though it existed as a masked/hidden unemployment), the labour market legislation needed to be continuously completed and improved by reconsidering some normative acts and adopting new regulations in the field. In the beginning, in 1991, there was adopted a new law, Law no 1/1991 regarding the social security of the unemployed and their professional re-integration, which was later modified and abridged, bringing under

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regulation the right of people who are able to work but cannot be taken on because there are no job vacancies according to their professional training; they have the right to benefit by social security services. There are two categories of social security measures of the labour power:

- *Passive measures* (regarding money benefits like the unemployment benefit, professional integration benefit, allowances and severance pay for people who were collectively dismissed);
- *Active measures* (regarding the stimulation of natural persons or legal persons who take on graduates, offering advantageous credits for setting up small and medium size enterprises, training and retraining jobseekers, organizing/planning a Job market, special active measures in order to employ dismissed people).

These security measures have the role to stimulate the (re)integration in the economic activity and the development of an enterprise, the role to encourage people from under-privileged categories, and the role to increase low incomes.

Starting with the year 1997, there appeared new “victims of the reorganization, privatization and public company liquidation programmes” on the labour market; this implied the adoption of more normative acts (O.U.G. no.9/1997, O.U.G. no.98/1999, modified and abridged by O.U.G. no.98/1999 and O.U.G. no.77/2000, O.U.G. no.22/1997, O.U.G. no.69/1998, O.U.G. no.36/1998, O.U.G. no.4/1999) which referred to the social security of workers whose labour contracts were terminated because of mass dismissals that took place in certain sectors of the national economy: the mining sector, the metallurgy sector, geological explorations and prospecting, SNCFR, Renel, Romgaz, Petrom, Autonomous Forest Control, military and civil personnel dismissed by joining the National Defense Ministry with the Home Ministry). These decrees set the rights of dismissed workers to benefit by compensatory payments summing up to 6, 9, 12 medium net salaries, except for the people working in the mining sector, where these payments were of 12, 15 or 20 medium net salaries per branch, according to the length of service of each of the dismissed workers. As soon as the period for which they were offered severance pays has come to an end, dismissed workers can benefit by unemployment payment and by other rights for the unemployed.

Law no. 130/1999 was adopted in order to protect the employees and to fight off “work on the labour market”; it stipulates the determination of the legal means which make sure that the legal articles, regarding employment based on individual labour contracts and the restriction of situations when workers can be employed based on agreements, are met with. Moreover, Law no. 319/2002 and Law no. 346/2002, for example, with their ulterior completions and modifications, establish a series of general principles concerning the prevention of professional risks, health and workers’ security, the elimination of risk factors and accidents, as well as the cases when a worker is ensured and benefits by social security against some categories of professional risks, such as: invalidity, the diminution of the working capacity and death as a result of industrial accidents and professional diseases.

Other regulations, worth to be mentioned, are outlined by Law no. 202/2002 regarding the equality of rights between men and women, the promulgation of which

aimed at eliminating direct and indirect discrimination on grounds of sex from every sphere of the Romanian public life (labour, education, health, culture and information/media, decision making, as well as from other fields) or by Law no. 399/2006 for adopting O.U.G. no.158/2005 referring to holidays and social health insurance compensations.

Special attention was paid to regularizing the international circulation of the labour power. The main normative acts which control the incomings and outgoings from labour market between Romania and the foreign states are: Law no. 203/1999 regarding work permits, which is modified by Law no. 32/2003; together they establish the employment conditions of foreigners in Romania; and Law no. 156/2000 regarding the security of Romanian citizens working abroad. As far as the immigration phenomenon towards Romania is concerned, the Romanian legislation has a series of laws which control various aspects concerning the movement of foreigners within Romania (O.U.G. no.194/2002 approved by Law no. 357/2003), granting equal rights and obligations to foreign citizens who have acquired some form of security in Romania, and also measures and concrete services which provide ready access of these people to these rights (O.G. no.44/2004 completed by H.G. 948/2005), the status and the condition of refugees in Romania (O.U. 102/2000).

In order to adapt/abridge the legislation in the field to European standards, in 1999 the law implying the ratification of the revised European Social Charter was adopted; this is a very important judicial instrument which grants just working conditions to all citizens, the right to freedom of association in national or international organizations for the protection of their economic and social interests, as well as the right to collective bargaining.

Initial or continuous adult professional training, as well as the authorization of trainers can be attained, starting with the 1st January 2001, based on the articles of the Government Ordinance no. 129/2000, regarding adult professional training. Later on, this is completed by H.G. no. 875/2002 which agrees with the Short and medium term strategy for continuous professional training 2005 – 2010; it aims at achieving the strategic objective which was established in Lisbon*, at developing a continuous, transparent and flexible professional training system which ensure the increase of employment, adaptability and labour power mobility, and which meets the demands of qualified companies.

Law no. 130/1996 regarding the collective labour contract, Law no. 76/2002 regarding the unemployment insurance system and the stimulation of employment, Law no. 416/2001 regarding the minimum guaranteed income, Law no. 53/2003 – The Labour Code, Law no. 54/2004 – Trade Unions Agreement, H.G. no. 377/2002 regarding The procedures referring to the access to the measures that stimulate employment, finance methods and their implementation instructions, Law no.19/2000

* By 2010, EU will have become “the most competitive and dynamic economy in the world, based on knowledge, and able to increase its durable economy, with better and more jobs and a great social cohesion”

regarding the public pension system and other social insurance benefits, Law no. 204/2006 regarding optional pensions, together with the normative acts mentioned above, represent only a small part of the legislation which regulates the Romanian labour market; there is often mentioned an “inflation” within the legislative field because of the numerous modifications and abridgements brought to the legislation which is now being in force.

In order to continuously develop the functionality of the labour market, an appropriate institutional framework must be ensured, together with a coherent and complete legislative framework; they are both meant to efficiently manage employment and to prevent unemployment. An efficient management of employment and the prevention of unemployment cannot be possible unless they are carried out within some specialized institutions based on dividing responsibilities between the government, trade unions and proprietors. Here are some of the most important institutions, the main objective of which is to institutionalize the social dialogue and to promote strategies for employment and professional training, as well as to apply the social protection measures of the unemployed: Ministry of Labour, Social Solidarity and Family, the National Employment Agency together with the District and Local Employment Agencies, Bucharest Employment Agency, Professional Training Centers, Public Relations and Documentation Centers for the Youth – INFOTIN, PAEM Centers for Labour Mediation, Consulting companies/Recruit Offices, Job Clubs. Besides these, there is a series of other partners with collaboration possibilities that can carry out and develop programmes which increase employment and prevent unemployment, such as: the local authorities, local development agencies, the Industry and Commerce Chamber or trade unions.

No matter how appropriate the labour market is from legislative and institutional point of view, it cannot deal with the employment problem, preventing and fighting off unemployment, by itself; lately, there has been released the theory that in order to have an efficient labour market, all the policies for encouraging employment must be synchronized.

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THE LEVEL OF CONCENTRATION OF THE ENTERPRISES FROM THE INDUSTRY, CONSTRUCTION AND SERVICES

ELENA PÎRVULESCU LĂCULEANU *

ABSTRACT: *The term „concentration” describes the conditions of concurrency that prevail each activity field. The possible extremes of the concentration are the perfect concurrency, on the one hand, and the monopole, on the other hand. The perfect or automatized concurrency is the Basic market structure with a very large number of companies that compete independently (each company has an insignificant share from the market, produces homogenous goods, uses identical production proceedings and has a perfect information and the entrance of other companies in the respective activity field is free). The market structure named monopole designs accompany that, in the activity field it operated, is the sole supplier of a homogenous product which has no substitutes and is distributed to a large number of buyers. Among the market structures, the perfect concurrency and the monopole, there are intermediary structures, with different levels of imperfect concurrency, so that in any contemporary economy there are more alternative market structures¹.*

KEY WORDS: *concentration, enterprises, industry, construction, services.*

The pattern of the perfect concurrency is an intangible ideal that, being non-functional, cannot offer a foundation to the competitive politics of the company. The practical concurrency – impossible or functional– consisting in a set of relevant criteria which are intended to offer a guide concerning the competitive nature of the markets – may be used as a pragmatic concept for the elaboration and application of the competitive politics of the company. The criterion of the functional concurrency derives from the causal framework STRUCTURE - MANAGEMENT - PERFORMANCE, used in the analysis of the national economy.

There is a large diversity of points of view of the economists, concerning the criteria a company should satisfy in order to be considered that it function in a

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¹ *Macmillan Dictionary for Modern Economy, CODECS, Bucharest, 1999, pp.74.*

practicable concurrency environment. These criteria could be:

- a pretty small number of barriers for entering an activity field, for a company willing to enter the respective market to be attracted by the possibility to achieve super-normal profits, so that it could initiate this action;
- the number of the companies on the market to be large enough so that each of them could compete independently and were competitive²;
- not to exist collision arrangements or any other restrictive practices;
- the buyers must be “well informed” and to have the possibility to choose between different tenders;
- the firms on the market must follow the performance patterns coordinated with the criteria of conduct and performance at national level;
- the long-term profits must be in a reasonable relation with the risk level from the activity;
- the companies that survive to the competition should be the most efficient and progressive with regard to the innovation referring to products and processes;
- to be avoided both the situations of capacity excess and those the capacity deficit.

The concept of concentration is used either to refer to the distribution according to the size of the companies from a certain activity field or from the national economy, or to the territorial amplitude of one activity. In the first case, the concentration points out what percentage of the total production of the market is accomplished by the; largest companies functioning in the respective field. Used in the context of the industrial location, the concentration shows how much of the industry is found in a certain area.

The economy with centralized planning of Romania was dominated by the large enterprises, the level of the monopole being quite high. The transition to the market economy implied the de-monopolization of the activities, although it is well known that, in the advanced market economies, too, the concentration process and the tendency to monopole of certain economic domains is obvious.

In 2005, the state of the concentration process of the enterprises in the industry, construction, commerce and other services comes from table 1.

The concentration picture of the enterprise from the industry, construction, commerce and other services, from 2005, presents the following characteristics:

a. in each activity there is a sufficient number of enterprises, so that the imperfect concurrency would develop within normal limits. The smallest number of enterprises functions in the field of the extraction and preparation of the metallic minerals and of the tobacco products (21 enterprises each). The activity with the largest number of enterprises is the retail and the repair of personal and domestic goods (with 131.434 enterprises). The changes compared to the year 1998 were the following: the smallest number of enterprises in one activity (branch) increase from 7 to 21; the branch with the largest concentration of the enterprises was, in 1998, the extraction and processing of the coal, compared to 2005 when the most concentrated

² Stiglitz E.J., Walsh C.E, *Economy*, Economica Printing House, Bucharest, 2005, pp.157

activities were the extraction and processing of the metallic minerals and of the tobacco products. The qualitative increase of the economical agents in each significant activity, the perfecting of the competitive market, by limiting the power of the large and very large enterprises;

Table 1. The Concentration of the Enterprises in the Industry, Construction, Commerce and other Services, on Activities of the National Economy, in 2005

Activity	Number of enterprises	Average number of employees	Cumulated in % from the total turnover		Cumulated in % from the total number of employees	
			The first 5	The first 20	The first 5	The first 20
1	2	3	4	5	6	7
- Extraction and production of the coal	31	26538	98,9	99,4	99,4	100,0
- Extraction of the hydrocarbons and the annex services	98	79401	96,1	98,1	94,1	98,7
- Other extracting activities	526	12553	37,3	58,7	43,4	64,0
- Extraction and processing of the metallic minerals	21	15681	76,5	100,0	74,4	100,0
- Food store and drinks	10820	201620	10,2	21,5	6,0	13,8
- Tobacco products	21	2972	97,9	100,0	89,7	100,0
- Textile products	2493	78344	7,3	17,3	9,1	23,6
- Clothes	5849	286214	2,9	9,1	4,3	11,6
- Leather and footing	2086	100728	9,6	21,2	7,2	18,2
- The processing of the wood and of the wooden products (excluding the furniture)	7450	83949	6,5	20,4	6,0	14,9
- Cellulose, paper and paper products	760	16289	22,5	54,9	266,2	50,3
- Printing Houses, polygraph and reproduction on supports on the records	4390	35526	13,7	29,1	7,2	17,9
- Preparation of the petroleum, the coking of the coal and the treatment of the nuclear fuels	25	7341	94,8	100,0	83,5	99,9
- Chemical substances and products	1182	52265	30,3	52,8	29,2	53,7
- Rubber and plastic products	2462	45504	26,1	38,6	17,4	35,1
- Manufacturing of the construction materials and of other non-metallic mineral products	2650	34944	20,8	41,4	10,8	28,8
- Means of calculation and office techniques	470	3661	51,9	72,6	32,7	57,1
- Metallurgy	438	66766	62,7	87,00	90,4	76,5
- Metallic buildings and products	5918	99172	4,6	15,8	6,5	18,1
- Machines and equipments (excluding the electrical and optic equipments)	1526	113041	9,6	38,0	14,1	35,2
- Electric machines and instruments	833	80772	17,5	50,3	33,7	64,9

- Equipments, radio sets, television and communication	232	9044	66,7	83,8	53,8	82,8
- Medical, precision, optic and watchmaking apparatus and instruments	1055	14964	36,5	61,00	28,9	55,2
- Road transport means	401	60716	64,9	77,1	40,5	66,5
- Transport means, not included in the road ones	610	60436	31,2	67,1	24,3	59,6
- Furniture and other industrial activity not included in some other part	5007	112003	8,2	24,0	8,5	20,9
- Recovery of the waste	1222	12382	12,9	41,6	11,6	29,9
- The production, the transport and the distribution of the electric power, gas and hot water	256	103047	26,5	79,3	32,8	68,4
- Capturing, treatment and distribution of water	228	45830	41,0	64,9	32,9	56,0
- Constructions	30372	383094	8,1	13,0	8,4	13,1
- Selling, maintenance and repair of the vehicles and motorbikes; retail trade of the fuel for the vehicles	14297	95768	19,8	29,8	6,8	11,7
- Wholesale trade (excepting the vehicles and motorbikes)	54649	320641	8,5	12,6	5,8	9,2
- Retail (idem)	131434	442529	7,9	13,6	2,6	5,4
- Hotels and restaurants	19229	109308	7,5	20,0	6,1	13,1
- Land transport, pipe transport	21842	198397	22,8	29,2	30,0	38,9
- Water transportation	182	4237	34,4	51,1	37,8	69,4
- Aerial transportation	49	3260	93,1	98,8	92,5	98,8
- Annex and auxiliary activities to the transport, activities of the voyage agents	3825	70508	29,2	37,6	48,2	59,6
- Post and communication	3018	80669	36,6	85,8	69,1	81,3
- immovable transactions	1056	37294	7,5	12,6	14,6	21,7
- Hiring of cars and equipments without operator and of personal and domestic goods	1219	3990	4,8	56,7	15,7	35,4
- Informatics and connected activities	10771	39914	7,8	23,7	7,7	16,9
- Research - development	514	22152	12,3	28,5	18,4	37,6
- Other service activities performed mainly by the enterprises	51337	253349	1,8	3,7	4,8	11,2
- Education	1365	6394	7,8	26,2	10,4	20,6
- Health system and social assistance	7842	25372	11,7	23,7	6,5	12,8
- Sanitation and the removal of the litter, Sanitation service and similar activities	401	23729	33,5	63,3	31,0	56,1
- Entertaining, cultural and sportive activities	5184	35393	35,9	50,9	30,6	45,4
- Other service activities	5934	26716	4,1	10,1	9,1	18,5

Source: The Statistic Yearbook of Romania, 2006, pp.578-579.

b. the small number of enterprises from one activity, considered in 2005, was of 21-98 enterprises, compared to 1998, when this number included 7-45 enterprises. The favorite areas that concentrate the activity in the large enterprises remain the same, just that in these domains have also started appearing new enterprises which increase the competitive level;

c. the activities with the highest level of concentration / the highest competitive level depending on the criterion “activities with the smallest weight of the first 5 enterprises in the turnover”, in 2005 were: other service activities mainly for the enterprises (1,8%), clothes (2,9%); metallic buildings and products (4,6%), the maintenance of the machines and equipments without operator and of the personal and domestic use (4,8%); the preparation of the wood and of the wooden products – except furniture (6,5%). In 1998, the order was: retail (0,6%); food store and drinks (4,2%); other service activities mainly for the enterprises (5,1%); wholesale (4,7%) and clothes (5,2%). The areas that came out in the top, during 1998-2005, were: retail (the first place in 1998), the food store and drinks (the second place in 1998) and the wholesale (the third in 1998); there were introduced new areas of the economy and the concentration level decreased, being improved the competitive process: metallic buildings and products (the third place in 2005), the maintenance of the machines and equipments without operator and of the personal and domestic use (the fourth place in 2005) and the preparation of the wood and of the wooden products – except furniture (the fifth place in 2005); it went upper in the classification: other service activities mainly for the enterprises (from the fourth to the first place) and clothes (from the fifth place to the second)³.

The relevance of the qualitative significance of the phenomena described before from the quantitative point of view: on the Romanian markets of the industrial products and services, the concentration tendency is made concrete and limited by the decentralization tendency by the entranced of new competitors in each field of activity, so that the position of certain companies that tend to an organization type oligopole become volatile;

d. the areas with enterprises highly concentrated remained the same, in some activities being present the tendency of reduction of the concentration, compared to 1998 (metallurgy, electrical machines and equipments, production, transport and distribution of the electric and thermal power, gas and hot water, equipments, radio sets, television and communications, road transport , etc.). the actions with enterprises of medium concentration were dissociated: some (actually most of them) “received” new economical agents of modest dimensions (the processing of the wood, chemical substances and products, rubber products and plastic masses, machines and equipments, the capturing, treatment and distribution of the water, land and pipe transportation) and others knew the phenomena of intensification of the concentration (calculation and office technical means).

³ The Statistic Yearbook of Romania, 2006, pp. 578-579.

Some activities have a low level of the enterprise concentration. Since 1998 until 2005 they knew an increase of the concentration level, such as: the food stores and drinks industry, the retail and the wholesale. Reduction of the concentration level of the enterprises were manifested in the textile industry, in the clothing industry and in the construction industry;

e. the activities with the most concentrated enterprises were (in 2005): the extraction and processing of the metallic minerals, the tobacco industry, the processing of the petroleum, the coking of the coal and the treatment of the nuclear fuels, the extraction of the hydrocarbons and the annex services. The services, excepting the aerial transport and the telecommunications, remain the domains with the less concentrated enterprises, such as happened in 1998.

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THE MAIN CUMULATED ECONOMICAL AND FINANCIAL INDEXES OF THE ENTERPRISES FROM INDUSTRY, CONSTRUCTIONS AND SERVICES

ELENA PÎRVULESCU LĂCULEANU *

ABSTRACT: *In order to emphasize the state, at a certain moment, and the evolution in time of an enterprise, it is used a large number of indicators and indexes. At the level of all the economical agents, of all the enterprises from the national economy and of the sectors of economic activity there is selected a few significant economical and financial indicators. The official statistic data referring to the economical and financial indicators of an enterprise are expressed in current prices, so that it cannot be calculated the dynamic of the turnover, of the gross and net investments, of the direct exportation, of the added value or of the gross result of the exploitation.*

KEY WORDS: *traditional companies, economical and financial indexes, industry, constructions, services*

The official statistic data referring to the economical and financial indicators of an enterprise are expressed in current prices, so that it cannot be calculated the dynamic of the turnover, of the gross and net investments, of the direct exportation, of the added value or of the gross result of the exploitation. Still, based on the statistics expressed in current costs, there can be elaborated static and dynamic analysis from which there result: the weights the economical and financial indicators of the enterprise occupied at different times (moments); how these weights evaluated between two or more moments (periods); there can be made valuable judgements concerning the relation between the weight of the number of enterprises from each size class and the weight of their economical and financial indicators, at two or more moments (periods).

The first overall conclusion is that the majority private property enterprises increased their weight in the turnover (from 58,6% in 1997 to 90,3% in 2005), in gross investments (from 41,8% to 82,5%), in direct exportations (from 41,2% to 97,8%), in the gross added value (from 45,8% to 84,7%) and in the gross result of the exercise (to 98,2%). In 2005, the public sector (the majority state property) detain only 9,7% of the

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turnover, 17,5% of the gross investments, 2,2% of the direct exportations, 15,3% of the gross added value and 7,8% of the gross result of the exercise (table 1)¹.

Table 1. The Most Important Economical and Financial Indicators of the Enterprises with the Main Activity in Industry, Constructions and Services, 1997 and 2005

- millions lei (RON) current costs -

The size class depending on the average number	Turnover	Gross investments	Direct exportations	Value added to the factors cost	Gross result of the exercise
1 9 9 7					
Total Enterprises	43775	6045	6036	12472	1328
from the total:					
majority private property	25672	2526	2487	5713	1629
0 – 49	14016	797	728	2186	877
from which:					
majority private property	13942	783	727	2164	879
50 – 99....	2137	262	149	492	95
from which:					
majority private property	1974	235	143	441	92
100 – 249.....	3451	393	297	1004	213
from which:					
majority private property	2666	296	265	796	205
250 – 499.....	2886	408	251	853	141
from which:					
majority private property	1910	296	211	592	136
500 and over.....	21285	4184	4612	7938	2
from which:					
majority private property	5183	916	1142	1720	316
2 0 0 5					
Total Enterprises	512614	73668	59778	104859	28474
from the total:					
majority private property	462874	60773	58477	88823	27964
0 – 49	168754	20779	7283	29537	12935
from which:					
majority private property	186419	20703	7281	29479	12945
50 – 99....	50815	5031	3789	8539	2344
from which:					
majority private property	50394	4836	3781	8409	2563
100 – 249.....	57335	5758	7513	11633	2895
from which:					
majority private property	55530	5454	7408	11063	2987
250 – 499.....	41768	4665	6568	8831	1920
from which:					
majority private property	39233	4319	6479	7930	1874
500 and over.....	175942	37435	34265	46319	8380
from which:					
majority private property	131298	25461	33528	31942	7595

¹ Statistic Yearbook of Romania, 1999, pp.415; Statistic Yearbook of Romania, 2006, pp.585.

The first general conclusion is that the enterprises with the majority private property increased their percentage in the turnover (from 58,6% in 1997 to 90,3% in 2005), the gross investments (from 41,8% to 82,5%), in direct exportations (from 41,2% to 97,8%), in the gross added value (de la 45,8% la 84,7%) and in the gross result of the exercise (to 98,2%). In 2005, the public sector (majority state property) it only has 9,7% of the turnover, 17,5% of the gross investments, 2,2% of the direct exportations, 15,3% of the gross added value and 7,8% of the gross result of the exercise⁴. It could definitely be said that the monopole of the state property was abolished, that the private property became dominant in all the economical activities, that the private economy of the competitive market became functional and entered the epoch of the modernization of its mechanisms.

The second general conclusion refers to the place occupied by the enterprises of different size classes in the turnover of all the enterprises in industry, constructions and services. Thus, the micro-enterprises and the small ones (with 0-49 employees) increased their weight in the turnover (from 32% in 1997 to 36,4% in 2005), the medium enterprises (with 50-249 employees) increased their weight with 8,3% percentage points (from 12,8% to 21,1%) and the large enterprises (with 250 employees and over) diminished their weight in the turnover with 12,8 percentage points (from 55,2% in 1997 to 42,4% in 2005). The process of the creation of market structures named practicable or functional concurrence becomes obvious be the interpretation of these statistic data.

Thirdly, the evolution of the majority private property in the turnover of the enterprises, on size classes, during 1997-2005, developed as follows (table 2):

- concerning the small and micro-enterprises taken all together, the weight of the majority private property increased from 36,3% to 46,2%, that is 9,2 percentage points;
- the weight of the majority private property in the turnover of the medium enterprises was increasing from 6,1 percents in 1997 to 10,8 percentage points in 2005;
- the majority private property in the large and very large enterprises increased in the turnover from 16,2 percents to 33,3 percents.

It is therefore reaffirmed the thesis of the positive evolution of the private property in the functional market economy of Romania, with the following modulation: the majority private property as percentage in the turnover increased the fastest as part of the large enterprises (with 250-499 employees) and very large (500 employees and over), cumulated, with 17,1 percentage points, followed by the micro-enterprises and the small enterprises, where the increase was 9,2 percentage points and the last in the increase were the medium enterprises (100-249 employees), with 4,7 percentage points.

Fourth, the gross investments from 1997 and the following structure, on size classes of enterprises: the large and very large enterprises concentrated 76% from the

⁴ Statistic Yearbook of Romania, 1999, pp.415; Statistic Yearbook of Romania, 2006, pp.585.

Table 2. The Weight of the Economical and Financial Indicators of the Enterprises, on Size Classes, in the Total Results of the Enterprises in the Industry, Constructions and Services, in the years 1997 and 2005

The size classes of the enterprises according to the average number of employees	Turnover	Gross investments	Direct exportations	Gross added value at the factors cost	Gross result of the exercise
1 9 9 7					
Total Enterprises	100,0	100,0	100,0	100,0	100,0
from the total:					
majority private property	58,6	41,8	41,2	45,8	122,7
0 – 49	32,0	13,2	12,1	17,5	66,0
from which:					
majority private property	31,8	13,0	12,0	17,4	66,3
50 – 99.....	4,9	4,3	2,5	3,9	7,2
from which:					
majority private property	4,5	3,9	2,4	3,5	6,9
100 – 249.....	7,9	6,5	4,9	8,1	16,0
from which:					
majority private property	6,1	4,9	4,4	6,4	15,4
250 – 499.....	6,6	6,8	4,2	6,8	10,6
from which:					
majority private property	4,4	4,9	3,5	4,7	10,3
500 and over.....	48,6	69,2	76,4	63,7	0,2
from which:					
majority private property	11,8	15,1	18,9	13,8	23,8
2 0 0 5					
Total Enterprises	100,0	100,0	100,0	100,0	100,0
from the total:					
majority private property	90,3	82,5	97,8	84,7	98,2
0 – 49	36,5	28,2	12,2	28,2	45,5
from which:					
majority private property	36,4	28,1	12,2	28,0	45,4
50 – 99.....	9,9	6,8	6,3	8,1	8,2
from which:					
majority private property	9,8	6,6	6,3	8,0	9,0
100 – 249.....	11,2	7,8	12,6	11,1	10,2
from which:					
majority private property	10,8	7,4	12,4	10,6	10,5
250 – 499.....	8,1	6,4	11,0	8,4	6,7
from which:					
majority private property	7,7	5,9	10,8	7,6	6,6
500 and over.....	34,3	50,8	57,9	44,2	29,4
from which:					
majority private property	25,6	34,5	56,1	30,5	26,7

Note: Calculated based on the data from the Statistic Yearbook of Romania /1999, pp.415; Statistic Yearbook of Romania /2006, p.585.

total gross investments of the industry, constructions and services, the micro-enterprises and the small ones 17,5% of the gross investments an the medium

enterprises 6,5% of the total value of gross investments of the above mentioned fields. The investment structure on size classes of the enterprises in 2005 are as follows: the large and very large enterprises detain 57,2 percents of the total investments, the medium micro-enterprises 7,8 percents. Therefore, there happened structural displacements: the weight of the large and very large enterprises decreased in the gross investments (with 18,8 percentage points) and increased the contribution of the small enterprises (with 17,4 percentage points) and of the medium ones (with 1,4 percentage points) in accomplishing the gross investments. The majority private property investments increased their weight from 41,8%, in 1997, to 82,5%, in 2005, the most impressive contributions being brought by the very large enterprises (19,4 percentage points), followed by the micro-enterprises and the small ones (with 15,1 percentage points) as well as by the medium enterprises (with 6,2 percentage points).

Fifth, structural modifications have produced in the context of the direct exportations: the weight of the majority private property increased with 56,6 percentage points; to this increment, the small enterprises contributed with 0,2 percentage points, the medium enterprises with 11,9 percentage points, the large enterprises with 7,3 percentage points and the very large ones with 37,2 percentage points. From the growth of the direct exportations from the period 1997-2005, approx. 79% is due to the large enterprises and 21% to the medium enterprises; the small enterprises had no contribution to the increase of the direct exportations. By corroborating this conclusion with the previous one, it results that the large and the very large enterprises had a decisive contribution with respect to the accumulation, of the investments and direct exportations; the medium enterprises paid a modest role and the micro-enterprises and the small enterprises did not count in this equation, presenting more like „subsisting enterprises” for their owners and less as viable and thus prosper enterprises, which accumulate and expand.

Sixth, the gross added value to the cost of the factors developed positively during 1997-2005, the enterprises with the majority private capital increasing their contribution to obtaining them from 45,8% to 84,7%. The micro-enterprises and the small ones increased their weight in the gross added value (VAB) from 17,5% to 28,2%, the medium enterprises from 12% to 19,2% and the large and very large enterprises diminished their weight from 70,5% to 52,6%. In VAB, the place of the majority private property enterprises from industry, constructions and services changed the structure: an overwhelming part of them is recreated by the private sector (84,7%) and, as part of this, the small enterprises detain 28%, the medium enterprises 18,6% and the large and very large enterprises 38,1%.

Seventh, the gross result of the exercise, respective the profile (the positive difference between the incomes and the expenses) or the loss of the enterprises (the negative difference between the incomes and the expenses) measures the self-supporting potential of the increase of the enterprises, the tendency to progress, (stagnation or regress) and the state of self-financing. As, on the average of the investigated fields (the industry, constructions and services) the losses and the gains are summed up algebraically and the result was positive, both in 1997 and in 2005; for

1997, the majority private property enterprises, by their profits, registered losses of approx. 23% of the majority private property enterprises. For 2005, when over 50% of the turnover is registered in the private sector, approx. 98% from the profits were obtained in majority private property enterprises and only 2% in majority state property enterprises. In 1998, the majority private property enterprises obtained profits of 1629 millions lei (RON) from which they covered the losses of 301 millions lei (RON) of all the enterprises (private and public). In 2005, from the profit of all the enterprise in amount of 28474 millions lei, the profit of the majority private property enterprises were in amount of 27964 millions lei (RON) which means that, taken separately, the majority private property enterprises and the majority public property enterprises covert their expenses and had profit, although in these two categories of enterprises there were units which registered loses, compensated on the whole by the profitable enterprises. The relatively good state of the gross result of the exercise which existed in 2005 did not mean that it was the same every year of the period 1996-2005. If in 1996, the gross result of the exercise was constituted in an surplus of 1611 millions dollars (equivalent), in 2000 this index reflected a deficit (loss) in amount of 158 millions dollars (equivalent). On the ground of the degradation of the financial results of the corporations, the net profit reduced with 32%, while the net loss increased 38%² percents.

**Table 3. The Structure of the Accomplishment of the Net Profit,
on Property Forms, 1996-2000**

- in percentage -

	1996	2000	Diferences
The total national economy	100,0	100,0	-
From which:			
State property	14,0	13,0	-1
Mix property	14,0	11,0	-3
Private property	72,0	76,0	+4

Source: Ministry of Public Finances

The comparative situation of the accomplishment of the net realization on property forms, reveals an increase of 4 percentage points: the state property (with one percentage point) and the mix one (with 3 percentage points), but the reported total of net profit from 2000 represented only 68% of the one from 1996.

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LONG-TERM TENDENCIES IN THE STRUCTURAL EVOLUTION OF THE FINANCIAL CONSUMPTION EXPENSES OF THE POPULATION, ON CATEGORIES OF HOUSEHOLDS

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ABSTRACT: *The overwhelming part of the total expenses of the population is represented by the consumption expenses. It is structured according to the expenses of financing source in: financial consumption expenses of the households and the counter-value of the consumption of agriculture products from proper resources, and according to the nature of the consumption products obtained, they are classified as follows: expenses for the agro-alimentary products and the non-alcoholic drinks, the alcoholic drinks and the tobacco, clothes and footing, houses, furniture, health, education, leisure and culture.*

KEY WORDS: *households, financial consumption expenses, population's available incomes.*

The financial consumption expenses of the households represent the main part of the total consumption expenses of the population, having a percentage of approx. 84% from these expenses, in 2005. The financial consumption expenses of the population are oriented in three main directions: for arising alimentary products; for buying non-alimentary goods; for paying consumption services.

The data from the table 1 confirms one of the consumption legislation which supports that, as the population's income increase, it decreases the weight expenses of the population's households, it also decreases the weight of the household expenses for buying alimentary products, under the conditions of the absolute increase of the quantum of these expenses, though increasing the weight of the expenses for the purchase of the non-alimentary goods and services. In the case of our country, during 2000-2005, it increased both the weight of expenses for the non-alimentary goods (from 31,8% to 34,5%) as well as for the payment of the services (from 26,9% to 28,8%), the increase of the expenses for non-alimentary goods determining an increase of the expenses for services payment (the weight of the expenses for non-alimentary

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products increased with 2,7 percentage points, while the one of the expenses for the service payment only 1,9 percentage points).

Table 1. The Structure of the financial consumption expenses of all the households, during 2000-2005

	2000	2001	2002	2003	2004	2005
Financial consumption expenses - total -lei (RON) monthly per household:	175,49	287,90	370,99	494,42	615,80	720,27
Structure of the Financial Consumption Expenses (%)						
Alimentary products	41,3	43,3	40,1	39,6	38,5	36,7
Non-alimentary goods	31,8	30,7	31,6	32,4	33,6	34,5
Service payment	26,9	27,1	28,3	28,0	27,9	28,8

Source: *Statistic Yearbook of Romania, 2006, pp.238.*

The structure of the financial consumption expenses of the population experiences some particularities on categories, according to the professional status of their members. The differences are manifested both proportional to the national average and to one category of households and the others.

Table 2. The structure of the financial consumption expenses of the employees' households, 2000-2005

	2000	2001	2002	2003	2004	2005
Financial consumption expenses - total - lei (RON) monthly per household:	270,1	426,59	546,92	671,08	862,76	1010,3
Structure (%)						
Alimentary products	41,3	40,2	38,2	37,5	36,7	35,0
Non-alimentary goods	31,5	31,5	31,8	33,1	33,8	34,2
Service payment	27,2	28,3	30,0	29,4	29,5	30,8

Source: *Statistic Yearbook of Romania, 2006, pp.238.*

At the alimentary products, the employees' households, during all the years of the period 2000-2005, registered percentages of the expenses inferior to the average of the total households, as well as to the average of the agriculturists' households of the unemployed and of the pensioners.

With regard to the non-alimentary goods, the weight of the expenses of the employees' households experiences slight fluctuations, but, as a tendency, it was higher than the average weight on all the household categories. Compared to the agriculturists' households, the weight of the expenses for the purchase of non-alimentary goods of the employees' household was permanently inferior; the small

financial incomes of the peasants' households was used especially for the purchase of the non-alimentary products. The weight of the expenses for the non-alimentary goods of the employees' households was the entire time higher than the one of the unemployed and the pensioners' households.

Table 3. The structure of the financial consumption expenses of the agriculturists' households, 2000 – 2005

	2000	2001	2002	2003	2004	2005
Financial consumption expenses - total -lei (RON) monthly per household:	103,83	144,42	192,30	248,51	358,01	416,26
Structure (%)						
Alimentary products	37,8	45,6	44,6	43,8	42,1	40,8
Non-alimentary goods	42,0	38,3	38,8	39,2	39,5	40,1
Service payment	20,2	16,1	16,6	17,0	18,4	19,1

Source: *Statistic Yearbook of Romania, 1006, pp.238.*

The structure of the financial consumption expenses of the agriculturists' households, during 2000 – 2005, presented the following characteristics:

- excepting the year 2000, most of the expenses were oriented towards the alimentary goods (with an annual percentage between 40,8 percents – 45,6 percents);
- on the second place, there were the expenses for buying non-alimentary goods, with a weight between 38,3 percents and 42 percents;
- the expenses for service payment occupied the third place in the total financial expenses, having a percentage between 16,6 percents and 20,2 percents.

Table 4. The structure of the financial consumption expenses of the unemployed' households, during 2000 – 2005

	2000	2001	2002	2003	2004	2005
Financial consumption expenses - total -lei (RON) monthly per household:	160,35	245,17	301,88	409,63	513,05	614,01
Structure (%)						
Alimentary products	47,4	47,6	45,6	44,0	44,0	41,5
Non-alimentary goods	27,2	25,9	27,3	27,9	28,7	29,6
Service payment	25,4	26,5	28,1	28,1	27,3	28,9

Source: *Statistic Yearbook of Romania, 2006, p.238.*

The unemployed person's households, as percentage, spent more than the average at national for alimentary products, less than the national average for non-alimentary goods and, again, less than the national average at services (except the year 2000), the differences being still insignificant.

The absolute size of the monthly average of the financial consumption expenses of one household of an unemployed person was inferior, every year to the

financial consumption expenses of all the unemployed persons' households and household expenses it was still higher than the expenses of both the agriculturists and pensioners' households.

Table 5. The structure of the financial consumption expenses pensioners' households, during 2000 – 2005

	2000	2001	2002	2003	2004	2005
Financial consumption expenses - total - lei (RON) monthly per household:	136,60	221,71	283,77	335,25	474,83	355,04
Structure (%)						
Alimentary products	40,9	44,1	41,7	41,7	40,3	38,2
Non-alimentary goods	31,0	28,9	30,8	30,4	33,0	34,2
Service payment	28,1	27,0	27,5	27,9	26,7	27,6

Source: *Statistic Yearbook of Romania, 2006, p.238.*

The pensioners spent more, as a percentage, compared to the national average, on alimentary products (excepting the year 2000) and less than this average on non-alimentary goods and service payment.

It is interesting that, during the analyzed period, the absolute size of the monthly financial expenses of the pensioners' households surpasses only the level of the financial consumption expenses of the agriculturists' households.

With the view to extend and amplify the range of products and services used for the satisfaction of the universe of consumption tendencies of the population, the human society has permanently undertaken activities that would insure the increase of the dimensions, the modernization of the structure, the development of the productive potential and the increase of the product and service production performances. The ascendant evolution for the satisfaction of the human needs was the result of two interdependent factors which amplify one another: the increase and development of the needs on the one hand, and the development of the productive potential of the society to be able to satisfy the needs, on the other hand.

The contemporary societies are characterised by the fulfilment of the needs by means of spending on the market the financial incomes. Moreover, one of the international tendencies is represented by the qualitative and quantitative increase of the buying goods, under the conditions that the services, as percentage, develop as part of the assembly, for satisfying the people's consumption need.

The main tendencies in the evolution of the financial consumption expenses of the Romanian population, on long-term, was the following:

a. it was diminished the percentage of the expenses for alimentary products, on the total of households and on household categories, excepting the agriculturists' households;

b. it was diminished the percentage of the expenses for buying non-alimentary products, on the total of households and on household categories;

Table 6. The structural evolution of the financial consumption expenses, on the population's categories of household, 1990 – 2005

- percents -

Percentage of the financial consumption expenses for:	Years	Total households	From which households of the :			
			Employees	Agriculturists	Un-employed	Pensioners
Alimentary products	1995	44,3	45,6	34,6	46,3	43,8
	2000	41,3	41,3	37,8	47,4	40,9
	2005	36,7	35,0	40,8	41,5	38,2
Non-alimentary goods	1995	38,9	38,5	48,9	45,0	37,7
	2000	31,8	31,5	42,0	27,2	31,0
	2005	34,5	34,2	40,1	29,6	34,2
Service payment	1995	16,8	15,9	16,5	13,7	18,5
	2000	26,9	27,2	20,2	25,4	28,8
	2005	28,8	30,8	19,1	28,9	27,6

Source: *Statistic Yearbook of Romania, 2006, pp.238.*

c. excepting the agriculturists' households where the increases were moderate, it increased the percentage of the population's expenses for the payment of the consumption service on the total of households, where the rise of the percentage was of 12 percentage points, as well as for the expenses on household categories: 14,9 more percentage points to the employees' households, 15,2 more percentage points in the unemployed persons' households and 9,1 more percentage points for the pensioners' households;

d. the amplitude of the changes in the structures of the financial consumption expenses of the population differed from one category to another, as follows:

- the percentage of the expenses in the employees' households for buying alimentary products reduced rapidly compared to the total of households (with 10,6 percentage points, compared to 7,6 percentage points), compared to the unemployed persons' households (where the reduction was just 4,8 percentage points) and to the pensioners' households (where the reduction was 5,6 percentage points);
- the percentage of the expenses for the non-alimentary goods compared to the total of households reduced with 7,1 percentage points in 2000 compared to the year 1995, and then increased with 2,7 percentage points during 2000-2005. A similar fluctuation and very closed in dimensions was manifested in the employees' households. The agriculturists' households experience a continuous decrease of the percentage of the financial expensed for the purchase of non-alimentary goods. The weight of this category of expenses experienced huge fluctuations in the sense of the reduction with approx. 18 percentage points between 1995-2000 and of the increase with 2,4 percentage points between 2000-2005, and smaller fluctuations in the pensioners' households;
- the financial expenses of the population for the service payment experienced an important increase, as a percentage, compared to the total of households, from 16,8% in 1995 to 28,8% in 2005 (an increase of 12 percentage points). On categories of

households, the weight of the financial expenses for the service payment had a similar ascendant tendency, though the intensity of the increase was different from one category of household to another. The employees' households almost doubled the weight of their service expenses; the agriculturists' households registered a modest increase of the weight of these expenses (from 16,5% in 1995 to 19,1% in 2005); the unemployed persons' households doubled the weight of the expenses for providing services and the pensioners' households experienced an important development, during 1995-2000 and an insignificant decrease, during 2000-2005, so that during the entire period, the increase was of over 9 percentage points.

In conclusion, the decrease of the weight of the financial expenses of all the population's households for buying alimentary products (with 7,6 percentage points), alongside with the slight reduction of the weight for the non-alimentary goods (approx. 4,4 percentage points in 11 years) and the important increase of the volume and of the percentage for the payment of the service expenses (12 percentage points) emphasizes the manifestation of the transition process towards the post-modernism of our country, but the service weight as part of the population's consumption is still modest compares to the developed countries.

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CONSUMPTION EXPENSES, THE CONSUMER AND THE CONSUMPTION DURING THE POST-MODERNIST PERIOD: THEORETICAL ELEMENTS AND METHODOLOGICAL SPECIFICATIONS

MARIAN PÎRVULESCU LĂCULEANU *

ABSTRACT: *Between the modern society and the traditional one there are sensitive differences. If the traditional society is restrictive and limited from the cultural point of view, the modern society is expansive, capable to solve a large range of problems and to control more and more extended scientific areas. The more structural the specialization, the higher the modernization index; the further away from the traditional society, the more capable of reabsorbing transforming elements and of developing rationalism, efficiency and tendency towards freedom, which are the essential characteristics of the modernity.*

KEY WORDS: *consumption expenses, total expenses, consumption available.*

In the traditional societies (under-developed) prevails the attribution of the results to the special, particular, situations, while in the modern society (developed) prevails the universalism of the distribution and usage of the resources, based on the freedom and concurrency. The traditional societies promote the kinship relations, as the basis of the goods distribution, and the task performance is diffuse as part of the communities based on kinship. In the developed societies (modern) the tasks are characterized by the specificity of the role in a global national context. The elite of the traditional companies are oriented towards themselves, while in the modern societies the elites are oriented towards the community.

Modernity, as it is considered by its supporters, suppose the existence of one sole (and thus, universal) evolution process of the civilization, as part of Europe and North America occupy the central place and the other states are merely satellites. The development of these states may be synthesized in a process of partial diffusion of the innovation from the Euro-American space. The societies willing to grow must open their frontiers for the innovation.

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The theory of the modernity considers the state-nation as the subject of the modernity and of the affirmation of the national culture as the purpose in itself. A world of the homogenous and participative nations was considered, until the II World War, as the highest aspiration of the humanity and a guarantee of the political justice, performed by diversity and pluralism. The II World War distinguished most of this vision and aspiration, emphasizing the bankruptcy of the world made of nation-states and bringing into discussion the problem of the hegemony of the superpowers. The state-nation became old-fashioned. In his place it raised the Soviet and the American empire, as well as what was to become the new Europeanism. The Imperialism, as any kind, looked for a positive alternative to the “national culture”, under which circumstances it was born the theory of the modernization. The developed capitalism expresses the centrifugal force of the modernism, which, by spreading into the world the present cultural stage of the capitalism, became post-modernism. This fact pleads for the replacement of the preoccupations for the implications of the international economy globalization.

The post-industrial and post-modern world is a world of giants and superpowers, of multinational blocks, of vast networks of international division of the work. The capitalist competition gave birth to powerful trans-national corporations, with huge budgets, highly qualified labour force, technologies and sophisticated informational networks¹. The networks of telecommunications and the computerized information determine that the language differences disappear and they are able to work at a large scale. The problems of the nations and of the nationalism are surpassed by the effects of the interdependencies among the states, based on the computerized knowledge and on the new technologies. Nowadays, the culture” cannot be otherwise but continental and global. The globalization at the level of the international economy is determined by four fundamental tendencies: the internationalization of the production, the globalization of the product and service markets, the internationalization of the technology and the integration of the international financial markets. The globalization consists in the stronger integration of the countries and of their population as a result of the significant reduction of costs and elimination of artificial barriers from the circulation of products, services, capital and knowledge.

The post modern society, in the vision of the American Daniel Bell², represents a prolongation of the modern society and is: a. a society of abundant that comes out of the effort performed during the industrialization and needs to lead to a very high income and to an abundance of products; b. a society of services, as a result of the production increase in the agriculture and industry that determines the liberation of the labour force from other sectors and their reorientation towards third activities: research, informatics, management, distribution, administration, education, health, entertainment activities and the use of the leisure, etc.; c. a strongly urbanized society,

¹ Toffler, A., Powershift, The Power of Movement, ANTET Printing House, Bucharest, 1995, p.91

² Bell Daniel, The coming of post-industrial Society, Heinemann, London, 1974

due to the fact that the advantages of the post-modernist society can be best taken advantage of in the city environments; d. a straighter society, due to the fact that the state intervention in the functionality of the market, the formation of the income and the general orientation of the economy should permit the reduction of the economical and social inequities helping the least favoured.

The modernism expresses the conscious of one epoch which refers to the traditional society, in order to highlight the significance of the transition from the old to the new. The modernism manifested, according to most of the authors, at the end of the 50s – 60s of the 20th century³, due to the contradictions that crushed it: the poverty of the globe and the richness of the subsoil and the deterioration of the flora and fauna, the deterioration of the climate; the creation of more and more industrial products just apparently enriched the market as it meant enormous irreversible consumption of resources; the consumer was considered the “king” but, in fact, he was treated as a manipulated mass. Alain Tourraine considers that the modernism, which identified with the nation triumph, was broken into four segments distributed in the four cardinal points of the social life: a. erotization of the consumption against the social normative and of the modernization; b. the increase of the nationalism in opposition to the universalism of the market and of the money; c. the concentration of the banking and industrial capitals as conquer and power forces of the capitalism, opposed to the recommendations of the managerial sciences; d. stirring the individual’s desire for shopping, which escapes the social control because they are not bound by the social roles or by the specific positions of the consumer.

The post-modernism was born from the contestation of the modernism, from the necessity for opening new horizons of the economical and social development; it is the one that comes right after the modernism and began affirming after the II World War, intensifying at the end of the 60s of the 20th century. The postmodernism is nothing more than a cultural logic of the late capitalism, destined to give man the conscious of the liberation of the obsession of the lacks, ephemeral, alienation, anxiety, racism and sexism, given him the freedom to dedicate itself to a wise and agreeable living.

The sector of the post-modern economy cannot be pleased with the series of repetitions and the reproduction of the standards, but include knowledge, information and services, stimulating the innovation and the adaptation to the client’s demands.

In post-modernism, most of the times, the consumption takes ahead the production, which the modernism considered as the field of the value creation. The value is created by the consumption, as it is said by the present economical theory. The post-modernist successes of the technology perfected the mechanisms of the market by the functioning of the computers, satellites and telephonic systems, faxes, telex, etc etc. The communication technology already expanded in television at the level of the planet, created automat services of the banks and the electronic retails. It have appeared new electronic products with domestic; the communication networks bound

³ Smith A.D., *Towards a Global Culture*, Ed. Featherstone M., 1990, p.91-171.

together, at the international level, the large banks and stock exchanges, being able to perform transfers between them instantaneously; the international trade is happening very fast, crossing in just a few minutes time zones. The market, in the post-modernist epoch, is a system of information for the decidents based on what the consumers desire and consider they should buy or that it is or it is not important for them to acquire the respective products or services⁵.

In the fully-informational post-modernist society which is innovative all along, the market may satisfy a large variety of preferences, allowing the apparition of numerous agents destined to diffuse the offer. Similar to that, the market will not be any more a game with zero profit, as it happened in the modern economy; the game of the market will have a positive sum. The social division of the work increased in depth, the intensification of the changes and the differentiation bigger and bigger every day of the of the consumers transforms the post-modernist market in a market of the differences, where each partner gets an advantage. By creating a large range of products and services, the post-modernism eliminates the old forms of penuries, but creates other forms. Compared to the individual's desires of self affirmation and prestige, that is, to enjoy the esteem and power, the resources and possibilities to attain that are rare. The abolition of all the penuries forms is impossible.

There is penuries reflected in the high costs of the organization of the communication and transports, as the demands of the new life styles. Penuries exist in the obtaining of the necessary knowledge as most of the information is not always complete information. Penuries in time (as the time is the rarest resource) present different shapes. Not only the productive activities, but also the consumption, the maintenance of the household appliances, of the house and vehicles, the social activities, the spending of the holidays and spare time, all these are time consumers, as the usage of the most important resources.

The transition from the mass market to the individualized segmented markets of customers is implicitly included in the transition from the modern to the post-modern consumer. The post-modern consumer comes out of the conidian routines; he is egocentric and less influenced by the fashion and advertise dictate; most often, he is less subjected to the conformism of the society and to the national habits, but he is usually fond of electrical styles, coming from different ethnic countries, an ecletism that may extend from the cloths to the decoration of the house and the construction of a new life style.

The overall social norms, where the modernism created the market of the mass products, in a predictable structure, have been weakened so much, that the individual feels from a series of constrains and conforms himself to his own dispositions or to the norms of a culture to which he belongs to or to a religious community he takes part in. Thus, the appeal to the interior experience is part of the revolution of the information. While the consumer from the modernist epoch presents certain stability, in the sense

⁵ Băbeanu, M., *The Market: Principles and System*, Universitaria Printing House, Craiova, 2002, p.29.

that his life style may be identified and transformed in a typology, the modern consumer is more volatile.

The tourism, just like the industry of the shows and entertainment, developed as a result of the impulses of investigation of some new effective experiences of facts and events and of observations of the human behaviour. The television, videos and the other means of mass information continuously transforms the life in a show, and the latter becomes the scene of life. The stirring of the spectator is for a short time; the weariness appears rapidly so that another show is needed

In the post-modernist epoch, people are not loyal and conservative towards certain types pre-established by the customers. The inconstancy results from the fact that during post-modernism the consumers are not interested as much in the materiality of the objects, but of new experiences they can have by means of their shopping. There are also negative sides in this feverishness of living: the alcoholism, the tobacco and drug addiction, etc. Still, in all the manifestations of the tendency of intensification of the life experiences is visible the satiety of the consumers towards the materiality that the industrial revolution or the modernism created. In the post-modernism there is expressed and appear a displacement of the importance of the goods from the solid substance (material) of the products in the industrial economy towards the intangibility of the information and services of all types.

The total income of the households, consisting in the financial incomes (salaries, incomes from own activities, sales, allowance for unemployment, pensions, allowances for the children, scholarships and other performances of social protection, incomes from the property, etc.) the equivalent of the performances (products and services) free or deducted, and the equivalence of the consumption of the alimentary and non-alimentary products from proper resources (production, stock, etc.) represent the sources of expenses and consumption of Romania.

The total expenses of the population and the total expenses of the population consumption are two different notions, concerning their content. ***The total expenses of the Romanian population*** include: a. financial expenses, regardless of their destination (for consumption, taxes and other obligatory payments, the purchase of birds and animals, immovable, lands and other investment expenses), including the equivalent of the performances (products and services) free or with reduction; b. the equivalent of the consumption of the alimentary and non-alimentary products from proper resources (production, stock, etc.).

The total consumption expenses of the population represent just a part of the total expenses of the population and include: a. financial expenses for buying consumable alimentary products, of non-alimentary goods and for the payment of the services, including the equivalent of the performances (products and services) free or with reduction; b. the equivalent of the consumption of the alimentary and non-alimentary products from proper resources.

Consequently, the expenses of the population for the taxes and other obligatory payments for buying production goods, immovable, lands and other investment expenses are not included in the total consumption of the households, but in the total of

households. The reflection in the national statistics of the population's expenses are based on the family budgets that collect the necessary information concerning the structure of the household, the incomes, their expenses and consumption, as well as other aspects about the living level of the population. The investigation concerning the family budgets is organized as a continuous research on a consecutive period of three months of each year, on an representative pattern of permanent houses (9360 houses), distributed in all the districts of the country and in all the sectors of the Municipality Bucharest, as well as on residential environment (rural and urban).

The average annual consumption of alimentary products per inhabitant (expressed in measurement units) represent the quantities of products destined to the human consumption regardless of the form under which they are consumed (natural or prepared), of the supply source (stores, market, the consumption of the own resources), or of the place they are consumed (private households, restaurants, canteens, institutionalized households). The average annual consumption of drinks per inhabitant represent the quantities of such products preferentially consumed as an average per year by an inhabitant, regardless of the supply source (stores, market, the consumption of the own resources), or of the place they are consumed (private households, restaurants, canteens, institutionalized households).

All the consumptions of alimentary products and drinks are determined as **consumption available** (the production, to which it is added the import and is deducted: the export, the industrial processing, the losses and the variations of stocks) reported to the total population since July 1st of the referential year. The average of the daily alimentary consumption per inhabitant, expressed in calories and nutritional factors is determined based on the data concerning the average of the net daily alimentary consumption (excluding the non-comestible part of one product which is removed both at the time of the industrial and culinary processing and at the time of the effective consumption) and of the composition of the aliments expressed in calories and nutritional factors (proteins, lipids and glucides).

The endowment of the population with long-use products is expressed by the number of durable goods that are distributed to 1000 inhabitants based on the relation:

$$I_p = \frac{E_f}{P_{sf}} \cdot 100$$

where: E_f - the long-use goods existing at the end of the referential year; P_{sf} - the stable population at the end of the respective year; I_p - endowment of the population.

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THE EVOLUTION OF AGRICULTURE IN MODERN ROMANIA (1859-1918)

DIANA-MIHAELA POCIOVĂLIȘTEANU *

ABSTRACT: *In the following, using real statistic data I will present for modern Romania the structure of the arable and forest property, the evolution of the agricultural production, the results regarding agricultural crops and livestock husbandry. The legal status of property had a quantitative evolution combined with qualitative changes. Property distribution after the 1864 Agrarian Reform and the subsequent land reforms did not have a favorable evolution. Some of the reasons are the growing population, the expansion of the tenancy system (hindering productive investments and considerably worsening peasant's status), the increase of land's price, and the lack of a credit system that would address peasants' needs.*

KEY WORDS: *arable and forest property, agriculture, livestock husbandry.*

The legal status of property had a quantitative evolution combined with qualitative changes. Property distribution after the 1864 Agrarian Reform and the subsequent land reforms did not have a favorable evolution. Some of the reasons are the growing population, the expansion of the tenancy system (hindering productive investments and considerably worsening peasant's status), the increase of land's price, and the lack of a credit system that would address peasants' needs. The 1896, 1902 and 1905 censuses for different types of properties, the following structure of the arable land and forests was obtained.

We notice an imbalance of properties (a reduced percentage, in terms of surface and number, of properties between 10 and 100 ha, and a focus up to 10 ha). The properties below 10 ha represented 40% of the total arable area, while the properties over 10 ha represented about 50% of the arable surface. Those data are explained by the tenancy system and usurious exploitation, by the restrictions for those who got the property to sell the land, etc. For the majority of peasants the land was insufficient, fact that will generate a lot of contradictions, revolts, and finally a new land reform in 1921.

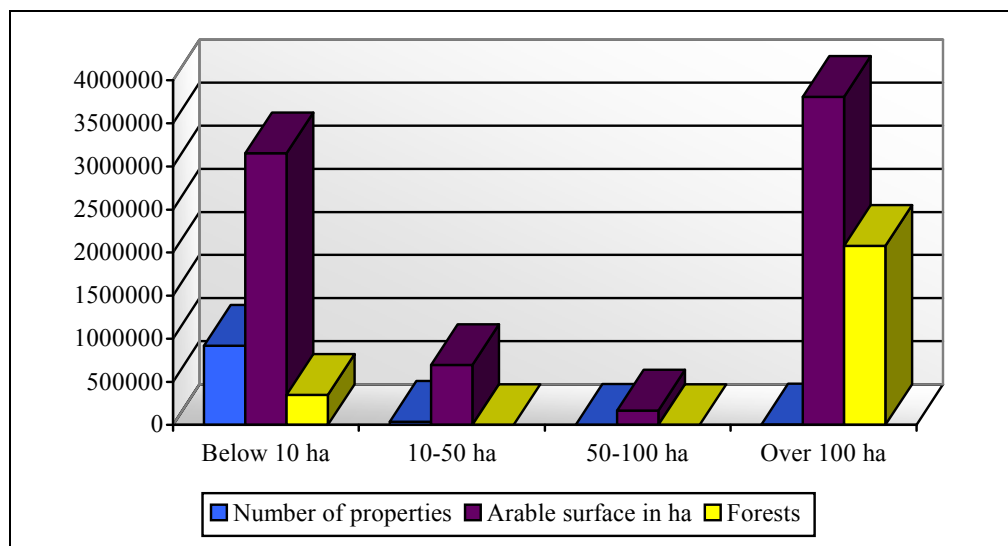
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Table 1. The structure of the arable and forestry land in 1915

Type of property	Number of properties	Arable expanse in hectares	% of the arable surface	Forests	Total	Share in %
Below 10 ha	920939	3153645	40,31	350000	3503645	34,08
10-15 ha	36318	695936	8,89	-	-	8,52
15-100 ha	2405	166847	2,13	-	-	-
Over 100 ha	4171	3810351	48,67	2077290	5882641	57,40

Source: G.D. Creangă, *The rural property in Romania*, Bucharest, 1907, p.XLVI-XLVII, taken over Constantinescu N.N. (coord.), *The economic history of Romania, Vol.I, Economic Publishing House, Bucharest, 1997, p.269.*

On graphic, the structure of the arable land and forests is:



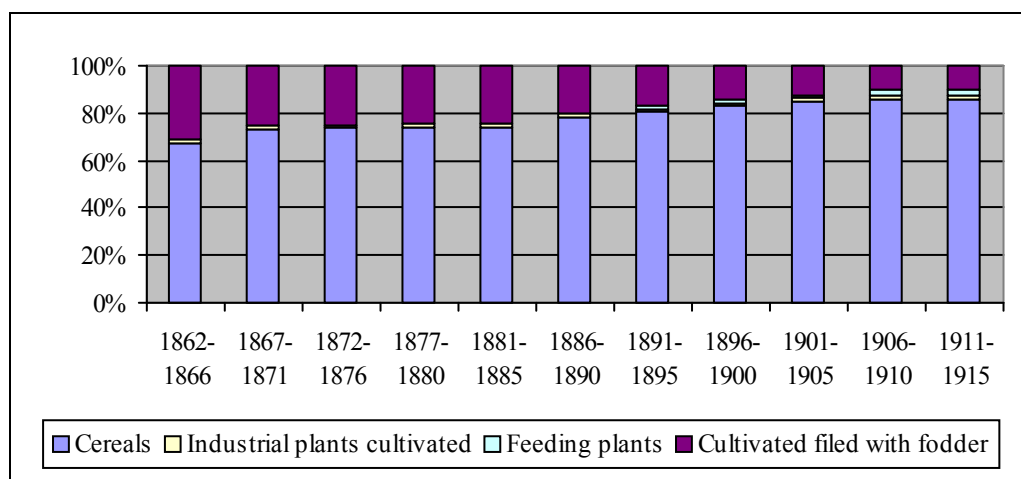
Source: G.D. Creanga, *The rural property in Romania*, Bucharest, 1907, p.XLVI-XLVII, taken over Constantinescu N.N. (coord.), *The economic history of Romania, Vol.I, Economic Publishing House, Bucharest, 1997, p.269.*

Figure 1. The structure of the arable land and forests

After 1866, the expansion of the arable surface, the development of export-oriented agriculture, the necessity of land felt by peasants has generated, through some agricultural agreements, an increase of peasants' obligations. To increase production "some landlords introduced new technologies, used modern systems of control and administration, created their own equipments, processed industrially the agricultural products, used paid work in those activities that required skill and continuity, found

guidance in the specialized literature, it in itself an expression of the new orientations.”¹

As it has been demonstrated in the main literature, between 1862 and 1915, the mutations (the average of the years), presented in the following diagram, affected the structure of the arable surface:



Source: Axenciuc, V., *The Economic evolution of Romania. Statistic-historical researches, 1859-1947, The Agriculture*, Bucharest, 1996, p.53.

Figure 2. The mutations that affected the structure of the arable surface

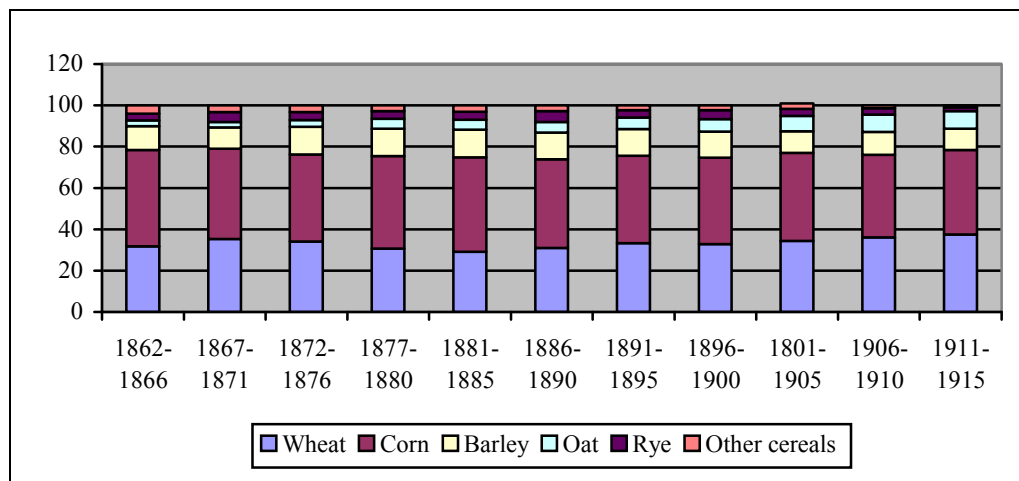
It has been noticed a constant increase, with small fluctuations, of the area cultivated with grains the utmost being touched between 1906 and 1910; almost the doubling of the surface cultivated with industrial plants and the increase of the surface cultivated with foodstuffs, from 0,1% to 3%; the decrease three times of uncultivated surfaces (fodder areas).

Romania, compared to Europe, was among the countries experiencing a grain farming of the agriculture², which means that as regards the arable surfaces occupied grains’ production had a major position in agriculture. This fact is demonstrated by the existing data, such as: the culture of grains in Romania (1910-1915) occupied a surface of 84% from the entire arable surface; for Bulgaria (1910) the percent was 72,2%; in France (1910) it was 56,9%; in Germany (1910) 56,8%; and in Serbia (1897) 92,8%.

For the arable surfaces cultivated with cereals, the average structure for cultures can be graphically represented, proceeding from the statistic data of V. Axenciuc, such as:

¹ Axenciuc, V., *The Economic evolution of Romania. Statistic-historical researches, 1859-1947, The Agriculture*, Bucharest, 1996, p.143

² The Romanian Academy, *The History of Romanians* (coordinator Berindei, D.), The Encyclopaedic house publishing, Vol. VII, Tom II, Bucharest, 2003. p. 106



Source: Axenciuc, V., *The Economic evolution of Romania. Statistic-historical researches, 1859-1947, The Agriculture*, Bucharest, 1996, p.53.

Figure 3. The average structure for cultures for the arable surfaces cultivated with cereals

It can be noticed that the corn and the wheat represented almost 75% from the whole that meant that they were the most cultivated cereals. The maize was always on the first place, with a percent of 40 and 46,5%, followed by wheat, which reached the highest percent, of 37,1% between 1911-1915. Peasants' preference especially for maize culture, is explained by the fact that it could be used for personal consumption, for animals' consumption, it could be cultivated many years in the same areas mixed with other plants (pumpkin, pea, potatoes, bean, etc.), the diseases and insects resistance, etc.

For the modernization and the developing of agriculture there must be organized "general and local agricultural exhibitions; establishments for the improved breeding of cattle; agricultural associations; experimental stations and other institutions of this type"³ with the purpose of completing and spreading agricultural education.

As it is specified in the Encyclopedia of Romania, Romania was a country which had all shapes of relief, fact that offered the necessary conditions for an exquisite development of agriculture: "Romania's boundaries have an outline almost circular, an ideal shape for the easiness of the economic and cultural movement from their inside. Throughout these material and spiritual conditions necessary for an exquisite development, such as few peoples can have and hope for. [...] Among all this sectors, the most thorough today, and naturally for a long time, is agriculture"⁴, Romania's agricultural lands were of the most fertile.

³ Aurelian, P.S., *Terra nostra*, in *economical works*, The Academy Publishing House, 1967, p.153

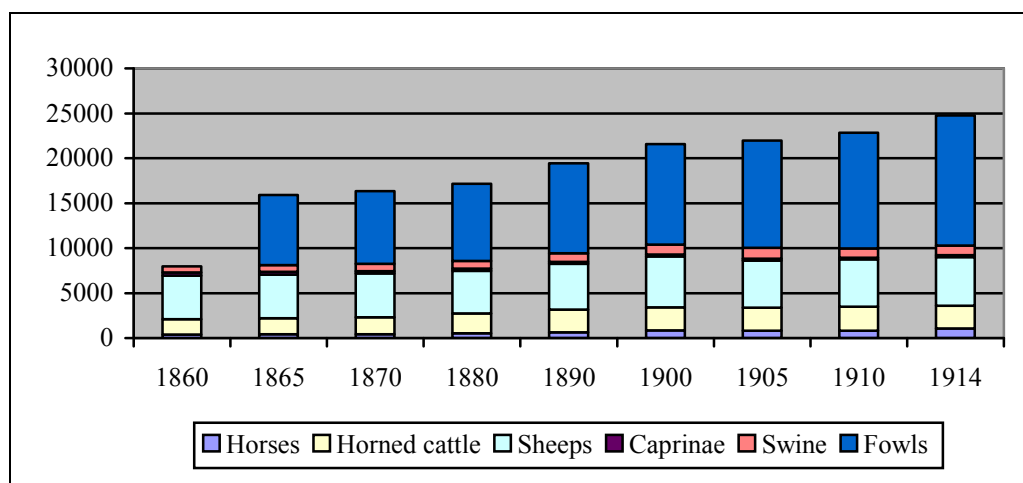
⁴ The Encyclopedia of Romania, Vol.III, Copyright, The National Printing Works, 1939, p.295

The liberal P.S. Aurelian highlighted agriculture's importance through the fact that "three quarters" of country's population was occupied in agriculture", "our trade with foreign countries is fueled by agricultural products", "the finances of the state, the means to face all the public expenditures, all are collected from the farmers."⁵

Because of the low efficiency traditional methods still in use, agriculture, considered by P.S.Aurelian "the basis for Romania's economic edifice"⁶, could not develop at its best given the fertility of the soil, the favorable climate and the existing hydrographic network. Following the increased demand for agricultural products on the European market, the arable surfaces expanded, "determining the doubling and the trebling of the arable surfaces cultivated especially with wheat".⁷

According to the data in the literature on this subject, livestock husbandry recorded a regress after the approval of the rural Law in 1864 because it decreased the surfaces dedicated to grassland and hay fields.

At the end of the 19th century, the number of animals gradually grew mainly for horses (it reaches almost a trebling of their number until 1914, compared to 1860), swine (almost a doubling of their number in 1914 compared to 1860), and sheep as it results from the statistic information presented in specialty works.⁸



Source: Axenciuc, V., *The Economic evolution of Romania. Statistic-historical researches, 1859-1947, The Agriculture*, Bucharest, 1996, p. 415-416

Figure 4. The number of animals at the end of the 19th century

⁵ Aurelian, P.S., *Terra nostra*, in economical works, The Academy Publishing House, 1967, p.152

⁶ Idem, p.154

⁷ G.D.Creangă, *The rural property in Romania*, Bucharest, 1907, p.XLVI-XLVII, taken over from Constantinescu N.N. (coord.), *The economical thinking of Romania*, vol.I, Economical Publishing House, Bucharest, 1997, p.269

⁸ Axenciuc, V., op. cit, p.415-416

P.S.Aurelian published articles in the agricultural newspaper “The Rural Economics” (a newspaper published from the desire to contribute to the spreading of the knowledge of progressive agriculture and of national economy). His purpose was to bring to the attention of our farmers “the improvements which must be introduced in Romanian agriculture, to demonstrate how destructive is for present, as for the future too, the cultivation system in use in many of the districts of our country; to prove with numbers how much profitable the improved agriculture is, that one which it is practiced with so much success in another states of Europe; we allow ourselves to address all the Romanian farmers, asking them to group all of us and to work with all our powers for the progress of the Romanian agriculture.”⁹

In time, all society’s structures were influenced in the direction of modernization and development by the developments in the agricultural field. In synthesis, we can say that the accomplishments in the field of agriculture, in the period 1859-1918, would be: the increase of the arable surfaces, of the areas tilled with grains, the increase of labor productivity, the increase of imports of machines and implements, the development of schools with agricultural profile.

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⁹ Aurelian, P.S., *Economical works*, The Academy Publishing House, 1967, p.104

RESEMBLANCES AND DIFFERENCES BETWEEN FINANCIAL ACCOUNTING AND MANAGEMENT ACCOUNTING

LUCIA POPA-PALIU, IONELA-CLAUDIA GODEANU *

ABSTRACT: *In order to achieve the objectives set by the economic organization, there are required both knowledge and observation of the patrimony situation and of the global financial result, as a synthesis of one's own activity and the external relationships with other patrimonial units and with different public institutions, as well as knowledge, control and analysis of internal activities, of exploitation activities, in consequence of the various operations of movement and transformation that the patrimonial elements are subject to inside the respective unit. Corresponding to these two components of economical and financial activity of the company, two categories of concerns appeared and developed in accounting as well: Financial Accounting and Management (Managerial) Accounting. Virtually, there are not two types of accounting, but two forms of application of the same technique that propose to provide different information (financial accounting - for external users, management accounting - for internal users).*

KEY WORDS: *financial accountin, management accounting, budgets, allocated resources, output.*

On the ground of the elements that define the general conceptual framework of accounting, the accounting system in double circuit was adopted in Romania, respectively the dualistic accounting system that delimits ***two distinct circuits of accounting:***

- ✓ *the circuit of financial accounting, as the main circuit;*
- ✓ *the circuit of the management accounting, as a subservient secondary circuit.*

The two circuits, although structurally and functionally delimited, are elements of the same framework, i.e. the patrimonial unit and together they must ensure the achievement of its main objectives. Thus, the functions of the two accounting circuits

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complete each other by means of their complementarity, the financial accounting satisfying mainly functions external to the enterprise, while the management accounting meets the demands of the internal managerial functions of the company, at different hierarchical levels.

The financial accounting offers information mainly for partners outside the organization, in order to help them analyse their decisions concerning the allocation of resources, providing information that is based on questions that offer an overall view on the company, that is: *which is the personal consumption expenditure*, represented in large groups, according to its nature and *which are the results of the patrimonial unit* on the whole. The synthesis documents that it produces (the yearly or half-yearly financial statements) provide a synthetic and retrospective image of the patrimony, overshadowing the utilisation process of the entrusted resources.

The management accounting provides the information that concerns the internal management of the organization, criteria for calculating costs and ensuring the measurement of internal performances, at the activity, function or product level. Being addressed to the people who manage and administer, the management accounting completes the judicial accounting dimension of the financial accounting through the economic managerial dimension, that intends to be adapted at its level. The management accounting is oriented towards the future because it seeks to provide information that affects the organization's future, being a subservient instrument that nourishes the programming and budgeting process. For allocation of resources, the organization is divided in responsibility centres which have the role to provide or to deliver products or services to one or several clients inside or outside the organization.

Having the objective to provide information in order to facilitate the decision-making, the management accounting represents an essential instrument of the organization, following two *main purposes*: knowledge of costs and especially influencing of those that may act upon them. This presupposes the integration of the accounting information in the management system, where it shall serve for orienting the behaviour of people responsible for allocation of resources; therefore the term of managerial accounting fully justifies the purpose and role of management accounting.

The management accounting involves the ensemble of elements of identification, measurement, accumulation, analysis, preparation, interpretation and communication of information used by management to preview, plan, evaluate and control within an entity and to assure appropriate and responsible use of its resources.

Concretely, the management accounting has the role to provide the elements intended to facilitate the decision-making and its *core objectives* are the following:

- ✓ knowledge of costs of the different functions undertaken by the organization;
- ✓ determination of the evaluation basis of some patrimonial elements;
- ✓ explanation of results by calculating the costs of products, goods or services in order to compare them with their selling price;
- ✓ determination of expenditure and income previsions;

- ✓ record of achievements and explanation of deviations that result (control of costs and control of budgets).

Differences between the financial accounting and the management accounting

consist of the following:

- *from the necessity point of view* – while the financial accounting is compulsory from the point of view of legal and financial legislation, in order to periodically present the situation of an organization's patrimony, requiring a great volume of work for information gathering and processing in an acceptable form and with a high accuracy degree, the management accounting and cost calculation is operational from the point of view of organization, which imposes a smaller volume of work caused by gathering and processing of information, reduced to the information that is strictly necessary for managers and the cost of its gathering and processing should not exceed the value of the respective information;
- *from the purpose point of view* – while the purpose of financial accounting is to draw up the financial accounting documents for external users, the purpose of management accounting and cost calculation is to provide information necessary to perform managers' functions (prevision, decision, control);
- *from the users' point of view* – while users of the information provided by the financial accounting do not see each other, that is the organization managers do not personally meet the creditors, debtors, stockholders and other external people that use the financial accounting information, users of the information provided by the management accounting and cost calculation are the managers of the respective units together with the collaborators that participate in analysing the information in question;
- *from the point of view of content, of information structure* – while the information provided by the financial accounting is built around the equation $\text{Assets} = \text{Liabilities} + \text{Owners' Equity}$, in the management accounting and cost calculation there are three types of sub-accountings, each with its objectives:
 - ✓ *Total cost accounting* – that records the resources used in achieving an activity, in performing works and delivering services that consist of direct and indirect expenses, as well as the total costs of any activity within management;
 - ✓ *Previsional accounting* – that estimates/previsions the way expenses, income or assets differ with respect to a company organization and management, the reason for which this information is used to adopt short-term decisions by choosing among several variants and especially in expenses ratio;
 - ✓ *Responsibility centres accounting* – that provides information about the expenses, income and assets of every centre, both the normative/budgeted and the effective ones so that the manager's performance degree should be determined by comparison;

- *from the point of view of principles to be observed* – while the information provided by the financial accounting must be congruent with the financial and accounting regulations in force so that the external users be certain of reality and accuracy of the respective information, the information provided by the management accounting and cost calculation may differ from one organization to another, both from the content point of view and from the presentation point of view, whereas the management accounting and cost calculation may be organized according to each manager's requirements, having a pragmatic character;
- *from the point of view of period of time it refers to* – while the financial accounting records phenomena that took place (historical accounting), the management accounting and cost calculation is both previsionary and historical, providing information related to indicators that represent estimations for the future and information about the past. The object of financial accounting is to tell about what happened, not about what shall happen.
- *from the point of view of statement frequency* – while statements in financial accounting are produced in longer periods of time, those in the management accounting and cost calculation are produced in shorter periods (month, decade, week or even daily);
- *from the point of view of scope of statements* – while statements of financial accounting refer to the entire organization on the whole, statements of management accounting and cost calculation refer to the component parts of the organization: departments, responsibility centres, activities, products etc.;
- *from the point of view of juridical statement* – while one may proceed against wrong information provided by financial accounting, since it is public information, the information of management accounting and cost calculation does not have to be congruent with the accounting laws and it is not public, therefore one may not proceed against it.

However, regardless of the differences between the two types of accounting, they also have *common elements* from at least two points of view:

- both of them use the same procedures and principles of accounting method;
- the information provided by both of them underlie the adoption of decisions by the governing body.

Between the general management of the organization that forms the object of the financial accounting and its submanagements, controlled and characterized through the management accounting, there appears a system of economic relationships oriented and subordinated to the main objectives, i.e. to the exploitation and financial activities of the organization. This system of relationships is defined through *internal management flows*, among which the most important are:

- *operating budgets flow* (BVC subunit), oriented from the general administration to subunits;
- *flow of allocated resources*, for performance of operating activities that move from general administration to the operating unit;

- *output flow* from the operating activity, that starts from the operating unit towards the general administration;
- *flow of deviations and control of programmes performance* mainly oriented from subunits to the general administration.

The main flows that interact systematically between general administration and subunits raise problems to the organization accounting as concerns the financial accounting correlation, whose object and scope include general management and administration of the organization with the management accounting of each subunit.

a) Flow of operating budgets

One of the objectives of the management accounting is the financial prevision on the basis of expenses and income of an activity, having as objectives: profitability, liquidity, risk reduction etc.

When budgets of activity are organized, the pursued objectives must be defined and the hierarchy of elaboration of budgets must be established.

Thus, the sales budget conditions the other budgets, whereas the quantities of products to be made, the budget of provisioning, investments, of treasury etc. depend on the turnover level. When an important capital is invested in means of production, sales are supervised so that the capacity of these means of production should be maximally used.

The income and expenses budget reflects the way of formation, administration and use of financial means and it ensures the provision of information in order to underlie the decisions concerning the patrimonial unit management.

b) Accounting of the allocated resources flow

Flows of resources allocated to operating activities are emphasized and controlled in the organization accounting through indicators of expenses, such as:

- expenses emphasized according to their nature, i.e. according to the economic content in *financial accounting*;
- expenses emphasized on object or activity centre (product, work, service, place etc.), on a structure of cost calculation articles in *analytical accounting*.

After the transfer of resources from the general management of the organization to the records of the subunits evaluated in the shape of expenses, the accounting of these expenses is performed in double structure, that is *according to their economic content* (in financial accounting) and *on items of calculation of the costs of products, works, services and on activity places* (in the management accounting).

In *the management accounting*, the flow of the allocated resources is emphasized and controlled by means of **the account 901** "Internal transactions relating to expense" and of cost calculation accounts of the **92nd group "Cost accounts"** (**921, 922, 923, 924, 925**). The transaction accounts (**901, 902, 903**), are accounts that

emphasize the relationships of the subunit with the general administration of the organization, therefore they are internal management accounts.

c) Accounting of the output flow

The output flow, regarded from the perspective of external management and of contractual relationships between subunits managers and general administration emphasizes and controls the process of delivery-receipt of end products, performed works or services delivered by subunits to the general management and settlement of their value from the resources allocated through the flow of expenses. This flow has a particular importance, whereas by its means circulate towards outside goods and values resulting from exploitation, elements that form potential income from the stored output and work in progress, that after delivery to clients generate effective income.

Record and control of this flow is achieved in the management accounting by means of **accounts: 902** "Internal transactions related to costs of conversion" **931** "Cost of output"; **933** "Cost of work in progress".

d) Accounting of deviations from programmes

The management accounting, also named managerial accounting, is mainly oriented towards the processes and relationships regulated on contractual basis, contracts that have the parameters determined through programmes and income and expenses budgets. Accounting efficiently steps in the organization management with relevant information, necessary to prepare and make decisions with a view to achieve the objectives.

In the management accounting, record, control and analysis of deviations are performed by means of the **account 903** "Internal transactions relating to price differences", account that has the role to emphasize price differences between effective cost and registration price, as well as their settlement with the general administration.

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ASPECTS CONCERNING ON OPERATIVE CASH-FLOW PLANNING

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ABSTRACT: *Most managers after viewing the financial reports received from the accounting department ask one question "Where is the money?". Mostly they ask this question because the trial balance shows profit while most firms in Romania struggle in money slumps. Usually this sort of problems can be overcome in two ways: using a quick short time loan or by postponing some of the debts. Both ways are costly: the first one in money and the second one in image. In the conditions of the current Romanian market most managers of the small and medium firms take the second choice. In order to reduce these risks we developed an application which mainly warns and in a certain degree predicts shortages in cash.*

KEY WORD: *operative cash-flow planning, programming medium*

1. GENERAL CONSIDERATIONS

The application aims to solve firstly one big problem observed in most small and medium companies studied: there is no or very little control over cashing receivables and payment of debts. Secondly, we aim to solve some collateral problems like having a history of company financial health (by calculating some relevant indicators during certain time frames), generating cash flows used in Romanian practice (mostly two kinds: cash flow for financial institutions and cash flows required by law as a part of the yearly financial reports).

All these problems must take firstly into consideration that most managers of small and medium sized companies have very little or no managerial training (because this kind of companies are usually managed by the owners and only after reaching a certain size hiring a trained manager becomes an option) and in order to create a successful application the details must not be too complex. It means that the interface must be very simple and intuitive (many managers have very little computer related abilities) and the information presented must be put into common language with little

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use of scientific terms (one trait observed to Romanian managers is that when it comes to documents and to specific accounting terms there is quick rejection tendency. If this reaction is obtained at first contacts with the application we observed that there is a tendency of not using the application for a long time period.). Most small companies use primitive hand kept books for keeping track of payment effects.

This practice has many weak points: it is time consuming and involves a lot of manual work, the error risk is high, it only takes into consideration payments and cashing of invoices with effects and not the ones without documents (there are some customers that pay with bank orders, there are expenses not invoiced like salaries, interest rates, dividends).

2. PRESENTATION OF APPLICATION

The application we developed overcomes all these problems because all data can be imported directly from the accounting program, risk error is greatly reduced and it takes into consideration all invoices (no matter the way of cashing or paying) and all other receivables and debts. The manual process also has little decision support capabilities because it is automatically assumed that all cashing effects will be cashed. It is not the case in Romanian economy in which not honouring debts frequently takes place.

Here comes in handy another feature of the application which permits the decision maker to view different scenarios. The risks associated with cash shortages are great and with potentially critical outcomes for the company. If one payment effect is not paid there are at least two problems: one is losing credibility among one or more suppliers, and if the sum involved is high among all business community, and the other one is the registration of the company in the national bad debt file and subsequently little or no access to credits from banks. Since not paying is not a good policy many companies use short time loans if faced with cash problems. Of course if the cash problem is predicted in advance the costs and the risk of not getting the loan in time decrease, while if the problem appears suddenly cost of loan is very high. Some companies have punctual cash problems usually induced by a few customers that do not respect the payment dates.

In this case a good communication with this partners corroborated with a credit line can get the company out of problem. In this case the application offers the possibility to run a few scenarios to try and see the risks involved by relying on a certain cashing and it also determines at which point the firm will have to find alternate sources of cash. The other part of the firms is in more serious prolonged cash flow problems. The causes are multiple and vary from general domain problems to inadequate company organization. To observe those problems and pinpoint the causes the tool we propose is a carefully selected range of indicators calculated based on monthly trial balance. Those indicators must be very relevant while being easy to understand and interpret even by untrained managers.

In Romanian practice are used mainly two categories of cash flow: the one stipulated in O.M.F.P (Order of the Ministry of Public Finances) no. 94/2001 which is mandatory for large companies and the cash flow requested by the financial institutions. The mandatory cash flow is included among the financial statements that must be presented at the end of the year by the companies and usually its elaboration is externalized. Large companies hire experts to build this cash flow mostly because the accounting departments have very little experience in building cash flows.

This cash flow is in conformity with the latest cash flows developed in the accounting and the financial reporting fields. The cash flows requested by the banks as part of the loan paperwork are shaped around their purpose: to evaluate the capacity of the firm to return the loan. We found in practice two categories of cash flows: one based entirely on evaluating the capacity of the firm to produce enough money to pay the rates (most banks) and the other that has a more complex role to evaluate the general financial position of the company. Taking into consideration the general analyze summarized above the first decision that had to be taken was the choice of the programming medium. Eventually Visual Basic 6 seemed the best choice for at least the following reasons: it is easy to use, it has enough data manipulation capabilities taking into consideration the relative small amount of data involved, it offers good tools for creating an easy to use and friendly interface.

The application is based on this general considerations summarized above and the modules are created to match each general problem identified during general analyze. The main module is centred on solving the most important problem identified: how to rearrange all information in accounting so that it matches the real money movement in and out of the company. The other modules are considered secondary and they allow the user to: build cash flows based on four main models (a simplified model proposed by us, the OMFP 94/2001 model, the Transilvania Bank model (considered by us as the most relevant for the company) and the one used by Lectra France for reporting at the Paris stock exchange), calculate indicators based on the trial balance and view a history in the last three periods, import data from accounting program (WinMentor is the only one supported so far) and view and modify all invoices and other debts or receivables of the company.

The first module in logical order is the one that imports data from the WinMentor accounting program. WinMentor has export capability and even more, lists can be exported in various formats: dbf, excel, text, paradox. For purposes of compatibility and easy access and manipulation of original files the chosen format was excel. At this stage the data table structure had to be defined in parallel because the head row of the excel table became the name of the data field that had to be manipulated (figure 1).

The main module aims to solve the short term cash flow planning problem. All data comes from two sources: payment dates for all invoices (incoming and outgoing) and, in addition to this, the data gathered by the fourth module regarding other debts and receivables (rates for loans and leasing, interests). This data from accounting is not always accurate and we consider that the manager has to overview and modify it if

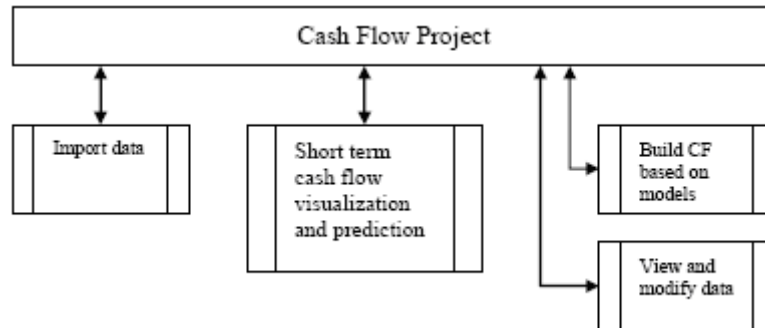


Figure1. Modules for the CASH-FLOW applications

necessary. We observed some changes that usually have to be made: if one invoice value is split into several payments and that the date of the invoice is not the date the firm actually cashes the money (the delay comes from the time money is transferred between banks). In order to solve those problems the application offers the manager the possibility to specify different amounts to be cashed at certain dates (in accordance to the agreements with the partners) and the application automatically calculates the actual date of cashing depending on the bank of the partner and the cashing instrument used (bank order, Check).

While reviewing information the manager can specify the degree of confidence in cashing each invoice. This degree can range from 1 to 100 and it is the base for three different scenarios: optimist (100 to 80), normal (79 to 50) and pessimist (49 to 1). These scenarios offer the possibility to see how much the company relies on cashing one or another invoice.

The third module builds four models of cash flow considered the most important for Romanian economy. Of course, depending on needs the format can be modified. The application proposes a simplified (covers all normal transactions and is easy to understand by untrained persons) model to cover the needs of small companies, which can be altered by programmers if some extraordinary transactions occur.

The fourth module allows the manager to review all invoices and other receivables and debts and modify them if necessary. All debts and receivables not invoiced must be imputed manually as they are not imported from accounting program.

There will be a fifth module which based on each customer history will determine automatically the degree of trust which is used for the three scenarios presented above. This trust percentage will rely mainly on how the partner respected payment dates, the amounts paid before, the management of the firm, the general conditions of the economic branch and on particular rate given by the manager.

The data is imported, as we explained before, from the accounting program and is deposited in an access database. The application uses both the database as well as each particular excel file. As the application development progressed we encountered some compatibility issues between Visual Basic 6 and Access 2003 used to create the database.

Eventually, the database was converted to Access 8 format but that made impossible structural changes of the tables in the database, which led to versioning our project.

The files and tables used by the application are as follows:

In the import module data from excel files is added to the access database so that based on the original structure of the table new tables are added in the database and to the original name is added the month and the year (in one month can be only one table and if the data import is repeated all data in previous table is replaced). The application uses at this point all the data in tables and some data from the excel files. When the application development will be complete only the data placed in tables will be used.

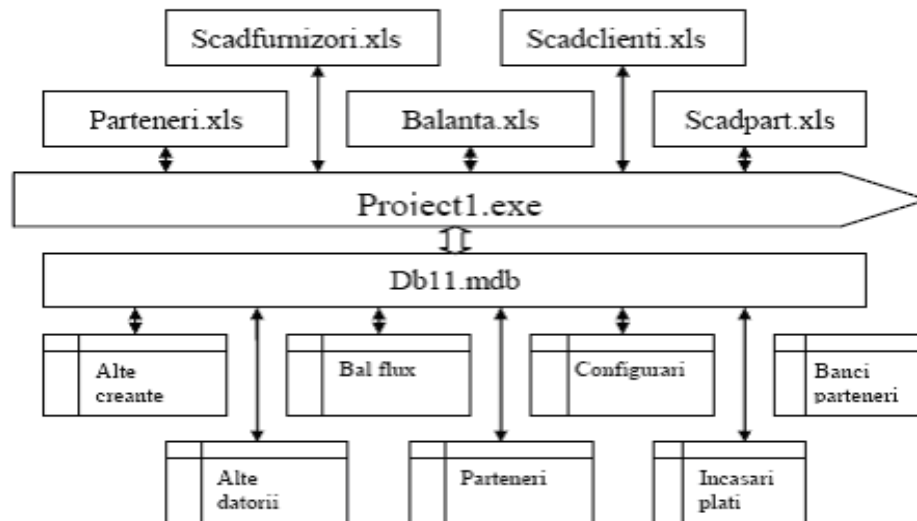


Figure 2. Files and tables used by applications

So far the project is still in development phase but one version is already implemented in Lectra Romania. Before implementation a punctual analysis was done and it revealed one significant extra problem: the company had to pay external invoices and since internal invoice value is rather small the problem was to predict when the external payment could be done without jeopardizing internal payments.

3. CONCLUSIONS

The benefits for the company adopting this application can be very important: the periods when extra money will be needed can be predicted in advance and thus the risk of not paying the debts reduced, the loan costs can be cut down, managers can have a new perspective on the firm's activity and tendencies by consulting regularly the cash flow indicators and in case the firm needs a loan, building cash flows for the bank is very simple.

In the domain of information technology, the Application concerning the processing of customs declaration through the Internet was realized. As for the administrative capacity, the National Agency of Fiscal Administration (ANAF) has in present the general accountability for collecting all the incomes at the reinforced budget of the state except for AVT for imports and excises paid at the customs offices, which are collected by the National Authority of Customs (ANAF at the moment). The administrative capacity of the whole Romanian fiscal administration has to be improved significantly.

However there are serious reasons of concern regarding the **administrative co-operation and mutual assistance**, being necessary to bring into attention the approach of taking slow steps in implementing the IT systems inter-operable concerning duties. Although recently a series of progress has been seen, the calendar of developing is extremely tight and actions to ensure the completion in due time for adhesion are necessary. Steady efforts are necessary concerning the implementation structures, especially regarding the present curtailed level of collecting rates for AVT and excises. In this respect, Romania should undertake a reform in modernizing the fiscal administration concerning the provision of integrity and approaching the lack of resources and conflicts of interests, which at the moment impede the capacity of supplying the conformity of taxpayers and their collecting.

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THE ANALYSIS OF BANKRUPTCY RISK ACCORDING TO THE SCORES METHOD

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ABSTRACT: *Bankruptcy risk appreciates the company's capacity of fulfilling its obligations in due time. A company may encounter difficulties determined by the covering of certain outstanding debts or by the acceleration of certain payments. Consequently, such difficulties are the effect of momentary non-concordances between in-flows and out-flow and are not going to endanger the company's imagine, stability, and credibility. The determination of bankruptcy risk is done both to determine the solvency of the potential customer that is going to be given the credit and during the process of repayment as it is not possible that by implementing a theory or formula to guarantee that the sum given to a customer and its required interest will be repaid.*

KEY WORDS: *bankruptcy risk, solvability, Altman model, Conan and Holder model, normative comparison method, Anghel model.*

Bankruptcy risk appreciates the company's capacity of fulfilling its obligations in due time. A company may encounter difficulties determined by the covering of certain outstanding debts or by the acceleration of certain payments. Consequently, such difficulties are the effect of momentary non-concordances between in-flows and out-flow and are not going to endanger the company's imagine, stability, and credibility.

The perpetual character of certain difficulties consisting in lacking of fulfilling the obligations shows the structural economic and financial weakness. These difficulties may determine the restraining of activity, employees firing, the restructuring of the company, and ultimately, bankruptcy.

The determination of bankruptcy risk is done both to determine the solvency of the potential customer that is going to be given the credit and during the process of repayment as it is not possible that by implementing a theory or formula to guarantee that the sum given to a customer and its required interest will be repaid.

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Bankruptcy risk may be defined as being the incapacity of companies to face a financial and banking transaction that is their incapacity of repaying in due time the sums borrowed under circumstances mutually settled with third parties according to the credit contract. This risk may be associated with the appearing, during the length of the contract, of certain difficulties that could not have been identified by the analysis, evaluation, and approval of the credit.

Solvency represents the company's capacity of facing term obligations determined by previously contracted engagements, by current operations whose achievement condition the continuation of the activity as well as by compulsory out-takings.

Within the system of the financial and patrimonial analysis, the analysis of the company's capacity of being solvable, of acting under circumstances of minimum risk has a central place. Financial balance is a permanent demand for every company meaning that the maintaining of solvability is a restriction currently required. Any malfunction regarding the payment of the obligations determines prejudices and requires an urgent correction. At the same time financial balance is an absolute demand that cannot be omitted. Economic practice may accept, for example, that a company encountering a more difficult period renounces certain economically and socially growing goals. In exchange it cannot abandon assuring the goal of solvability that is exactly the financial condition of surviving.

Generally solvability index has the following form:

$$S_p = \frac{PC}{PC + D} \times 100 \quad (1)$$

where: PC - personal capital; D - debts.

In case the value of the index is around 30%, the position of the company is appreciated as being within normal limits; in case the value of the index surpasses 50% then its position is appreciated as being normal.

The appreciation of the company's capacity of regulating in due time its obligations is gradually done depending on the existent concrete economic and financial circumstances under which the company deploys its activity. Accordingly, a company may encounter temporary or occasional difficulties determined, for example, by the incapacity of covering in due time the debts or by accelerating the payments during a period of rapid development of its activity. Such difficulties of payment appear as a result of a momentary non-concordance that does not endanger fundamental balance and does not affect the company's image. Simple solutions may determine the over-passing of such difficulties and the continuation of the company's activity: obtaining supplemental terms given by suppliers, delay of financial debts, obtaining short term loans, soliciting advance in-flows, etc.

A company may encounter periodical financial difficulties such as payments delays during certain moments of the year or during intervals of accelerated growth. Although the company's viability is not endangered, its image may suffer due to

periodical disturbances. A name of “bad payer” or a suspicion regarding financial solidity may generate at least two effects: certain suppliers might refuse the continuation of supplies, the company being forced to demand emergency credits and to accept un-favorable terms of crediting (short term ones, higher interests).

The permanent character of certain difficulties of paying the obligations as an expression of economic and financial structural fragility might generate activity restraining, decrease of personnel, re-structuring administration system, and even bankruptcy. The causes generating difficulties for companies have various origins. A good part of them come from the economic, social, and competition environment where the company operates:

- Increase of internal and international competition;
- Appearing of substitution products;
- Disappearance of important customers (bankruptcy);
- Bankruptcy of important suppliers that provide materials, spare parts that are essential for the continuation of the company’s activity;
- Bankruptcy of a bank with which the company has prevalent relations;
- Appearing of certain stipulations regarding security and environment protection;
- Continual decrease of stock exchange quotations.

Statistics showed that such causes represent 65% in initiating bankruptcy.

Internal causes are essentially connected with a poor administration: stocks and customers rotation inferior to that of the branch; practicing smaller margins than sector margins; important exploitation losses; impossibility of renewing the credits.

According to their nature difficulties may be:

1. Causes connected with decreasing the volume of the company’s activity due to the tendency of limiting the demand for the company’s products, loss of certain important customers or of an important supplier, to a decreasing competition character of the company’s products, to a limited degree of renewing products, to lack of adapting to the market’s demands, or to a conjectural decrease of demand; to the increase of internal and international competition;
2. Causes connected with the decrease of margins and profitability due to inadequate strategic decisions, rigidity of selling prices, high staff expenditures, existence of technically out – dated fixed assets, increased financing expenditures, grow of raw materials prices;
3. Specific causes regarding the company’s treasury determined by the bankruptcy of important customers, difficulties in getting credits (bankruptcy of the bank with whom the company worked), by long duration of rotating stocks, by prolonging the duration of customers’ credit, and the diminution of the duration of suppliers’ credit;
4. Causes that are specific to the management system such as: improper professional training and incapacity of adapting to the market’s demands, misunderstandings among the leading staff of the company, improper analytical accountancy and lack of determining complete cost; lack of substitutes for the leading staff of the company, excessive remuneration of the management;

5. Accidental causes due to funds detour, natural calamities, death of the leader or internal social problems.

The companies in the countries that are in transition to the market economy confront with:

- Markets' instability even in case of consumer goods;
- Existence of an important volume of underground economic activity or/and fraud imports that determine non-loyal competition, frauds, and fiscal evasion;
- Mediocrity of physical infra-structure and of the communication system;
- Inefficiency of horizontal institutions (administrative and juridical);
- A poor system of professional training;
- Poor financial resources.

Altman model. The mostly used method of evaluating the condition of a company is based on Z model elaborated in the USA in 1968 by professor Altman. He studied a large sample of companies that either faced bankruptcy or managed to survive. Professor Altman discovered that the analysis based on several variables done according to 5 indices allowed the prediction of 75% of the bankruptcies two years before they happened.

Altman considered that the decline of a company develops according to 5 stages:

- Appearance of decline signs that are not yet taken into consideration (diminution of profitability, of the amount of affairs, increase of debts, decrease of cash);
- Existence of clear signals that do not determine proper measures as they are considered to smoothly disappear;
- Strong action of decline factors determining the deterioration of financial situation;
- Collapse, impossibility of the management to face the situation;
- Intervening either by rehabilitating measures, or by declaring bankruptcy.

The function established by professor Altman is the following one:

$$Z = 3.3 \times X_1 + 1.4 \times X_2 + 1.2 \times X_3 + 0.9 \times X_4 + 0.6 \times X_5 \quad (2)$$

where: X_1 - ratio between the gross exceeding sums of exploitation and total assets;

X_2 - ratio between reserves and total assets;

X_3 - ratio between running fund and total assets;

X_4 - ratio between the amount of affaires and total active;

X_5 - ratio between private funds and debts.

The values of Altman's model that may determine bankruptcy probability of a company are the following:

- If $Z < 1.81$ then the company is not solvable being in pre-bankruptcy or even bankruptcy;
- If $1.81 < Z < 2.9$ then the company is in a difficult position;

- If $Z > 2.9$ then the company is considered to be healthy from an economic point of view.

According to the data of the balance sheet the value of score function has been calculated for a company during the periods analyzed in the following table:

Table 1. The calculation of the value of the score function for a company

Index	Measuring unit	Period		
		2004	2005	2006
Gross result of exploitation	lei	-181688043	80866272	109720549
Reserves	lei	410295	453919	293302
Running fund	lei	-2162135519	-1011962433	-1109675134
Amount of affairs	lei	441705637	565130059	589315402
Private capital	lei	-1597585247	-382533641	-541906990
Debts	lei	2238094144	1034248903	1225533545
Total actives	lei	688476746	702562766	675045910
Z score	-	-4.49	-0.85	-0.92

As during each analyzed period the company exhibited values of score function smaller than 1.81, after interpreting the results according to the model proposed by professor Altman, it is obvious that the analyzed company is in a state of pre – bankruptcy. According to this function one can notice that 2005 was the company’s most favorable year of the three ones analyzed.

Normative comparison method. It is a variant of the scores method especially implemented by banks when giving credits; it compares a medium pondering coefficient of the company with a pre-determined value of the bank.

In case the company’s coefficient is equal or higher than that of the bank then the situation is favorable, the company is going to be given credits as it exhibits the required guarantee of re-paying them. In case the situation is contrary, theoretically, due to the method of determining the degree of the company’s bankruptcy, it cannot be given credits. The method of normative comparison is exhibited according to the following formula:

$$Z = 0.25 \times R_1 + 0.25 \times R_2 + 0.15 \times R_3 + 0.20 \times R_4 + 0.15 \times R_5 \quad (3)$$

- where: R_1 - ratio between the debts sum and the short term liquid assets and debts;
- R_2 - ratio between the private capital and total debts;
- R_3 - ratio between the private capital and net intangible assets;
- R_4 - ratio between the amount of affairs and the average value of stocks;
- R_5 - ratio between the amount of affairs and the sum of outstanding debts, effects to be received and effects considered not to be on payment term;

In case the company gets a value higher than 3 then the credit is implicitly given taking into consideration the fact that the company has a good position. In case the company gets a value smaller than 3 then it cannot receive the credit or, in order to get it, it should negotiate the contracts stipulations, exhibit credible studies regarding the subsequent evolution of the index.

We have calculated for the analyzed company the following scores, owing to the above mentioned function and according to the balance sheet data:

Table 2. The calculation of the value of the score function for a company

Index	Measuring unit	Period		
		2004	2005	2006
Debts and liquid assets	lei	43028834	42009099	80856505
Short term debts	lei	2109623380	1004838395	1208061720
Private capital	lei	-1597585247	-382533641	-561906990
Total debts	lei	2238094144	1034248903	1225533545
Amount of affairs	lei	441705637	565130059	589315402
Average stocks	lei	33290536	31124875	28949436
Z score	-	3.62	5.43	5.15

At a first view, with a value higher than 3 the position of the company may be considered as good. But, in case we are going to analyze each ratio we notice that a decisive contribution to the registered score is brought each year by the rotation rate of the stocks. This rate registers high values due to the company's character which in order to normally deploy its activity does not need stocks.

Consequently, the method of normative comparison does not offer satisfactory information in order to determine the company's risk of bankruptcy.

Conan & Holder model. It applies to industrial companies having a number of employees ranging between 10 and 500 and is based upon the analysis liquid assets – eligibility. The model was established in 1978 by comparing 31 rates of a sample of 90 small and medium sized companies out of which 50% suffered bankruptcy between 1970 and 1975. The proposed function has the following shape:

$$Z = 0.24 \times X_1 + 0.22 \times X_2 + 1.2 \times X_3 - 0.87 \times X_4 - 0.10 \times X_5 \quad (4)$$

where: X_1 - the ration between the gross result of exploitation and debts;

X_2 - the ration between the permanent capital and total actives;

X_3 - the ration between achievable and available values and total active;

X_4 - the ration between financial expenditures and amount of affairs;

X_5 - the ration between staff expenditures and amount of affairs.

According to the calculated values one can determine bankruptcy probability:

Table 3. Bankruptcy probability

Company's position	Z score	Bankruptcy probability
	Z<0	>80%
- unfavorable	0 - 1.5	75 – 80%
	1.5 - 4	70 – 75%
- uncertain	4 - 8.5	50 – 70%
	8.5 - 9	35%
- favorable	9 - 10	30%
	10 - 13	25%
	13 - 16	15%
- very good	16 - 20	<15%

During the analyzed period, the analyzed company registered the following scores calculated according to the Conan-Holder function:

$$\begin{aligned}
 Z_{2004} &= 0.24 \times \frac{-181688043}{2238094144} + 0.22 \times \frac{-1549978143}{688476746} + 1.2 \times \frac{43028834}{688476746} - \\
 &- 0.87 \times \frac{1516522}{441705637} - 0.1 \times \frac{502740286}{441705637} = 0.557 \\
 Z_{2005} &= 0.24 \times \frac{80866272}{1034248903} + 0.22 \times \frac{-353123133}{702562766} + 1.2 \times \frac{42009099}{702562766} - \\
 &- 0.87 \times \frac{1558876}{565130059} - 0.1 \times \frac{519239646}{565130059} = 0.059 \\
 Z_{2006} &= 0.24 \times \frac{109720549}{1225533545} + 0.22 \times \frac{-544435165}{675045910} + 1.2 \times \frac{80856505}{675045910} - \\
 &- 0.87 \times \frac{1578170}{589315402} - 0.1 \times \frac{489180724}{589315402} = 0.097
 \end{aligned}$$

Comparing the calculated values of the score function with the reference values established for this function one concludes that the company has a bankruptcy probability ranging between 75 and 80%. This ranging maintains each year; 2004 seems the most favorable year while the next year seems the least favorable one for the company.

Conan - Holder function might also have the following appearance:

$$Z = 0.24 \times X_1 - 0.22 \times X_2 - 0.16 \times X_3 + 0.87 \times X_4 + 0.10 \times X_5 \tag{5}$$

where the rates have the same significance as above with the mentioning that rate number 3 is given by the ratio between circulating assets and total assets and that in case of the last installment instead of the amount of affairs added value has been employed.

According to this model one has established that a score of 0.210 is equivalent with a probability of the bankruptcy risk of 100%, a score of -0.068 is equivalent with a bankruptcy probability of 50%, and a score of -0.164 is equivalent with a bankruptcy probability of 10%. The admitted limit for a client's score is -0.068; thus bankruptcy risk has a probability of appearing higher than 50%, a fact that determines an important risk of the company's mal – payment.

According to this form of Conan – Holder function, the analyzed company during the three years that have been questioned registered the following scores:

$$Z_{2004} = 0.74$$

$$Z_{2005} = 0.21$$

$$Z_{2006} = 0.25$$

When comparing the scores registered by the company with the values proposed as inflexion points one notices that in 2004 the company's bankruptcy probability is 100%, the scores registered by the company being higher than the accepted limit of 0.068, tremendously over-passing 0.210.

In case of direct companies the proposed function has the following form:

$$Z = 0.0136 \times X_2 + 0.0197 \times X_3 + 0.0341 \times X_6 + 0.0185 \times X_7 + 0.0158 \times X_8 - 0.0122 \quad (6)$$

where: X_6 - the ratio between one's capital and total assets;

X_7 - the ratio between the gross result of exploitation and total assets;

X_8 - the ratio between the needed running fund and the amount of affairs.

In case of direct companies the correspondence between the values of Z function and the probability of bankruptcy risk is the following one:

- if $Z > 0.20$ bankruptcy probability is less than 35%;
- if $-0.3 < Z < 0.2$ bankruptcy risk ranges between 35 and 65%;
- if $Z < -0.3$ bankruptcy probability is higher than 65% (a difficult situation).

The model of balance sheets centralizing conceived by the Bank of France.

It exhibits companies' bankruptcy risk according to a score of 8 variables representing economic and financial profitableness rates. The eight rates have been chosen among 26 rates of a sample of 3000 industrial companies having less than 500 employees, grouped as normal and deficient. Their weakness has been studied during three years preceding bankruptcy, namely between 1977 and 1979.

The first two rates used by the model better show the companies behavior, giving 50% of the discriminating characteristic that divides the companies into normal and deficient.

The function used in order to determine the score is the following one:

$$100 \times Z = -1.255 \times R_1 + 2.003 \times R_2 - 0.824 \times R_3 + 5.221 \times R_4 - 0.689 \times R_5 - 1.164 \times R_6 + 0.706 \times R_7 + 1.408 \times R_8 - 85.544 \quad (7)$$

where: R_1 - Ratio between financial expenditures and gross exploitation exceeding flow (normal=38.8%; deficient=88.6%);
 R_2 - Ratio between permanent capital and invested capital (86.7% - 73.2%);
 R_3 - Ratio between self-financing capacity and total debts (30.2% - 19%);
 R_4 - Ratio between gross exploitation exceeding flow and amount of affairs (average 6.8%);
 R_5 - Average duration of suppliers' payment;
 R_6 - Increase rate of added value (average value of 11.7%);
 R_7 - Average duration of in flows from customers (average duration of 79 days);
 R_8 - Ratio between investments and added value (average value of 10.1).

According to the resulted values bankruptcy probability is the following one:

Table 4. Bankruptcy probability

Risk zone	Z score	Bankruptcy probability
- very risky zone	< -1.878	80 – 100%
- risky zone	$-1.878 < Z < -1.25$	60 – 80%
- unsafe zone	$-1.25 < Z < 0$	45 – 60%
- normal risk zone	$0 < Z < 1.25$	21 – 45%

The following table is calculated according to the score function proposed by the Bank of France:

Table 5. The calculation of the value of the score function proposed by the Bank of France

Indices	Period	
	2004 - 2005	2005 - 2006
$R1=CF/EBE$	0.02	0.014
$R2=CEPR/CINV$	0	0
$R3=CAF/D$	7.6	0.08
$R4=EBE/CA$	0.14	0.18
$R5=Fz/Rc FZ \times 360$	640 days	738 days
$R6=...VA/VA$	0.93	0.053
$R7=Ci/Rd Ci \times 360$	25 days	38 days
$R8=I/VA$	1.60	1.37
Z score	-513.24	-564.47

Taking into account the values proposed for settling bankruptcy risk, one can state that the company exhibited a bankruptcy risk probability of 100% during the two periods analyzed.

Anghel model. It is a Romanian model of predicting bankruptcy risk conceived by professor Ion Anghel according to 20 economic and financial indices, the sample including 276 companies belonging to 12 branches of the national economy. The score function of this model is the following one:

$$A = 5.676 + 6.3718 \times (\text{profit/incomes}) + 5.3932 \times (\text{total liquidities/debts}) - 5.1427 \times (\text{debts/total assets}) - 0.0105 \times (\text{obligations/CA}) \quad (8)$$

The company analyzed according to Anghel score function registered the following results:

$$\begin{aligned} A_{2004} &= 5.676 + 6.3718 \times (-0.307) + 5.3932 \times 0.0031 - 5.1427 \times 3.250 - 0.0105 \times 4.776 \\ A_{2005} &= 5.676 + 6.3718 \times (-0.278) + 5.3932 \times 0.0032 - 5.1427 \times 1.4721 - 0.0105 \times 1.78 \\ A_{2006} &= 5.676 + 6.3718 \times (-0.282) + 5.3932 \times 0.0146 - 5.1427 \times 1.815 - 0.0105 \times 2.05 \\ \dots A_{2004} &= -13.02 \dots A_{2005} = -3.667 \dots A_{2006} = -5.397. \end{aligned}$$

The value of score function ranges between 0 and 2.05. The predictive capacity of the model resulted in a success rate of 97%.

As the inflexion point that separates risky companies from uncertain ones is the origin, one can state that the company exhibits a higher bankruptcy probability due to the worsening condition of the company, a fact also mentioned by other indices and the other score functions employed. The year when the company's condition improved was 2005.

The aspect that negatively influences the score functions is mainly determined by the high amount of debts and the slow rotation speed of the debts (debts' payment).

As a conclusion, the score is a "precocious" detecting tool of bankruptcy risk; nevertheless the information given by this method should be prudently used as companies operate within a complex environment having multiple determination variables.

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GENERAL ASSESSMENT OF THE TOURISM DEVELOPMENT IN THE RURAL AREAS

DORU-BOGDAN RĂVAȘ *

ABSTRACT: *The tourism's measurement in the view of the lasting development supposes the approach and the application of certain principles and models which constitute the foundation of the formation and use of a set of indicators as complete as possible. The analysis of the touristic phenomenon needs the approach and the application of methods which are adequate to the situation, to the moment, among which are: the historical method, the geographical method, the institutional method, the interdisciplinary method, the sociological method, the product method, the economic method, the managerial method, the systems' method.*

KEY WORDS: *tourism, development, strategies, indicators, measurement.*

The services in our days devolve an essential role in the economic growth. This trend expressed on the world scale, is sensibly manifested at Romania's level, the priority being the tourism's lasting development, as an essential component of the tertiary industries. The belonging of tourism to the services area derives from the achievement way of certain of its defining features such as mobility, dynamism or adaptation capacity to each tourist's exigencies, as well as the peculiarities of the touristic product, as this is the result of a harmonious services combination to which correspond specific outlines and own utilization mechanisms.

The tourism globalization and lasting development process aims at practicing the touristic activities under the ecological incidence and the resources rational use, today the rural tourism being the one which best fits the respective demands.

The necessity of coordinating the efforts both at the regional level as well as at the national level in order to accomplish important projects in the field of rural tourism is correlated with the process of measuring the activities that are involved in the practice of this type of tourism. Thus, it is justified the idea of treating and using the statistical methods in the rural tourism analysis, laying the bases of an indicators' system with applicableness in the rural tourism and the possibility of adaptation for

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other forms of tourism, or of a selective research whose methodology of conception, collection, systematization, processing and analysis of the data may be expanded and used at the level of other components in tourism.

The structure of the life's quality and the components of the indicators involved in its measurement it will be emphasized by the tourism's role as a main influence factor.

The theories and the various view points concerning the tourism's implications in the process of economic growth have been given starting with the implications and the considerations of the touristic activity under the influence of the touristic phenomenon's constraints and optimizations upon the economy.

The tourism's measurement in the view of the lasting development supposes the approach and the application of certain principles and models which constitute the foundation of the formation and use of a set of indicators as complete as possible. The analysis of the touristic phenomenon needs the approach and the application of methods which are adequate to the situation, to the moment, among which are: the historical method, the geographical method, the institutional method, the interdisciplinary method, the sociological method, the product method, the economic method, the managerial method, the systems' method.

The diversity of the services, the seasonal character of tourism, the typology of the tourism's forms, the prices' and tariffs' category implies using an indicators' system, which can be approached as a cybernetic system. At its turn, this system is compounded by a multitude of subsystems. The connections which are established between them depend on a large amount of the methodologies applied in what concerns the collection, the systematization and the presentation of the data as indicators. The stage of collection, systematization and presentation of the statistical data, necessary for the measurement of the activities carried out within the touristic sector, hence in the rural tourism, needs the establishment of the observation units, of the object and of the periodicity of statistical observation, as well as of the sources of collecting the data which are specific for each kind of objective, these being conceived synthetically and presented in a table. The processing of the information which are collected and systematized can be achieved only in the context of the elaboration and application of an indicators' system adequate to this type of tourism.

The indicators' system used in the analysis of the rural tourism activity analysis presents itself as a subsystem separated from the system of indicators generally applied for tourism. Under the background of the presentation of the notions regarding the rural tourism there have been also touched aspects related to the peculiarities of the rural tourism activity, allowing this way the particularization of the indicators' set, according to the elements which are specific to the activities carried out by practicing this kind of tourism.

Adapted to the new interior and international demands, the indicators' system applied to rural tourism has been originally established starting by pointing out the indicators used in tourism, outlined in conformity with the classification methodology corresponding to the EUROSTAT demands.

According to the general principles that must be observed in the creation of the set of indicators of the rural tourism, of the main tasks accomplished by its quantity and quality component elements, it has been created and synthetically, clearly and concisely given - an indicators' system presented in a new way, with applicability within this form of tourism. This includes: the indicators of the rural touristic demand, of the rural touristic supply, of the relationship between the rural touristic demand - supply, indicators of assessment of the market shares of the rural tourism companies and of the attractiveness towards a rural touristic activity producer, the indicators of the expenses and of the value results of the rural touristic activity, as well as of the indicators of rural touristic activity's quality.

The structural mutations that have occurred in Romania's rural tourism are also treated by the means of the same indicators. The fluctuations are presented, in the first place, by the comparisons made between the indicators of demand and supply in the rural tourism and those at the Romania's level.

The statistical methods used in the study of the rural tourism activity are completed by the conception and the application of a poll, which comprises original component elements and processing methods, specific to the practice of this type of tourism. The presentation of the research is achieved only after it is made clear beforehand the necessity of using the poll in the study of tourism by stressing the poll as a means of investigating tourism both by a conceptual aspect, and both by a practical one, through surveys regarding the touristic demand of the Romanian residents.

Very important are also the arguments regarding the necessity of developing the rural tourism and the perspectives of its integration on the European touristic market. The justification starts from the consideration of the identification of the rural touristic supply and demand, by continuing with the presentation of its structural components in close correlation with the process of its promotion. There are pointed out the perspectives of the development of this type of tourism in a proper way, both by presenting the possibilities of integrating the touristic product on the European touristic market, by the researches programs made by SAPARD, ISPA, PHARE, etc.

To the same aim it's also being made action through the Tourism's Satellite Account (C.S.T) initiated by the EU Statistical Office (EUROSTAT), in collaboration with O.M.T and with W.T.T.C. C.T.S. This represents the statistical instrument used with the purpose of measuring the goods and services according to the international standards regarding the concepts, the classifications and the definitions that facilitate the achievement of viable comparisons with other industries, between countries or groups of countries. It makes the link between the noncurrency information on tourism (the journey's purpose, the number of arrivals, the duration of the stay, a.s.o.) and the financial ones (the visitors' consumption, the touristic production value, a.s.o.), consisting in a set of economic (currency) flows pursued from the touristic consumption units to the production ones, which are dealing with the manufacturing or importing the goods and services purchased by tourism.

The original manner of approaching these aspects consists in treating the problems of measurement of the rural tourism from the angle of the peculiarities of this type of tourism, by conceiving a new system of indicators with applicability at the level of the country and of the various areas where this is practiced. Its conception has represented the result of the necessity of expanding the business in the rural tourism, which needs an overall picture regarding the rural touristic activity, of an evaluation of the past, present and future situation, under the circumstances of the tourism's lasting development and its integration in the coordination of the international quality standards. The possibilities of application of the set of indicators established in the system is emphasized in the work by the application of the methods which would include them in the analysis of the evolution trends of the rural tourism activity in Romania in order to optimize this kind of activity.

As a conclusion this article tries to approach the complex and multidimensional problems concerning the measurement of the rural tourism activity. Its aim is to treat the "key" coordinates of the rural tourism comprehension sphere, the indicators used in the assessment process, of the methodologies and methods applied to the information concerning the components of the activity of this type of tourism or of those obtained by using the public opinion poll in the analysis and the appreciation of the behavior, the opinions and the motivations of the touristic demand in Romania, by concluding the theoretical and practical approaches with emphasis on the necessity of developing this form of tourism in the perspective of its integration on the European touristic market.

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REGIONAL DEVELOPMENT FROM EUROPEAN PROGRAMMS

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ABSTRACT: *The European Community acts for economical and social cohesion strengthening, and especially to eliminate inequalities between development levels of different regions. It is the reason for which the member-states participates to a regional european policy co-financed with European funds, Structural Funds and Cohesion Fund, that confers a certain sense to community solidarity. One of the most important programs is ESPON 2013 - European observation network on territorial development and cohesion. The purpose of the ESPON 2013 Programme is to support the “reinforcement of regional policy with studies, data and observation of development trends”, seen as a necessity as part of Structural Funds 2007-2013.*

KEY WORDS: *regional policy, strategy development of regions, Structural Funds, European Union*

One of the most prosper economical zones in the world, European Union has, since the integration In 1st of January 2007 of the two new states, Romania and Bulgaria, an internal market and a human potential more than 500 million citizens.

The Community acts for economical and social cohesion strengthening, and especially to eliminate inequalities between development levels of different regions. It is the reason for which the member-states participates to a regional european policy co-financed with European funds, Structural Funds and Cohesion Fund, that confers a certain sense to community solidarity. One of the most important programs is ESPON 2013 - European observation network on territorial development and cohesion.

The purpose of the ESPON 2013 Programme is to support the “reinforcement of regional policy with studies, data and observation of development trends”, seen as a necessity as part of Structural Funds 2007-2013. The ESPON 2013 Programme, to be established under Objective 3 of Structural Funds 2007-2013 dealing with “European Territorial Cooperation”, is presented in this programme document. The introduction sets the policy scene for the programme and challenges that call for more comparable evidence and information for regions and different types of territories.

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The following programme strategy analyses the present situation looking at strength, weaknesses, opportunities and threats, both in relation to the European territory and its evolution and in relation to the experience gained with the ESPON 2006 Programme. The overall objective for the ESPON 2013 Programme and the corresponding strategic and specific objectives are subsequently made clear, leading to 5 programme priorities, each with a number of actions to be implemented.

The European-wide evidence provided by the ESPON 2007-2013 Programme will potentially benefit policy makers all over Europe at all levels. Policy makers dealing with development of regions and larger territories need for the design of their policies to be supported by evidence and comparable information on the regions as well as on long-term evolutions and perspectives, which draw the attention on changing framework conditions.

Results from the ESPON 2006 Programme confirm that the development of the European territory is facing several ongoing mega trends and impacts of policies.

- Market forces and evolution of society in general are supporting a geographical concentration of activities.
- The integration of the EU in the global economic competition is accelerating setting wider perspectives for regions and larger territories in deciding their development path, as development is no longer a zero sum game for Europe.
- Growing interaction between the EU territory and the surrounding neighbour countries as well as the other parts of the world (such as migration pressure, population decline, access to and investment in new markets, climate change, water management in Mediterranean and Black Seas, fossil resources and pipelines).
- The ageing European population and migration is affecting the regions differently and enhance the competition for skilled labour.
- Hazards are increasing due to climate change while different parts of Europe experience different types of hazards.
- Increasing energy prices and the emergence of a new energy paradigm has significant territorial impacts, some regions being more affected than others, some of which have particular potential for production of renewable energy sources.
- The enlargement of the EU to 25 Member states, later to 27 or more, presents an unprecedented challenge for the competitiveness and internal cohesion of the EU.

The ESPON results also give evidence that territorial capital and potentials for development are inherent in the regional diversity that is a characteristic of Europe. By providing comparable regional evidence the regions of Europe get the opportunity to address their strong and weak points in a European territorial context and to enrich their development strategies, project ideas and cooperation arrangements.

The ESPON 2006 Programme has provided integrated analysis and long term spatial scenarios which has enriched the European policy debate and provided observations on challenges and territorial structures that before were not fully evident. Interest is growing among policy makers and practitioners for the information, knowledge and understanding ESPON can offer.

Cohesion policy and regional policy, with their objectives on cohesion, competitiveness and territorial cooperation, have to rely on solid and comparable regionalised information to meet the new challenges and become efficient. This holds true for all three objectives of Cohesion policy 2007-2013. The ESPON 2013 Programme shall play a strategic role in supporting this policy process with evidence and information. The support will be carefully programmed in time in order to meet key moments of in the policy development.

The intergovernmental process defining politically a Territorial Agenda for Europe based on an analysis of the territorial state and perspectives for the European Union is making substantial use of existing ESPON results. Further activities and monitoring of the European territory in relation to the political agenda is also expected to require information stemming from ESPON 2013 actions.

In providing new evidence within the ESPON 2013 Programme a certain thematic flexibility should be ensured in order to (1) meet the demand for outputs from an ever changing political agenda of European cooperation, and (2) strengthen a territorial approach and focus on knowledge of importance for new policy development, alerting policy makers on (foreseen and unforeseen) trends, perspectives and policy impacts that might need policy response. The programme will base itself on the results achieved within the ESPON 2006 Programme and the territorial challenges facing Europe. The outcome of ESPON 2006 Programme has made an important first step towards improving the European knowledge base. Further comparable information and evidence on all regions of the entire European territory shall support future evidence based regional policy. Better and comparable information can help regions meet the renewed paradigm for European development according to the Lisbon and Gothenburg strategy and to see potential for improving regional competitiveness and territorial cohesion.

Understanding the position of each region in comparison with other regions plays an important role in identifying new potentials for development. Key options have to be explored from a European perspective, providing the larger territorial context and making it possible to see new opportunities and under-used potential. Awareness raising and involvement of policy makers and practitioners are therefore very important elements in the ESPON 2013 Programme where a substantial communication and capitalisation is foreseen. Stakeholder events will be an important part of the programme implementation and include representatives from all administrative levels. As a European dimension is becoming inevitable for the development of smaller or larger territories the ESPON 2013 Programme envisages making the ESPON evidence and analytical support available for relevant user groups. This would empower policy makers at different levels in defining comparative advantages and options for added value through “territorial” cooperation with other regions.

All in all, the European process moves towards a more integrated approach to policy making which makes the territorial dimension important for policy makers. The aim of territorial cohesion proposed by the Commission supports this approach by

taking the territory as the unit or framework of policy making. By providing evidence based on territorial units of analyses the ESPON 2013 Programme is of strategic importance for the European cooperation. Cohesion Policy 2007-2013 shall through intervention support a regional policy aiming at convergence between regions, regional competitiveness and European territorial cooperation.

According to Art. 6 of Regulation (EC) 1080/2006 of 5 July 2006, under the European Territorial Cooperation objective, the ERDF shall focus part of its assistance on the reinforcement of the effectiveness of regional policy by promoting: inter-regional cooperation focusing on innovation and the knowledge economy, environment and risk prevention; exchange of experience concerning the identification, transfer and capitalisation of best practice (including sustainable urban development); actions involving studies, data collection, observation and analysis of development trends in the Community.

The ESPON 2013 Programme will carry out actions related to studies, data collection, observation and analysis of territorial development trends and carry through applied research and targeted studies providing observations and analysis of dynamics related to the entire territory of the Community (Regulation (EC) No 1080/2006 of 5 July 2006, Art 6). These will include addressing themes that provide relevant information for all programmes under Structural Funds and for the strategic process and dialogue envisaged between the Commission and Member States during 2007-2013 (Regulation (EC) No 1083/2006 of 11 July 2006).

The work will take account of the categorisation of Structural Funds assistance as described in Commission Regulation (EC) No 1828/2006 of 8 December 2006, annex II, and in particular make use of territorial types codified for the territorial dimension, which include urban, rural-mountains, rural-islands, rural area (sparsely and very sparsely populated), rural-other, former external border, area dependent on fisheries, outermost region, transnational cooperation area, cross-border cooperation area and inter-regional cooperation area.

The results of the ESPON 2013 Programme will provide knowledge support to Cohesion policy interventions in general. Knowledge support in relation to Objective 1, 2 and 3 is expected to create substantial added value. For programmes under Objective 1 and 2 the evidence provided by ESPON 2013 will support the inclusion of a European perspective in programme strategies and help better define, target and localise some themes and actions. For Objective 3 the ESPON 2013 results will supply programmes for cross-border cooperation, transnational and interregional cooperation with comparable information and evidence at the level of regions that can help define under-used potentials and comparative advantages for development of strategies, programmes and projects. Knowledge support to Structural Funds programmes 2007-2013 includes support to actions related to the Regions for Economic Change initiative.

A special complementarity will be ensured with the interregional networking programmes INTERREG IV, URBACT II and INTERACT II through close cooperation and coordination during the programme implementation. Synergies between the three network programmes INTERACT II, ESPON 2013 and URBACT II

as well as the interregional cooperation programme shall be achieved through a strong coordination in elaborating the Annual Work Plans and also by providing information to the respective Monitoring Committees on activities as well as results achieved in the programmes. Furthermore, a close cooperation is intended as regards technical programme implementation matters. Strong links will be made to the network programmes INTERACT II and URBACT II, which can include delivery of thematic analysis for their activities and common actions in support of awareness raising, networking, dissemination of good practice and involvement of stakeholders in the development of different types of territories.

In addition, the Interregional, Cross-border and Transnational Cooperation Programmes are considered as particularly potential users in relation to the user oriented approach taken in the ESPON 2013 Programme. The financial plan reflects the programme strategy and the actions envisaged informing on the breakdown of the total financial contribution envisaged III. Breakdown per each year of the total financial contribution envisaged from each fund. At European level, the ESPON 2013 Programme will only receive financial contribution from the European Regional Development Fund (ERDF). The yearly contribution as well as the total contribution can be seen from the table below (table 1):

Table 1. ERDF contribution for ESPON 2013 Programme, per year in €.

Priority	ERDF
2007	€3.550.259
2008	€3.786.941
2009	€4.200.661
2010	€4.801.786
2011	€5.425.275
2012	€5.892.450
2013	€6.376.140
TOTAL	€34.033.512

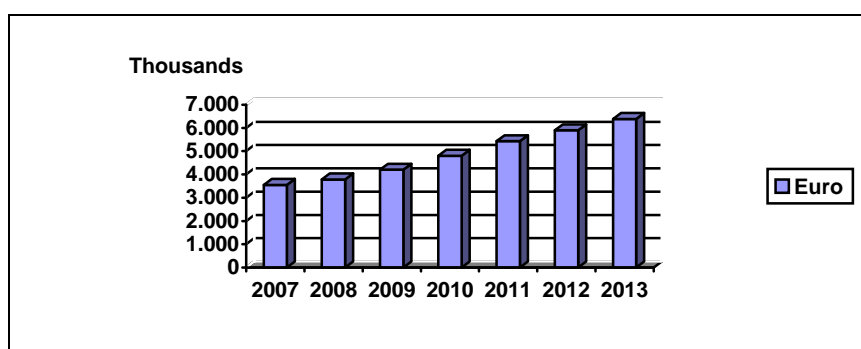


Figure 1. Contribution of the European Regional Development Fund for ESPON

Breakdown for the entire programming period and for each priority of the total financial contribution of the Community fund, the public national counterparts and the rate of contribution from the funds.

The total financial contribution of European and national funding can be seen from the following table that displays the breakdown of the total contribution for each priority during the entire programming period 2007-2013 (table 2):

Table 2. Total funding of the ESPON 2013 Programme with breakdown by Priority and Source in €.

	Community Funding	National counterpart	Indicative breakdown of the national counterpart		For information	
	ERDF		National Public funding	National Private funding	EIB contributions	Other Funding
	(a)	(b) = (c) + (d)	(c)	(d)		
Priority 1: Applied research	€17.317.512	€1.924.000	€1.924.000	€0,00	€0,00	€0,00
Priority 2: Targeted analysis	€5.229.000	€1.307.250	€1.307.250	€0,00	€0,00	€0,00
Priority 3: Scientific platform	€5.225.500	€922.500	€922.500	€0,00	€0,00	€0,00
Priority 4: Capitalisation	€4.356.000	€1.158.100	€1.158.100	€0,00	€0,00	€0,00
Priority 5 TA, Analytical Support, Communication	€1.905.500	€6.032.650	€6.032.650	€0,00	€0,00	€0,00
TOTAL	€34.033.512	€11.344.500	€11.344.500	€0,00	€0,00	€0,00

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THE LEGAL SETTLEMENT OF UTILITIES AND THEIR PRIVATIZATION IN ROMANIA

MELINDA SZASZ *

ABSTRACT: *Public administration represents that special state activity that is neither law nor justice. Through public administration state achieve its goals, respecting legal regulations. Utility is a general interest activity, made by public administration, whose mission is to satisfy the general interest. Taking about constitutional basement we can declare that our constitutional text work in modern constitutional markscale. The constitutional text contains expressly or implicitly regulations about utilities. Utilities have a special juridical schedule – called administrative schedule. Their organization and administration is made after special principles, characteristic for public law. Utilities are essential for society because they are instrumental device, that assure a certain level of welfare to the citizen.*

KEY WORDS: *public administration authorities, utility, public servant, public interest, local autonomy.*

1. UTILITY AND ITS CONSTITUTIONAL FOUNDATION

On the subject of utility Romanian Constitution is a modern constitutional text. It contains special or implicit regulation concerning utilities.

Constitutional settlements applicable to utilities can be grouped in:

- regulations about general principles of all public administration authorities activity, like “equality in front of law and public authorities without any privilege or discrimination” (article 16 (1)), “no one is above the law” (article 16 (2)), “equality of rights without discrimination” (article 4 (2)), “ the public authorities’ commitment to respect and befriend intimate, familial and private life” (article 26 (1)), the indemnification of university autonomy (article 32 (6)) or radio and television public services etc.
- regulations about principles of public administration and utilities’ organization and activity; in this sense constitutional text establish the principles of local

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public administration organization: decentralization, local autonomy and debunching utilities (article 120 (1)),

- regulations that establish public authorities able to deliver utilities; in this sense is remained city council and the prefect¹,
- regulations referring to fundamental rights, liberties and human obligations; in this sense are regularized utilities that provide education through public or private institutions (article 32), social assistance (article 34), information by any legal means.

Public administration activity consists in insuring utilities work. Much more, public administration itself is defined through utilities.

Like any other juridical institution, when we talk about utilities we must specificate its organic and functional sense. In its organic sense, utility represents an assembly of agents and means affected by a public authority or an agent authorized by a public authority to satisfy a public interest. In its functional sense, utility represents an activity of general interest realized by public administration with the aim of accomplishing general interest. This latest sense is adopted by administrative courts regarding the mission of utilities

So, we can observe a tide and necessary interdependence between utility and general interest. This doesn't mean that general interest is satisfied only through services offered by public authorities. And here we must underline that utility's privatization represents an important objective of public administration reform. In this sense, in a study, the mayors answered to some questions related to the privatization of utilities.

The conclusions of the study showed that mayors from urban medium consider utilities privatization an important objective to achieve, while mayors from rural medium consider utilities privatization not so important. Analyze reveled in the same time that in rural medium are less utilities that can be privatized, that why majors consider it unimportant. In the same time the study' results reveled that the size of the town is another factor that influences the availability to privatize utilities. So, in little towns majors wish to privatize utilities, because they interpret utilities as heaviness and they want to escape from this responsibility.

The public way to satisfy a general interest is different than the private one. So, for private companies, the principal aim is to primary satisfy their own interests and to obtain profit, and only after achieving these to satisfy public interest.

Utilities will know a huge development to the middle of XX century. They will become the fundament of the public administrations' activity. Usually, utilities represent a general interest activity, made by an organism, a legal person authorized by public administration authorities. Utilities represent a complex and, in the same time, essential notion of administrative law.

¹ The prefect administers debunching utilities of ministry and other central authorities of public administration.

We underline here a few particularities of utilities:

- utilities are founded through public administration authorities act of will (through decisions of city council);
- utilities have a specialized character and are related to the concrete needs appropriate to the local collectivity;
- utilities departments are: local transport, roads, water and canalization, salubrity, twilight, town administration etc;
- utilities management and activity are established by the law;
- the main goal of utilities is represented by public interest accomplishment;
- the competent authorities to realize utilities are public administration authorities or other legal persons authorized by them;
- the utilities financial means are provided by administrative-territorial unit's budget;

The utilities foundation and management legal base is represented by Constitution, as we said before, and Law 51 from 2006. In this law's view utilities are those local interest actions realized by public administration authorities; their aim is to provide public utility services.

Fundamental principles of utilities are:

- utility's continuity;
- the possibility to modify utilities regimen;
- equality in front of utilities;
- to satisfy public/general interest.

2. CONCLUSIONS

Local public administration is one of the important sectors of state administration. Our fundamental law, the Constitution adopted in 1991, established the fundamental principles underpinned to the reforms present in all society's fields, inclusive public administration – representing the incidence domain of state-citizen relation.

So, decentralization, local autonomy and debunching utilities are the constitutional principles of public administration. In 2001, the public administration's law established, beside local autonomy and public services' decentralization, other essential principles for public administration's organization and activity: public administration authorities' eligibility, legality and consulting citizens in local problem of special interest.

According to law's settlements, local authorities - city councils and mayors – must solve in the name and interest of local collectivities the public business and resources. Many responsibilities were transferred to local administration, getting the first base with financial decentralization, trying to get administration next to citizens, as much as possible.

Utilities represent a central activity of public administration authorities, an institution whereby public administration is defined. Utilities don't have as object an

industrial or commercial activity. They are represented by an activity or ensemble of activities wherethrough administrative institutions action in a legal frame to satisfy general interests. Utilities have the characteristic that they offer certain activities like: education, art, culture, sport etc.

Utilities are important for the society, because they are intended to insure citizen a welfare level that they can't achieve alone. Utilities are offered by state and its territorial components. When the state proposes itself to satisfy the society's needs, he establishes the authorities that will assure this service, de establishes its competences and he offers the material, financial and human resources necessary to achieve the proposed objectives.

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SCIENTIFIC RESEARCH, TECHNOLOGICAL DEVELOPMENT AND INNOVATION AS PARTS OF SUSTAINABLE DEVELOPMENT

ANGELA TIMUȘ, LAURA AFTENI, STELA RÎNJA *

ABSTRACT: *This article is an integrate part of individual scientific project „Studies regarding improvement of investigation methodologies, techniques and proceedings in economic science”, and it was made in accordance with conditions which were stipulated in the contract for financing Nr.28/ind from 26.01.07.*

Scientific research and technological development are the main activities which create and generate economic and social progress in the modern world. In our days the science on the whole become a special branch in the national economy generating human (intellectual) effects, financial and technological trustworthiness which promote increasing funds of humane and investment sources for creation of new institutes and scientific areas. On the international plan knowledge, economy based on knowledge, represents base for economic and social development and science contribution is decisive for technological, economic and social progress.

KEY WORDS: *sustainable development, scientific research, technological development, innovation.*

On the international plan knowledge, economy based on knowledge – “new economy” represents base for economic and social development and science contribution is decisive for technological, economic and social progress. „New economy” is a world of scientists, people which create, a world where innovation and idea are more important than bulk production, where investor buy new concepts and ideas, new resource less for its creation, a world where modified technologies are constant.

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For assimilation of idea of „new economy”, and for us to be near to „new economy”, we need to realize, investigate and promote scientific researches. Scientific research and technological development are the main activities which create and generate economic and social progress in the modern world. In our days the science on the whole become a special branch in the national economy generating human (intellectual) effects, financial and technological trustworthiness which promote increasing funds of humane and investment sources for creation of new institutes and scientific areas.

Science is a definitive characteristic of the modern world. On the whole way of human development science registered accelerated rates, always being with one step forward. In present, science position overtakes horizon of human imagination and register rates of development equivalent to geometrical progressions.

The apogee reached by the contemporary science challenge us to review once more components of this concept in the junction between two millenniums.

Any human activity appears from needs identification. Scientific activity, its characteristics, results from its practical significance and functionality. We'll underline three functional aspects of science: science as knowledge in common; as tendency and cognition of truth; science as explication of causality of environment.

Science, respective, science activity has certain **objectives** (goals) and most important for the researcher is: accumulation, description, analysis, generalization and explication of facts and dates; identification of ordinary laws, society, scientific reflection and knowledge; systematization of knowledge; explication of phenomenon essence and processes of research; determination of directions and forms for practical application of knowledge.

In this way, science supposes studying of different objects and phenomenon from nature and society in order to collect and systematized facts and dates and after these explication and determination of directions and forms for practical application of new knowledge. As an argument we'll bring a definition of science by Paul Samuelson, laureate of Nobel Premium in Economy, ¹ „the first characteristic feature of science is that it must be a knowledge based on facts, organized in the way to explain and solve existing problems”.

Making actual signification of science for the present stage of the human development we can remark some specific characteristics of it:

- the necessity of real world researches within the unity of its existing forms;
- the use within a certain domain of all or the most of research methods - intricacy of research;
- increasing social role of science, changing of its paradigms;
- close examination of essence of natural processes;
- interdisciplinary – appearance of new fields of knowledge and research;
- global process – new scientific technologies;
- special interest for conceiving of human being and sense of life, etc.

¹ Paul Samuelson, Is there Life after Nobel Coronation?, 7 may 2002, www.nobel.se

Science is an aggregate activity and it can be concerned as an integrated system of methodological components, activities, institutions and other elements (Figure 1).

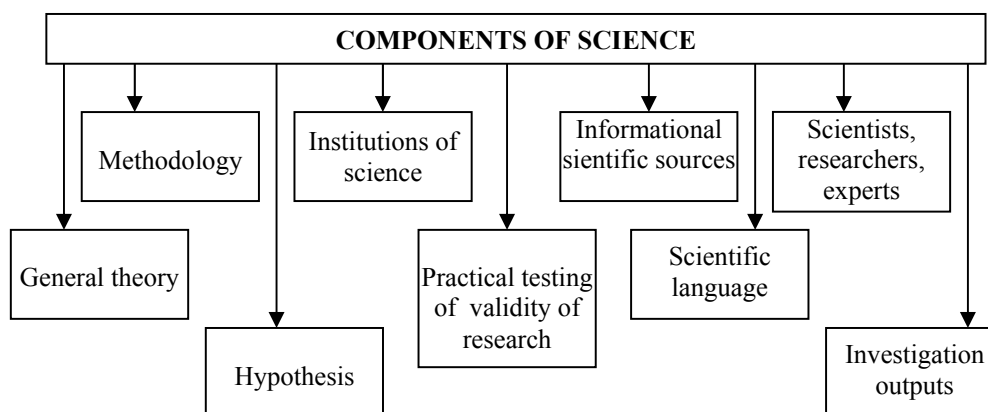


Figure 1. Components of science

A special approach of science is: the system of categories, theories, concepts and operating principles. Therefore, system of whichever science comprise set of concepts and categories about characteristics, properties, main connections between studied phenomenons². This is the argument for which this point represents the proof of the project's topic and describes much better the content of investigations.

Concepts are made in the cognition process through generalization of empirical survey results, through abstracting, idealization, comparison and other logical operations. Through aggregation of some concepts in the frame of some science **categories** are made. In the cognition process contribution of concepts and categories is essential and primordial, through them are traced important connections between studied phenomenon and processes, which are stable and recur. This fact potentate's basic comprehension of essence of phenomenon, perception of environment development **laws**³ and tendencies.

Science has as a fixed point some **principles**⁴, which incorporate leading ideas of theory and fundamental rules of empirical activity. Through the application of this principles can be made a connection between theory and practice. As a structural element of science principles have an important role, namely, they joint together all the

² Сабитов Р.А., Основы научных исследований, Челябинский Гос. Университет, 2002, стр.25

³ Legitățile, constituie un element structural a teoriei oricărei științe, care dezvăluie cele mai esențiale legături ale acesteia, de cunoașterea cărora depinde eficiența rezolvării problemei stabilite.

⁴ Principiile, în cadrul fiecărei științe pot fi atât generale cât și speciale (particulare) specifice unei anumite categoriei.

categories and laws into the unique logical system, which make possible right interpretation of processes from the universe.

Other important elements derive from laws and principles, as **methods, techniques and proceeds** used in the cognitive process.

Method (from Greek *methods*) represents the way, path, mode used for reaching of settled targets and goals. Choosing of researching methods directly depend on nature of studied phenomenon and claimable theory. Chose also depends on accessibility of methods and techniques, presence of applicable tools for investigations, financial sources, and period of time for research, intensity of conclusions.

Term of **technique (mechanism)**, in scientific knowledge is treated as totality of rules, proceeds and instruments for practice achievement of settled goals. „Research techniques added to methods appertain to operational steps of studying phenomenon approach⁵”. Thus, research techniques assume application of some proceeds and tools for investigation. Determination of these elements of scientific structure is needful, because if some of them show proceedings, then others are just material pylons for researchers in cognition process. Therefore **proceed** represent applied instructions for using of investigation instruments in the scientific research, and **investigation instruments** are material tools used by researchers for scientific cognition of studied phenomenon (economic phenomenon), as various tapes, observation sheets, questionnaires, etc.

As a result, on the one side, *totality of general (categories) and elementary (proceeds) elements integrated in one structure and induced by a range of conditioned interactions and correlations build-up an integrated scientific system*. On the other side, an integrated scientific system is mostly defined by composition, nature and content of elements which constitute this system, namely the whole structure of it.

But, as any contradictory phenomenon, differentiation process lead to integration process, which is possible and needful in the actual stage of science development. This phenomenon, will lead to continuous evolution of place exchange depending on the object, methods and proceeds of research, on the new place and role of science in the society.

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TECHNOLOGICAL AND SCIENTIFIC EVOLUTION INCORPORATED IN TECHNO PARKS

ANGELA TIMUȘ, ANDREI TIMUȘ *

ABSTRACT: *Economical growth and durable development of our society impose the assurance of an ample innovational dimension of development like an obligatory condition for the modernization of the scientific and technological base. The approach to some criteria of innovational development is possible if are created the special conditions for the researches realization, for the maintenance of humane creativity and promotion of the new products. To realize these goals, industrial countries created special locations- industrial parks, techno-parks, innovational incubators which represent preference zone for the businessmen and an optimal solution for the business development.*

KEY WORDS: *durable development, innovational development, the American model of the techno-parks, the Japanese model of the techno-parks, the mixed model of the techno-parks.*

Spectacular evolution of innovations and technologies, registered in some countries in the last few decades, constituted a major premise to development and investment strategies. The new types of investments, being generated by new financing and management schemes, was located in new forms - like special economic zones destined in initiation, creation and presentation of news - ideas, its deliver to realization and incubation period of creation. The ways that other developed countries created such zones become example for those who want and conceives these kinds of strategies.

More then that, European and Global context, determines for Republic of Moldova the acute necessity of economical competitive growth. The competitive advantage of an economy doesn't rely only on products, services or natural resources and not even on geographical and historical particularities. At the moment competitive advantage can be created only by sustaining and promoting knowledge, through the science and innovation. These desiderata constitute the bench mark of growth for all

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the economies. They are fundamental also for growth of economical and social competitiveness of our country.

Nowadays knowledge is perceived like a motive power of increase and productivity and also of the globalization that generates an increased interest towards information, technology and education. Science and technology become essential pillar of the new society and economy. Technologies are those who allow a transfer rate of the rising knowledge at a lesser price and with an increased efficiency. The role of them is determinant in economical growth.

The most eloquent example in which science and knowledge determine the abilities of labor force create and develop advanced technologies, innovations, but also generating mechanism of these from the scientific-research, elaboration and production domains are represented by scientific and technological parks (STP) - *techno-parks*. These are some of the most efficient mechanisms of framing the entrepreneurial structures in techno-scientific domain and fusion of the scientific and innovational activities. STP ensures the link between research institutions and superior education structures, business and government organism's inclusive management of interrelations between these groups, thus forming an integration mechanism of science and production of the financial structures and government institutions. At present STP are nominated as a primordial factor in creation and development of the informational technology (soft products), communication and innovation.

The first attempt of high technologies and innovation transfer in the production sector was performed at the beginning of '50 in USA. The registered achievements become a bench- mark for the development of high technologies and also for the economical growth obtained by states that take over rapidly the experience of USA. At the moment STP, on it different aspects: scientific and technological incubators, techno-parks - are incontestable parts of economy that tend to continuing economical development. Its creation and development means implementation of new business strategies, centered on exploration of new niches, new schemes of financing the investments in innovations, advantages of savings like a consequence of using high technologies.

A considerable growth of techno-parks, incubators is remarked at the end of '70 of the past century. After USA, a special place in their constitution was taken by Europe; here STP was opened first in Great Britain, Belgium and France and later in Germany (1983). At the middle of '90, in whole world, have been working 1200 special economic zones and from them 400 were techno-parks¹. Pointedly STP are technological and economical complexes that can play host for scientific research centers, technological and innovational incubators, also offer continuing qualification, prognoses, ensure all the necessary facilities for the organization of bargains, exhibitions and market development. STP can be conditional separated in three models: American (USA and Great Britain), Japanese (Japan) and mixed (France and Germany).

¹ Experience of techno-parks performances in China, [www. project@paton.kiev.ua](http://www.project@paton.kiev.ua)

The American model of the techno-parks includes three types of special economic zones:

1. “**Scientific parks**” in a tight sense of the word;
2. “**Researching parks**”, in which, in contrast with first, innovations are elaborated and brought to the type technique degree;
3. “**Incubators**” (USA) within universities “give host” for the new created companies, which rent the land, buildings with a reduced payment. Also they perform consulting and management services, have access to techniques and laboratories.

At the beginning of '80 in Great Britain and in East Europe have appeared and developed a new type of STP. It was oriented to the necessities of the small “innovational” enterprises - innovational centers, similar to American incubators. Their goal was fusion of knowledge expressed through the capital investments and entrepreneurial business, mobilization of public and private capital with the purpose to ensure a start for the new innovational companies.

The Japanese Model in contrast with American model, it suppose to set up new cities on empty places, which concentrate in a single place scientific researches in high technologies and industrial production based on laboratory studies. The project “Technopolis” of creation of the innovational technological centers was decided to realization in Japan in 1982. These kinds of zones work successfully in China. Technopolises have a few common criteria, no matter the country of creation:

- There are zones chosen close to town-centers which embrace a financial, economic, transport infrastructure and centers with a developed scientific infrastructure (“parent cities”);
- The zones usually cover a huge territory (about 500 square miles in Japan);
- Their involve set of modern technical-industrial complexes, universities, research centers and institutions, comfortable living arias with a cultural infrastructure;
- The results of scientific researches are sold and this supposes that the elaborated works have applicative specialization.

The Mixed Model. The countries that take over from both model of techno-parks created the “Mini-incubators” (France) that represent institutions endowed with new technique, skilled, trained workers that have the purpose to offer consulting services to all persons that initiate a business. In this model techno-parks are looked as an instrument of creation of an innovative and attractive climate and also instrument of consolidation of the technologies and procedures. From the countries that propose to take over and transfer the France experience in the creation of these kind of special zones is Romania.

Science and technology, like a key element for a competitive economy, is put into practice also in development strategies adopted by some countries in developing - China, Brazil, Turkey, India. As an example, one of the biggest Asian techno-park is located in Taiwan (Sindjou). This techno-park cover a territory of 380 hectares and it is specialized in the creation of communication systems, computer production, soft

programs, and medical inventory. A number of 135 companies activate on the territory of this techno-park that have 4 thousands workers.

The accelerated development of informational technologies and innovations in all sector of national economy impose the necessity of creation such o islands of “technological paradise”.

The creation of the zone where organically is solved the issue of technological processes optimization, financial services, management and implementation of innovation become a primordial necessity of the time.

The production activity of the techno-parks, as a specialized structure in the production of innovations, is created by the soft programs. An eloquent example is the techno-park from India “Bangalore”, created in 1984. At the moment this techno-park has more than 80 thousands specialists, a large variety of research institution - scientific, universities and colleges. The activity of these institutions in common with a sustained and promoted strategy was brought the bankable effect. This zone is considered one of the leaders on the international market in the creation of soft products.

Other example is the realization of the Microsoft Company, in common with the Turkey government, of a project - “Tehnokent”, in Istanbul. The complex will be build on the territory of 92 thousands square meters and it is supposed that this zone will extend on a territory of 552 thousands square meters. Microsoft Company want to set up a base of informational technologies for the countries from Neat East and Africa and also to employ 500 thousands workers.

The important actions in the creation of STP were realized by a lot of states in CSI. Thus was prepared the legislative base and was started the works for the realization of the project “Park of informational technologies” which will be opened near of the city Alma-Ata, Kazakhstan.

The Russian plans to open 4 techno-parks: in Novosibirsk, Sankt-Peterburg, Nijnii Novgorod and Dubna. A strategic attention is given to techno-parks in Uzbekistan. Estimation of the soft market in Uzbekistan is about 7-8 millions USA dollars per year. The profitableness of the soft products, in Uzbekistan, is very high. The government of this state makes all the possible for the realizations of the measurement regarding the creation of a favorable climate. All these are made to attract investors in informational and innovational technologies.

Informational technology is one of the most attractive products created in techno-parks and incubators. This doesn't need considerable investments and it is base especially on the skilled, trained personal and a system of order attraction.

Thus these specialized zones are set up in a conglomerate of institutions that can ensure a flux of licentiate specialists and sustained by the government through the promoting and stimulation program of the government.

The facilities given by the government are different regarding each particular country and the goal of techno-parks creation and it zone position. It is necessarily to mention a few important characteristics for the special economical zones:

- ✓ The foundations of these zones constitute a major strategy promoted, sustained and managed by the government;
- ✓ Fiscal relief given to firms that activate in these zones, inclusive relief from taxation on profit in the initial period, and discounts in different measures in ulterior activity;
- ✓ Free transfer abroad of the in-house facilities and the obtained profit for the natural personal and legal entity;
- ✓ In case of reinvesting the profit the enterprises are relieved of profit tax;
- ✓ The possibility to buy products at the export prices, this means without tax on added value;
- ✓ It is implemented financing system like “venture capital” with the purpose to attract investments in technologies with major risks.

The development of the innovational process in Republic of Moldova it is relatively new. Although some specialized companies in production of soft programs were licensed and begun to activate from 1993. A real proportion in their activity was registered beginning with 2000. The number of companies that produce soft for the commercialization it is limited. The majority of them are centered on the creation of the products on an order in which it is easy to control the production process and products commercialization. Besides big companies¹⁰ activate a series of small companies that doesn't publish their activity in the IT domain. According to information undertook from The State Chamber of Registration, license to perform soft production was obtained by 300 candidates. In reality only 10% of these 300 are trained in soft production activity. About 95% from the total number of companies that activates in Republic of Moldova are located in Chisinau, the rest of companies that product soft were created additionally in companies which perform IT services or commercialization of PC. The products and services of these companies are directed on local market in localities where they are registered. The great companies that activates in Republic of Moldova perform soft products both with national and international character. The volume of these products on market grows significant and their role becomes pregnant and vital more and more, that's why the promotion of a national strategy related with the soft industry is important for our country.

The mentioned strategy was adopted successfully in Baltic countries, Russia, Romania. In those countries the control on the rapid transition to an informational society is managed by government, who is the main controller in the process of transition to an informational society.

The main aspect for the elaboration of an efficient and relevant strategy in any domain, especially in IT, is the analyses of the situation regarding IT industry on the base of authentic statistics data. Besides data it is important also to use data from different official canals of a government institutional structure. This moment is missing

¹⁰ The internal market is represented by the following soft companies: Deeplace IMSP, DNT, RitLabs, Zingan, Unisim, MoldInfoNet, Riscom, Diginet, Daac-Sistem, Dekart, WebArt.

in Republic of Moldova. Additional to the existent legislation regarding IT industry it is necessary to approach a harmonious coordination of other industrial and investment strategies which will make more efficient the transition process to an informational society.

One of the solutions it is to create scientific and technological parks which will allow the successful realization of the base objective to the transition to a new society, will allow the foundation of an favorable ambient for the companies that activated on the soft market (innovations), will facilitated the electronic commerce ensuring the growth of the demand on specific products. Like a consequence those will drive to the growth of demand of professional specialists - growth of the volume of innovational researches in superior educational institutions - growth of the number of analytical specialists and managers. As well this will ensure a rigorous control on the quality of soft products, diversification of the soft products proposed on the intern and extern market and rapid transfer of realized innovation on the global market.

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NECESSITY OF APPLYING RESTRICTIONS ON CAPITAL FLOWS FOR THE DEVELOPING COUNTRIES

VICTORIA TIMUȘ *

ABSTRACT: *Despite of the multitude of advantages provoked by foreign capital for the developing countries, and namely as a result of foreign investments' efficient implementation in real sector of national economy, international practice of many countries from the last years, emphasizes a very stringent picture – the financial international market is supposed to a high instability, volatility in the directionning of capital flows, currency and financial crisis. Also, nowadays another avalanche of inflows attack the transition economies, namely, those resulting from transferring money gained abroad by migrants, which destabilizes not only the capital account from the Balance of Payments, but also, the whole macroeconomic indicators. That is why, it becomes actual not the problem of attracting capital into the national economy of one's country, but, very often, of finding measures to discourage financial flows' entrance - so of applying restrictions on capital account.*

KEY WORDS: *Tobin Tax, capital inflows, capital outflows, financial crisis, "contagion" effect, capital account, capital disequilibrium, Balance of Payments, economic cycle.*

The interest in using capital flows' restrictions appeared in the wake of currency crisis attested in Thailand, Indonesia, North Korea in the second half of 1997, Russia and Brazil in 1998-1999, which demonstrated a "contagion" effect, when a crisis launched in one country extends to other countries in the frame of a region or economic union, or simply among countries having economic and financial relations.

Among all the ideas of supporting or rejection the financial liberalization, there can be emphasized at least two moments:

On the one hand, the promoters of introducing restrictions on the free movement of capital, put the accent on the crises, which attacked a lot of countries, inefficiency of markets' activity under new rules, speculative attacks over weak developing countries.

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On the other hand, the adepts of financial liberalization support the idea that any intervention for discouraging short-term capital flows will also affect long-term capital flows, which are vital for economic growth of transition countries.

The nature of transactions and structure of regulation that can influence international capital movements are, however, potentially numerous and highly complex. In some countries the use of capital controls is pervasive, while in others it is selective. In some countries the structure of controls appears to be a legacy of the past, while other countries appear to use controls as active instruments of macroeconomic and structural policy. In order to design programs of liberalization of the capital account, or the regulatory frameworks for capital movements, it would be helpful to know what factors have generally led to the regulation or deregulation of components of the capital account. In designing such programs, it would also be useful to know if the regulation or deregulation of certain capital transactions has generally been associated with the regulation or deregulation of other transactions.

Economists agree upon the fact that many developed countries are forced to contract loans from the markets in transition as a result of the high rate of recovering on the domestic capital and the investment can be financed from cheaper sources from the foreign markets. Investors from developed countries do not only have the opportunity to take advantage as a result of placing own resources on emergent markets, but also have the opportunity to diversify risks and diminish costs.

Also, due to penetration of foreign financial institutions on local market, the domestic financial market's efficiency increases. The over-regulated and potentially inefficient domestic institutions obtain a high stimulant to compete, and the Government is forced to consider international procedures of capital market regulation.

An efficient activity of any economy, where prevails foreign capital directly depends on the investor' or creditor's attitude. In countries where the Government applies inefficient policies, investors can suddenly change their investment behaviour, withdrawing the invested capital, thus, severely punishing the host country of the invested capital.

Also, the crisis can affect a developed economy, with apparently strong principles of activity. The macro-level extension of crisis through the whole region or group of countries, as shows the recent experience, proves the inefficiency of the whole global financial system.

So, international practice knows some ways of stopping capital flows, the measures of discouraging capital movement, the so called method of "*sand-in-the-wheels*", by means of which these capital flows can be easily controlled and managed.¹

Types of Capital Transactions possibly subject to controls are given in Table 1.

¹ R.B.Johnson & Natalia T. Tamirisa, Why do countries use capital controls, International Monetary Fund, Monetary and Exchange Affairs Department

Table 1. Types of Capital Transactions possibly subject to controls

INFLOWS	OUTFLOWS
Capital and money markets	
Shares and other securities of a participating nature	
Purchase locally by non-residents	Sale or issue locally by non-residents
Sale or issue abroad by residents	Purchase abroad by residents
Bonds or other debt securities	
Purchase locally by non-residents	Sale or issue locally by non-residents
Sale or issue abroad by residents	Purchase abroad by residents
Money market instruments	
Purchase locally by non-residents	Sale or issue locally by non-residents
Sale or issue abroad by residents	Purchase abroad by residents
Collective investment securities	
Purchase locally by non-residents	Sale or issue locally by non-residents
Sale or issue abroad by residents	Purchase abroad by residents
Derivatives and other instruments	
Purchase locally by non-residents	Sale or issue locally by non-residents
Sale or issue abroad by residents	Purchase abroad by residents
Credit operations	
Commercial credits	
To residents from non-residents	By residents to non-residents
Financial credits	
To residents from non-residents	By residents to non-residents
Guarantees, sureties and financial backup facilities	
To residents from non-residents	By residents to non-residents
Direct investment	
Inward direct investment	Outward direct investment Controls on liquidation of direct investment
Real estate transactions	
Purchase locally by non-residents	Purchase abroad by residents Sale locally by non-residents
Provisions specific to commercial banks	
Non-resident deposits Borrowing abroad	Deposits overseas Foreign loans
Personal capital movements: deposits, loans, gifts, endowments, inheritances and legacies	
To residents from non-residents	By residents to non-residents
Settlements of debts abroad by immigrants	
Transfer into the country by immigrants	Transfer abroad by emigrants
Provisions specific to institutional investors	
	Limits (max) on securities issued by non-residents and on portfolio invested abroad Limits (max) on portfolio invested locally

In their essence these practices base on the application of restrictions on either entry or outflow of capital, are the following:

Capital outflow discouraging - this method was not only used by small and developing countries, but also by the high industrialized countries. Among the well known examples are USA policies from '60s regarding the establishment of equivalence tax on interest and the volunteer program of minimizing the volume of credits granted to other countries by banks. The establishment of a limit on the volume of credits granted by banks abroad was practiced by Italy and France during the '80s.

Such measures prevent a possible sudden outflow of capital from a country, also they diminish the risk of the country's reserve volume, as well as of interest rate increase. Besides all the above mentioned, such practices decrease net national borrowing, because of the fact that investors don't want anymore to invest in such an economy due to the risk of uncovering costs and initially invested capital. China succeeded to avoid the Asian financial crisis, because of the fact that the capital account convertibility was very low, thus it was protected from over-borrowing.

Discouraging of capital inflow - can appear as a result of preventing from over borrowing or over appreciation. As indicators for wonder for a national economy serve a high volume of capital inflows as weight in GDP or volume of exports, as well as national currency appreciation. Before the financial crisis starting from Thailand and Mexico, the volume of capital inflows in these countries attested high dimensions.

Many economists consider that it is easier to control capital entries than capital outflows, as demonstrated the experience of many countries, as it is "easier to make the capital off ones country than to retain it contrary to its desire".

Borrowing is the process, which can bring advantages not only for the creditor-country, or the foreign investor, but also to local economy, in case if the domestic market functions according to efficient principles.

An economy, were governs the rule of law, good economic policies, exists a strongly regulated financial market, with a high capital marginal product, should resist to a high indebtedness rate and be able to absorb the advantages resulted from the efficient implementation of the attracted resources.

The application of restrictions on the inflows of foreign capital should be a temporary action, only in the moments of appearance of signs, which attest a possible risk event, or financial disequilibrium - "*the umbrella should be open only when it rains*". According to the experience of Chilli, such restrictions were introduced only during the boom phase of economic cycle, when the volume of inflows was too high. Also, restrictions can be useful, when the Government needs time to think upon the way of foreign capital directionning. In case if the restrictions continue to be applied after the crisis' over passing, the economy risks to get isolated from the rest of the world and, thus, forced to find by itself financial resources.

Capital inflows structure' modification - according to statisticians, the structure of funds entering one economy is important as sources of generating a financial crisis, and namely the currency crisis and their over passing.

Thus, two main hypotheses are observed:

1. *The more are the weight of FDI, the more reduced is the possibility of attacks on one economy by crisis;*

2. *The higher is the volume of foreign borrowing in foreign currency by banks, the more evident is the production of a currency risk*².

The bank flows are more vulnerable in face of financial crisis, despite of other ways of financing. A high gap between the short-term liabilities and long-term bank assets makes a country vulnerable. But there also should not avoid the fact that FDI also can be risk generating and can provoke volatility in the structure of Balance of Payments of one country. For example, during a crisis, foreign companies can transfer funds from their representatives placed abroad to their central headquarter, despite of the existent controls. In any case, it is less probable, that the host countries of FDI can have disadvantages as a result of currency crisis.

As one of the measure in the framework of the given restriction, would consist in application a tax on short-term capital entries, the fact which can stimulate long-term capital inflows in one economy. Such an action promoted on behalf of the Government, will directly contribute to the change of capital composition coming to a country and to the attraction of financial resources, which can be efficiently used for the economic development of a country.

The example of applying this measure is known in Chilli, in 1991 by local authorities. Initially it was foreseen to maintain an amount of 20% from the volume of foreign credits taken by banks on a special account opened at Central Bank. The deposits' maturity varied from 90 up till one year, according to the credit's maturity and no interest on this deposit was foreseen. Consequently, in 1992 the obligatory reserves' requirements increased up till 30% from the whole amount of contracted credits, with fixed deposit period – one year, irrespective of the nature of credit. Also, it was obligatory that all FDI remain at least one year in the country.

This way of retaining one part of funds, is a kind of penalty for those banks, which contract short-term credits in foreign currency. Also this method can be applied as a lever in the country's monetary policy, when it is necessary to sterilize some quantity in foreign currency, in order to prevent the increase of foreign currency supply and, thus, appreciation of national currency.

Tax applied on all transactions in foreign currency - „Tobin Tax”, supposes application of a small tax on all transactions of buying/selling of foreign currency, indifferently of the nature of transaction. Indirectly, this method discourages the movement of short-term capital movement. Taking into consideration that the efficiency of long-term transactions is about 30-40%, a small tax applied will not affect the transaction's efficiency, despite the short-term operations.

Also, it should be guaranteed that one uniform tax is applied on all markets for the expected result, because the participants on the currency market can easily use, for example, space arbitrage. Another condition stipulates that this method be applied in countries with a floating currency regime.

² IMF, Liberalization of the Capital Account: Experience and Issues, IMF Occasional Paper Nr. 103

Another problem which relates to the entrance of capital in one economy, concerns the transfer of money by migrants back home. Thus, the volume of foreign currency entering in one national economy has a very destabilizing effect not only on the currency exchange rate, but also on the whole currency reserves. In this domain, the applied policies, which refer to usage of some restrictions on capital entrance, or a tax on the volume of the remittances, can be inefficient, as migrants can easily use illegal ways of transferring money home. Thus there should be found measures which would stimulate the population to place money in real sector not in consumption. Relevant examples in this sense are attested in countries from Latin America, Japan, where were promoted the method of direct collaboration with the migrant, through creation of business consulting centres, propagation campaigns on education the patriotic spirit and enthusiasm, hiring the immigrants in representatives placed abroad, and so on.

Before applying a certain method of discouraging capital flows, the Government officials should consider very carefully the expected results, as well, through a careful analysis of the current macro-economic situation, foreseen the future outcomes as a result of introduced policies and reforms.

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DURABLE DEVELOPMENT OF HUMAN SETTLEMENTS

CECILIA ELENA VĂDUVA *

ABSTRACT: *Because the durable development represents that type of development that helps increasing the welfare of the actual generations, without causing damages to the future generations' welfare, it supposes an ensemble of elements /factors that must be taken into consideration in order to reach such an objective. Even if, almost every settlement is a particular case, it has its specificity; the durable development must be in accordance with the national level.*

KEY WORDS: *durable development, economic interest, human settlements.*

The concept of durable development tends to have a shape and be used in designing and accomplishing the economic and social transformations. The durable development supposes that there is a corresponding place in the economic projects for environment preservation. In this sense, any development under economic report must have minimal negative effects upon the surrounding environment, which is to be preserved and transmitted as such to the following generations.

In spite all these, the last years practice has shown that the economic interest actually take the first place before the surrounding environment quality preservation. Under this aspect, durable development, in human theory and practice, is more than a perspective desiderate.

An important element of the durable development projects is represented by the current situations of human settlements. This situation is reflected in the human habitat characteristics, as well as in different specific aspects and territorial differences.

The main problems of durable development are the following:

- developing the urban network within an ordered and graded system; this supposes a careful analysis of the current system and the identification of the development possibilities of every city;

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- developing new complementary rural settlements systems and, if possible, graded in the territory;
- a commune problem of human settlements (urban or rural) is represented by the increase of the country's urbanization degree through the possibility to declare some rural settlements as towns;
- perfecting the administrative organization is sometimes seen as a necessity for a better territorial development;
- modifying the urban hierarchy by differentially developing different towns that form the urban network.

Urban settlements are currently in a situation with numerous commune characteristics, of which we mention:

- The existence of an historical centre, which represents the initial nucleus of the town, with a specific architecture. These historical centres have been little renewed and valued under urban report. They have remained the symbol of the respective towns;
- New quarters, with the same socialist architecture, are placed in the marginal areas of the towns and actually represent real towns. They have generally, endowments, connections with the centre of the town, but they have a certain uniformity and monotony;
- Industrial platforms, placed also at the outskirts of the towns, are in a reorganization process and they have frequently diminished their activity.

Because the durable development represents that type of development that helps increasing the welfare of the actual generations, without causing damages to the future generations' welfare, it supposes an ensemble of elements /factors that must be taken into consideration in order to reach such an objective. Even if, almost every settlement is a particular case, it has its specificity; the durable development must be in accordance with the national level.

As a whole, we may appreciate that the process of durable development has some difficulties in our country, because it has to impose and develop under the difficult conditions of the transition period, when the main objective is the economic reorganization of human settlements, under the aspect of the necessity to revive them.

Although they have many commune elements, the approach of durable development must be made differentially for the two main settlements categories: rural and urban. For instance, within rural settlements, it is firstly required a concrete knowledge of the natural factors in which the different forms of this habitat type develop, especially the geo-morphological modifications and, moreover, the hydrologic ones.

Secondly, it is required the establishment of the general anthrop pressure intensity and the effect of this pressure on the natural resources specific to that area.

The durable development takes several aspects into consideration: the urban settlements network, the structural aspects of the human settlements, the built habitats fund and the services and endowments network, the urban image, the space organization and decoration.

Within the field of human settlements structural aspects, the durable development focuses on several elements:

- Occupying and using the field. The current use of the fields from the rural and urban settlements, although it is the results of a long historic process, it mainly expresses the interventions from the socialist period when the collective buildings quarters and the industrial areas or platforms replaced the individual households, agricultural fields, green spaces and water mirrors over the night. In the case of urban settlements, an important aspect is represented by the green spaces not only in Western countries, but in Romania, too;
- The built buildings fund and the services and endowments network. There are obvious differences between the rural environment and the urban one:
 - an overplus of inhabitable space in rural environment and a house crisis in urban environment;
 - the urban houses fund has a time reserve regarding the service duration. We cannot say the same about the rural houses, whose age, besides the construction material quality, implies an important financial effort for repairs or even replacement;
 - the inhabiting quality:
 - unfavourable situation in the rural environment regarding the interior installations endowment;
 - in big cities, there is an increase of the pressure upon the urban services networks, because they have not been reorganized in accordance with the population increase;
 - we have noticed a better quality of the environment parameters in rural settlements than in urban ones, the latter being affected by different forms of pollution (atmospheric, sound);
 - the urban image;
 - the durable development supposes also the reestablishment of the settlements personality which, especially in the case of towns, has been seriously affected by the massive demolitions and the building of new standardized ensembles of collective identical houses, disregarding physical-geographic unit where urban centres are placed and the traditional style of the constructions. This aspect is even more important because the depersonalization of the houses ensembles is reflected in the individuals' depersonalization, generating, among other things, behaviour deviation phenomena.

In the same sense it is necessary a better use of the symbol settlements: hillocks/hills, water flows, maritime seaside, representative edifices like castles, palaces, churches, old houses with a certain architectural style, some modern constructions.

A better space organization and decoration focuses on accomplishing a territorial optimum, with using the most favourable conditions, namely the maximization of the social-economic requirements without jeopardizing the ecologic equilibrium. Moreover, any development strategy, besides the economic, social, technologic coordinates, must also take into consideration the specificity, particularities of the natural environment of the respective buildings. Therefore, we should move the accent from the macro level to the micro level, that of every settlement, and sometimes even at quarter level, urban functional area or at village level in the rural environment.

The durable development of Romanian settlements must be correlated with the process of economic reorganization in our country, a complex and difficult process.

Among the durable development objectives in our country, in accordance with The European Territory Endowment Charter, the following are also included:

- the stimulation of the labour force stability in the rural environment and in small towns, by reducing the oscillating movements of the population and supplying labour force on the entire national territory;
- avoiding the regional economic-social polarization, the delimitation of the eight development regions that have the role of being able to activate themselves in order to reduce and not increase the discrepancies;
- the stimulation of the use of resources in industry: craftsmanship, landscape capitalization, cultural-ethnographic capitalization;
- the diversification of the agricultural products offer according to the local climate resources, in the case of rural settlements and the services offer (commercial, health, education, culture, financial), in the case of urban settlements;
- the differentiated management of the unfavoured areas/regions from the demographic, social point of view, economic activities, resources (exhausted, not-capitalized, incorrectly exploited);
- the limitation of the towns territorial expansion in order to maintain the agricultural fields, green spaces, water mirrors next to the urban settlements;
- the increase of the inhabitancy standards in the rural and urban environment, especially by creating urbanistic networks and improving the already existent ones in towns.

The durable development brings not just a change of the theoretic patrimony and the approach methods of the patrimony development problems, but reorganization of the valoric hierarchy and of the functional parameters also, a reassessment of the priorities and some processes and phenomena account, in short “an accent movement”.

The adoption of the durable development principles supposes a reorientation of the telluric-centric perspective towards an ecocentric one in every aspect of territory decoration.

The accent movement that the durable development supposes, results from the way we look at the environment as a value, as a result of three values:

- Aesthetic;
- Ecologic;
- Economic – in the sense of a value that is not determined on the market, cannot be sold under the form of goods and services, cannot be measured with a monetary value and needs new assessment instruments that include qualitative aspects.

In general, we can appreciate that the perspective modification represents, in fact, a new attitude towards the complex relationship man- social-economic activities - natural environment, respectively, the enlargement of the reciprocal influences and causal chains analysis, as well as thorough study of the relevant areas.

The new concept looks at this report in a bilateral way, in the context of a global system, which means that both the satisfaction of the human needs and the protection and preservation of the natural environment (its needs are equally looked at where the degradation degree is advanced; the preoccupations will mainly focus on the second aspect. In this sense, elements as the rebuilding of the natural environment, the judicious reutilization of the natural resources have a certain priority in the general conception and policy of space endowment.

The durable development gives a special attention to the territory management, considered, as a whole, a complex environment system, starting from its assessment. The main implications of the durable development concept upon the territory endowment may be resumed in the following way:

- a new integration optics for the natural environment problems in the objectives of different planning levels (general, sector or administrative);
- globality and interdependency, respectively a systemic approach of the anthrop natural environment;
- the accentuation of the continuity character of the assessment process and adequate analytic and anticipative approach for the specific manifestations of the anthrop natural environment;
- the interdisciplinary approach and public consultation, derived from the complex environment capitalization.

Within the concept of territory durable development, a fundamental element is represented by the adoption of a general development strategy which correlates and integrates, even from the beginning, the problems of the natural environment into temporal sequences – medium and long.

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THE FINANCING SOURCES FOR THE REGIONAL DEVELOPMENT PROJECTS

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ABSTRACT: *In order to accomplish the regional development objectives, the local communities must have financial resources. These resources come mainly from local taxes, from the personal activities incomes, and they are, therefore, directly proportional to the economic activities volume from the respective territory. That is why, for the local communities, a special importance is given to the new enterprises together with the development of the already existent ones.*

KEY WORDS: *financing sources, regional development.economic activities.*

Under the circumstances of economic decline activities, recession activities or economic crisis, it is extremely difficult to attract new enterprises in the weakly developed regions and the extension of the already existent ones in the respective areas.

That is why, the characteristics of the main regional policy instruments are mainly focused on creating favourable conditions for attracting private investments under the conditions of reduced public financing sources. Of these characteristics, we present you the following:

- The intervention instruments in the evolution of the regional variables are usually in the fields of forms and methods of distributing the government consumption expenses and other public institutions budget expenses, within local taxes, public investments and subventions for the public and private institutions. Regarding the specificity of the promoted economic policy, the presented instruments may be correlated (completed) with other particular instruments;
- The financial supports or stimulants regarding regional development are given within some mixed programs, either national or regional;
- In the countries that have experience in the field, the regional policy instruments are derived from the economic policy instruments (fiscal, budgetary, monetary)

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and may be divided into two categories: direct interventions for localizing and developing certain activities or for endowing the territory with some utilities and development stimulations measures.

Within the category of direct interventions, we can include the following measures:

- the public administration participation in developing some social and economic infrastructure elements; these infrastructure elements are made by the local communities; the central public administration supports to the local communities under the form of investments subventions for transport network development, water distribution network creation and improvement, thermal energy and electric energy;
- private and public capital association in order to accomplish some investments, especially for developing local interest services; this association may be accomplished by establishing the condition that the accomplished investments lead to the labour force migration.

The stimulation of the activities localization and local development may be accomplished through regional policy measures, which taking into account their nature, are divided into two classes: financial stimulants granting; adopting compensation measures in order to cancel or diminish some supplementary costs generated by the activities localization in a certain space.

- a) In most of the countries, one of the main instruments of the regional policy consists in financial stimulants granting for the public or private enterprises in order to encourage and stimulate localization or the development of some viable activities in certain areas, for avoiding their decline.

The main characteristics of the financial stimulants category for the regional development policy are:

- the budgetary funds that represent one of the most powerful instruments of the regional policy;
- there is no uniformity from one country to another regarding the stimulant types obtained for regional development maintenance or the granted help level or the increase of the beneficiary area due to every country's particular situations;
- the conditions in which different forms of financial support are granted for enterprises are variable from country to country (the enterprise must belong to the assisted area or region; it must exercise its activity in the named field, benefit from support for the project for which assistance is required, it has to be compatible with the general and/or specific regional policy objectives etc.);
- the financial stimulant systems have selective character, so that the regions that have the most serious problems may benefit from more important support;
- the financial stimulant systems are periodically modified taking into consideration the authorities' interests as well as of the obtained results;
- in order to reduce the global incidence disequilibrium in the most unfavoured regions or areas, the tendency in different countries is that the encouragement and financial stimulation measures become more selective to the disadvantage

of those automatically granted - they require the multi-criteria delimitation of the assisted areas.

As it results from the international practice, the main types of financial stimulants refer to: investments bonuses (a percentage of the entire investment cost) in the assisted areas, conditionally granted by the demonstration of the main effect (upon the request – offer report), investments subventions granted irrevocably in favour of the public or private units in order to temperate or compensate the expenses in order to encourage the stocks (creating developed enterprises, rationalizing or reorganizing some already existent units), transfer bonuses and company welcome subventions (the localization bonus); granting loans under advantageous conditions (on long term the interest rate has to be below the usual one on the capital market); granting loan guarantees.

- granting facilities for acquiring or renting fields (bonuses; subventions price cuts); advantageous credits; fiscal facilities granting of the exoneration type at customs taxes payment (for encouraging investments); local fiscal facilities granting (tax reduction in the fields of investments, incomes, profits) for a certain number of years; preferential treatments granting for adjudicating some market segments; granting special authorizations regarding the amortization system (for example, accepting accelerated amortizations quotas and / or taxes exoneration for the amounts that come from certain fixed capital elements) etc.
- b) The compensation measures focus on eliminating or diminishing some supplementary quotas generated by the localization of the activities in a certain area.

Obviously, any measures of attracting investments in certain areas have the purpose of diminishing the actual costs or compensating some opportunity costs.

There are regional policy compensatory instruments through which we follow the direct elimination of some costs regarding exploitation, preparing, reinstalling and using labour force, transport costs, etc.

Among the compensatory measures from the regional policy of some countries, we identify:

- manual labour expenses subventions (supplementary compensations granted in certain areas);
- bonuses for creating every working position (or for working positions for certain specializations or certain categories of applicants – young people, women);
- subventions for supporting certain social security services);
- help granted for supporting the labour force mobility and reinstallation (transfer bonuses, subventions and transfer compensations);
- help granted for the employees' professional training;
- transport and other public services subventions.

The effects and efficacy of these instruments are difficult to isolate and assess.

The role of these regional policy instruments, from the OCDE experiences analysis, are the following: the measures capacity to exercise a considerable influence

upon the enterprise profitableness; the measures application area has to be large enough to have a substantial effect upon the regions economy; the public powers have to have the security the financial stimulants and compensatory measures have the expected effects direct proportional with their volume and structure, because they have only the “punction” role; a financial stimulation measures system may lead to the results that are contrary to the aimed purpose if it is too large or divided between countries and, consequently it risks putting pressure in the sense of increasing the initial amounts over what it is possible.

In order to reach the objectives of the regional economic development strategies, and knowing the limited character of the financial and compensatory stimulants volume and structure, every country (defined as a complex and open system) appeals to the structure measures of the international organisms to which it has adhered to or hopes to adhere.

When referring to The European Union in the context of complementary regional structural funds, we can say that there are two problems: the need to assure a coherence to the EU regional policy within the states particularities and regions that apply this policy; the guarantee that there will be taken into consideration the great diversity of regional problems within EU and the support for the most urgent ones within in the context of equitability for the member states or aspirant countries.

In order to reach the economic and politic objectives promoted in different countries, because the national financial stimulants are limited (their volume and structure depend on the level reached in the development process) they add the financial stimulants granted by The European Union (or other international organisms). From the category of these complementary financial stimulants, there are also the following structural funds:

- The European Regional Development Fund (ERDF);
- The Social European Fund (SEF);
- The European Agricultural Orientation and Guarantee Fund, Orientation division (EAOGF).

Until 1988, every of the funds mentioned above used to act distinctly in financially supporting the respective policies: regional, social, agricultural. The Unique European Act reunited the funds around a commune objective: economic and social cohesion

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THE INVESTMENTS AND THE ECONOMIC RELAUNCH

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ABSTRACT: *In the filed of the real economy, now, our country does not need new objectives but especially the modernization of the existent ones. Definitively, the policy of attraction of the foreign capital especially aims at the modernization of the existent enterprises, which have old and used devices and which cannot support the actual economic competition and the consumption requirements of the population. The investments are bringing the new, they have an own innovatory character, they also bring the change of the existent situation, the apparition of other elements than the ones which have been previously known.*

KEY WORDS: *investmen,. economic relaunch,sphere,capital investment.*

The notion of investments has two spheres of content. The enlarged sphere is represented by the financial investments, which constitute, in essence, any capital placement with the aim of getting a certain profit. The purchase of actions or of other value titles, the placement of money sums in the banks, the allocation of some funds for the business initiation with the aim of getting dividends, interests and respectively profits mean financial investments. The restrained sphere refers to acquisitions, the realization of new fixed assets and these are called capital investments.

We should understand that the first sphere comprises the second sphere, but, usually, the financial investments refer to the capital placement, being exemplified. The capital investments take place in the real economy as well as in the social and cultural fields, by constituting, in essence, the material support of the economic increase and of the development for the social and cultural activities in any country in the world. We will further focus our attention on this kind of investments.

By capital investments we should understand not only the construction of new objectives, but also the modernization of the existent ones. A new investment can almost never reproduce exactly a previous investment. On the contrary, we can say that any investment brings something new. The investments are bringing the new, they have an own innovatory character, they also bring the change of the existent situation, the apparition of other elements than the ones which have been previously known.

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The investments always employ the future and from here it results the characteristic of the association for a significant risk factor for every process concerning the investment. They represent the lack of a sure consumption for the society instead of a hope that only the scientific calculations can create. The investments of an economic agent can be done in his own country or in foreign countries. The problem can also be settled in this way: investments from a country or from internal sources and from attracted sources.

From the systematic point of view, we can say that the process of investments has endogenous and exogenous determinations. The situations resulted from the combination of the two proveniences are those which, in our country, are called mixed investments. Separately, the foreign economic agents can realize in our country some own investments, without a Romanian participation. So, in our country, three categories of investments can be realized: own investments, Romanian investments; mixed investments, with a Romanian capital and with a foreign capital; foreign investments, with an external capital.

The endogenous - exogenous report, which means in our context, the report between the autochthonous investments and the foreign ones, constitutes the subject of an old speech, this reports has constituted a subject of analysis ever since a far past and it will probably go on without knowing the period of time for this.

In our country, the attention is drawn up today upon the foreign capital, this capital being considered as an economic process. The situation is generated by the fact that the autochthonous agents do not have the necessary funds to apply their own development programs. The ancient state enterprises are practically decapitalized. Before the year 1989 the living from a year to another was supported by credits given by the state, the accumulated debts being erased from time to time.

Today the autochthonous rules and the commercial societies are in the same way, or even more decapitalized. The access to the credits is forbidden, in the conditions when the interests are almost doubling the contractual debt during a year. One of the biggest economists of the world, it is about Schumpeter, illustrates that, basically, the credit represents for the economy what the blood represents for the human body, it moves the entire economic aggregate in all the productive fields, with big favourable effects in the social and cultural fields. That is why, the first problem, in the present conditions of lack of internal funds, is constituted by the credit.

The practice shows that big volumes of credits are given in the dynamic and prosperous economies, while, in the economies that are in a crisis, the credits have a small volume. The interest paid for the received credit represents the cost of the borrowed capital. Now, in our country, the cost of the capital is enormous. That is why; a good solution would be the allowance of credits with favourable interests, especially for the companies which produce goods that are created for the exportation.

The policy of the high interests, which is applied now, has some negative profound effects upon the financing possibilities of the investments and implicitly upon the economic increase.

The correlation between the investments and the economic increase is of the type of the double relations: on one side, the investments influence the economic increase by their volume, aspect which had been analyzed above; on the other side, the economic increase is influenced by the quality of the realized investments, aspect that is reflected in the economic efficiency of the investments.

As we know, the main aim of the banking system is the allowance of the available resources of the society in a more efficient way. In this sense, the borrowed capitals bring a maximal profit to the ones that own them.

The events from the last years from our country have showed however that the deposited money have not been very carefully administrated and with a correct responsibility, and for this reason the risk has considerably increased, the losses of the banks have become very big and in some cases there existed even the danger of the banking bankruptcy.

In this field the most significant aspects are realized by the banking administrators and by the investments' management in the real economy. So, we frequently meet the cases when the banking administrators have intentionally given credits to some economic agents that did not present the material and normal guarantee necessary for the payment of the credits, probably against some personal recompense. We also frequently find the case when the debtors did not succeed in realizing the concrete managerial activity, they did not know and they did not apply the principles of the economic efficiency for the investments, and as a consequence, the banks have registered some lacks in the own capital or they have attracted some lacks that are finally been endured by the whole society.

The investments are a very sensible field of the human activities. The orientation of the money funds towards certain objectives is realized depending on the necessities, but also depending on their existent tendencies on the world's plan, on the state of the economy, on the consumers' wills, even on the reasons for which the investments should always be treated with a special care by the performer. The investments directly or indirectly affect the economic increase.

The normal realization of the production process supposes the contribution of many factors (fixed capital, work, and raw materials) and from these; a special role is occupied by the fixed capital.

The creation of new devices as well as the settling of the parameters for the existent ones to the level imposed by the contemporary technical progress is realized only by investments. In this context, the capital investments represent the total of the expenses by which new fixed capitals are created or purchased, which can be productive or unproductive, the existent ones being developed, modernized are reused. By the capital investments, the constitution of new economic unit is assured, as well as the development, the modernization, the reuse of the existent ones, as well as the construction, the enlargement and the fitting of the objectives, with a social, cultural and character. There are assimilated the investments and the expenses for the exploitations, for the prospecting and for the geological researches concerning the investments works, the occasional expenses necessary for the technological and

constructive projection of the investment works; the expenses for the afforestation and for plantations of trees and of vines, the financial improvements, the expenses for the purchase of the work animals and of the birds. By extension the expenses necessary for the supervision of the future objective and for the employees' clarification that will work into the new constructed unit are considered as investments. There are also expenses for the demolitions, for the expropriations and for fittings. The capital investments have a special role in the assuring of the development and of the reorganization of the national economy.

Without taking into consideration the nature of the investment, each economic agent who makes an investment, with priority, aims at:

- The accentuation of the modernization process of the technical base in the conditions of the reorganization, of the whole material production;
- The reduction of the production costs especially of the material expenses, the problem appears so much important than the reduction of the production expenses will be done in the conditions of the increase in the qualitative level of the products because of the assortments' diversification and of the increase for its degree of complexity;
- The large promotion of the technical progress, by the more rapid as possible application in the production of the results of the scientific and technological research;
- The judicious administration of the materials used by each beneficiary of investments, the increase of the degree of capitalization of the material resources;
- The qualitative increase of the whole activity of the external commerce and of the international economic cooperation.

The appreciation according to which in the following years the capital investments will be firstly oriented with priority; the qualitative lots of the production processes favouring the increase of the technical level of the production, the improvement of the quality for the products and their diversification, according to the market economies. The investments can be classified, taking into consideration more criteria, and more exactly:

- a) Depending on their structure, they can be grouped in: machines, devices and technological lines, inclusively measurement and control devices; construction works, mounting works, made up of construction works and mounting works of the technological devices and which are realized on the construction sites; geological works for the discovery of new reserves of useful mineral substances; other expenses of investments that refer to the plantations of trees, of vines, until their production, the purchase and the growth of the animals until their production.
- b) Taking into consideration the relation that they have with the projected objective, the investments are classified into direct, collateral and connected investments. The direct investments are the ones that are realized for the basic objectives. These investments are calculated based on the bills of expenses which are elaborated on categories of works, on objectives or on the whole investment. The collateral investment is materialized into works that can assure the utilities of the basic

- objectives and of the expenses necessary for these investments and they are settled by specially elaborated bills. The connected investments are the ones that are ended in other economic objectives, to assure the raw materials necessary for the future objective and for the development of the production process.
- c) Taking into consideration the financing source, the investments are divided into investments financed from own sources or for attracted sources. The own sources are constituted from the own capital. The attracted sources in this period have an important role in the financing of the investments and they are made up of internal and external banking credits, allotted from the budget or from other sources.
 - d) Taking into consideration the constitution manner, the investments are divided into net and gross investments. The net investments are constituted from the sums of money that come from the net national product and that have as an aim the increase of the fixed capital and of the stocks of raw materials and of materials. From the net investment, there is added the amortization which has as a main aim the replacement of the used fixed capital, and we get the gross investments, which contribute to the absolute increase of the fixed capital.
 - e) Taking into consideration the nature of the objective, the investment is materialized in new objectives and in developments, modernizations, reuses or readjustments. We must mention that in the this period of economic development, the investments will be oriented towards the modernization, the reuse and the re-technology which can assure the restructuration of the national economy in the conditions of efficiency and competitiveness.
 - f) Taking into consideration the execution manner, the investments are divided into investments which are executed in the work contract and in the regime. This classification is used especially for the construction works. The execution manner is imposed by a series of factors, from which we mention: the specialization degree of the objective future, the size of the objective, the nature of the works, etc. The investments can also be classified depending on other criteria and more exactly: the activity sphere, the beneficiary's fields, etc.

The main aspect which aims at the decisions from the field of the investments, in the market economy, is constituted by the need of their decentralization. The investment decisions must be at the level of the units, which means of the economic agents, depending on the level of their financing sources, as well as depending on the report request – offer for these products. In this case, the state has a decisional right only for the investments which have been integrally or partially financed from the budget and which have a role of regulator upon the individual decisions by the policy of credits that it promotes.

That is why, it is foreseen that in the following years the role of the state in the orientation of the social and economic development will be decreased; they will act by means of some programs especially elaborated at the micro economic level, which should contain some information concerning the strategy and the orientation of the capitals of investments; they will assure the orientation or the discouraging of some investments by the orientation of the capitals, of the differential taxes, on types of

activities, the regressive or the progressive taxes for the business figure or for the profit. There will be some programs with a directional character, for the objectives that are executed from the state funds, for the other investments they having an orientation character. However, these programs will be limited to the substantiation of the needs and of the opportunities for the investments and they will comprise a restrained number of indicators.

On the other side, the microeconomic programs, which have been elaborated by the autonomous companies, by the commercial societies and by other economic agents, will refer to some indicators such as: the volume of the investments, the specific consumptions of materials, and the list of the objectives "state order" which assure the strategic development of the national economy. It is necessary that the operative programs should refer especially to the aspects that aim at the perquisite evolution of the request from the internal and external market, for them main groups of products and services.

Also at the level of the economic agents, the exact knowledge of the evolution for the incomes and for the expenses is imposed, as well as for the request and for the offer for the products that makes the object of the own activity, of the evolution for the economic efficiency, for each product and for the whole activity. The elaboration, at the level of each unit, of some programs concerning the development and the own restructuration allows the knowledge, in a useful time, by the employees and by the share holders, of the orientations of the administration councils and it facilitates their participation in the increase of the efficiency for the proposed actions. An important role for the future activity must be taken by the generalization of the efficiency criteria in taking the decisions of investments. In the future, the economic agents will aim at the realization of some investments which have a raised efficiency and which can assure a raised degree of corruptibility on the internal and on the external market.

The investment constitutes the main way of promotion of the technical progress by the endowing of the economic objectives with machines, equipments and devices that could assure the perfection of the technological processes, the increase of the processing degree, of the raw material, the increase of the level of work productivity, and, finally, an increased economic efficiency. But, for this, in the investments activity there is required a introduction of the principle of the free concurrence, in the elaboration of the documentations and in the contracting of the equipments delivery. The elaboration of the documentation that will be realized by the specialized organs of designers and it refers to the aspects concerning the need and the opportunity of the investment, to the emplacement studies and to studies for the assuring of the sources, to the indicators of economic efficiency, to the execution conditions of the investment.

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FOREIGN INVESTMENTS AND THEIR EVOLUTION WITHIN THE EAST-EUROPEAN COUNTRIES

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ABSTRACT: *Investments represent the active factor of development and economy accommodation to market and competitiveness requirements, under the circumstances deployed within transition countries by conditioning the achievement of restructuring progress proposed under economic reform. If within one country the investments level demand overflows internal economies, whose future level is displayed under present economic conditions, then other countries economies could be transferred in order to compensate for internal deficit of financial resources.*

KEY WORDS: *investment, foreign investment, Europeans countries.*

When investments is not financed by means of proper efforts displayed by the undertaker, it could be subsequently supported by the economies of individuals or companies, which implies that capital growth should be financed, globally, by a reallocation of income within global market, through private or governmental economies. Therefore, if within one country the investments level demand overflows internal economies, whose future level is displayed under present economic conditions, then other countries economies could be transferred in order to compensate for internal deficit of financial resources. Finally, the recipient country would import more products than it could afford to pay through exports performed and therefore it would be able to allocate more resources for economy and consumption than its own income level would allow.

If such situations are to be met in real economy, one could state that the respective country has received a net resources transfer from abroad, or that the country has performed a net transfer when economies exceed internal investment demand. Due to economic dominance of developed countries with active market economies, their proportionate increase of economies and investments could result in an increase of investing resources towards other countries.

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The history of external capital flows began in the 19th century when lending and portfolio investments were prevailing. England (for the most part) and France were holding the largest part of such investments. Alongside with private companies, the state also played an important role. A characteristic for these international capital flows was constituted by the fact they were not primarily stimulated by differences in interest rates within various countries but especially, by financing needs of external economic activity, under the circumstances of colonial expansion. Colonial countries took advantage of it. Moreover, the recession or economic crises determined the capital flows from parent states to take refuge in colonies.

The first World War and the global economic crisis during the period 1929-1933 has inverted the hierarchy of capital exporters – the United States have become the first country to export and Germany the first country to import capital. The follow-up years distinctively pointed out the passage to a new stage of global economy, characterized by direct foreign investments domination.

Foreign portfolio investments suppose acquisition of foreign real estate values (shares, bonds) from financial markets. These would allow participation in decision-taking limiting to the right of control.

Direct foreign investments consist in procurement of share control package, in purchasing some enterprises or their construction abroad. The increase of capital within an external branch or a loan granted to it by the mother company also represents direct investments.

Direct foreign investments are defined as ‘property over some shares by a foreign resident, with a view to monitor these assets’ (1989). The specificity of direct foreign investments is constituted by the control exercised by the investor over assets under the form of which the investments have been made. This type of investments suppose the transfer of an ‘industrial package’ which comprises capita, technologies, industrial organization methods, management expertise, marketing knowledge, that would allow the investor to exercise control on the investment. Nevertheless it is hard to establish what control really means. It implies a direct participation in management and organization of assets production that have been previously invested in.

On a general basis the situation of enterprises where foreign owner participation exceeds a certain limit, usually between 10-25%, are considered foreign investments. Direct participation to production management and organization and the control on the company's activity constitutes the fundamental difference between foreign investment and portfolio investment.

The extension of a company's activity on the territory of a foreign country supposes capital, technology, and entrepreneurial flows directed towards the host country. The transfer of these factors package services rests under the investing enterprise's control, as well as subsequent production and commercial activities performed by the host country. When the investment supposes the transfer towards the issuer agent of control and decision possibilities on the agent's activity, we refer to a direct investment. When such a report is not established we could talk about a portfolio investment. This is a purely financial placement.

Direct investment combines in a more complex manner, financial placement and real investment.

The typology of economic theories with regards to direct foreign investments is greatly diversified and classifications suggested by different authors employ the following as a departure point: perfect market competition; the model of market imperfections, the theory of multinational enterprises and electric models; internalization model and the approach of macroeconomic development.

Within the perfect market competition theory, we could differentiate by importance: perfect competition on the market of goods; perfect competition on the market of factors; internal and external mass production; governmental restrictions with regard to production and development.

All these theories sustain, as a motivation for direct foreign investments, the monopoly advantage or market imperfections. These are significant as a modern sector shall comprise not only usual activities and routines, such as goods and services production, but also marketing, research-development, as well as the instruction of work force. These activities are independent and connected to intermediary products flows which are materialized in knowledge and expertise incorporated within patents, human capital etc. Efficient coordination of these activities requires a complete range of markets destined to intermediary products. Depending on the type of intermediary goods, the internalization would generate vertically integrated producers or it would result in the integration of production, marketing and research-development.

Markets and enterprises represent alternative modalities of factors allocation for goods and services and multinational companies are institutions which adopt the production factors exchanges over the frontier as an integral part, by means of foreign direct investments.

The companies are oriented towards direct foreign investments when the transfers between enterprises are less expensive than external open market transactions. In terms of internalization theory, multinational enterprise represents an institution whose mission is to create and estimate national markets advantages.

The role of transnational companies within the amplification of foreign investments flows. Between transnational companies and direct foreign investments a powerful bond emerges, as direct foreign investments constitute the financial source for their formation. The interdependence relationship between multinational enterprises and various states is increasing as states have become greatly dependent on limited resources monitored by transnational companies by which multinational companies impose their control on global production and reduce the control power of states on economic activities.

The manifestation of transnational companies within the space covered by global economy generates controversial effects within three perspectives: the perspective of the recipient, of the origin country and the perspective of global economic life.

The advantages generated by transnational companies are distributed on the three perspectives and suppose: the increase of economic potential both at the level of origin country and also at the level of recipient, as well as the increase of overall production growth; by their action, transnational companies have a launching effect as the origin country shall raise the technological level, performing research-development activities and, on the territory of the recipient it shall value the resources and increase their competitive level by imposing some high qualitative standards; the organization of some broad distribution networks which implies more certain profit gains; the provision of production factors which are necessary for activity performance under efficient conditions (reduced costs).

The controversial aspect of transnational companies operation is related to the manner in which benefits and costs are distributed between the origin country and the recipient. The critical point is constituted by the externalization of jobs.

The evolution of foreign direct investments into East-European countries.

For many transition countries, direct investment flows are important, on the one hand because they are generating external debt and on the other hand because they are perceived as an indices for international confidence for supporting the whole transition process.

The evolution of direct foreign investments into the Eastern Europe is not only related to the number of companies incorporated and the amount of invested capital but especially in terms of structural and quality mutations generated within recipient economies. Thus, out of total foreign investments attracted to Czech Republic and Slovakia, the predominance of those performed in tertiary sector (tourism, commerce, transports, and telecommunication) represents 45.9%, while for Romania and Hungary the percents amount to 37.6% and respectively 28,8%.

The relatively reduced volume of foreign capital placed within Eastern European countries has the following consequences: inconsistencies or lack of clarity within some legal provisions; the bureaucratic manner of organization and operation within governmental institutions, especially those habilitated to coordinate this domain; the difficult access to medium and long term loans; surplus of work force within enterprises; reduced labour productivity; endowment with outdated techniques; physical and bank infrastructure underdevelopment; used telecommunication systems;

At the basis of foreign capital orientation towards transition countries two important arguments reside: short-term advantages, such as the costs incurred with man power, transport, energy and raw materials; gaining of strategic position which anticipates significant future profits.

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OVERVIEW OF ORACLE OLAP AND USING SQL FOR MANIPULATE MULTIDIMENSIONAL DATA

TEODORA VĂTUIU, VASILE POPEANGĂ *

ABSTRACT: *There are many PL/SQL packages that you can use directly in SQL*Plus or indirectly in Analytic Workspace Manager and OLAP Worksheet. Using SQL you can manipulate multidimensional data and extract that data into a relational table. In this article I discussed about some methods that you can use for manipulating and extracting multidimensional data. Oracle OLAP provides support for business intelligence applications without the need for replicating large volumes of data in specialized analytical databases. Oracle OLAP allows applications to support complex multidimensional calculations directly against the data warehouse. The result is a single database that is more manageable, more scalable and accessible to the largest number of applications.*

KEY WORDS: *Oracle OLAP, SQL, analytic workspace, multidimensional data.*

1. GENERAL CONSIDERATION

The value of the data warehouse is its ability to support business intelligence. To date, standard reporting and ad-hoc query and reporting applications have run directly from relational tables while more sophisticated business intelligence applications have use specialized analytical databases.

These specialized analytical databases typically provide support for complex multidimensional calculations and predictive functions; however they rely on replicating large volumes of data into proprietary databases.

Replication of data into proprietary analytical databases is extremely expensive. Additional hardware is required to run analytical databases and store replicated data. Additional database administrators are required to manage the system. The replication process often causes a significant lag between the time data becomes available in the data warehouse and when it is staged for analysis in the analytical

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database. Latency caused by data replication can significantly affect the value of the data.

Oracle OLAP provides support for business intelligence applications without the need for replicating large volumes of data in specialized analytical databases. Oracle OLAP allows applications to support complex multidimensional calculations directly against the data warehouse. The result is a single database that is more manageable, more scalable and accessible to the largest number of applications.

Business intelligence applications are only useful when they are easily accessed. To support access by large, distributed user communities Oracle OLAP is designed for the Internet. The Oracle9i Java OLAP API provides a modern Internet-ready API that allows application developers to build Java applications, applets, servlets, and JSPs that can be deployed using a variety of devices such as PCs and workstations, web browsers, PDAs, and web enabled mobile phones.

2. PLATFORM FOR BUSINESS INTELLIGENCE APPLICATIONS

Oracle9i Database provides a comprehensive platform for business intelligence applications. The components of the platform include: The Oracle9i Database and Oracle OLAP as a facility within Oracle9i Database.

This platform provides: a complete range of analytic functionality including multidimensional and predictive functions; support for rapid query response times such as those that are normally associated with specialized analytical databases; a scalable platform for storing and analyzing multi-terabyte data sets; a platform that is open to both multidimensional and SQL based applications; support for Internet based applications.

3. ORACLE OLAP

Oracle OLAP, an integrated part of Oracle9i Database, provides support for multidimensional calculations and predictive functions. Oracle OLAP supports both the Oracle relational tables and *analytic workspaces* (a multidimensional data type). Key features of Oracle OLAP include: the ability to support complex, multidimensional calculations; support for predictive functions such as forecasts, models, non-additive aggregations and allocations, and scenario management (what if); a Java OLAP API; integrated OLAP administration.

Multidimensional calculations allow the user to analyze data across dimensions. For example, a user could ask for “the top ten products for each of the top ten customers during a rolling six month time period based on growth in dollar sales”. In this query a product ranking is nested within a customer ranking, data is analyzed across a number of time periods and a virtual measure. These types of queries are resolved directly in the relational database.

Predictive functions allow applications to answer questions such as ‘how profitable will the company be next quarter’ and ‘how many items should be

manufactured this month'. Predictive functions are resolved within a multidimensional data type known as an analytic workspace using the Oracle OLAP DML (the OLAP DML could be thought of as being the multidimensional equivalent to PL/SQL).

Oracle OLAP uses a multidimensional data model that allows users to express queries in business terms (what products, what customers, what time periods, and what facts). The multidimensional model includes measures, cubes, dimensions, levels, hierarchies, and attributes. There is a series of PL/SQL packages which can be used for stored data manipulation in analytic spaces:

- *DBMS_AW* package, used in order to execute OLAP manipulation/defining commands upon analytic spaces. For instance, you can load data from relational tables into analytic spaces, you can execute complex analyses on the data stored in analytic spaces, and the results of these analyses can be stored in relational tables;
- *DBMS_AWM* package used for creating analytic spaces in standard format;
- *DBMS_AW_UTILITIES* package used for creating measures in an analytic space in standard format. For using this package, the user has to be attached to the *OLAP_USER* and *DBA* roles;
- the *CWM2* package collection used for defining the OLAP metadata catalogue.

These packages can be used directly in SQL*Plus. Also, the *Analytic Workspace Manager* instruments and *OLAP Worksheet* use these packages.

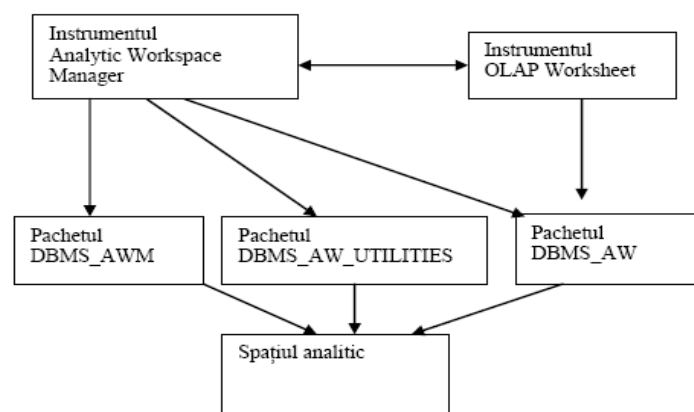


Figure 1. PL/SQL packages used for manipulating stored data in analytic spaces

In a *SELECT-SQL* command you can use the *OLAP_TABLE()* function, in order to interrogate stored data in analytic spaces. This function allows access to stored data in analytic spaces and has the following syntax:

OLAP_TABLE(denumire_spațiu_analitic in varchar2, denumire_tabela_de_obiecte in varchar2, datamap in varchar2, limit_map in varchar2)

where:

- *denumire_spațiu_analitic* is a parametre which specifies the name of the analytic space used for interogation. It also specifies the period for the connection to the analytic space. (QUERY/SESSION);

- *denumire_tabela_de_obiecte* is a parameter which specifies the name of an objects table. This table is previously defined and is used in order to structure multidimensional data in the bidimensional format of the relational table;
- *datamap* is an optional parameter, usually omitted and it specifies an OLAP command;
- *limit_map* is a parameter used to map the source objects from the analytic space to the corresponding columns of the relational table.

For exemplifying the SQL*Plus instrument will be used and the connection will be made at the database as *utilizator_aw* user.

The user is attached to *CONNECT*, *RESOURCE* and *OLAP_USER* roles (he is the owner of the *GLOBAL* analytic space).

- ❖ A *demo_cub* object will be created. This kind of object is equivalent to a tuple of the relational table:

```
SQL> create type demo_cub as object (canale varchar2(30), clienti varchar2(30),
produse varchar2(30), timp varchar2(30),vanzari number);
```

- ❖ A *demo_table* table of objects will be created which will contain objects of a previously defined tuple:

```
SQL> create type demo_table as table of demo_cub;
```

- ❖ The connection to the *GLOBAL* analytic space is made with read-only rights. The *execute* procedure from the *DBMS_AW* package is used:

```
SQL>execute dbms_aw.execute('aw attach GLOBAL ro');
```

- ❖ *LIMIT* command is executed, through which the set of members for each dimension is set as follows: for *Clienti* dimension one member (*client_id*=89), *Canale* dimension of distribution one member (*canal_id*=4), *Produse* dimension one member (*produs_id*=48) și *Timp* dimension first member:

```
SQL> execute dbms_aw.execute ('limit global!clienti to "89"');
```

```
SQL> execute dbms_aw.execute ('limit global!canale to "4"');
```

```
SQL> execute dbms_aw.execute('limit global!produse to "48"');
```

```
SQL> execute dbms_aw.execute('limit global!timp to first 1');
```

The derived *Vanzari* measure is already created in the analytic space. The *OLAP Worksheet* can be used for visualizing the values of these measures (figure 2).

- ❖ The values of the *Vanzari* measure can be visualized in *SQL*Plus* also, if the *SELECT-SQL* command is used, which calls the *OLAP_TABLE()* function:

```
SQL>select canale, clienti, produse, timp, vanzari
from table(OLAP_TABLE ('GLOBAL DURATION session',
'DEMO_TABLE','
```

```
'DIMENSION canale from global!canale
```

```
DIMENSION clienti from global!clienti
```

```
DIMENSION produse from global!produse
```

```
DIMENSION timp from global!timp
```

```
measure vanzari from global!unit_cub_vanzari));
```

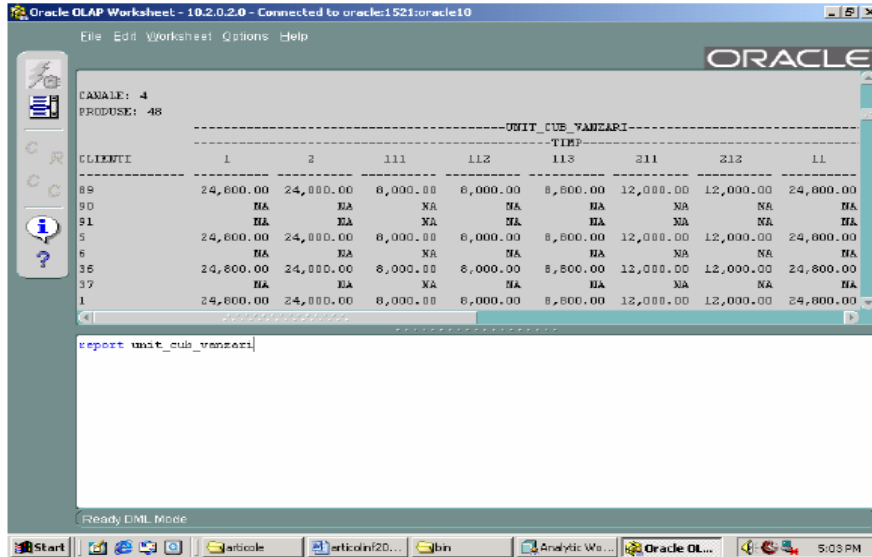


Figure 2. The usage of the OLAP Worksheet instrument for visualizing the values of the derived Vanzari measure

CANALE	CLIENTI	PRODUSE	TIMP	VANZARI
4	89	48	1	24800

The parameters of the *OLAP_TABLE()* function specify:

- the name of the analytic space: *GLOBAL*;
- the name of the object table: *DEMO_TABLE*;
- the measure which we want to visualize and its dimensions.

- ❖ The values of the derived *Vanzari* measure can be stored in a relational table. On this purpose, a *Vanzari* table will be created :

```
SQL>create table vanzari (timp varchar2(30) not null,
clienti varchar2(30) not null, produse varchar2(30) not null,
canale varchar2(30) not null, vanzari number);
```

In the *GLOBAL* analytic space a program will be created, which will be used for loading the values of the *unit_cube_vanzari* measure in the *Vanzari* table. The dimensions of the measures are: *Timp*, *Canale*, *Clienti* și *Produse*. From these measures only some members will be selected, using the *LIMIT* command. (figure 3).

The *populare tabela* program is executed in *OLAP Worksheet*. The program will load in the *Vanzari* table also null values.

- ❖ Then we use the *SELECT-SQL* command in *SQL*Plus* or in *OLAP Worksheet* (figure 4) for showing the tuples of the *Vanzari* table:

```
SQL> select * from vanzari;
```

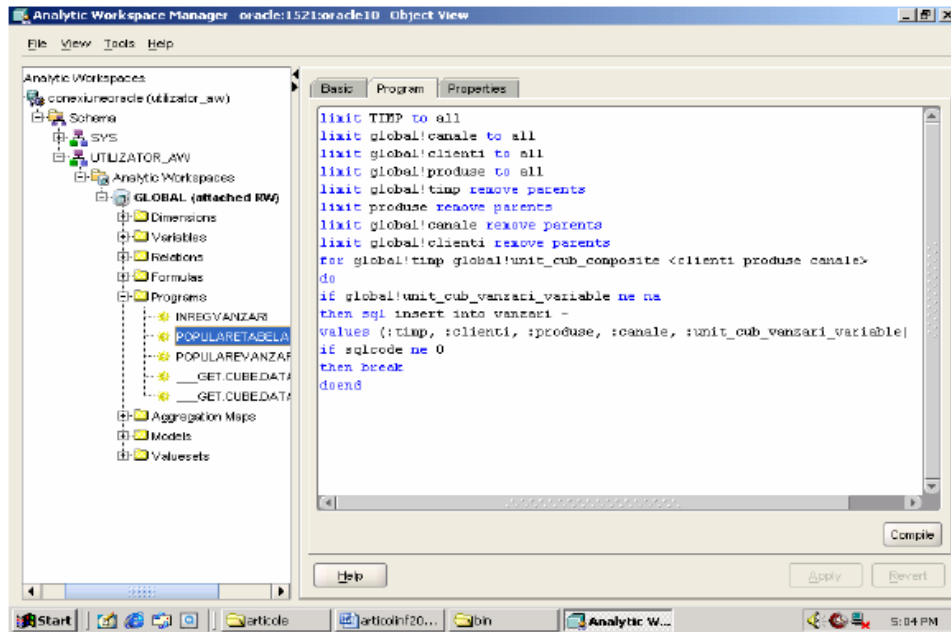


Figure 3. The program used for populating a table with multidimensional data

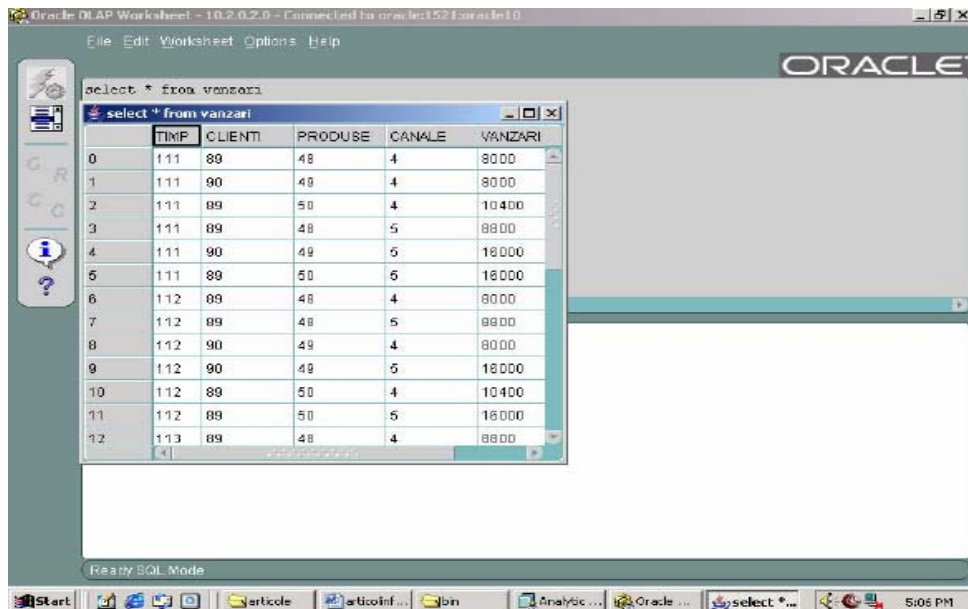


Figure 4. The usage of the OLAP Worksheet instrument for showing the tuples of the Vanzari table

<i>TIMP</i>	<i>CLIENTI</i>	<i>PRODUSE</i>	<i>CANALE</i>	<i>VANZARI</i>
<i>111</i>	<i>89</i>	<i>48</i>	<i>4</i>	<i>8000</i>
<i>111</i>	<i>90</i>	<i>49</i>	<i>4</i>	<i>8000</i>
<i>111</i>	<i>89</i>	<i>50</i>	<i>4</i>	<i>10400</i>
<i>111</i>	<i>89</i>	<i>48</i>	<i>5</i>	<i>8800</i>

4. CONCLUSIONS

Oracle9i Database achieves both performance and scalability through SQL that is highly optimized for multidimensional queries and the Oracle database. Accessing cells of data within the multidimensional model is key to providing query performance that is competitive with specialized analytical databases. New features in the Oracle database that provide support high performance random cell access and multidimensional queries include:

- Bitmap join indexes which are used in the warehouse to pre-join dimension table tables and fact tables and stores the result in a single bitmap index;
- Grouping sets allow Oracle to select data from multiple levels of summarization in a single select statement;
- The WITH clause allows Oracle to create temporary results and use these results within the query, thus eliminating the need for creating temporary tables;
- SQL OLAP functions provide highly concise means to express many OLAP functions;
- Automatic memory management features provide the correct amounts of memory during memory intensive tasks;
- Enhanced cursor sharing eliminates the need to recompile queries when another similar query has been run.

Oracle Enterprise Manager (OEM) provides a centralized, comprehensive management tool. OEM enables administrators to monitor all aspects of the database, including Oracle OLAP.

Oracle Enterprise Manager provides management services to Oracle OLAP including:

- Instance, session, and configuration management;
- Data modeling;
- Performance monitoring;
- Job scheduling;

Oracle OLAP is installed as part of the Oracle9i Database and imposes no additional system requirements. Oracle OLAP can also be installed on a middle tier system. When installed on a middle tier system, 128 MB of memory is required. When analytic workspaces are used extensively, additional memory is recommended. The actual amount of memory for use with analytic workspaces will vary with your application.

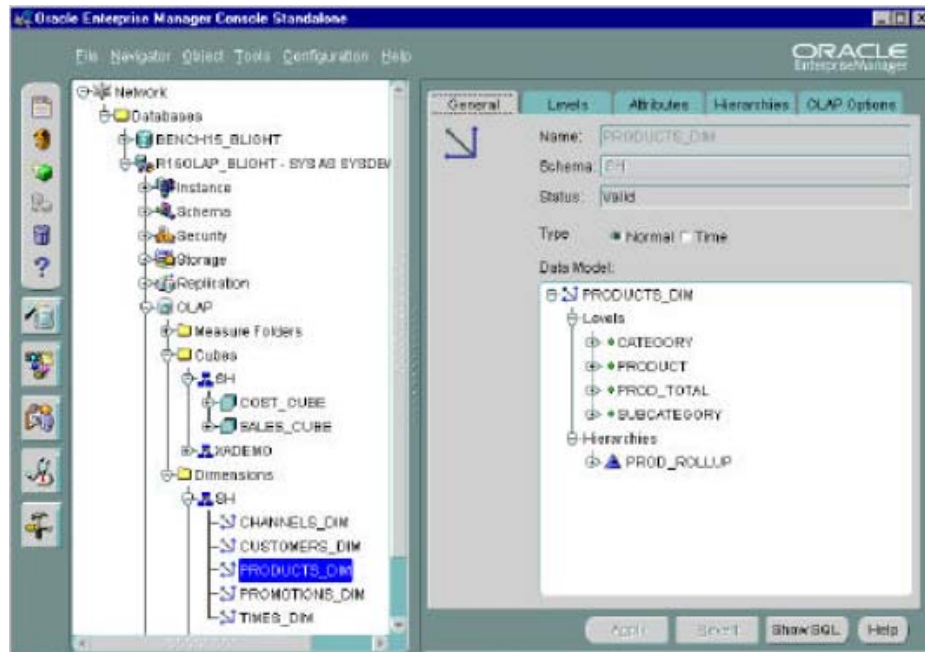


Figure 5. OLAP tool outline (left), dimension detail (right)

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ANALYZE THE MOTIVATION OF PUBLIC SERVANTS BY UTILIZATION OF INFORMATICS APPLICATIONS

TEODORA VĂTUIU, VASILE POPEANGĂ *

ABSTRACT: *To determinate the motivation of public servants, it realized a study at Gorj Prefecture Institution by utilization of informatics applications, Excel. The object of this evaluation is the identification of motivation level of public servants in the department. The method used was a questionnaire, which results obtained by charts representations are presented in this paper. For publishing the quiz here were taken into account the particularities of the target group and the evaluation necessities of the present situation with regard to the identification of the potential of improvement of that.*

KEY WORDS: *Informatics applications, Excel, motivation level.*

1. GENERAL CONSIDERATION

The object of this evaluation was represented by the identification of the degree of motivation for the employees within of the department. The used method was the publishing and the distribution of a quiz, the results being presents minutely in this report. For publishing the quiz here were taken into account the particularities of the target group and the evaluation necessities of the present situation with regard to the identification of the potential of improvement of that.

The following factors have been selected for the evaluation of the motivation degree:

- The perception on the carried on activity by reporting the current situation identification as an ideal one by each person;
- The report of the expectations to the activity as an employee and to what this activity may offer;
- The individual perception regarding the organization and the running of the project generally and of the network particularly;
- The degree of motivation and involvement of the target group persons.

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The degree of completion and return of the quiz was of 90% (9 persons from 10), so that the results obtained could be considered as representative.

2. RESULTS OBTAINED

Some of those results are too presented as follows:

The politics, practices and values promoted with in of your activity as an employee are in conformity with your own expectations and persuasions:

1=not at all 2=very little 3=medium 4=very much 5=always

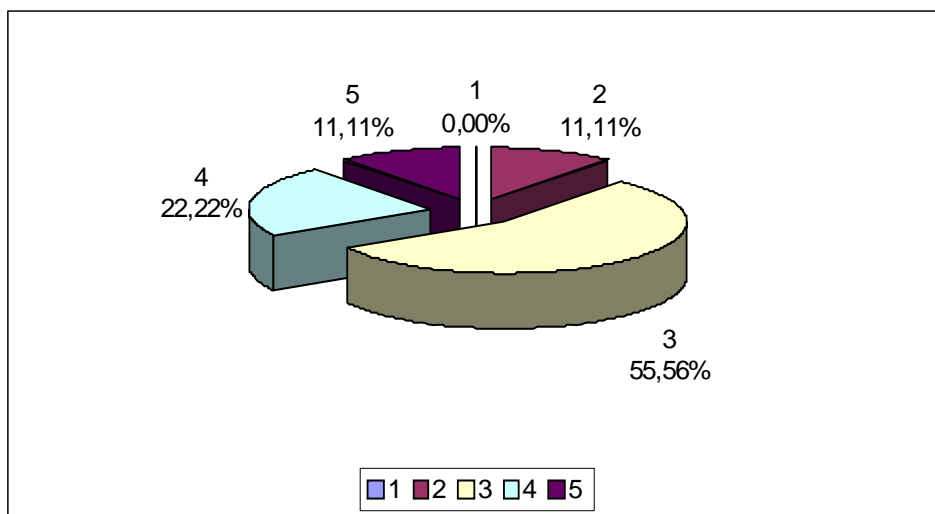


Figure 1.

None of the persons who filled in the quiz consider there is no significant concordance between the values promoted within the project and their own values system. Only for 11,11% (a person from 9) the concordance is of 100%. The prior reason for a percentage of 88,89% do that the other variants are concluding is represented by the difference between the personal perception and the institutional perception of the work activities of the public employees.

Do you assume that at present are you paid at your right value, according to the activity you do for reaching the objectives of the institutions?

1=Yes 2=No, not completely 3=Not at all

Among the persons who filled in the quiz only one considers that his or her efforts aren't at all appreciated (financially or some other manner) and also one person only thinks that the balance between the work effort and the reward (as a salary) is not quite balanced.

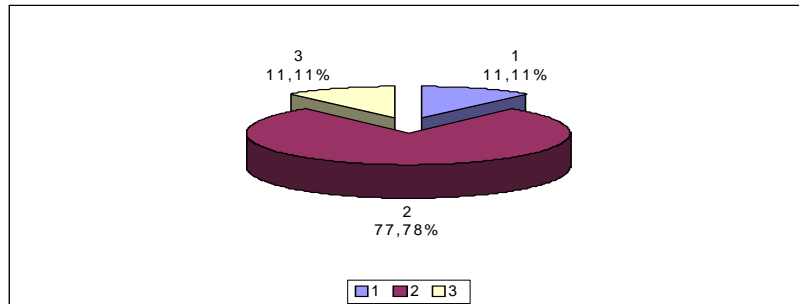


Figure 2.

Do you consider your career as a successful one?
 1= Yes 2=No

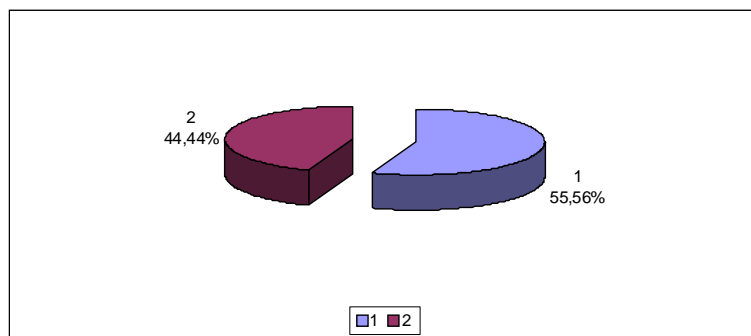


Figure 3.

The report between these two categories is quite balanced, the motivation consisting mainly in the differences of perception of the notion of „successful career” and the differences between the personal individual expectations and the achievements till the moment of the analysis.

For a satisfactory improvement of the career, are you ready:

- 1= To adapt yourself to the changes
- 2= To prove your efficiency and competence
- 3= To change the institution and your job

For the answer to the above question, it wasn't mentioned any constraint regarding the selection of a certain number of variants. As we can notice, the majority of the question people have identified as a method of improvement or development of the career the own effort directed to the active involvement and self improvement (88,89%) and the adaptation to the environment (66,67%). The 20% people indicating the change of the institution and also of the job as accepted variant have chosen this answer as an alternative variant, all the five persons choosing all three variants of answering. Relating this to the precedent question, it may consider that there is at the

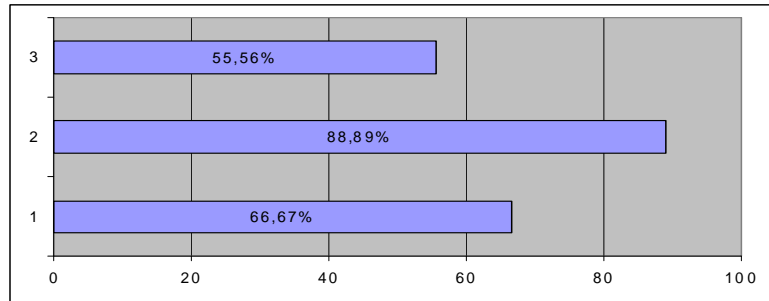


Figure 4.

level of the target group a high degree of involvement in the activities specific to the public employee work within the Department of European Integration and Economical Development and The Leading Staff of the Deconcentrate Public Services.

Do you consider as useful for your activity the trying plans and supplementary education, the continuous professional formation?

1= not at all 2=very little 3=medium 4=very much 5=always

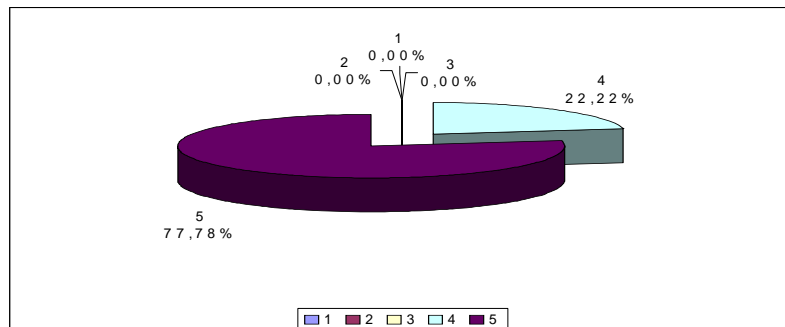


Figure 5.

All the questioned people appreciated at a high level the importance of the continuous training, of the adaptation to the requirements resulted from the modification of the environment variables and the necessity of the development of the specific competences, the variants 1, 2 and 3 as answers not being taken into consideration by any representative person. More than this, the major tendency was to indicate the variant 5 as representatives for the target group.

3. MOTIVATION DETERMINANTS

From the obtained results it may be noticed a heterogeneous distribution of the people regarding the motivation factors, each of the indicated elements being at least once priority (1 and/or 2) and for others by having the most reduced importance comparing to the rest of them (6 or 7).

Table 1.

Mark between 1-7 (1 being the biggest mark) the next elements of non-financial motivation, according their importance :									
A. The Chestios complete	1	2	3	4	5	6	7	8	9
Open, nice, harmonious work medium	1	3	3	7	6	3	7	5	5
Commune goals	2	6	5	6	7	7	6	6	7
Chances for development the carrier	1	1	4	7	2	4	4	1	3
Building and implementation individual plan for development, advantage	1	7	6	7	5	6	5	7	2
Investments in professional training, experience changes	1	4	2	6	3	2	2	3	1
Recognition of special results by colleagues and leadership	1	2	7	7	1	1	1	2	4
Delegation, responsibility, initiative	2	5	1	7	4	5	3	4	6

Depending on the frequency of the occurrence of the maximum mark for the quiz we can say that the most appreciated element as a priority motivation factor is. The recognition of the special results by the colleagues and by the leaders (leading staff) followed as importance at the group level by the „Professional Training Investment and Exchange Experience and by Changes of the career development”.

By starting from the same criterion the frequency of occurrence the element considered at the level group as having a reduced impact as a motivational device compared to the above mentioned persons is „The cultivation of the common goals”. The other factors of this category are, The building and the implementation of the individual development and promotion plan” and „Opened pleasant harmony work environment”.

4. CONCLUSIONS AND RECOMMANDATIONS:

By analyzing the obtained results it may say be summarized:

- The questioned group presents the particularity of a homogenous group at the needs level - of formation and recognition, etc - but there is quite homogenous regarding the reaction at the specific motivation levels;
- The values of the groups are well defined and in concordance reported to the individual values;
- There is a real potential of improvement of the existing situation, reflected in the availability for the self improvement and the balancing wish at the level of the activities development. It can be also appreciated that there is a high degree of availability toward active involvement and initiative for the improvement of the present situation;
- Regarding the continuous training process it cannot be said that this answers globally to the real needs of the people hired within the department;
- Although the communication - not only vertically, but also horizontally the department and with the other departments is perceived as being important

especially regarding the quality of the final results and of the motivational potential as a general tendency it was appreciated that there are deficiencies at the level of this process (for all its forms);

- There is the manifestation of the need of modification of the labor organization at the level of the department and, by extension, at the level of the institution.

Starting from the above conclusions it is recommended:

- The use of the motivation ways identified by the right questioned persons with potential of insurance of the efficiency and efficacy;
- The involvement of the staff of the deep actively for the initiation and the development of possible process of re-organization of the activities starting from the premise that the beneficiaries concerned persons are able to recognize and express their needs at individual level and at group level;
- The creation and the implementation of a yearly plan of training for the department staff as a part of the yearly training schedule of the institution. To issue this document should be therefore taken into account the individual needs expressed by the public employees within the department connected to the needs identified at the level of the institution and by taking in account the possibilities. An instrument that might be used for achieving such an objective would be the evaluation interview (which follows under the law rules to the final evaluation of the public employees by their chief (head of department) - as a proposal for the evaluation sheet;
- The improvement of that starting with the problems recognized by the department's employees as having a relevant impact. Such an initiative would suppose, first of all, the development of an inside communication based on the continuous feed back, for revealing a certain manner of linking,, The system would be sustained by a parallel development of an informative communication periodically;
- The regularly use of an evaluation method the department situation. The advantage of a a monitoring consist mainly in offering of possibilities of the integration of the positive deviations for connecting the errors. The positive effects are going to be extended at individual office level and at dep. level or even at the level of the institution and the correction will be done before the impact on the activities assembly to become relevant.

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THE INFORMATIZATION OF THE ROMANIAN BANKING SYSTEM IN THE CONTEXT OF ROMANIA'S INTEGRATION IN THE EU

TEODORA VĂTUIU, VASILE POPEANGĂ *

ABSTRACT: *For the Romanian banking system, 2006 has been a year marked by the efforts of the modification and lineament of the banking legislation to the European standards from the perspective of the adherence and also by the informatization projects that have taken place throughout the banking system level. The computer networks through their performances and advantages have represented and will still remain the main communication infrastructure for the informatics systems. Through their connectivity at a world level an informational medium with resources and services has been created, which permits people to get informed and work together in different domains of activity. This process has taken part in all the domains of activity including the banking one.*

KEY WORDS: *the Romanian banking system, the banking legislation, European standards, the informatization projects.*

1. GENERAL CONSIDERATION

The developments in informatics and communication have allowed the appearance of electronic payment systems. The new technology was used firstly in the domain of interbanking funds transfer, then in electronic commerce transactions and in the domain of services through credit card payment, Internet and other technical payment services. These technical systems have allowed distance payment. Concerning the payment system, the pyramid scheme and the role of the central bank remain the same, but the circuits of the system suffer important changes. The national circuit connects and alginates to the international one under every aspect: operational, responsibilities, surveillance, and indemnification, juridical.

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The continuous technologic development and the competition between the existing banking organizations and the new set up ones have influenced the diversification of banking products and services, which are now available through electronic way. All this forms the so-called **electronic banking** or **e-banking**. The fast development of the e-banking qualities has both benefits and risks due to the security of the data transfer networks. But banking risks exist through the definition of the institution itself or, through the nature of its specific activities, so that it is important that the risk due to e-banking is known, controlled and well managed, in the purpose of reducing it.

2. REDUCING RISKS CONCERNING IT PROJECTS ACCOMPLISHED IN FINANCIAL INSTITUTIONS

Although for the financial companies risk becomes an element that needs being kept under control in any circumstances, in the case of implementing some IT projects, the risk management becomes a key of success.

Risk can come from the direction of businesses, people, or IT elements. While some risk elements are obvious, others are more difficult to identify. Risk implies choices; assuming risks represents, in many cases, significant opportunities for organizations. Risks can and are, in general, more significant in the last phases of a project. Still, the management of risk, the process of identifying risks, of analyzing and answering factors of stress, must begin even before the launching of a big IT project.

Organizations must admit that the management of risk is an iterative process that is why regular evaluations of the risk are needed. IDC considers that the causes of failing IT projects are not immediately obvious in most cases. Still, there is no need to identify and rank risks if the organization doesn't manage to initiate a series of strategies for reducing risks. There are numerous strategies that can be applied, each risk category needing different strategies.

Organizations should take a series of measures at an organization level for improving the capacity of dealing with risk. Through others, IDC recommends that organizations should develop consciousness for management of risk between employees, examine and learn from past mistakes and make sure that role and responsibilities concerning dealing with risk are well defined. IDC analysts show, also, that a tight relationship with providers brings value to the projects and can minimize risks significantly.

3. INTEROPERABILITY OF THE APPLICATIONS AND WEB SERVICES MARKET

Interoperability of the applications is a must for the implemented solutions in financial institutions, being necessary for assuring the connectivity of the existing applications at the level of a financial institution and for interoperability with different systems of the partners.

According to IDC estimations the global market of Web services and of solutions dedicated to interoperability of applications has been appreciated at approximately 3,4 billion dollars. For the coming years an important evolution in this sector is estimated, Web services covering a higher request of integrating informatics systems. In this way, in the year 2008 the market of solutions based on Web services is estimated at approximately 11 billion dollars.

IDC predicts a consolidation of the market of solutions based on Web Services for the period 2004-2008. Defining some evolved standards, as well as accepting them by an even bigger number of companies will contribute to adopting this technology on a higher scale. Also, Gartner, in a recent study, has stated that architecture oriented on services will gain a special importance in the IT&C domain.

Taking in account the transfer on Web of relevant information for business, it is necessary to use methods which can permit the implementation of a good security service and can assure data confidentiality. For these reasons, IDC and Gartner consider that the accomplishment of comprehensive standards in the domain of Web services, now available in the testing phase, will permit encoding data transfers and usage of digital signatures. For the SOAP protocol extensions for attaching identification elements will be available, being assured an efficient control of the identity of users which make the connections. Standards for Web services are available for public testing.

An example of accomplishing the interoperability of informatics systems at a national level is the electronic system of payment designed by BNR. The modernization process of the national system of payment started in 1995 with the consolidation of BNR's capacity of implementing monetary policy, the modernization of the system of payment on paper and the approach to a society prevailing without cash.

Through the second part of the process, is followed the facility of economy's development through the growth of security and efficiency of the system of interbanking payment, passing to a society prevailing without cash and the establishment of a legal basis well-underlined for the payment and discounting system. The project is operable at the moment, being assured the interoperability at the level of informatics systems from different banking institutions.

4. ACCOMPLISHMENTS AND PERSPECTIVES

Beginning with January 2007, the new System for Reporting Credit Institutions at National Bank of Romania SIRBNR was set up. This way, during a project that was started 2 years ago, there has been created a system according to reporting requests at the European Central Bank, requests from data and information beneficiaries from BNR and requests from reporting institutions, which will have direct access to primary reported indicators, but also to centralized situations and aggregated at the banking system's level.

At present, through SIRBNR is transmitted a number of 8 reports, the other reports being introduced gradually into the system, according to a plan settled by the Mixed Methodological Committee BNR-ARB. SIRBNR will function for a period of time together with the old reporting system. Apart from the reports already planned to come into function through SIRBNR, any new request concerning introducing some indicators or new reports will be done only with the notice of the Mixed Methodological Committee, after a preliminary analyze of the requests, for avoiding the appearance of redundancy and parallelism. At present, the implications of the implementation of Basel II Agreement of capital and of the application in perspective of international standards of financial reporting IFRS on the SIRBNR system, through adopting the reporting formats COREP and FINREP are analyzed.

During the year 2006, efforts for eliminating the last “on paper” components of the SEP have continued. During last year, a study of quantity impact for determining the effect which the regulations that follow will have upon the regulated level of the necessity of proper funds of credit institutions has been done.

The application of International Financial Reporting Standards (IFRS), initially announced for 2006, will be introduced, according to the decision of Public Finances Minister and BNR, beginning with January 1 2008. It must be stressed that the application of IFRS produces changes in all sectors of activity of credit institutions, with implications upon informatics systems in what concerns processing transactions, accountability and reports’ system. The application of IFRS implies a detailed process of training, process which credit institutions have already run. The banking system is ready to report according to these standards, being necessary though that the other economic agents to run this training process.

An older desideratum of banking community is the accomplishment of an on-line reporting system by the National Office of Preventing and Fighting Money Washing and eliminating daily reports on a magnetic support. This goal was included in a larger project in 2005, of creating informatics infrastructure for collecting data from financial institutions and for dividing data between implied institutions.

The solution promoted by banks for the accomplishment of an on-line reporting system was that of connecting by the National Office of Preventing and Fighting Money Washing to the interbanking network. It is expected that this system will become operational in the first half of this year, as a result of signing the protocol concerning the connection to the interbanking network by the by the National Office of Preventing and Fighting Money Washing and BNR.

SWIFT has started updating the infrastructure according to the second phase of migration to SWIFTNet, which will take place during 2007-2008. This consists in updating security mechanisms and instruments of administrating relations with corresponding banks for the SWIFTNet platform. This way, a unique model of security will be introduced for an access to all services of SWIFTNet based on public key infrastructure (PKI), assuring a better control of traffic and mechanisms against unsolicited traffic. Key elements of the migration are PKI, HSM and RMA. Training has started last year; there is a limit term of 31 October 2007 for Romania.

5. CONCLUSIONS

SEP's coming into function during year 2005, has lead to the acceleration of settlement of accounts and to the reduction of costs for funds transfer, has created the basis for diversification and improvement of payment services, has created the possibility of integrated processing of payments coming from initiator to a beneficiary and has generated a process of reform of payment systems of credit institutions, through the automation of payment processing. For this automation, the banking community has chosen a solution in two steps. In the first part, the physic exchange of debit payment instruments will be centralized at TransFonD, and settlement of accounts will be accomplished through SENT system, using the mechanism of direct interbanking debit and the formats of XML messages adapted for each payment instrument.

This solution was already accepted by the National Bank, which has elaborated a regulation, analyzed by the banking community. The project has as objectives the processing of all debit payment instruments with a high automation degree, the minimization of manufactured processing volume and the reduction of errors level, assurance of a high security level, through the use of digital signature and not least, the reduction of processing costs for debit instruments for banks and TransFonD.

For the second stage, the banking community will decide upon modifications of legislations and upon necessary investments so that the circuit and processing of debit instruments are made through digital images exchange.

Apart from the project concerning the automatic processing of debit payment instruments, foe the following period there are other SEP developments taken into account, as: the use of SWIFTNet services and network for SENT system, the implementation of a new help-desk application, the development of secondary market, through the creation of an electronic transfer platform, etc.

The use of SWIFTNet services and network for SENT system would permit recycling of the investment in SWIFTNet infrastructure through exchange of payment files of low value and can represent a substantial reduction of transfer costs for credit institutions, generated by the growth of the volume of messages transmitted through SWIFTNet, but also by the reduction of costs with the operation and upkeep of the infrastructure.

The year 2006 has also meant the set up of the project concerning the application of The New Agreement of Capital - Basel II, which sets the basis of new principles for risk management and causes the reconsideration of the whole philosophy concerning the capitalization of banks. During this project have been defined the national options concerning credit risks, for the standard approach and for that based on internal models of rating and legislation has been harmonized with the European one. The projects from the banking system will continue with a series of aspects concerning the modernization of the Romanian banking system run with the support of the Convergence program, through the Special Projects Initiative – SPI, and also with a presentation of the Single Euro Payments Area – SEPA project.

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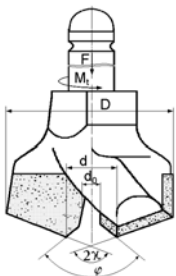


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