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**SEMNE DE INTREBARE PENTRU SECOLUL  
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PETROLUL: PERSPECTIVE ONGRIJORĂTOARE**

*„Experiența este acel fruct ontârziat care se coace fără a deveni dulce”*

„Este o perspectivă dezagreabilă. Ongrozitoare chiar. Și mai ales, în mod profund, injustă, primii atinși fiind cei mai dezarmați material” – așa oncepea, cu mai multe luni în urmă, „Le Nouvel Observateur”, o excelentă analiză cu privire la perspectivele ongrijorătoare, chiar sumbre, cu privire la efectele foarte urâte pe care le-au generat și le generează „problemele petrolului”, probleme concentrate într-o creștere abracadabrantă a prețurilor respective. Dar nu doar cunoscuta publicație franceză se poziționa astfel, ci cele mai multe reviste serioase, din aproape toată lumea – în Europa, în Statele Unite, Canada, în India, China, Singapore, etc. –, au tras și trag în continuare dramatice semnale de alarmă în sfera confruntării noastre – ca oameni, cetățeni naționali, cetățeni ai continentelor, dar și ai Terrei – cu țițeiul. Pierdem continuu teren, prețurile la petrol, hidrocarburi și produse respective prelucrate, au luat-o razna de mai mulți ani oncoace, dezvoltând și apropiind de realitate ideea unui

„sfârșit iminent” al relativei noastre bunăstări, desigur, în câțiva zeci de ani. „Sfârșit” prevăzut încă de la începutul anilor '970 în celebra lucrare „Limitele creșterii” a soților Meadows, în volumul „Entropia și procesul economic” al profesorului româno-american Nicolas Georgescu-Roegen, în lucrările lui Jacques Lesourne, ale marelui Lester Brown, etc. „Apocalipsul” se apropie. Exagerăm? După părerea ultimului autor citat, nici pe departe. Dar despre ce este vorba în fapt? Cum și de ce se poziționează așa forțele divergente și constrictive? Ar putea fi vorba, totuși, de o conjunctură sau, cu siguranță, de un debut al prăbușirii pe o pantă ireversibilă și extraordinar de periculoasă? Să oncercăm câteva răspunsuri la asemenea ontrebări, din nefericire ontrebări și dramatice și actuale...

100 de dolari barilul reprezenta, cu câțiva ani onainte, un preț de neimaginat. Pot fi acuzați speculanții, pot fi incriminate „superprofiturile” petroliere, pot fi demonstrații de stradă cu scopul

de a reduce fiscalitatea. Pot fi chiar amortizate unele șocuri pentru unele categorii de populație devaforizate, prin parghii economico-financiare, etc. Sunt lucruri care, onșă, nu modifică cu nimic realitatea. Prețurile la petrol urcă, vor urca, în continuare, pe termen mediu și lung, spre niveluri mult mai ridicate – se vehiculează 150 dolari barilul, în pofida faptului că pe termen scurt am putea beneficia de o anume reducere a acestui preț actual, 100 dolari barilul, spre 80 dolari barilul. Perspective sumbre? Da, deoarece dinamica atât de ascendentă a prețului petrolului are cauze cu mult mai profunde decât speculațiile sau nepriceperi și ignoranțe guvernamentale, comunitare, etc. Anume, în primul rând, mediul. Credem, deseori, că prețul petrolului este relativ ieftin la 3 dolari galonul în Statele Unite, când, adevărul său preț, implicând costurile sociale și de mediu aferente, cu alte cuvinte internalizarea unor externalități, este de 14 dolari. „Să mergem pe prețuri adevărate și realitățile se vor impune – scrie Lester Brown. Consumul va diminua iar emisiile de carbon, de asemenea. On ajunul lui Pearl Harbor, majoritatea americanilor erau ompotriva intrării în război. On ziua următoare erau pentru. Cred mult în virtuțile curative ale «taxei carbon»”.

Revenind, agențiile de presă dar și studiile în domeniu ol citează, adeseori, pe Claude Mandil, directorul Agenției Internațional a Energiei, care ne-a prevenit și ne previne mereu: „Ne ondreptăm spre un sistem energetic scump și murdar – cel actual, pe care nu prea ol schimbăm deloc – și care va merge din criză în criză”. Cu alte cuvinte, toate statele trebuie în mod imperativ să-și modifice sistemul energetic dacă vor să evite fie noi perturbări ale aprovizionării cu petrol, cu toate efectele negative în lanț, fie noi și semnificative dezastre ecologice, fie amândouă. Pentru că, depindem, depindem esențialmente de petrol. Acesta constituie, în prezent, mai mult de o treime din resursele energetice consumate pe Planetă. Este drept, în câteva state, după 1970, a fost diminuată, uneori considerabil, dependența de petrol, amplificându-se, în schimb, ponderea energiei nucleare – și această energie, onșă, cu marile ei probleme. Oricum, faptul a permis o anume „amortizare” a șocurilor crizei. Raportul euro-dolar a avut și el partea sa de contribuție în acest sens, cu precădere pentru state aferente. Și totuși, criza aferentă petrolului rămâne, ea este endemică, cerințele de țiței sunt mult mai mari decât posibilitățile de acoperire în perspectivă, inclusiv avand in vedere structura geopolitică asociată. Toate ace-

stea cu atât mai mult cu cât în domeniul transportului țițeiul se vedește încă vital, greu de substituit. Or lumea de astăzi onseamnă, chiar înainte de orice, mult, foarte mult transport. . .

100 de dolari barilul nu este încă atât de scump pentru a provoca reacțiile fundamentale necesare, afirmă nu puțini specialiști: „Când ne confruntăm cu o problemă trebuie să crească prețul acestei probleme mai repede decât puterea de cumpărare”. Ar fi, este aceasta reacția firească nu doar a pieței, ci a prezervării viitorului.

„Or, pentru moment, puterea de cumpărare se sprijină, în general, pe o energie încă ieftină. On ritmul în care se desfășoară lucrurile, vom fi sufocați relativ curând de bioxidul de carbon”. Să ne amintim și citatul mai sus din Lester Brown. Cu alte cuvinte, o astfel de creștere de prețuri la petrol ar fi „realmente binevenită”, numai astfel investitorii vor putea să se reporteze spre ceea ce avem nevoie în mod esențial pentru a conserva viața pe Terra: obligațiile alternative neconvenționale la energia fosilă.

Petrolul, cu densitate energetică foarte mare, a fost și este, în general, relativ ușor de extras, de stocat, de utilizat, de transportat – în speță, în medie, un cost de 5 ori mai redus comparativ cu gazele. Rezervele? După unele calcule, echivalentul a 40

de ani de producție medie totală anuală. Cum sunt unele prognoze ce indică o creștere a consumului de peste 50% până în anul 2030, va fi un moment în care, infailibil, în mod obiectiv, va exista din ce în ce mai puțin petrol. Când va fi atins acest moment? După unii, în 2008-2010, după alții, în 2020. Cam pe aici, totuși. Oricum, va fi un ontreg mod de viață ce va bascula dar și o anume idee despre ce onseamnă mondializarea, va fi un mod de viață altul decât cel actual, va fi desenul nou de mondializare din perspectiva amintită.

Penurie? Mai bine spus raționalitate și raționalizare, chestiuni mai mult onțesele și nu atât impuse din unghiul prețului petrolului, intrucat nu mai există alternativă. Menajele, în cea mai mare parte a lor, nu vor mai putea avea două automobile. Dinamica transportului aerian va diminua. Nu va mai fi rentabilă delocalizarea, la celălalt capăt a globului, a unor produse cu valoare adăugată mică. Nu va mai fi rentabilă nici oncărcarea la refuz a automobilului ontr-un supermarket, ontr-un centru comercial situat la mare distanță. Vor reveni, se pare, pe primul plan, micile prăvălii, magazine situate în colțul străzii. Cât de mult le-am repudiat, dar, iată. . . Mersul pe jos sau pe bicicletă? De ce nu, ținând seama că multe curse cu automobilul se desfășoară pe distanțe de

doar câțiva km. Orașe din ce în ce mai strălucitoare? Domiciliile din ce în ce mai ondepărtate de locul de muncă? Agricultură din ce în ce mai specializată? Gările care cedează locul aeroporturilor cu zboruri foarte dese? Acel petrol care se onscribe în fiecare moment al vieții cotidiene, de la sacii-pubelă la sticlele de apă minerală, de la țesături la ambalaje? Tot mai puțin din toate acestea. Să oncercăm să onțelegem spusele unui expert de talia lui Jean-Marc Jancovici: „Am pierdut peste 30 de ani ca să construim o lume ce nu va mai funcționa mâine”. Dramatic spus dar, este cert, cât de adevărat.

Desigur, energiile alternative. Totodată, lichefierea cărbunelui, cu mare atenție, onșă, pentru

prevenirea dezastrelor ecologice. Baterii mai performante și re-alimentate. Biocarburanții, da, dar fără a dăuna asigurării cerințelor alimentare. Oricum, „economisirea, onainte de a fi prea târziu”, cum ne avertizează „Le Nouvel Observateur”. Așadar, un alt mod și un alt model de viață, diferite de cele din prezent. Firește, greu de formulat și mult mai greu de onsușit. Dar câte nu a putut și nu poate face omul atunci când oi ajunge „cuțitul la os”? ...Și o ontrebare: este oare – și cum este – pregătită economia și societatea românească pentru a face față acestor atât de probabile mari modificări? Din păcate, in esența sa, nu prea este. Dar va trebui – trebuie – să fie.

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## **THE NEED OF A NEW REGIONAL COOPERATION ON THE BLACK SEA REGION**

*The Black Sea region is a distinct geographical area rich in natural resources and strategically located at the junction of Europe, Central Asia and the Middle East. With a large population, the region faces a range of opportunities and challenges for its citizens. The region is an expanding market with great development potential and an important hub for energy and transport flows. It is, however, also a region with unresolved frozen conflicts, with many environmental problems and insufficient border controls thus encouraging illegal migration and organised crime. In spite of significant positive developments in the last years, differences still remain in the pace of economic reforms and the quality of governance among the different countries of the region. A dynamic regional response to the issues can greatly benefit the citizens of the countries concerned as well as contribute to the overall prosperity, stability and security in Europe.*

**Key words:** *the Black Sea Region, regional policy, cooperation initiative, the main cooperation areas, Black Sea synergy*

### **Introduction**

On 1 January 2007, two Black Sea littoral states, Bulgaria and Romania, joined the European Union. More than ever before, the prosperity, stability and security of our neighbours around the Black Sea are of immediate concern to the EU. The Black Sea region includes Greece, Bulgaria, Romania and Moldova in the west, Ukraine and Russia in the north, Georgia, Armenia and Azerbaijan in the east and Turkey in the south. Though Armenia, Azerbaijan, Moldova and Greece are not littoral states, history, proximity and close ties make them natural regional actors.

The Black Sea region is a distinct geographical area rich in natural resources and strategically located at the junction of Europe, Central Asia and the Middle East. With a large population, the region faces a range of opportunities and challenges for its citizens. The region is an expanding market with great development potential and an important hub for energy and transport flows. It is, however, also a region with unresolved frozen conflicts, with many environmental problems and insufficient border controls thus encouraging illegal migration and organised crime. In spite of significant positive develop-

ments in the last years, differences still remain in the pace of economic reforms and the quality of governance among the different countries of the region. A dynamic regional response to the issues can greatly benefit the citizens of the countries concerned as well as contribute to the overall prosperity, stability and security in Europe.

### ***A New Regional Cooperation On The Black Sea Region***

The European Union has already made major efforts to stimulate democratic and economic reforms, to project stability and to support development in the Black Sea area through wide-ranging cooperation programmes. Three EU policies are relevant in this context: the pre-accession process in the case of Turkey, the European Neighbourhood Policy (with five eastern ENP partners also being active in Black Sea cooperation) and the Strategic Partnership with the Russian Federation.

There are significant opportunities and challenges in the Black Sea area that require coordinated action at the regional level. These include key sectors such as energy, transport, environment, movement and security. Enhanced regional cooperation is not intended to deal directly with long-standing conflicts in the

region, but it could generate more mutual confidence and, over time, could help remove some of the obstacles that stand in the way. Given the confluence of cultures in the Black Sea area, growing regional cooperation could also have beneficial effects beyond the region itself.

The moment has therefore come for increased European Union involvement in further defining cooperation priorities and mechanisms at the regional level. The further evolution and the largely bilateral implementation of these policies will continue to determine the strategic framework.

What is needed is an initiative complementary to these policies that would focus political attention at the regional level and invigorate ongoing cooperation processes. The primary task of Black Sea Synergy would therefore be the development of cooperation within the Black Sea region and also between the region as a whole and the European Union.

This fully transparent and inclusive initiative is based on the common interests of the EU and the Black Sea region and takes into account the results of consultations with all Black Sea states. It would also enhance synergies with and build upon experiences of existing regional initiatives



linking the Black Sea region to the EU, such as the Danube Cooperation Process. An initiative developed by Austria, Romania, the European Commission and the Stability Pact to broaden and deepen Danube cooperation and give to it clear political and economic dimensions. Black Sea Synergy is intended as a flexible framework to ensure greater coherence and policy guidance.

In assessing the usefulness of Community support for particular initiatives, the active involvement of the countries and regional bodies directly concerned, including through financing, should serve as a key criterion.

The scope of actions could extend beyond the region itself, since many activities remain strongly linked to neighbouring regions, notably to the Caspian Sea, to Central Asia and to South-Eastern Europe. There would be a close link between the Black Sea approach and an EU Strategy for Central Asia. Black Sea cooperation would thus include substantial inter-regional elements. It would also take account of other regional cooperation programmes supported by international organisations and third countries.

At the outset, Black Sea Synergy would focus on those issues and cooperation sectors which reflect common priorities and

where EU presence and support is already significant. Consequently, this Communication formulates a number of short- and medium-term tasks related to these areas.

Concerning of democracy, respect for human rights and good governance, the Council of Europe and the OSCE have set standards on human rights and democracy which apply to all Black Sea states. EU efforts in these regards are principally bilateral. Nevertheless, actions taken at the regional level can play a substantial role in underpinning and invigorating national measures. Black Sea regional organisations have in recent years undertaken commitments to developing effective democratic institutions, promoting good governance and the rule of law. The EU should support these regional initiatives through sharing experience on measures to promote and uphold human rights and democracy, providing training and exchange programmes and stimulating a regional dialogue with civil society.

In the problem concerning managing movement and improving security, improving border management and customs cooperation at regional level increases security and helps to fight organised cross-border crime such as trafficking in human beings, arms and drugs and contributes to

preventing and managing irregular migration. Successful examples such as the EU Border Assistance Mission for Moldova and Ukraine show that it can also contribute to the resolution of conflicts.

Concerning the global approach to migration to eastern and south-eastern neighbours, it's important to including new initiatives on better managing migration and tackling illegal migration. Important illegal migration routes run through the Black Sea region, making regional cooperation on these issues particularly relevant. It's also been encouraging the countries in the region to develop further practical co-operation on countering cross-border crime in general, by channelling experience from other similar initiatives in South-Eastern Europe and the Baltic area. Further intensified regional cooperation will enhance the performance of national law enforcement, in particular in the fight against corruption and organised crime. Black Sea regional actors might usefully develop best practices, introduce common standards for saving and exchanging information, establish early warning systems relating to transnational crime and develop training schemes. This could build on the experience and activities of the SECI regional centre (South-East European Cooperation Initiative

Regional Centre for Combating Trans-border Crime, based in Bucharest), and the BBCIC (Black Sea Border Coordination and Information Centre, based in Burgas).

About the problem of energy, the Black Sea region is a production and transmission area of strategic importance for EU energy supply security. It offers significant potential for energy supply diversification and it is therefore an important component of the EU's external energy strategy. Energy supply security diversification is in the interest of our partners in the region, as well as the EU.

This dialogue will promote legal and regulatory harmonization through the Baku Initiative and in the framework of the ENP and the EU-Russia Energy Dialogue. This would be pursued also through the expansion, when appropriate, of the Energy Community Treaty to Moldova, Turkey and Ukraine, also through the Memoranda of Understanding with Azerbaijan and Ukraine, WTO accession negotiations and, where appropriate, via other bilateral energy agreements. The objective is to provide a clear, transparent and non-discriminatory framework, in line with the EU acquis, for energy production, transport and transit. The EU is also helping the countries of the region to develop a clearer focus

on alternative energy sources and on energy efficiency and energy saving, which will release important energy resources. The EU is working closely with regional partners to enhance energy stability through the upgrading of existing and the construction of new energy infrastructure. In this context, BSEC recommended a developing, in cooperation with its partners, a new trans-Caspian trans-Black Sea energy corridor. This corridor will include several technical options for additional gas exports from Central Asia through the Black Sea region to the EU. In addition, given the growing quantities of oil transiting the Black Sea, which have led to increasing safety and environmental concerns, the EU has a specific interest in developing a sustainable and ecological oil dimension to its co-operation in the region. A feasibility study will be launched to determine whether it is necessary to develop such an overall legal framework covering producer, transit and consumer countries.

In the same time, BSEC should continue to actively support regional transport cooperation with a view to improving the efficiency, safety and security of transport operations. The EU would build on the experience of all the various transport initiatives relevant to the Black Sea area.

The Commission has launched a debate on how to enhance transport cooperation and streamline the various ongoing cooperation activities. Efforts should continue in the context of developing the transport axes between the Union and the neighbouring countries as identified by the High Level Group. There is a need for close coordination with ongoing initiatives, which should lead to a clear division of labour or even a partial merger between existing regular events and structures. The TRACECA Strategy until 2015 should continue to provide an important base for regional transport development. Transport policy dialogue with a view to regulatory approximation would remain a central goal. The Commission intends to assist in identifying those actions that will help to achieve uniform and consistent application of relevant instruments and standards. Competitiveness, the capacity to attract traffic flows, improving safety, security, interoperability and inter-modality should be decisive factors in drawing up plans for the future. Aviation safety and the EU therefore should encourage the significant investments necessary to achieve the above objectives.

Finally, for the medium term and as proposed in the recent Communication on an extending

the common aviation area are important objectives. Given the growing hydrocarbon transportation needs, maritime safety would be high on the agenda. In particular, the practices and procedures of the Paris and Black Sea Memoranda of Understanding on Port State Control should be harmonized at the highest level of performance. The Commission proposes to fully exploit the advantages offered by short sea shipping and inland waterways, notably the Danube.

Concerning the environment, here many regional processes exist but implementation is lagging behind. The need to address marine environment problems at regional level is recognised by the EU Marine Strategy and proposed Marine Strategy Directive adopted by the Commission in 2005. The EU Marine Strategy will require EU Member States in all regional seas bordered by the EU to ensure cooperation with all countries in the region. To this end, Member States will be encouraged to work within the framework of regional seas conventions - including the Black Sea Commission. Community accession to the Convention on the Protection of the Black Sea against Pollution is a priority.

Countries of the Black Sea region need to enhance implementation of multilateral

environmental agreements and establish a more strategic environment co-operation in the region. The Commission should also promote regional-level activities to combat climate change, in particular by making use of the joint implementation of the clean development mechanism of the Kyoto Protocol and engage the Black Sea Region countries in international discussions on future action. Other mechanisms could be explored, such as a longer-term development of national emissions-trading schemes in the region.

The Maritime Policy is another important problem in this area. Black Sea Synergy provides an opportunity for dialogue on the emerging holistic maritime policy of the Union which aims to maximise sustainable growth and job creation in sea related sectors and coastal regions. This would include building a network of clusters of maritime cross-sectoral co-operation among services, industries and scientific institutions and also improving cooperation and integration on the surveillance of the sea, with a view to safety and security of shipping and environmental protection.

Concerning the fisheries, the Black Sea is an important fishing region and the majority of its stocks are trans-boundary. A

number of these are in a bad state and action at regional level is therefore needed to help them to recover. The EU would seek to promote sustainable development through fisheries management, research, data collection and stock assessment in the Black Sea region. New ways to ensure sustainable and responsible use of fisheries resources in the region should be explored. The possibilities offered by the General Fisheries Commission for the Mediterranean, which includes the Black Sea in its mandate, should be better used.

About trade, the EU is an important economic and trading partner for the Black Sea countries, and closer economic cooperation ties and preferential trade relations are an important element of our relationship. The WTO accession of all Black Sea states and our negotiations on successor agreements to the ENP Action Plans with Russia and Ukraine will be an important step towards trade liberalisation in the region and the EU will continue to support that process. The implementation of the ENP Action Plans' trade and economic provisions, in particular further market economy reforms and progressive regulatory approximation of legislation and practices to the EU trade-related *acquis* continue to play an important role in regional

trade-facilitation and integration. Black Sea regional cooperation organizations have put forward several initiatives to develop free trade areas. In principle, the EU welcomes steps that serve genuine trade liberalisation, to the extent that these are compatible with the multilateral trade regime and reflect existing agreements between the EC and the states concerned. Any initiative should take due account of the fact that EU Member States and countries bound to the EU's common commercial policy by a customs union cannot autonomously participate in regional free trade schemes.

Speaking about research and education networks, the Commission intends to stimulate the interconnection of all countries in the area to the pan-European research backbone GEANT. There is mutual interest in providing high-speed connectivity between research and education communities and in promoting legal and regulatory harmonisation of these countries' frameworks with the EU framework. This would require the establishment of independent and efficient regulatory authorities. Furthermore, there is a need to promote the deployment of broadband infrastructure and the introduction of online services in the field of e-Government, e-Business, e-Health and the use of ICT in

education and research. The Tempus programme will serve as a useful instrument for establishing cooperation projects between universities in the EU and Black Sea region, focusing on higher education reform.

Concerning science and technology (S&T), the Commission intends to promote capacity-building and S&T policy dialogue with the Black Sea countries, in particular through the new instruments available under the 7th Research Framework Programme (FP7). It will ensure the inclusion of specific research activities and topics of mutual interest in FP7 work programmes and will promote synergies between FP7-funded activities and other appropriate EC financial instruments.

An important problem is the employment and social affairs. The partner countries of the Black Sea region face similar challenges, like high unemployment, a widespread informal economy, as well as issues related to the promotion of decent work, such as social dialogue, social protection and gender equality. Fighting poverty and social exclusion is highlighted in several ENP Action Plans. Better integration of ethnic minorities and combating discrimination are key concerns for social cohesion in many of the Black Sea

partner countries. Cooperation at regional level on these issues could provide additional value, particularly when it comes to the exchange of information and best practices, as well as awareness-raising initiatives, including training programmes for relevant officials, social partners and civil society organizations. The EU should support such activities through appropriate technical assistance programmes.

Concerning the regional development, with the accession of Bulgaria and Romania, European Union Regional Policy funding has become available to the Black Sea coastline for the first time. Regional Policy programmes in these two Member States will contribute to improving their coastal regions' competitiveness and environmental situation in particular, via a special focus on the Lisbon and Gothenburg agendas. Lessons learned in these programmes will be able to be shared around the Black Sea via the cooperation programmes.

An important problem regarding the cross-border cooperation (CBC) and the role of local and civil society actors. The Commission has established a Black Sea CBC programme under the European Neighbourhood and Partnership Instrument (ENPI). This "sea basin programme" focuses on supporting civil society

and local level cooperation in Black Sea coastal areas. The programme will be managed locally in the region, with the partners taking joint responsibility for its implementation. This programme facilitates the further development of contacts between Black Sea towns and communities, universities, cultural operators and civil society organisations, including consumer organisations. This can play a particularly important role in conflict areas, where civil society actors are especially useful for the development of cooperation with and among inhabitants. In addition, there will be new cross-border co-operation programmes between Bulgaria and Romania (funded from the European Regional Development Fund) and between Bulgaria and Turkey (funded from the Instrument for Pre-Accession). These will both allow for maritime and coastal actions that will enhance the development of links and co-operation along the western coast of the Black Sea.

About the role of regional organisations, the Commission is not proposing the creation of new institutions or bureaucratic structures. The Black Sea states would remain the EU's main interlocutors, whether in a bilateral framework or during discussions at the regional level. The bulk of the EC's contribution will con-

tinue to be provided through the established sectoral programmes managed by the Commission. The EU, however, should be ready to strengthen contacts with regional organisations. The EU's Black Sea regional initiative aims at a comprehensive approach including all countries in the region; therefore the wide membership of the Organisation of the Black Sea Economic Cooperation (BSEC) and the fact that Russia and Turkey are its founding members is a decisive advantage and could substantially contribute to the success of Black Sea Synergy. EU-BSEC links would serve primarily for dialogue at the regional level. This might include meetings between senior officials with a view to better coordinate concrete projects.

A kick-off high-level political event would provide political orientation and visibility to EU Black Sea Synergy. Should Black Sea Synergy partners so decide in the light of tangible progress, regular ministerial meetings might take place, attended by the EU and BSEC countries. Meetings between the EU and ENP partners from the Black Sea region could be organized back to back with these meetings and provide an opportunity for consultations on ENP-related questions. Black Sea Synergy would also take advantage of the useful contacts

already existing facilitating regional contacts. The proposed Neighbourhood Investment Facility, for the countries with ENP Action Plans, could contribute to the preparation and co-financing of infrastructure investments, in between the European Parliament and the Parliamentary Assembly of BSEC. At the same time, the Commission will remain open to all appropriate cooperation possibilities that might be provided by other regional bodies and initiatives. Given its focus on regional partnerships and networks, the Black Sea Forum (a Romanian initiative) could be particularly useful at the non-governmental, civil society level.

### ***Conclusion***

The Black Sea regional constellation has substantially changed in the past years and will continue to evolve. In these conditions, the EU's new regional cooperation initiative would usefully complement its existing wide-ranging bilateral and sectoral activities.

The European Union's presence in the Black Sea region opens

a window on fresh perspectives and opportunities. This requires a more coherent, longer-term effort which would help to fully seize these opportunities, to bring increased stability and prosperity to the region. Greater EU engagement in Black Sea regional cooperation will contribute to this objective.

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## EFFECTIVE CROSS-CULTURAL COMMUNICATION

*When we speak about communication it is imperative to consider it as being cultural — it draws on ways we have learned to speak and give nonverbal messages. We do not always communicate the same way from day to day, since there are factors like context, individual personality, and mood interact usually with the variety of cultural influences we have internalized that influence our choices. Communication is meant to be interactive, so an important influence on its effectiveness is the relationship we have with others. Do they hear and understand what we are trying to say? Are they listening well? Are we listening well in response? Do their responses show that they understand the words and the meanings behind the words we have chosen? Is the mood positive and receptive? Is there trust between them and us? Are there differences that relate to ineffective communication, divergent goals or interests, or fundamentally different ways of seeing the world? The answers to these questions will give us some clues about the effectiveness of our communication and the ease with which we may be able to move through conflict.*

The challenge is that even with all the good will in the world, miscommunication is likely to happen, especially when there are significant cultural differences between communicators. Miscommunication may lead to conflict, or aggravate conflict that already exists. We make — whether it is clear to us or not — quite different meaning of the world, our places in it, and our relationships with others. Cross-cultural communication will be outlined and demonstrated by examples of ideas, attitudes, and behaviors involving four variables as M. LeBaron noticed :

Time and Space  
Fate and Personal Responsibility  
Face and Face-Saving  
Nonverbal Communication

### ***1. Time and Space***

Time is considered to be one of the most important differences that separate cultures and cultural ways of doing things. In the West, time was considered as quantitative, and was measured in units that were reflecting the march of progress. It is logical, sequential, and present-focused, moving with incremental certainty toward a future the ego cannot touch and a past that is not a part of now. In the

East, time feels like it has unlimited continuity, an unraveling rather than a strict boundary. Birth and death are not supposed to be such absolute ends since the universe continues and humans, though changing form, continue as part of it. People may attend to many things happening at once in this approach to time. This may mean many conversations in a moment (such as a meeting in which people speak simultaneously, «talking over» each other as they discuss their subjects), or many times and peoples during one process (such as a ceremony in which those family members who have died are felt to be present as well as those yet to be born into the family).

It is true that cultural approaches to time or communication are not always applied in good faith, but may serve a variety of motives. Asserting power, superiority, advantage, or control over the course of the negotiations may be a motive wrapped up in certain cultural behaviors (for example, the government representatives' detailed emphasis on ratification procedures may have conveyed an implicit message of control, or the First Nations' attention to the past may have emphasized the advantages of being aware of history). Culture and cultural beliefs may be used as a tactic by negotiators; for this reason, it is important that parties be involved in col-

laborative-process design when addressing intractable conflicts. As people from different cultural backgrounds work together to design a process to address the issues that divide them, they can ask questions about cultural preferences about time and space and how these may affect a negotiation or conflict-resolution process, and thus inoculate against the use of culture as a tactic or an instrument to advance power.

### ***2. Fate and Personal Responsibility***

Another important variable which affects communication across cultures is fate and personal responsibility. This refers to the degree to which we feel ourselves the masters of our lives, versus the degree to which we see ourselves as subject to things outside our control. Another way to look at this is to ask how much we see ourselves able to change and maneuver, to choose the course of our lives and relationships. There has been drawn a parallel between the emphasis on personal responsibility in North American settings and the landscape itself. The North American landscape is vast, with large spaces of unpopulated territory. The frontier mentality of «conquering» the wilderness, and the expansiveness of the land stretching huge distances, may relate to generally high levels of confidence in the ability to shape

and choose our destinies.

In this expansive landscape, many children grow up with an epic sense of life, where ideas are big, and hope springs eternal. When they experience setbacks, they are encouraged to redouble their efforts, to «try, try again.» Action, efficiency, and achievement are emphasized and expected.

This variable is important for all to understanding cultural conflict. If someone invested in free will crosses paths with someone more fatalistic in orientation, miscommunication is likely. The first person may expect action and accountability. Failing to see it, they may conclude that the second is lazy, obstructionist, or dishonest. The second person will expect respect for the natural order of things. Failing to see it, they may conclude that the first is coercive or irreverent, inflated in his ideas of what can be accomplished or changed.

### ***3. Face and Face-Saving***

Another important cultural variable relates to face and face-saving. Face is important across cultures, yet the dynamics of face and face-saving play out differently. Face includes ideas of status, power, courtesy, insider and outsider relations, humor, and respect. In many cultures, maintaining face is of great importance, though ideas of how to do this vary.

The starting points of individualism and communitarianism are closely related to face. If we see ourselves as a self-determining individuals, then face has to do with preserving our image with others and ourselves. We can and should exert control in situations to achieve this goal. We may do this by taking a competitive stance in negotiations or confronting someone who we perceive to have wronged us.

Direct confrontation or problem-solving with others may reflect poorly on our group, or disturb overall community harmony. We may prefer to avoid criticism of others, even when the disappointment we have concealed may come out in other, more damaging ways later. When there is conflict that cannot be avoided, we may prefer a third party who acts as a shuttle between us and the other people involved in the conflict. Since no direct confrontation takes place, face is preserved and potential damage to the relationships or networks of relationships is minimized.

### ***4. Nonverbal Communication***

Nonverbal communication is hugely important in any interaction with others; its importance is multiplied across cultures. This is because we tend to look for nonverbal cues when verbal messages are unclear or ambiguous, as they are more likely to be across

cultures (especially when different languages are being used). Since nonverbal behavior arises from our cultural common sense — our ideas about what is appropriate, normal, and effective as communication in relationships — we use different systems of understanding gestures, posture, silence, spacial relations, emotional expression, touch, physical appearance, and other nonverbal cues. Cultures also attribute different degrees of importance to verbal and nonverbal behavior.

Low-context cultures like the United States and Canada tend to give relatively less emphasis to nonverbal communication. This does not mean that nonverbal communication does not happen, or that it is unimportant, but that people in these settings tend to place less importance on it than on the literal meanings of words themselves. In high-context settings such as Japan or Colombia, understanding the nonverbal components of communication is relatively more important to receiving the intended meaning of the communication as a whole.

Some elements of nonverbal communication are consistent across cultures. For example, research has shown that the emotions of enjoyment, anger, fear, sadness, disgust, and surprise are expressed in similar ways by people around the world. It may be more social

acceptable in some settings in the United States for women to show fear, but not anger, and for men to display anger, but not fear. At the same time, interpretation of facial expressions across cultures is difficult. In China and Japan, for example, a facial expression that would be recognized around the world as conveying happiness may actually express anger or mask sadness, both of which are unacceptable to show overtly.

These differences of interpretation may lead to conflict, or escalate existing conflict. Suppose a Japanese person is explaining her absence from negotiations due to a death in her family. She may do so with a smile, based on her cultural belief that it is not appropriate to inflict the pain of grief on others. For a Westerner who understands smiles to mean friendliness and happiness, this smile may seem incongruous and even cold, under the circumstances. Even though some facial expressions may be similar across cultures, their interpretations remain culture-specific. It is important to understand something about cultural starting-points and values in order to interpret emotions expressed in cross-cultural interactions.

Crossing cultures, we get across very different ideas about polite space for conversations and negotiations. North Americans tend to prefer a large amount of

space, perhaps because they are surrounded by it in their homes and countryside. Europeans tend to stand more closely with each other when talking, and are accustomed to smaller personal spaces.

The difficulty with space preferences is not that they exist, but the judgments that get attached to them. If someone is accustomed to standing or sitting very close when they are talking with another, they may see the other's attempt to create more space as evidence of coldness, condescension, or a lack of interest. Those who are accustomed to more personal space may view attempts to get closer as pushy, disrespectful, or aggressive.

Line-waiting behavior and behavior in group settings like grocery stores or government offices is culturally-influenced. Novinger reports that the English and U.S. Americans are serious about standing in lines, in accordance with their beliefs in democracy and the principle of «first come, first served.» The French, on the other hand, have a practice of line jumping, that irritates many British and U.S. Americans. Or, immigrants from Armenia report that it is difficult to adjust to a system of waiting in line, when their home context permitted one member of a family to save spots for several others.

Careful observation, ongoing study from a variety of sources, and cultivating relationships across cultures will all help to develop the cultural fluency to work effectively with nonverbal communication differences that we may encounter.

### **Conclusions:**

Each of the variables discussed — time and space, personal responsibility and fate, face and face-saving, and nonverbal communication — are much more complex than it is possible to convey. Each of them influences the course of communications, and can be responsible for conflict or the escalation of conflict when it leads to miscommunication or misinterpretation. A culturally-fluent approach to conflict means working over time to understand these and other ways communication varies across cultures, and applying these understandings in order to enhance relationships across differences.

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## POVERTY AS AN INFRINGEMENT OF HUMAN RIGHTS

*Articolul de față prezintă problema sărăciei din perspectiva drepturilor omului și aduce argumente că sărăcia este mai acută în statele în care nu se respectă drepturile omului, precum este și cazul Republicii Moldova. Autorul ajunge la concluzia că lupta cu sărăcia poate avea succes numai în condițiile respectării drepturilor omului și invită societatea civilă, guverne și organizațiile internaționale să acorde mai multă atenție acestui fenomen.*

*Key Words: poverty, human rights, Moldova, legislation, government  
JEL Classification: A13, I32, K10*

### 1. INTRODUCTION

In the latest years it became more and more clear that poverty represents both moral and economic challenge for many countries. Poverty can be compared with a silent ragedy, modern society being more inclined to care about the victims of natural disasters, such as earthquakes and floods, remaining reluctant towards even higher numbers of victims of poverty, which is a product of the society. For example, an estimated 21,342 people lost their lives in catastrophes including earthquakes, windstorms and floods in 2006. At the same time, worldwide, more than 1 billion people of the 6.5 billion people living on the Earth, currently live below the international poverty line, earning less than \$1

per day.

### 2. HUMAN RIGHTS ASPECTS OF POVERTY

#### 2.2. Theoretical aspects

Important contributions to link concepts of human rights and poverty have been made during the last two decades. Individuals and organizations put their efforts in proving that poverty is a denial of human rights. According to Kofi Annan, “wherever we lift one soul from a life of poverty, we are defending human rights. And whenever we fail in this mission, we are failing human rights.”

One early description of poverty from a human rights perspective was proposed by Father Wresinski, the founder of ATD Fourth World, in 1987: “The lack of basic security connotes the absence of one or more factors

enabling individuals and families to assume basic responsibilities and to enjoy fundamental rights. The situation may become widespread and result in more serious and permanent consequences. The lack of basic security leads to chronic poverty when it simultaneously affects several aspects of people's lives, when it is prolonged and when it severely compromises people's chances of regaining their rights and of reassuming their responsibilities in the foreseeable future."

The United Nations Committee on Economic, Social and Cultural Rights also came up with a rights-sensitive definition of poverty, defining it as "a human condition characterized by the sustained or chronic deprivation of the resources, capabilities, choices, security and power necessary for the enjoyment of an adequate standard of living and other civil, cultural, economic, political and social rights."<sup>1</sup> The link between poverty and violation of human rights was also recognized at the World Conference on Human Rights that took place in Vienna in June, 1993 by specifying that "existence of widespread extreme poverty inhibits the full and effective enjoyment of human rights". According to Mary Robinson, UN Human Rights Chief, "extreme poverty is one of the worst kinds of violations of human rights,

which involves the majority of the population of the world, ... and which is the greatest denial of the exercise of human rights.". The Human Development Report 2000 also points out poverty as violation of human rights, calling for stronger actions to combat poverty not just as a development goal, but also as an important challenge for human rights defense. Eradicating extreme poverty is the greatest human rights challenge that is faced by modern society.

The first comprehensive analysis of poverty from the human rights standpoint can be considered a final report on human rights and extreme poverty, prepared by Leandro Despouy, Special Rapporteur, appointed by the Sub-Commission on the Promotion and Protection of Human Rights, prior to 1999 known as the Sub commission on Prevention of Discrimination and Protection of Minorities, published in 1996. Final Report on Human Rights and Extreme Poverty, "Realization of Economic, Social and Cultural Rights," calls for respecting human rights for all as a universal objective and at the same time, views respect of human rights as a means of eradicating extreme poverty.

Poverty affects all groups of human rights proclaimed by the international human rights instruments, namely: civic, political, cul-

tural, economic and social. Lack of adequate health care, education, shelter, etc. prevent those affected by poverty to have access to civil and political rights, which in turn prevent from claiming their economic, social and cultural rights. Although Universal Declaration of Human Rights, International Covenant on Economic, Social and Cultural Rights, the Declaration on the Right to Development and many other international legal documents make reference to the human right of freedom of poverty, they do not have an explicitly formulated phrasing that would state this. The term “poverty” is not used in any of the major texts of human rights treaties - neither in the Universal Declaration, nor in the Declaration on the Right to Development or other international conventions<sup>2</sup>.

Governments of the majority of countries have ratified at least one of the major human rights conventions and thus made commitments to ensure human right to freedom from poverty at Earth Summit in Rio, World Summit for Social Development in Copenhagen, the Habitat Conference II in Istanbul, and other. In addition to this, national legislation of many countries has provisions for human rights protection. Nevertheless, governments of the same countries infringe these commitments.

## 2.2. Case of Moldova

According to the Constitution of Moldova, “the State is obliged to take action aimed at ensuring that every person has a decent standard of living, whereby good health and welfare based on available food, clothing, shelter, medical care, and social services are secured for that person and his/her family”<sup>3</sup>. But reality is different. Data from the 2007 Public Opinion Survey presented by the Institute of Public Policies reveals that 39,8% of respondents have incomes that are not enough even for meeting basic needs, while 24% claimed that their income is just enough for satisfying basic needs, thus their human rights being infringed. Citizens of Moldova, which continues to be the poorest country in Europe, lodged to the European Court of Human Rights more than 2790 petitions in the period 1998-2006, with 45 decisions being pronounced against Moldova. According to the ratio of petitions on 1000 citizens, Moldova occupies the first place in the top of petitions submitted to the European Court of Human Rights consecutively for two years – 2005 and 2006. The latest four decisions against Moldova were pronounced in January 2008. And all these petitions reveal just a minor percent of human rights violations registered in Moldova. As a consequence of the decisions



against Moldova, it had to pay from the state budget to those who won the cases almost 2 mln euro, money that could be spent for improving situation of the vulnerable citizens in Moldova.

### **2.3. What can be done?**

Recognizing that there is a strong relationship between poverty and human rights, it is necessary to undertake concrete measures to fight both of them to assure sustainable human development. It would be worth internalizing the notion of poverty as a violation of human rights in the important legal instruments, thus having governments (and in certain cases private companies) accountable for procreating poverty, which is in the majority of cases a structural violation of human rights. International and national legislation should allow possibility to the victims of poverty to claim responsibility of the bodies responsible for their situation and to have their rights defended, since the state has to respect, protect and fulfill the human rights of its citizens.

Since respect for the human rights can not take place overnight, there is a need in national action plans for gradual eradication of human rights violations, especially, in the case of vulnerable groups of citizens. National poverty reduction strat-

egies should encompass specific measures oriented for the ultimate goal of fulfillment of human rights by all categories of citizens. Office for High Commissioner for Human Rights developed in 2006 "Principles and Guidelines for a human rights approach to poverty reduction strategies". These principles and guidelines should be widely spread to reach attention of governments, donors and civil society organizations involved in design and implementation of the poverty reduction strategies, to enhance their effectiveness in view of human rights respect.

### **3. CONCLUSIONS**

Poverty is indisputably the most potent violation of all human rights, and constitutes a threat to the survival of the great numbers of human population. As poverty has intensified in both rich and poor nations alike, the view of poverty as a human rights and social justice issue should gain increased attention and action. Poverty should be considered not only based on the fact that the poor have needs, but on the fact that they have indivisible rights inherent to all human beings.

Fight with poverty should not be seen as a charitable or philanthropic venture, according to Monique Ilboudo, Burkina Faso Ministry of Human Rights. Human rights based approach to

poverty reduction is in fact an integral part of the human rights approach to development. Victims of poverty are people whose human rights are guaranteed, but not respected. Poverty that represents a denial of human rights should be abolished, as were completely abolished slavery and apartheid. According to Eleanor Roosevelt “at all times, day by day, we have to continue fighting for freedom of religion, freedom of speech, and freedom from want - for these are things that must be gained in peace as well as in war”. International organizations, national governments and NGOs have a shared responsibility for achieving sustainable human development for its citizens, for building society void of poverty and exclusion, which are not acceptable in the 21st century.

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## REGIONAL DISTRIBUTION OF POVERTY IN MOLDOVA

*Although poverty is the most stringent problem in Moldova, the existing research had been done primarily by the WB and the UNDP. Measurement of poverty rates, rural poverty, and socio-economic characteristics of poor people had been the major focuses of the existing research, however very little information exists on the distribution of poverty.*

*This research explains how poverty is distributed in Moldova using the minimum of existence level as poverty estimate.*

Poverty assessment methodology.

The research used consumption approach to determine the distribution of poverty in Moldova, since it has several advantages comparing with the income approach<sup>1</sup>:

- Consumption is a theoretically more satisfactory measure of well-being.
- Income is used in industrial countries where self-employment is relatively rare so that most household income comes from a few sources, where annual income variation is low, and consumption data are relatively costly to gather.
- Consumption is less variable over the period of a year, much more stable than income in agricultural economies and makes it more reasonable to extrapolate from two weeks to a year for a survey household.

The minimum of existence level, reported quarterly by the NBS, had been used as poverty estimator. We did not find a specific definition of the minimum of existence although we requested it several times through NBS internet based communication system. However, it could be concluded from the official NBS statistical reports that the minimum subsistence level is the strict, minimum level of consumption, which includes food expenditures as well as non-food items.

Why is the minimum of existence level a better poverty estimator compared with poverty line estimates?

1. The World Bank estimate, i.e. absolute poverty line, is currently severely scrutinized in the economic literature for many reasons such as: the Bank uses an arbitrary international poverty line that is not adequately anchored

in any specification of the real requirements of human being. Also, the poverty line employs a concept of purchasing power “equivalence” that is neither well defined nor appropriate for poverty assessment<sup>2</sup>.

2. The minimum of existence level is a better poverty estimator since it captures the full extent and complexity of poverty phenomenon in Moldova, because it takes into account both food and non-food items a person requires to consume in a given time period. Moreover, the minimum of existence is reported separately for urban and rural areas, it is also disaggregated by gender and age. The World Bank and the Ministry of Economy poverty lines do not have these comparative advantages which mean that a significant bias is committed while researching poverty using them.

Expenditures per capita variable is the main variable of interest that had been used in research. Thus, both measures, the minimum of existence and consumption expenditures per capita, are expressed in money value and refer to the individual consumption. Because of this, it is legitimate to use the consumption per capita variable and the minimum of existence level to assess poverty level.

The research used data from the Household Budget Survey

(HBS) for 2004 (December subsample only), available on the NBS internet web page [www.statistica.md](http://www.statistica.md). **HBS is a national survey of 6121 observations, conducted monthly by the NBS in 45 primary sampling units, representative for the whole country.**

The research used primarily parametric statistical methods such as: Paired t-tests; Chi-square test, Mantel-Haenszel Chi-Square, and Likelihood Ratio Chi-Square; Contingency tables; Hypothesis testing; Power analysis; Analysis of variance between groups (one way ANOVA). However, the non-parametric methods had been used as well, specifically during the analysis of variance between groups (one way ANOVA) procedure: Wilcoxon, Kruskal-Wallis, and Van der Waerden One-Way Analysis tests.

### **Poverty within Moldavian regions**

Poverty is a major characteristic for both urban and rural areas in Moldova, except Chisinau<sup>3</sup>. However an effective national strategy aimed to fight poverty would need to correctly allocate limited public resources according to some well established priorities. That is why to identify the most needful geographical areas that would be targeted by poverty alleviation initiatives represents one of the main purposes of any

poverty research.

Moldavian territory had been traditionally divided into three regions, specifically North, South, and Central region. HBS includes 46 primary sampling units however the 36th unit had not been defined at all in the survey and did not appear in the dataset. Consequently the 36th territorial unit had been omitted in the analysis.

We grouped the territorial variable according to Northern, Central and Southern region of Moldova as follows, listing by cities, raions (counties) and villages:

- Northern region represented by the following primary sampling units: Briceni, Grimancauți; Dondușeni; Drochia – Chetrosu and Sofia; Edineț; Edineț - Gloria and Bratuseni; Fălești, Calugar; Glodeni, Hojdieni; Ocnîța; Ocnîța - Ocnîța and Grinăuț; Bălți 2 psm;
- Central region, represented by the following psm: Anenii Noi; Călăraș, Horjauca and Volocineț; Honcesti, Bujor and Boghicieni; Nisporeni, Ciuciulești; Orhei; Orhei, Cucuruzeni; Strașeni; Strașeni - Vorniceni; Telenești, Negureni; Ungheni; Ungheni, Poirlița; Chișinău units from 1 to 9; Ialoveni, Bardar.
- Southern region, included the following primary sampling units: Cahul, Cahul - Rosu; Cantemir, Carpești; Căinari, Carbuna and Cașcalia; Com-

rat; Comrat, Beshlama; Ștefan Vodă, Feștelița.

Observation: It appears that central region is overrepresented compared with northern and southern regions. Thus, 24 psm within the sample are drawn from central region (53%), 14 psm drawn from Northern region (30%), Southern region represented by the remaining 8 psm (17%). However, the overrepresentation of the central region could be explained by the fact that significant part of the population lives in Chisinau and its suburbia. (In 2004, almost 50% of the total urban population lived in Chisinau, while the over half of urban population lived in other cities. According to the NBS the total population in Moldova on January 1, 2005 constituted 3386 thousand people from which, 1308.8 or 38.7% lived in urban areas, and 2077.2 or 61.3% lived in rural areas. The total urban population constituted 1308.8 thousand and 647.7 thousand live in the capital, 49.5% of the total<sup>4</sup>).

To determine whether there is a difference between poverty level in Northern, Central and Southern regions of Moldova, the analysis of variance (ANOVA) had been performed. Since the dataset had a large sample size (510 observations), the central limit theorem justifies the use of normality as-

***The ANOVA Procedure***

***Welch's ANOVA for EC\_CAPIT***

Source	DF	F Value	Pr > F
TERRIT_recoded	2.0000	17.18	<.0001

***The ANOVA Procedure***

Level of TERRIT_recoded	N	Mean	Std Dev
1	165	531.714110	393.724656
2	258	643.813079	17.671404
3	96	415.395656	25.669105

*NOTE: Calculations performed in SAS software.*

*Where:*

*TERRIT\_recoded 1 – Northern regions.*

*TERRIT\_recoded 2 – Central region.*

*TERRIT\_recoded 3 – Southern region.*

sumption performing parametric ANOVA<sup>5</sup>.

The insignificantly small p-value of the F test, less than 0.0001 suggested that there is sufficient statistical evidence to state that - at least two means of expenditures per capita within Moldavian regions are different, i.e.

poverty rate must be different in at least two regions. Central region obtained the highest consumption per capita level 643 lei per month, the mean of consumption expenditures per capita within Northern region was 532 lei per month, and the smallest level of consumption expenditures per capita were achieved within Southern region

***The NonParametric WILCOX Procedure***

**Wilcoxon Scores (Rank Sums) for Variable EC\_CAPIT  
Classified by Variable TERRIT\_recoded**

TERRIT_recoded	N	Sum of Scores	Expected Under H0	Std Dev Under H0	Mean Score
1	165	41537.50	42900.0	1590.94305	251.742 424
2	258	73264.00	67080.0	1708.20952	283.968992
3	96	20138.50	24960.0	132 6.52925	209.776042

Average scores were used for ties.

***Kruskal - Wallis Test***

Chi-Square	17.8582
DF	2
Pr > hi -Square	0.0001

*NOTE: Calculations done in SAS software.*

- 415 lei per month.

Moreover, the non-parametric techniques6 version of ANOVA confirmed the validity of our conclusion (p-value less than 0.001).

As we had seen, all three regional consumption expenditures per capita means were less than the minimum of existence level, which for 2004 constituted 679.9 lei per month. However, to find out if regional means are statistically significant different from each other, we performed the paired t-test. Testing the difference between means of paired samples is used when at least one of the following assumptions is not satisfied: each sample is independent of the other; both samples are from normally distributed populations; the variances of both samples are equal.<sup>7</sup>

The a priori assumption - due to comparatively higher living standards in Moldavian capital

**test for the Means of EC\_CAPIT\_NORD and EC\_CAPIT\_SOUTH**

- Chisinau compared with the rest of the country, the Central region must be less affected by poverty compared with Northern and Southern parts of the country, this would mean that the mean of consumption per capita in Central regions would be significantly higher than the means of the rest of the country. Paired t-test had revealed (p-value less than 0.003) that the a priori assumption was valid and that Central region indeed obtained a higher expenditures per capita level compared with the rest of the country.

However, we would also expect that Northern region would have a higher mean of consumption expenditures per capita compared with Southern region, which could be explained due to the agricultural foundation and traditional economic underdevelopment of Southern part of Moldova.

Below is the paired t-test output that confirmed our previous

Sample Statistics

Group	N	Mean	Std. Dev.	Std. Error
EC_CAPIT_NORD	96	500.4142	351.07	35.831
EC_CAPIT_SOUTH	96	415.3957	225.67	23.032

Hypothesis Test

Null hypothesis: Mean of EC\_CAPIT\_NORD - EC\_CAPIT\_SOUTH) <= 0  
 Alternative: Mean of EC\_CAPIT\_NORD - EC\_CAPIT\_SOUTH) > 0

t Statistic	Df	Prob > t
2.029	95	0.0226

*NOTE: Calculations done in SAS software.*

assumption that tested the means of consumption expenditures per capita between Southern and Northern regions of Moldova.

Indeed Southern part of Moldova obtained the smallest consumption expenditures per capita mean which would suggest that on average people from this part would achieve less consumption per capita than people from Northern and Central regions. However consumption expenditures per capita difference between two regions is not very big. Thus at 5% level of significant this difference is almost eighteen lei per month, which is indeed a small difference between means in term of consumption of expenditures per capita. This result would suggest that there should not be a very high difference in terms of the consumption per capita standards between Northern and Southern regions, and thus, both regions should not have a significant difference between poverty rates.

However, using the minimum of existence for the whole country of 679.9, we found that in Southern part of the country 90% of the population achieved consumption expenditures per capita less than the minimum of existence, while 76% of the population from the Northern region achieved consumption less than the minimum of existence. 14% represents a visible difference between pov-

erty rates and we conclude that poverty rate is higher in Southern part of Moldova, comparing with Northern part.

At the same time, hypothesis testing analysis revealed that all means of consumption expenditures per capita by Northern, Central (observations from the capital excluded), and Southern region are less than the minimum of existence level, however the situation was different in Moldavian capital (p-values less than 0.0001).

Conclusions and implications:

The Southern part of Moldova is the poorest region in Moldova compared with the Northern and Central regions. Although the difference between means of consumption expenditures per capita within the Southern and Northern regions is small, the percentage of people who lived below the minimum of existence in 2004 within Southern part (90%) is significantly higher compared with Northern region (76%).

Moreover when the Central part of Moldova is analyzed without including the observations from Chisinau – the capital of Moldova, the statistical tests proved that there is no statistical significant difference between the means of consumption expenditures per capita by regions, and that the means of consumption



expenditures per capita by regions are less than the minimum of existence level for the whole country of 679.9 lei per month, however the situation was different in Chisinau, the capital of Moldova.

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**Teoria și practica financiară**

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**THE ANALYSIS OF HEALTH MAINTENANCE  
RESTRUCTURE FROM  
THE VISION OF THE OBLIGATORY MEDICAL  
INSURANCE**

*This scientific essay contains the analysis of a configuration of interests and positions of the subjects of the financing system in relation to its reforming, which allows drawing and emphasizing the main conclusions that permit to revise the present financial system in health maintenance system. Modernization of obligatory medical insurance is favorable, as these funds will be transformed into the main subjects of financing of territorial systems of public health services. Therefore, they support offers on new sources of payments on obligatory medical insurance to population. Finally, there are made conclusions and offered ways of the solutions for ending the restructuring process of health maintenance system.*

**Keywords:** *public health, Obligatory Medical Insurance Fund, configuration of interests, informal paid, budgetary and insurance systems of financing.*

**INTRODUCTION**

During our study there were investigated and studied speeches of Moldovan Health System Chiefs of different hierarchies, leaders from the Ministry of Health to individual research reports. Reporting materials were analyzed from various medical-prevention agencies (MPA), both in cities, regions and rural areas. Other materials, which were examined, are budgets of territorial authorities and their correlation

with MPA. Also, there were done several studies in the frame of various surveys and interviews, also there were examined the situation in different MPA, as well as, annual reports and explanatory notes. There were organized meetings and discussions with various leaders and members of organizations for financing health care, and the leaders of organizations providing medical assistance to the population.

Although more than 15 years of reforms take place in the health system of the Republic of Moldova, still it is not possible to talk about any existing configured system in this area. The restructuring taking place in all social spheres carried out slowly, but the most important is the health-care system, the significance and importance of which was not even discussed. From the passed reform in this area depends the future of our state and society in general. Expected positive effects from activity of new subjects in the health maintenance services system as a result a more rational use of available resources and with treatment quality assurance were not produced with sufficient definiteness and counterbalance charges of these organizations.

### ***THE ATTITUDE OF THE HEALTH CARE SYSTEM TO ITS RESTRUCTURING***

Analysis of the health maintenance system restructuring indicates that it's necessary to transform hospital aid to one-day hospital aid and outpatient aid to save significantly financial inflows. Some hospitals will be transformed and some closed. In the same time the restructure is required in outpatient sector. The outpatient system supported by the specialized medical doctors should be partially changed by the

family doctor system. Definitely, these measures are connected with serious political and social matters that are different for participants of the health maintenance financing network; that is why their attitude towards restructure is different. Ministry of Public Health of the Republic of Moldova is restructure initiator and the main restructure participant.

The Ministry of Public Health is trying to pursue the restructure policy using the administrative and command methods but it does not have the sufficient resources for this due to the gap in the former management vertical. The Ministry only declares the restructure goals in some documents and makes certain administrative pressure on leaders of the district health maintenance departments whose efforts are not sufficient. In our opinion, all three subjects should co-operate to restructure the system successfully. Ministry of Public Health, Foundation for Obligatory Health Maintenance Insurance and local authorities should co-operate.

The main goals are:

- on behalf of the Ministry of Public Health, obligations to distribute medicines, equipment and to carry out state programs,
- on behalf of the Republic Obligatory Medical Insurance Fund, subsidizing equal financing area conditions under the obliga-

tory medical insurance that is an ingredient of the area program of the state guarantees,

- on behalf of the Republican, District and Local authorities, obligations to realize area program of state guarantees of free medical aid.

Analysis indicates that the delay of reforms is everywhere but the Ministry of Public Health does not attempt to correct the situation. In our opinion, the following measures can be applied:

- active discussions with the managers of district health maintenance departments how to realize the restructure, how to reveal obstacles and problems, how to achieve primary targets.

- implementation of finance mechanisms for health maintenance facilities optimizing the bed population ration;

- providing organizational and methodological support to restructure hospital network.

Ministry of Public Health can develop the realistic restructure concept and can initiate the approval of the required restructure legislature.

Ministry of Public Health can configure the feedback with the local facilities and provide them a scalable support.

However, the Ministry of Public Health hardly will apply efforts without being influenced. The declared restructure goals

will be achieved by the Ministry of Public Health slowly and inconsistently. It looks like that the restructure program development will be a formal campaign.

Regarding the restructure process, district authorities usually are neutral. Openly they do not express doubts that it is necessary but, as a rule, they do not put pressure on the subordinates to carry out it. However, some district managers demanded and succeeded to reduce bed population ratio due to their inability to finance it.

The district authorities do not consider restructure matters as their priorities.

District health maintenance managers declare their goal to reduce bed population ratio; however, they are not convinced that it is necessary. They behave in this way under the pressure of the Ministry of Public Health. Their diffidence is transmitted to their subordinates, to health maintenance facility managers.

District health maintenance facility managers do not know why the restructure is necessary. It's necessary only to state authorities who have to demand restructure due to political reasons.

Local authorities agree with the idea of restructure and demand to implement restructure from district maintenance facility managers they themselves do

not consider it necessary in their regions.

They try to implement restructure like the Ministry does by administrative and command methods. Comparing with the Ministry they possess more administrative and economic resources to influence local managers. Nevertheless, they insufficiently attract local managers to participate in development of realistic restructure plans.

In the same time they presume that family doctor system should be implemented in rural area but they are not rushing to implement this system. It's reasoned by the duration of family doctor training, insufficient funds invested into training and equipment.

Local obligatory medical insurance funds are supporting restructure. Following the direction of reforms the insurance people will finance all the existing health maintenance facilities making them real buyers of insurance services who can select facility to sign a contract. Thus, the selected facility will increase its rating status.

Municipal bodies are opposing to reduction of bed population ratio due to political reasons, especially, before elections. They are convinced that bed population ratio reduction in the rural area and does not consider the features of the country. Low income

population is limited to move to other localities, especially, to district centers to get medical care because of the money and time. The district centers are rather far and the quality of roads is low. According to their opinion, the reduction of bed population ratio, closing of hospitals and paramedic points will restrict access to health maintenance.

Local authorities in rural area are capable to oppose the restructure and even can start political campaigns against closing of health maintenance facilities.

At the same time they support introduction of family doctors if they consider, that it will improve health services of the population of area.

Municipal controls of public health services take of the same position, as municipal authorities in the re-structuring relation.

Managers of medical institutions, as a rule, resist to re-structuring bed population ratio and health maintenance facility as they are convinced, that re-structuring will lead to reduction of financing health maintenance facilities and outflow from them the qualified doctors.

The problem of creation of institute of family doctors excites those managers of medical institutions who have little polyclinic branches, or give in such branches

only specialized medical aid.

Heads of others health maintenance facilities, and, in particular polyclinics, usually act as opponents of introduction of the family doctor system as it complicates for them the organization of work health maintenance facilities and creates problems with use of doctors-therapists and doctors-experts.

### ***PROBLEMS OF DEVELOPMENT OF MEDICAL INSURANCE***

Necessity of development of medical insurance became last three years a subject of attention of the Government of the Republic Moldova. All it testifies that the importance of the problems connected with a condition of financing of public health services system, induces to realization of notable political pressure upon authorities on which modernization of obligatory medical insurance depends.

In an introduction of initial stage of the obligatory medical insurance, the Ministry of Public Health was the main subject of this process, having initiated it and having worked hard to set up this system.

The situation analysis has shown, that the introduction of obligatory medical insurance is not justified. The main thing of the reason consists in that charges of

the obligatory medical insurance funds and the insurance medical organizations are considerable, and their necessity for public health services system is doubtful.

However, the ministry management declares necessity of preservation and development obligatory medical insurance, proving before subordinates, and, also, before district health maintenance facility heads of medical institutions such position that obligatory medical insurance gives branches additional investments. The Ministry of Public Health is ready to support such variants of modernization of obligatory medical insurance system which provides increase in the sizes of state financing of public health services and do not reduce powers of the ministry in regulation of system of public health services. Thus Ministry of Public Health itself does not show activity in working out of corresponding offers.

Busy Ministry of Public Health confirms conclusions that reforming of existing system of financing of the public health services, necessary for the decision of problems inherent in it, is not among priorities from the point of view of realization of interests of management of obligatory medical insurance.

Accordingly without strong pressure from political country

leaders the Ministry of Public Health itself put effort to modernization of obligatory medical insurance has not begun.

At discussion of a position of various subjects of modernization of system obligatory medical insurance of special attention the position of the Ministry of Finance which in the decision of this problem is key point.

Supporting last three years in words necessity of existence of medical insurance and modernization of developed system obligatory medical insurance, the Ministry of Finance actually tightened acceptance of any certain decisions. Discussed changes did not bring to the Ministry of Finance any notable positive results.

Problems of imbalance of program obligatory medical insurance, combinations of budgetary and insurance systems of financing, inefficient use of public funds in public health services system do not act for the Ministry of Finance as the problems having the high importance from the point of view of obligatory medical insurance interests. On the contrary, discussed variants of modernization of obligatory medical insurance means for the Ministry of Finance the creation in the Republican budget as additional article of expenses - financing of payments on obligatory medical insurance for the population.

The control over a target expenditure of funds into the obligatory medical insurance system is less productive, than in budgetary system. Participation of no-state insurers in obligatory medical insurance from the point of view of the Ministry of Finance as creating conditions, more likely, for their enrichment at the expense of the state, than for health services improvement. Therefore, the Ministry of Finance takes a waiting position concerning reforming of obligatory medical insurance. This situation can be changed only as a result of strong pressure from the country leaders.

Heads of regional authorities basically critically concern existing system obligatory medical insurance, but are interested in preservation of territorial funds of obligatory medical insurance. Money of off-budget funds is easier for using, in comparison with the regional budget, for the solution of various political problems as support of this or that municipal union, for financing of pre-election campaigns, etc.

Cases of the positive attitude towards the obligatory medical insurance system and support of participation in it of not state insurers, most likely, are caused by personal economic interests of heads which supervise activity of this or that insurance medical organization. Accordingly at such

regional heads of direct interest in reforming of developed obligatory medical insurance system is not present.

Introduction of a new order of insurance of the population will be supported by those regions which expect to receive thus from the republican budget or from fund obligatory medical insurance additional money. But nobody from local leaders is interested directly in making efforts to modernization of developed territorial obligatory medical insurance systems, increase of a transparency of activity of area obligatory medical insurance funds and the insurance organizations, introduction of mechanisms of financial planning and the methods of financing health maintenance facilities raising efficiency of use of resources in system.

It is possible to allocate among heads of regional authorities two positions in relation to obligatory medical insurance system: «full aversion» and «the critical relation».

Supporters of the first position consider that the introduction of obligatory medical insurance is perfect itself but not justified: there is dispersion and plundering of funds. In their opinion, it is necessary to return to budgetary financing; it will allow to concentrate money in one hand and to reduce subjectivity in their

expenditure.

The second part of heads district health maintenance facilities is convinced to an inefficiency of the obligatory medical insurance system, but, nevertheless, gives it preference in comparison with budgetary financing at which planning of forthcoming expenses health maintenance facility leans against subjective opinion of «managers» more, than on the proved specifications.

Municipal authorities, as a rule, do not take what or an accurate position in relation to modernization of obligatory medical insurance. They are not involved in discussion of these problems and the participation in it is not an aspire. The position of municipal authorities in relation to modernization of obligatory medical insurance if it is initiated by higher levels, is, most likely, waiting. Modernization of obligatory medical insurance can bring it both some losses, and advantages.

On the one hand, redistribution of public funds in favor of obligatory medical insurance system will mean reduction of possibilities of municipal authorities to finance from the budget the health maintenance facility.

On the other hand, it will simultaneously remove from them partial responsibility before the population for public health services condition.



The obligatory medical insurance fund will support the obligatory medical insurance system modernization so far as it will provide increase in a share of obligatory medical insurance money which accumulates in this fund. But for the last few years the fund, similarly with the Ministry of Public Health, did not show activity in advancement of ideas of modernization of obligatory medical insurance. It forces to assume, that the developed mechanisms of functioning of obligatory medical insurance system as a whole suit fund more likely and quite provide the realization of economic interests of its heads. Accordingly, the fund and in the future will minimize the efforts on formation of new obligatory medical insurance standard base and the control over its execution in case modernization of obligatory medical insurance will really begin under the pressure of the country leaders.

Territorial obligatory medical insurance funds are consecutive supporters and defenders of existing obligatory medical insurance system. It lacks connection with the insufficient financing caused not by receipt of payments for the population and the low social tax.

Modernization of obligatory medical insurance is favorable to funds as it will transform them into the main subjects of financ-

ing of territorial systems of public health services. Therefore, they support offers on new sources of payments on obligatory medical insurance to population.

As to other offered measures on modernization of obligatory medical insurance the relation to them from funds will be in different areas various - depending on presence in them of the insurance medical organizations. In those areas where such organizations operate, funds will support offers on strengthening of requirements to their activity. In those areas where private insurers are not present, funds will be and to interfere with their occurrence further.

Objectively offered modernization of obligatory medical insurance system is equitable to interests of insurers, but they do not put serious efforts to advancement of necessary changes in the legislation, regarding costs of the organization of collective actions and risk of failure as too high in comparison with possible benefits from change of the institutes regulating system obligatory medical insurance. Preservation of existing institutes and existing incomes of participation in system obligatory medical insurance is represented for them to more essential and it is easier provided at the expense of individual, instead of collective actions.

Managers of medical institu-

tions are the most consecutive opponents of the developed two-channel system of financing health maintenance facilities: from the budget and from the obligatory medical insurance system. Still recently the majority of them were opposed to obligatory medical insurance system and for returning to budgetary financing as to co-operate with insurers and obligatory medical insurance funds for them it was more difficult, than with public health services bodies. With introduction of the rigid control of bodies of exchequer behind execution confirmed to health maintenance facility the detailed estimate of incomes and expenses many heads of health maintenance facilities have changed the relation to obligatory medical insurance as in this system is right to dispose independently of the received funds.

In reality head of hospitals more all is interested in that state financing defrayed their expenses and arrived in time. And on what channels it will be carried out, - it is less essential to them.

***THE ANALYSIS OF A  
CONFIGURATION OF  
INTERESTS OF SUBJECTS  
IN RELATION TO THE  
MODERNISATION OF THE  
FINANCING SYSTEM OF  
PUBLIC HEALTH SERVICES***

The analysis of a configura-

tion of interests and positions of the subjects of financing system in relation to its reforming allows drawing the following conclusions.

1. Revision of the state guarantees of rendering of medical aid to the population, re-structuring of system of health services, obligatory medical insurance system modernization is not now priority from the point of view of realization of interests of subjects of financing of public health services. The parity of possible benefits and costs which can be received as a result of carrying out of transformations, for each of these types of subjects appears worse, than a parity of benefits and costs of preservation of an existing situation.

2. Actual refusal of revision of the state guarantees of free health services to the population in a combination of reduction of the sizes of their state financing in 1990th have led to large-scale replacement of the State expenditure private, mainly in forms shadow and extra-ordinary payments. It causes an inefficient expenditure of public funds. Thus, political and economic costs of change of the developed combination of formal and informal institutes of payment of medical aid appear very high.

3. Legalization of informal payments of the population for

medical aid rendered to it will be accompanied by a considerable rise in prices for medical services which will appear considerably above the former shadow prices. It will lead to falling of availability of medical services for low-income and middle-income levels of population that will promote also to growth of social intensity and discontent to major a part of citizens.

4. Among doctors and the medical personnel legalization of informal payments will lead to problem removal only partially. The doctors involved in this practice (and it, by estimations of experts, from 30 to 70 % of their general quantity) and got tired of costs of shadow relations, realize in due course, that their own losses from incomes with use of the legal scheme exceed predicted originally, and will return to schemes of collection of informal payment for the services to in parallel official payments of the population. Considering, that mechanisms of the control similar experience are working inefficiently, return to old schemes will be fast enough.

4. The transformations, able to cause ambiguous reaction from the population and fraught with increase of level of social intensity, cannot find and will not find support at heads of regional and municipal authorities, political which time of stay at the power is

limited by four years and depends on opinion of electorate. Without support regional and municipal authority so wide and scale transformations simply cannot be realized.

5. Scale re-structuring of the public health services system which is necessary for essential increase of efficiency of state financing of public health services, is connected with the considerable political risks for authorities of all levels. Preservation of the existing health maintenance facility network causing inefficient spreading of available funds, appears from the political point of view more comprehensible, than its re-structuring.

The introduction of the obligatory medical insurance system became a trap. Absence of accurate rules of realization of insurance payments for the population from local and regional budgets has caused imbalance of base obligatory medical insurance program with the financial resources accumulated in the obligatory medical insurance system. It is not enough for them for high-grade financial maintenance of medical aid of the insured. It has generated a set of eclectic and inefficient regional budgetary-insurance models of financing of public health services.

Position change is possible by budget participations in co

-finance payments on obligatory medical insurance to the population, or acceptance of political decisions, to carry out such payments in the necessary sizes. In the first case the economic costs for republican authorities, and in the second case - political costs are high.

Another institution trap is a condition of participation of the insurance companies in the obligatory medical insurance system. It is a standard-legal base that does not stimulate competition development between insurers and does not focus them on growth of efficiency of the use of insurance means and resource potential of the of the public health services system. As a result, many insurers can become passive and consequently excessive intermediaries in movement of financial assets from funds of obligatory medical insurance to the medical organizations. Formal rules of the conclusion of contracts between insurers, insurers and the medical organizations are appreciably supplemented with informal rules and the agreements interfering an effective utilization of insurance funds. In the circumstances of the administrative costs of the development of legal competition between insurers and their transformation into effective participants of obligatory medical insurance system appear are

too great.

## Conclusions

The existing system of state financing of public health services is in the enough steady position but inefficient institution balance. Subjects in public health services branch are interested in major to a measure in preservation of this system, than in its modernization. Serious changes can occur only under strong external pressure from heads of authorities at republican and regional levels. Force of external pressure will depend, in turn, on degree of discontent of the population degree of availability and quality of medical aid and an estimation of potential influence of this discontent on electoral behaviour.

It is possible to assume, that economic growth, increase in employment and population incomes will raise value of health for a considerable part of the population and to strengthen the electoral importance of a condition of public health services and access possibilities to qualitative medical aid.

The account of this factor will force bodies of the executive and representative power to put stronger pressure upon subjects of system of financing of public health services, inducing them to real transformations and supervising their course.

Accordingly to declare in quality of a strategic problem of reforming of system of financing of public health services maintenance major follows availability of medical aid to the population. If as the reform purpose increase of a system effectiveness of public health services is declared, it is not for subjects of system of financing sufficient mobilization factor to active modernization to actions.

Achievement of equation of guarantees and their financial maintenance, re-structuring of network health maintenance facility, introduction of doctors of the general practice, system obligatory medical insurance modernization will act not as self-valuable directions of reform as which they actually appear in existing strategic documents, and means of the decision of a problem of increase of availability of medical aid for the population and those ways which directly solve this problem.

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## CAUSES AND EFFECTS OF CAPITAL CONCENTRATION IN MODERN ECONOMIES

*Preoccupations determined by measuring the level of concentration are fully justified taking into consideration the effects of concentration over the competitive environment. Studies made in different periods and countries show that the occurrence of concentration and its effects can be explained by different causes. This paper is focused on concept of capital, on causes and effects of capital concentration, and also on different ways of measuring capital concentration in different sectors and industries.*

*Key words: capital, sector concentration.*

### ***1. The multidimensional approach of capital***

Economically speaking, the capital – factors of production represents the total amount of economic goods accumulated and reproducible, which associated with other production factors participate in the production of new economic goods in the purpose of gaining a profit<sup>1</sup>.

Regarding the criteria of classification of capital the following structure shows importance:

real capital – has a value in itself, reflected by the production goods which functions economically;

nominal capital – doesn't have a value in itself and it doesn't function in the economic activity, but it represents a property certifi-

cate over real values and enables the income.

The main part of the real capital is the technical capital, respectively the total amount of reproducible goods able to increase work efficiency and bring about revenue for its owner. In a specific way in which they are consumed and replaced, the technical capital elements fall in fixed and circulating capital.

The fixed capital can be viewed as one of the factors of production, situation in which it is accepted as a category of goods produced and used in the purpose of producing other economic goods and it becomes the object of analyzing the results of which the undertaker's ability depends on. The statistical analysis of fixed capital uses the notion of

fixed means and fixed capital, the former regarding the material aspect of the category, the latter its value aspect.

Through fixed capital we define that part of the productive capital (real, technical) made of long term goods that serve as a people's work instrument in many cycles of production, which consume gradually and are replaced after several years of use<sup>2</sup>.

Circulating capital represents that part of the technical capital consumed in every exploitation cycle, participating with its entire money expression to form the costs and it is replaced after every consumption once a new cycle is reopened.

The elements of the circulating capital – raw materials, consumables, fuels, energy, water, outside half-finished materials etc. – are susceptible to many alternative uses, the closer to the natural brute material.

Together with the fixed capital, the circulating capital forms the multitude of capital – goods that function as a factor of production.

Any constitution of a trading company involves an initial capital contribution – registered capital – which allows the beginning of the activity, covering the first investment and exploitation expenses and at the same time it

represents a condition for obtaining loans.

The equity capital consists of the registered capital - which is made up of the sums, available for the company, with a permanent character disposed by the owners under the form of cash or in nature contribution – from the following capital growth, from favorable differences in reevaluations, undistributed profit, the favorable results of the current exercise before the redistribution and probably on the received subventions<sup>3</sup>.

The equity capital stands in with the liability elements for financing the company and faces the risk of profitability, liquidity and solvability.

Financially, the equity capital indicates if the company was profitable up to a certain moment. Legally, a company that loses more than 50% from the equity capital must be dissolved within a deadline, it must rebuild the registered capital related to loses that couldn't be covered by funds.

The company's financial structure reflects the existing reference between short and long term finances. Most of the time, the company cannot arrange financing from own funds but turns to external ones.

The long-term capital (equity capital + medium and long term debts) assures the company's demand for fixed means and a part for

circulating means, the difference is being covered from treasury resources (short term trade credits and bank loans) to establish a financial structure is one of the most important financial decisions that has to be taken according to the specific of the activity developed in the company. Therefore while financing long term capitals it's much less expensive, financing on term assures more flexibility and adjusting to the volume of activities to every period's necessities. Although the criteria of profitability primes, in establishing the financial structure of a company other factors are taken into consideration, like the pressure of the shareholders, the banks, the state's political economy and the economic financial conjuncture in general.

## ***2. The capital's concentration concept and types of acting***

A series of empirical studies and theoretical models try to define the trajectory of the urban concentration in different stages of development.

Catin and Van Huffle (2003) examine the regional differences and the polarization / dispersion enforces in the case of the developing countries on 3 levels:

stage 1 – pre-industrial, where the income / citizen is reduced and there is a weak urban concentration.

stage 2 – where the industri-

alization process forced the urban concentration and the polarization of the activity.

stage 3 – where together with the high technology industry's concentration and the reduction of the industries intensive in labor, the extent of the regional inequalities and the concentration of the activity in urban areas reduce when Gross Intern Product / citizen closes to the level of 5000 USD.

In the case of Romania, we can examine the spatial differences of the economic concentration starting from the following reasons: how concentrated the economic activities are, what kind of factors determine the economic concentration; what kind of differences are imposed y the regional concentration.

The division of the foreign companies is unequal on sectors, in those intensive in technology (communication equipments, computers, integrated circuits) the highest percent being held by the foreign companies. Resources continue to concentrate and the effects of overcrowding to accumulate. International opening accents the economic concentration in certain geographical areas. The development of the export sector and the growth of direct foreign investment entries contribute to a rapid growth of certain regions.



Empiric studies (Williamson – 1985, Wheaton and Shishido – 1981, Hansen – 1990, Mac Kellar and Vining – 1995, Henderson – 2000, Henderson, Shalizi and Venables – 2001) analyse the level of urban concentration during the developing process and suggest that in spite of the level of the GIP / person of 5000 USD, urban concentration tends to reduce. Different models highlight the major forces of polarization and regional urban dispersion of the activities in three stages of development, from many points of view: the center outskirts (Krugman – 1991), which take into consideration the congestion and the dynamism of the external growth and examines different stages of development; the multi regional model of the industrial congestions (Fugita and Thisse – 2001, 2002); the urban economic geographical model applied to underdeveloped countries (Krugman and Livas Elizondo – 1996); a historical typology (Duranton – 1997, 1999).

The strong polarization combined with the transport cost reduction and a growth of the labor productivity – resulting from the scale economies – characterize the second stage of the urbanization and industrialization development. From the economic history of the developed countries result examples of regional urban

concentration of the activities in the pre-industrial period: the making of the American industrial belt in the second half of the 19th century; the growth of the differences between the Eastern and Western regions of France in the 19th century and the first half of the 20th century. Today, the urban concentration is more unbalanced in the developing countries.

The high technology industries grow faster than the ones intensive in labor, implying change in the production structure, which isn't equally distributed over the territory.

### ***3. Sector and foreign capital concentration***

The concentration of an industry or an activity sector is mostly measured through two methods: CR (concentration rate) and Herfindahl – Hirschman index.

Concentration rate<sup>4</sup> (CR) represents the market rate which is held by the biggest  $n$  companies from a sector of activity. The concentration rate for the biggest  $n$  companies from all sectors of activity is calculated by simply summing up the market rates:

$CR_n = S_1 + S_2 + \dots + S_n$ , where as  $S_i$  is the market rate for every company.

The market rate of a company is determined as a percentage ratio between the company's sales fig-

ure and the total sales figure in the respective sector of activity. In the USA it has been determined since 1997 the concentration rates for the first 4, 8, 20 and 50 companies respectively CR4, CR8, CR20 and CR50. Starting with 1997 the concept of concentration appears in the official statistics of Romania, in the chapter "Result and performances of the companies" (The Statistical Yearbook). The concentration in the sector of activity is analysed starting from the percentage of the first 5 respectively 20 national level companies listed according to the sales figures and the number of employees.

Generally, if CR4 or CR5 have values under 40 (which means that the percentage of the first 4 respectively the 5 companies from the sector have less than 40% from the total sales figure or from the total number of employees), the sector of activities is considered to be highly competitive, because there is a high enough number of companies which compete, without any of them to hold an important rate on the market. On the opposite end if CR1 is over 90, that market is a monopoly one.

The main problem related to the concentration rate is that it shows us the degree in which a company dominates the market. By definition it doesn't take into

consideration the market rate of every company from that industry. Furthermore, it does not give any information related to the distribution of the companies in the sector: if there are any changes of the ratio changes between the companies taken into consideration in order to determine the concentration rate (the first 4 or 5) the value of the coefficient of concentration will remain constant.

The Hefindhal- Hirschman index (HHI) is calculated by summing up the squares of the individual market rates of all the companies in the sector of activity. The formula which determines it, is:

$$HHI = S_1^2 + S_2^2 + \dots + S_n^2,$$

where  $S_1$  is the market rate of every company.

The main two advantages that the usage of the HHI assumes, compared to the concentration rate are:

HHI reflects both the distribution of the market rates for the first companies and the market composition outside first 4, 5, 8, 20 or 50 companies.

HHI gives more importance to the market rate of the biggest companies and thus, it acknowledges the relative importance of the large companies in competitive interactions.

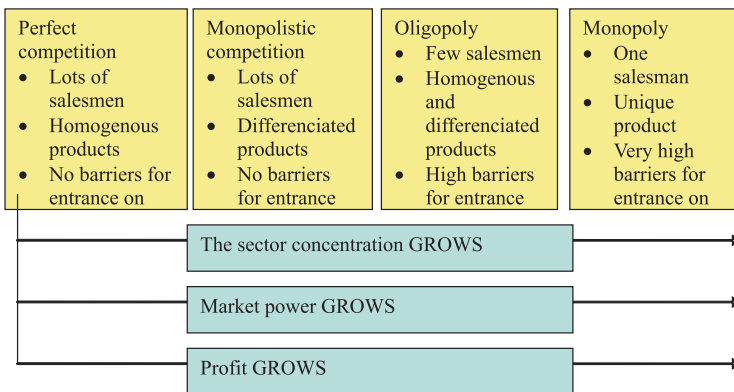
In contrast to the concentration rate, HHI will modify in case the market rate of an important

rate will change in favor of another one. The value of HHI can be between 10000 and 0: for example, if a company has a market rate equal to 100% (monopoly) HHI will take the value of 10000, the maximum value that this index can take. On the opposite, if there is a large number of companies that compete each having a market rate that tends to 0, then the value obtained for HHI will be close to 0.

Generally, when HHI is under 1000, we can say that the market has a reduced degree of concentration: if HHI has values between 1000 and 1800 the degree of concentration is moderate, and the values over 1800 show a market with a high level of concentration. In the USA this index is used in decisions concerning competition policies, decisions related to acquisitions and fusions: when HHI is under 1000 this type of

operations are allowed because it is considered there is no risk for anti-competitive practices; if HHI is between 1000 and 1800 the USA Justice Department will carefully evaluate the impact of a fusion or acquisition compared to the effect that the operation has over the value of this index. In case the value is over 1800 the antitrust laws will be applied because it is considered that free competition is in danger. If such an operation (fusion, acquisition) generates growth with more than 100-200 points of HHI the market analysis will be extremely rigorous and circumspect.

The methods of measuring the sector concentration come to complete the classical economic theory contributing to determination of competition type. In this manner, Figure 1 shows the general relationship established between the type of competition



**Figure 1. Competition, concentration and profit**

(the market structure), the concentration of the sector of activities, profits and revenues.

Figure1 Competition, concentration and profit expresses the traditional vision related to the existed correlation between the three elements. As we move from left to right, from perfect competition to monopoly, the level of sector concentration increases. While the level of concentration grows, the company's market power grows as well. Usually, the profit rate grows when the company's market power is bigger.

The reason that supports the idea of incorporating an industry

in a certain type of competition starting with the concentration level is the following: the number of companies is an important differentiating factor between the types of competition. When the number of companies from an industry is high, usually a level of concentration tends to be low. The exception is the oligopoly, where the number of important competitors counts and not the total number of companies (for example an industry with 100 companies can be considered as an oligopoly structure if the first six companies own 95% of the market)

The interference between the

**Table 1. The classification of the sectors of activity considering the CR and HHI**

<b>CR<sub>4</sub>'s value</b>	<b>Type of competition</b>
$CR_4 = 0$	Perfect competition
$0 < CR_4 < 40$	Monopolistic competition or effective competition
$40 < CR_4 < 60$	Week oligopoly or monopolistic competition
$CR_4 > 60$	Strong oligopoly or dominant company with competitive edges
$CR_4 > 90$	Monopoly or dominant company with competitive edges
<b>HHI's value</b>	
$HHI < 1000$	Monopolistic competition or effective competition
$1000 < HHI < 1800$	Monopolistic competition or oligopoly
$HHI > 1800$	Oligopoly, dominant company with competitive edges or monopoly

measuring of the concentration level and a classical economic theory can be illustrated as shown<sup>5</sup>:

Evaluation of level of concentration will take into account the relevant market for every company. Generally the market is represented by the all the potential clients that have the same need or desire and that are willing and have the capacity to engage in a relation of exchange in order to satisfy that need or desire. The relevant market is defined as the minimal geographical area in which a hypothetical monopoly could durably (almost one year) impose and maintain a profitable growth of its prices (almost 5%) without affecting the consumers' behaviour. This definition, known as 'the rule of 5%' is used in law sciences, we can not say that it brings a lot of clarity in defining the relative market. Nonetheless we can say that measuring the level of concentration can be irrelevant in the following situations:

Competition of the imported goods is significant in certain sectors of activity

Geographical distribution is uneven: dates from the statistical year books have a national character and do not reflect the situation in which a certain industry has a high level of geographical concentration

Competitors can enter the market: general studies regarding the level of concentration have

a static character which makes it unable for the information to be extrapolated in sectors with short entrance barriers or are not relevant on long term

Competition can take place not only intra-sector but also inter-sector: the presence of indirect substitutes for goods and services can be as important as the presence of direct substitutes.

#### ***4. Causes and effect of sector concentration***

Preoccupations determined by measuring the level of concentration are fully justified taking into consideration the effects of concentration over the competitive environment. Studies made in different periods and countries show that the occurrence of concentration and its effects can be explained by different causes.

Therefore an industry can reach a high level of concentration resulting from the presence of entrance-exit barriers on that market. That is why Michael Porter<sup>6</sup> considers that this factors contribute in reaching a high level of concentration in industry:

The presence of entrance barriers:

- ▶ Scale economies;
- ▶ Differentiating by product;
- ▶ Need of capital;
- ▶ Costs of exchanging a business partner;
- ▶ Access to distribution chan-

nels

- ▶ Disadvantages of cost independent from scale economies
  - ▶ Technology property;
  - ▶ Favourable access to raw materials;
  - ▶ Favourable placement;
  - ▶ Favourable governmental subventions;
  - ▶ Evolution in learning and experience;
  - ▶ Governmental policy;
- ▶ Presence of exit barriers :
  - ▶ Specialized long-term assets;
  - ▶ Exit fixed costs;
  - ▶ Strategic exit barriers: interdependence, access to financial markets, vertical integration;
  - ▶ Computer barrier;
  - ▶ Emotional and managerial barriers;
  - ▶ Government and social barriers;

We can also consider the nature of the activity sector a factor which influences decisively the level of concentration. The presence of scale economies is influenced by the nature of industry. Additionally concentration may be the natural result of competition<sup>7</sup>: the sale of certain products will satisfy the consumers, will lead to market rates far higher. Fusions are in themselves a cause of concentration and they may also be a cause of cooperation and deal among companies which generally leads the price rise in the

respective activity sector.

The means used by companies to obtain a market rise far higher to that of the competitors respectively the share which can influence directly the degree of sector concentration may be:

Acquisitions- buying partial or total assets;

Fusions;

Formation of joint ventures: 'joint ventures' in the research field can lead to new products in competition to the existing ones which lowers the market powers. But, however we can meet situations in which a dominant company can use a joint venture to cope with a competitor. There is a way by which two companies can cooperate in view to gain some potential profits, maintaining though control over both activity and organisation under discussion. The most common way is that when a new founded company focuses on research in which the two partners have equal shares;

Licences: a licence gives a company the possibility to access a technology by paying a licence tax (royalty). It is important a distinction between exclusive and non-exclusive licence: when a company gets a non-exclusive license gets the right to use official technologies. When the company gets an exclusive licence it makes the promise not to allow broadcast or to hand over the licence;

Strategic alliances: competition, agreement in research and alliances.

No matter the causes and the ways in the process the concentration operations have several aspects:

Concentration may rise the prices: when a product is sold by only few companies they will deal with the prices.

Concentration may rise the profits: out of 48 articles published by the beginning of the 70's concerning sector concentration in the USA, 42 concluded that the more concentrated an industry is the higher the profits are. The statistic correlation is weak. Recent research discovered that there is no significant statistic relationship between profits and industrial concentration: if there is any relationship between concentration of shop assistants and profitability is statistically weak and effects are low. The relationship is unstable in time and space.

It may influence in a negative way the market efficiency extreme cases of concentration defines monopoly;

It may rise the preoccupation for equity or rightness of the market;

It may have positive effect by scale economies;

The power on the market may be maintained on view to block the entrance of new competitors;

The intellectual property rights restrict the number of owners on the market in order to stimulate innovation;

Takeover of small companies by the multinational ones (the extinction of small competitors)

Generally speaking the market efficiency depends on the competition level of the respective market and not on the number of competitors. Market concentration does not always mean market power and a big number of companies doesn't always mean a powerful competition. If the markets are geographically, obviously, bordered the presence of a big number of companies doesn't guarantee the competition: each can control a certain market spot for which it will be the dominant company.

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## **ESTIMAREA MODULUI DE UTILIZARE A ACTIVELOR CURENTE ÎN CONDIȚII INFLAȚIONISTE**

*Actuellement, quand l'inflation représente une flagelle persistante dans l'activité des agents économiques, il est important d'estimer le moyen d'utilisation des actifs et des actifs courants, parce que ces dernières se présentent comme une catégorie assez mobile et sont soumises à la dépréciation, à l'apparition du déficit des actifs courants propres, à l'augmentation des coefficients de rotation etc. Ainsi pour avoir la situation la plus réelle possible affectée aux composants et à la rotation de la catégorie économique -les actifs courants- il est absolument nécessaire de corriger les indicateurs donnés prenant en considération les facteurs de l'inflation, ce qui va influencer la réflexion juste du niveau réel des indicateurs de fonctionnement de l'agent économique.*

Estimarea modului de acțiune a structurii și rotației activelor curente asupra indicatorilor de activitate a întreprinderii cooperatiste presupune prezența unei informații veridice despre structura activelor curente, în caz contrar, o astfel de evaluare nu va fi obiectivă. Onsă, de cele mai multe ori, informația din rapoartele financiare nu reflectă starea reală a activelor curente.

Unul dintre factorii externi, ce au o influență considerabilă asupra stării activelor curente, o reprezintă inflația. Inflația conduce la scăderea valorii activelor curente și la creșterea corespunzătoare a coeficienților de rotație și, totodată, la deficitul de active curente proprii, care se dovedesc

a fi insuficiente pentru acoperirea necesităților procesului de exercițiu. Reducerea nejustificată a costului de producție și, ca consecință, creșterea profitului impune vărsarea în buget a profitului care, practic, nu a fost obținut. O parte onsemnată din profitul rămas la dispoziția întreprinderii este ondreptată spre finanțarea bunurilor materiale, costul cărora crește considerabil pe parcursul unui ciclu operațional în condițiile proceselor inflaționiste. On aceste ompejurări, este binevenită orientarea spre mărirea vitezei de rotație a activelor curente, deoarece, cu cât este mai mică perioada de rotație, cu atât este mai mic intervalul dintre stabilirea prețurilor vechi și a celor noi, atat

la materii prime și materiale, cât și la producția finită.

Ca rezultat al creșterii galopante a prețurilor la materia primă și producția finită, precum și al subevaluării stocurilor de producție în condițiile inflației, se produce modificarea structurii activelor curente, a coeficienților rotației activelor curente, ceea ce, evident, se răsfânge asupra nivelului real al rentabilității activelor și coeficientului lichidității și stabilității financiare.

Concomitent, determinarea exactă a gradului de eficiență al funcționării întreprinderii, stabilității sale financiare și lichidității are o importanță considerabilă nu numai pentru agentul economic onsuși, dar și pentru partenerii săi de afaceri, membrii-cooperatori, investitori. Pe lângă toate acestea, mediul inflaționist impune necesitatea extinderii duratei de rotație a activelor, deoarece oncetarea ciclului operațional atrage cheltuieli suplimentare.

On literatura economică, sunt elucidate aspectele ce țin de corectarea inflaționistă a indicatorilor economico-financiari aferenți activității întreprinderii. Este binecunoscut faptul că, în calitate de criterii prioritare de evaluare a activității întreprinderii, în condițiile economiei de piață, se prezintă coeficienții lichidității și stabilității financiare. Acești

indicatori sunt calculați prin compararea structurii activului și cu cea a pasivului bilanțului și, corespunzător, în condiții inflaționiste, scad considerabil valorile indicatorilor. Onsă, lichiditatea reală a întreprinderii poate fi determinată numai prin intermediul utilizării valorii curente de piață a activelor. De aceea, după părerea noastră, în funcție de rata inflației trebuie supuși corectării nu numai indicatorii profitului, dar și cei ai stabilității financiare.

Pe lângă toate acestea, prezintă interes nu numai valoarea reală a indicatorilor generali aferenți funcționării întreprinderii, dar și cauzele și factorii de deviere de la valorile nominale. Este necesară corectarea, ținând cont de indicele inflației, a indicatorilor, ce formează profitul și stabilitatea financiară și, în primul rând, a coeficienților rotației și structurii activelor curente (on cazul în care activele fixe sunt supuse unei reevaluări obligatorii).

Rezultă că este absolut oportună corectarea indicatorilor structurii și rotației activelor curente, luând în considerare factorul inflației pentru reflectarea nivelului real al indicatorilor de funcționare a întreprinderii, precum și evaluarea cauzelor de oncetare/accelerare a vitezei de rotație a activelor curente.

On vederea determinării structurii și nivelului real al rotației

activelor curente, este bine, mai ontâi, să fie determinată valoarea de piață a stocurilor de mărfuri și materiale și produse finite pe baza corectării prețului acestora, luând în considerare indicele inflației. Valoarea de piață a activelor curente materiale va fi egală cu suma valorii de piață a stocurilor de mărfuri și materiale (SMM) și a producției finite (PF):

$CC = SMM * I + PF * J$ ,  
unde

- CC exprimă valoarea prezentă a activelor curente materiale (lei);

- I - indicele de modificare a mărimii stocurilor de mărfuri și materiale, luând în considerare creșterea inflaționistă a prețurilor;

- J - indicele de modificare a mărimii producției finite, ținând cont de creșterea inflaționistă a prețurilor.

Dacă legătura dintre stocurile de mărfuri și materiale și valoarea producției finite poate fi reflectată prin p, atunci formula de mai sus va lua forma:

$$CC = PF (I * p + J)$$

Este evident faptul că sporirea costului activelor curente materiale va conduce la modificarea cotei activelor curente materiale în totalul activelor întreprinderii, precum și la creșterea costului activelor în general:

$$Cac = CC / CA, \text{ unde}$$

Cac indică cota corectată a valorii activelor curente materiale în totalul activelor;

CA – costul curent al activelor întreprinderii.

On acest mod, nivelul real al rentabilității va fi calculat conform formulei:

$$Ra = Ri * Cr * Cac, \text{ unde}$$

Ra reprezintă nivelul real al rentabilității activelor;

Cr – coeficientul rotației activelor curente materiale, corectat cu rata inflației.

On cazul dat, se examinează diferența dintre nivelul real al rentabilității activelor și cel nominal, din contul creșterii rotației activelor, adică al mărimii corectate a activelor curente materiale și ponderea acestora în totalul activelor întreprinderii, relația va căpăta următoarea formă:

$$Cr * Cac = (R * (c/pf) / CC) * (CC / (CB - Kac + CC))$$

unde, Kac exprimă costul bilanțier al activelor curente materiale;

R – rentabilitatea întreprinderii;

AC – activele curente ale întreprinderii;

c – indicele inflaționist la resursele materiale (stocurile de materiale);

pf – indicele inflaționist la producția finită;

CB – costul bilanțier al activelor.

Inlocuind, în formula dată, activele curente materiale prin producția finită, vom obține următoarea relație:

$$Cr * Cac = (R * (c/pf) / (CB -$$

$$PF * (1 + p) + PF * (I * p + J).$$

Presupunem că producția finită va fi reflectată prin onmulțirea mărimii activelor la cota producției finite (Cpf) în costul bilanțier al activelor și onlocuind în ultima formulă, vom obține:

$$Cr * Cac = (R * (c/pf) / (CB - CB * Cpf * ((1 + p) + CB * Cpf * (I * p + J)))$$

On baza unor calcule simple, aducem relația la următoarea formă:

$$Cr * Cac = Ca * (c/pf) / (1 + Cpf * (I * p + J - I - p)).$$

Astfel, rotația mărimii corectate a activelor diferă de nivelul nominal al rotației, cu valoarea:  $1 - (c/pf) / (1 + Cpf * (I * p + J - I - p))$ .

Luând în considerare dependența direct proporțională dintre rotația și rentabilitatea activelor, rezultă că mărimea nominală a nivelului rentabilității activelor va devia de la rezultatul

real onregistrat cu aceeași valoare. Rezultatul recalculării nivelului nominal al rentabilității activelor în cadrul unor ontreprinderi co-operatiste, ținând cont de indicele inflației, este reflectat în tabelul 1.

Din datele tabelului, rezultă că nivelul real al rentabilității activelor la structurile cooperatiste, pe parcursul perioadei de analiză, variază considerabil în raport cu valorile nominale. Reducerea nivelului de rentabilitate al activelor din contul accelerării vitezei de rotație, a avut loc, în primul rând, deoarece au fost subevaluate activele curente materiale, iar în al doilea rând, pe baza creșterii venitului din vânzări, din cauza creșterii prețurilor la produsele finite, în comparație cu creșterea prețurilor la resursele materiale.

Așadar, evaluarea obiectivă a nivelului lichidității și, corespunzător, al stabilității finan-

**Tabelul 1.**

**Estimarea devierii nivelului real al rentabilității activelor de la valorile nominale, pe parcursul anilor 2004– 2006, luand in considerare factorul inflationist, %**

Denumirea unității	Nivelul nominal al rentabilității			Nivelul real al rentabilității			Devierea (+,-)		
	2004	2005	2006	2004	2005	2006	2004	2005	2006
oopconsum, Vomiceeni	0,91	2,01	4,00	0,03	0,80	1,42	-0,88	-1,21	-2,58
URECOOP, Strășeni	0,66	1,10	1,32	0,10	0,16	0,03	-0,56	-0,94	-1,29
Cooperăția de consum	-0,17	0,48	0,85	-0,02	0,03	0,07	-0,19	-0,45	-0,78

*Notă: Indicii de modificare a costului resurselor materiale și a producției finite sunt preluați din Anuarul Statistic al Republicii Moldova pentru anul 2007*

*Sursa: calculat de autor*

ciare este posibilă numai prin utilizarea valorii de piață a activelor curente, care diferă vădit de cea bilanțieră în condițiile inflației. Corectarea inflaționistă a datelor din dările de seamă la estimarea acțiunii utilizării eficiente a activelor curente asupra indicatorilor de funcționare a întreprinderii, permite prezentarea structurii reale și a nivelului rotației activelor curente, precum și a gradului de variație din contul acestor factori, ceea ce este necesar pentru estimarea corectă a cauzelor și depistarea factorilor ce contribuie la modificarea lor.

Din aceste considerente, corectarea indicatorilor aferenți structurii și rotației activelor curente, ținând cont de factorul inflației, este necesară pentru

prezentarea unui tablou veridic al nivelului și dinamicii indicatorilor de funcționare a activelor curente ale întreprinderilor cooperatiste, fără cunoașterea cărora este imposibilă realizarea unei strategii și tactici eficiente de activitate, concomitent ondreptată spre reducerea impactului negativ al inflației asupra rezultatelor și stabilității financiare.

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## *Teoria și practica managementului*

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### **COMPETITIVENESS THROUGH BUSINESS ETHICS – NEW DEMANDS FOR FIRM'S STRATEGIC MANAGEMENT**

*The "dangerous obsession" of competitiveness into a more and more globalized world and knowledge-based economy brings with it new opportunities and threats for firm's strategic management. By this paper we will stop at one of the major challenges firms are confronted with: the shift from tangible to intangible factors of competitive advantage, and particularly on how business ethics can be such a key asset for a firm – based on two economic reasons: the need to cooperate and the stakeholders theory applied to business.*

It is generally accepted that a firm can be defined as a combination of tangible and intangible assets in order to perform a specific activity with a view to cover a real or a potential demand on the market and to obtain a net income from it. But the transition to the knowledge-based society of the globalized economic world made possible and generated a big shift regarding the value of the firm: "The defining trend is the shift from tangible to intangible factors of corporate value and competitive advantage and this, in turn, has led to the emergence of a discrete intangible economy in its own right ... (so) ... assets such as information systems, clientele and reputation, brands,

competencies and knowledge, training, belonging to networks, etc. represent an increasing share of company value and have become the most critical factors in the competitiveness of many organizations. Furthermore, since 3 or 4 years, for some companies of the New Economy associated with the Internet, intangible assets represent the most important if not the unique real asset as they hardly invest in fixed assets at all. At the level of the firm, recent estimates suggest that 50-90 % of the value created by a firm come, not from management of traditional physical assets but from management of intellectual capital (Hope and Hope 1998)"<sup>1</sup>.

It doesn't mean that the tan-

gible assets have now no value at all, because no economy and no firm could operate without them; it only means that the structure of the assets of the firm has changed, and it is necessary to define in each case the optimum combination of those two kinds of assets in the search of global competitiveness. But, if it's relatively simply to at least evaluate the visible assets of the firm and then to try to catch them into a competitive strategy, it's quite difficult to even distinguish and then to evaluate the invisible assets, and much more to use them profitably into a competitive strategy.

Still, under these circumstances, we have to agree that "in the current context of (a) increasing interconnectedness between economic actors and between countries (including transition countries), (b) consistent critical externalities for all types of enterprises confronted with an increasing competition in the local and/or international market, (c) tremendous impact of the new information and communication technology on each company, in terms of strategic development and of organizational behavior, strategic management relies increasingly on the intangible assets in achieving corporate or market goals. These refer, on the one hand, to company advantages given by the access in real time to

accurate information, by the intellectual capital of the firm's human resources, by the good reputation and image in the direct contact with clients, shareholders, or suppliers, and on the other hand, to the moral capital of the company, the ethical conduct of the managerial team, the transparency of the financial accounts by voluntary reporting to the interested circles, the respect of the employees' rights, the use of environment-friendly technologies, and last but not least, the corporate social responsibility promoted in contact with the members of the hosting community"<sup>2</sup>.

Maybe this behavior seems to be an utopia or "too much" for a firm operating into a corrupt national system<sup>3</sup> which could not reach competitiveness<sup>4</sup>, even if, from the above mentioned argument the ethical behavior seems to be nowadays more than necessary for a firm management in order to run competitive business; it seems that it is the only possible way of thinking and action. But, in reality, it is a long way until this behavioral pattern will be accepted and integrated into strategic and operational firm management.

But still, which could be the reasons behind this kind of behavior? Ultimately, the economic ones – easy to explain through (A) the need to cooperation and (B)

the stakeholders theory applied to business:

(A) Business is not only about competing; it is also about cooperation<sup>5</sup>. Competitiveness is, of course, one of the most visible features of the business. Obviously, business means first of all competing and almost everyone could count the benefits of competing into a market economy: better goods and services, lower prices, innovation, diversity, development. But a lot of the business people don't realize the nature of economic competing and its necessary connection with the cooperation. Being preoccupied only by the maximization of their profits within the law, they just ignore any moral responsibilities to the others, considering them just some idealistic and humanitarian fantasies which harm the business and downsize the profit.

The result is the arising of the social dilemmas and of the theory of strategic games: the main idea is that if any member of a community is looking only to accomplish her/his own interests, the whole group will mark eventually worse results than if they would cooperate with one another. What is good for one is bad for all. If each one is looking for the best for himself, then each one gets the lowest benefits. The analyze of these conflictual choices is concentrated upon the

relationships between the goals the individuals are looking for and it aims to evaluate the nature of their behavior – competitive or cooperative, as well as the nature of the relationships between them – conflict or harmony. This kind of relationships could be analyzed through the theory of games – prisoner's dilemma, farmer's dilemma or tit for tat.

According to this theory, the main idea is that the positive basis of the moral duties of a good business man arises by the business nature itself. Despite the general perception of business as a competition hard and without mercy, a business is, at its core, a cooperation activity that permits both parts – more or less – to win; so, it is a win – win situation and must be treated like it, because business relationships are, essentially, bilateral. The competitors have some common interests and duties and the structure of competition itself impose some mutual duties, necessary to solve decently the conflicts of interests that could arise during the business relationships.

Ethics, in the sense of an accepted set of rules are a prerequisite to any transactions. Parts of the rules are – or may be – covered by legal stipulations. However, these can hardly ever be fully comprehensive or up to date. Plus: laws and regulations are usually the



reflection and outcome of a clear and sanctionable set of morals that is understood as commonly given by the society that institutes and follows them. A liberal, capitalistic-oriented economy can function only if the participants and the responsible players follow a certain set of ethics. This “value canon” means, for example, that bills are to be paid, contracts are to be kept, employees, shareholders, competitors, suppliers and customers are treated according to existing contracts and the law. Only if a large majority of players in an economy adhere to these principles can this economy function properly. These principles thus constitute the foundation of the economy.

(B) The idea of stakeholders, or stakeholder management, or a stakeholder approach to strategic management, suggests<sup>6</sup> that managers must formulate and implement processes which satisfy all and only those groups who have a stake in the business. The central task in this process is to manage and integrate the relationships and interests of shareholders, employees, customers, suppliers, communities and other groups in a way that ensures the long-term success of the firm. A stakeholder approach emphasizes active management of the business environment, relationships and the promotion of shared interests.

As the strategic management literature reveals, in a world of turbulence and accelerating change the interests of key stakeholders must be integrated into the very purpose of the firm, and stakeholder relationships must be managed in a coherent and strategic fashion. The stakeholder approach that was developed from this work has several distinct characteristics<sup>7</sup>: (1) it is intended to provide a single strategic framework, flexible enough to deal with environmental shifts without requiring managers to regularly adopt new strategic paradigms; (2) it is a strategic management process rather than a strategic planning process; (3) its central concern is the survival of the firm, seen as “the achievement of an organization’s objectives”; (4) it encourages management to develop strategies by-looking out from the firm and identifying, and investing in, all the relationships that will ensure long-term success – this characteristic helps explain the success and influence of the stakeholder concept within the fields of “business ethics” and “business and society”; (5) it is both a prescriptive and descriptive approach, rather than purely empirical and descriptive; (6) it is about concrete “names and faces” for stakeholders rather than merely analyzing particular stakeholder roles; (7) it calls for an integrated approach

to strategic decision making. So, the stakeholder theory by itself is not enough in order to ensure long time competitiveness of the firm. It has to be putted to work into a conceptual framework and an operational management strategy.

But, which are the obstacles in order to do it? Firstly, and one of the most important ones, we think it is corruption – as lack of ethics.

The management literature defines corruption as “the unfair use of a position of authority in order to obtain personal gains (money or others)”<sup>8</sup>, or „the act or effect of giving or receiving a thing of value, in order that a person do or omit to do something, in violation of a formal or implicit rule about what that person ought to do or omit to do, to the benefit of the person who gives the thing of value or a third party”<sup>9</sup>. Research has shown that the extent to which (business) people abuse their position for personal gain is limitless; so, there are different types of corruption<sup>10</sup>: business related (bribing officials, accounting irregularities, tax evasion, insider trading, money laundering, embezzlement, falsifying documents); political related (voting irregularities, holding on to power against the will of the people, nepotism and cronyism, rule of the few); petty corruption (made by the local low-level official taking

small sums of money to expedite routine approvals or transactions); grand corruption (made by defense contractors paying billions of dollars to lawmakers for awarding major defense or transportation projects); influence peddling (taking the form of the huge campaign contributions to politicians or that of the contributions to government leaders).

On the other hand, a general definition of the term business ethics is implied in the description of corruption as a „form of unethical behavior or wrongdoing”<sup>11</sup>. That is right, because if we look at different forms of business corruption as we named them before, we will see that a common feature of each is the unethical behavior. Augustine Nwabuzor argues that if the dictionary gives the meaning of ethics as ”the discipline dealing with what is good or bad” and, in general, we call unethical ”those actions for which there is social consensus that they are a bad thing”, business ethics can be specifically defined as ”a conversation about right and wrong conduct in the business world”; in this context, corruption may be seen as a form of anti-social behavior, which confers improper benefits to people in authority through a perversion of societal norms and morals”<sup>12</sup>.

Business life is confronted with an enormous range and

complexity of ethical problems. Unethical practices appear in many forms – besides outright fraud one finds unfair competition, unfair communication, non-respect of agreements and unfair attitudes towards / and treatment of/ stakeholders through the abuse of power or due to conflicts of interest. As Yves Fassin says, it is important to try to understand the reasons that can lead managers and entrepreneurs towards unethical behavior because „there are different sets of reasons for the rise of the unethical behavior in business: some are the consequence of the general evolution of society, others are basically due to the evolution of the business environment and to its internal organization”<sup>13</sup>.

When analyzing the ethical implications of a situation of corruption, the rules normally applied are as follows<sup>14</sup>: (a) a manager or employee may not solicit or demand an extortion, because it would commit her to carry out an immoral act – besides forcing the other party likewise to behave unethically, as her accomplice; (b) a manager or employee may not accept bribes, for the same reason; (c) nobody may offer bribes, as to do so is equivalent to instigating the other party to commit an unethical (and illegal) act; (d) a person may not give in to extortion to obtain something to which she is

not entitled; (e) in certain circumstances, a person may give in to extortion (tolerate an injustice, but not cause one) in order to obtain something to which she is entitled. In such cases, the rules to be followed are: carefully weigh up all the available options to see if the problem can be solved without resorting to corruption (or causing any more serious problem); the extortion must be explicit or at least sufficiently obvious – in other words, an attempt at bribery should not be covered up as if it were a response to extortion or solicitation; the person must act with the intention of exercising a right; the person must do all he can to avoid causing unjust harm to others; there must be objective reasons of sufficient weight, in proportion to the harm caused; every effort must be made to avoid scandal and the bad example that the action may give rise to; steps must be taken to see to it that similar situations of collaboration with corruption are not repeated in the future.

In practice, each case need to be considered individually in all its circumstances and detail in order to fully assess the moral problem and propose solutions.

Organizational efforts in regard to ethics affect various stakeholders: customers, employees, suppliers, and investors: many stockholders want to invest in

companies that have strong ethics programs, employees like working for a company they can trust, and consumers value integrity in business relationships. Stronger organizational ethical climate result in consumer and employee trust, employee commitment, and consumer satisfaction, which in turn leads to profitability<sup>15</sup>. If we talk about firm and its management, we have to agree that “a lot is at stake for the private sector in regards to corruption. Continuing to participate in and/or turning a blind eye to corrupt activities can have significant negative consequences for the private sector in terms of competitiveness, the effectiveness of government policies, and the sustainability of development efforts. Ensuring effective risk management, aligning with customer expectations, complying with laws and regulations, meeting the demands of ethical investment funds, and safe-guarding reputation and brand are some of the factors that contribute to the business case to combat corruption.”<sup>16</sup>

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## THE FINANCIAL MANAGEMENT OF THE FUTURE FIRM – CHALLENGES IN THE CONTEXT OF KNOWLEDGE-BASED SOCIETY

*Finances represent the foundation of the enterprise system – a good financial management having a vital importance for the economic health of companies. Due to this importance, financial management has to be understood extensively and comprehensively, but this is easier said than done. The field is relatively complex and undergoes constant changes in response to the fluctuations in the economic conditions.*

*The changes undergone have repercussions on the functions of financial management, on the management systems, methods, techniques, and, not last on the attributions of the financial manager who has to prove a high degree of adaptability and flexibility.*

**Keywords:** *knowledge based-society, financial management, future firm, proactivity, investment decisions, sensitivity analysis*

What is the role played by “finances” in a company? What are the specific tasks of the staff in the finance department, what “tools” and techniques are available to this staff in order to improve the company performance? In a larger context, what is the role of finances in the economy, and to what an extent is financial management able to fulfil the objectives set? As we shall see, financial management in the company of the future will contribute to offering better products at lower prices, higher salaries for both the productive employees and for the management, and at the same time to generating higher earnings for

the investors who have injected capital into that business. Since the economy – the national as well as the global one- is made up of customers, employees and investors - a good financial management contributes both to the individual welfare and the welfare of the population.

In this context, the managerial teams of large companies with share capital held by the public are under attack from several directions. Investors, especially institutional ones such as mutual funds and pension funds that hold approximately 30% of the company shares do not have a passive attitude. They simply sell the

shares held when they do not agree with the managerial decisions. Even companies that have a strong control block as a result of holding a large number of shares with voting rights, have been attacked by institutional investors. Potential or real takeovers are a threat to many managerial teams.

This fight for control casts questions on the very nature of companies. The theory at the basis of company organization is that the managerial team is hired by the shareholders with the stated purpose of maximizing their welfare. But is this theory true? Should the managerial team focus, with priority, on the interests of the shareholders, or should they concern themselves with other problems, too?

Not even executives agree in this respect. Some declare that their main goal is to maximize the shareholders' welfare, while others consider that they should look beyond the shareholders of the company, namely to those involved (stakeholders)- that is employees, suppliers, customers and the community – and that it is only them, the managers, that can balance the conflicts between these groups of interest. Investors, on the other hand, argue that, many times, the managers “hide” behind this social responsibility in order to avoid criticism, in order to explain their unsatisfactory performance and to protect their

position. These investors are simply fed up with the continuous inefficiency with which managers use the company resources, and with the latter's attempt at trying to stop others from coming with new ideas to improve efficiency and increase profits.

Another argument used is that, in the conditions of a competitive market, both for companies and for managers, those who will finally get to run companies are the best managerial teams, and efficiency, in general will grow.

It is not important only “where” to make financial management – trading companies, companies under government supervision, state institutions- but also how to make it and in what conditions so that the company will get to the top of the pyramid.

For more than two millennia the profit has been the *raison d'être* of any economic entity, thus “the economy, whether it is beautiful or not, comes under the scope of profit and of competition, and not otherwise” (Aristotle)

The origins of financial management can be situated immediately after the first World War, when Arthur Stone Dewing's book “The Financial Policy of Corporations” appears as a work of reference in the financial field; it deals with the exclusively financial activities of an organization.

In the third decade of the 20th century, the field of financial management was limited to the description of financial markets and of the securities negotiated on these markets. Finance, as a traditional field of study, focused on that area of the balance sheet dealing with shares and bonds and with fund raising.

The economic crisis of the 30s put the financial function of the economic agent face to face with a series of new and complex problems, which determined important changes in the field of financial management, the latter getting involved in the problem of bankruptcy, of financial reorganization, of tax regulations.

Still, after 1940, the content of financial management is presented in a descriptive, qualitative form, theory and practice taking shape, especially after the Second World War. This period coincides with the general development of scientific management, which took place through the development of quantitative, mathematical models, necessary for a dynamic management.

Beginning with 1950 a series of significant changes reoriented the field of financial management. Thus, financial management was extended so as to include in its functional structure the assets of the balance sheet as well as the usage of funds. Furthermore,

the application of the techniques of discounted cash flow to the problem of capital expenditure was clearly and refinedly defined. Instruments for measuring capital costs and for evaluating financial assets were developed, there being progresses in the allocation and planning of capital, progresses which are still continuing today.

The 60s introduced mathematical models and statistical techniques of optimization in the allocation of current assets, financial management heading towards a "quantitative" concept of its research field. At the same time, models of risk analysis were integrated to traditional concerns specific to enterprise finance, in an attempt to maximize the value of the company and the wealth of the shareholders.

In the 80s, computer technology, information technology and biotronics endowed financial management with computer assisted instruments of financial decision, financial managers becoming more aggressive in the management of company assets, as a reaction to an environment characterized by high interest rates.

The current concerns in the research and activity of financial management have in view the problem of risk and inflation. Risk, closely linked with the potential deviation from the forecast company development in an uncertain environment, is



assimilated by financial analysis and decision, contributing to the formation of the modern portfolio theory and of the evaluation model of company assets.

The risk must be correlated with the inflation, most interests in the conditions of a high inflation leading both to the increase in capital costs, as well as to the diminishing of the potential return on investments. In a larger sense, the inflation has a strong effect on all decisions of economic agents, including the credibility of accounting information.

The essential objective of an economy based on the freedom of choice must be the maximization of consumer satisfaction. Free choice, free initiative presupposes private ownership and capital. An economy based on private ownership and capital is a capitalist economy, and a society based on the economy acknowledges private property which may take a multitude of possible forms.

In the context of future reconsiderations, financial management will coordinate a series of activities from organizations, because the evolution of the financial situation will shed new light on the economic life in the 21st century. The very definition of this concept contains the domains and the fields it induces. Thus, "Financial management

represents the correlated whole of specific activities, oriented towards the choice, formation, development and optimal use of financial resources, in order to ensure the necessary means for the efficient development of an economic activity, in the context of the influences exercised by the environment, but also by the other operating functions within the organization."

According to other authors, financial management includes all the activities regarding the collection, processing and interpretation of financial data, including the accompanying mechanisms, the acquiring and use of financial means as well as the control necessary in this respect.

Taking into consideration the mutations taking place at the beginning of the 21st century, it is necessary **to redefine the functions of general management on the one hand, and to reconsider the functions of financial management on the other**, as they represent segments that extend and complete the company's whole activity in its „journey" towards the highest „peaks".

**Reevaluating and redefining the functions of financial management** becomes a must in this context, thus: the forecasting function becomes the proactive function of the company's finan-

cial management; the organization function becomes the restructuring function; the coordination function turns into the function of intensive communication; the training function will be defined as the reciprocity function (the reciprocal offering of chances and opportunities between the firm and the employee); the control and evaluation function will be called the function of economic watchfulness. Not last, it is wanted **to conceptualize the knowledge function** of the company as being the sixth management function in the company of the future.

Meeting the future would be, in our opinion, the best definition of the forecasting function. In a broader sense it could be defined as: **the first function of the management process, representing the whole of the actions undertaken by the company managers and by their collaborators, in order to set the strategic and tactical objectives of the company, as well as the financial resources or other resources necessary for their achievement.** To put it differently, through the materialization of the forecasting function the company's future activities (for a given period of time), as well as the conditions necessary for their realization and the results expected are established.

In this framework, **the forecasting function of the company** becomes its proactive function,

capable of coping with the challenges of the future, and more than this, capable of triggering and foreseeing the future, that is the market demand, which would generate huge profits for the company.

Another conclusive example in this respect, is represented by the theory of behavioral finance, in which the psychological factor, intuition, means, in one form or another the transformation of uncertainties into certainties. Of course, the theory of regret can act in this case too, but the company's proactivity will lead the company in most cases to high profits, which can ensure a certain sustainability.

The proactive function cannot act in an autarkic way from the other functions of financial management, which need to be reconfigured, too.

Reorganization or restructuring, as a second function of company management at work in the context of the knowledge society, has been for a long time the supreme solution of management.

Companies have entered an unprecedented period of challenges and uncertainties. As a consequence, leaders are increasingly looking for various structural variants, as the traditional functional models don't seem to

be as efficient as they used to be in today's dynamic environment.

Financial management has as its purpose the study of decision – making in a company, in conditions of optional choices. They involve solving three major decisions: the investment decision, the financing decision, and the dividend-related decision.

Together, the three decisions determine the value of the company for the shareholders. Assuming that the objective is to maximize this value, the company must have in view the optimal combination of these three interdependent decisions. The decision to invest in a new project requires the financing of the investment. The decision to finance, in its turn, influences and is influenced by the decision regarding dividends, because the profits retained for the financing of the investment will be the dividends that the shareholders will give up. Using an adequate conceptual framework, a decisional combination which tends towards the optimal solution could be accomplished. The important thing is for the financial manager to correlate each decision with its effects on the company value.

The company evaluation, which is based on financial management, becomes thus a “must”. The concepts of current value, nominal value and composed value are used in the evaluation of

securities, as well as in the evaluation of capital costs projects that are supposed to generate benefits in the future. The determining factors in dividend evaluation as well as the models of explicit evaluation for every type of security are directly related to the essential financial decisions of the company.

Company evaluation poses some problems such as: defining the concept of risk, its typology, as well as the relationship between risk, profits and the maximization of shareholders' wealth. In the solving of these problems financial analysis comes as a basic instrument for the assessment of company performance, taking into account converging sets of financial rates, also developing the concept of financial and operational leverage, and analyzing its effect on company risk. It also offers methods of financial planning and the instruments for reaching the objectives- the treasury budget and the cash flow picture.

A central place within the concerns of financial management is taken by the substantiation of the process of working out the capital budget, as well as by measuring the cash-flow associated with long-term investment projects, on the one hand, and the delimitation of the criteria for decision- making in choosing the projects, with a view to the

maximizing company value and the development of some adequate decision- making techniques, which take risk into consideration, on the other hand.

Short-term bonds, preference and ordinary shares are also studied as being indispensable instruments for long-term financing, as well as different categories of insurance and convertible securities.

An area of great importance within financial management is constituted by the management of the working capital. In this respect, the management of current assets and liabilities is presented, paying attention to the management of working capital, and taking into consideration the “negotiation” risk- income involved in the decision-making regarding working capital.

The list of areas of study within financial management is, of course, very comprehensive, there not being possible to establish some boundaries. As a matter of fact, financial management is like an aura surrounding the entire activity in any field. Finally, whatever method, technique, etc we may use, it is still money that we need, and beside it someone to manage it efficiently, because if not, it's no use having it.

All the things presented above have to do with the economic activity of companies. But let's not

forget that more and more emphasis is laid on social responsibility and on ecology (the CSR concept – Corporate Social Responsibility and Corporate Citizenship), as the business space of a company doesn't come down only to economic criteria, but it also involves social responsibility and ecology, that is, what we have mentioned above, as companies must be good citizens of a country or of the entire globe.

These new dimensions need, in their turn, the use of supplementary financial resources. How many of the Romanian companies succeed in covering these new dimensions, by the financial management they practice. Not even multinationals succeed, as they have turned social responsibility into an area of marketing, meaning that they do charity simply in order to improve the image of the company.

For example, in an advertising brochure from Shell we can read:” We are convinced that only those companies will be successful which have in view three goals: competitiveness, social responsibility and ecological orientation”. In spite of these beautiful slogans, Shell are being accused by the Nigerian population- Shell being for Nigeria the most important oil producer- of destroying the living conditions for thousand of families. Since the beginning of its activity in Nigeria, the company has exploited 35 billion

euro worth of oil, and the damages to the environment have been estimated at about 4 billion euro. In this context, the 60 million euro they are spending on social welfare represents a very small figure as compared to what they are earning.

In this context, the financial management of the company will take into account all the three dimensions – economic, social, and ecological – by the fact that the classical functions of financial management will turn into proactive functions in order to create synergy effects, to turn uncertainties into certainties, so that companies will be able to deal with the new challenges. Thus, the financial forecast function is becoming a proactive function which has to turn uncertainties into certainties by sensitivity analysis and scenario techniques; the function of financial organization does not place in the center of company functions the financial –accounting one but it turns this into input for the other research and development and personnel functions; the function of financial coordination will have as a purpose the harmonization of the three dimensions in order to create synergy effects. The leadership will be visionary and the communication intensive and qualitative indicators will prevail over quantitative ones.

This new orientation of financial management is not a

simple one, but, on the contrary, a very complex one which will delimitate three main categories of companies: *winners, survivors and losers*. The “battle” will be a fierce one especially for the Romanian companies which, with the integration in the European Union, must win a battle of competitiveness on all three “flanks”- economic, social, and ecological.

There are three major trends that compel organizations to adopt more flexible, efficient and receptive structures, trends which can be identified among the characteristics of the knowledge-based society (See Harrington, J.H., Harrington, S.J., *Total Management in the XXI Century Firm*, Teora Publishing House, 2001, pp. 370-371):

**Globalization.** The globalization trend increases competition. Organizations are threatened at home by competitors whose headquarters are at antipodes. They no longer have „safe” markets to protect their risky or profitable initiatives. As a result, organizations must prove flexibility and adopt structures which are adequate for every market. Globalization also forces the organizations to be more flexible with every new business technique that appears.

**The increased rhythm of technical progress.** The technical life cycles of products and services are decreasing rapidly, and with them, the life cycles of different operational processes.

Computer manufacturers whose products used to have life cycles of up to three years, consider themselves lucky now if they can enjoy a competitive advantage period of 12-18 months before a better, cheaper and faster product appears. Every new technological generation creates possibilities for the redesign of the operational processes. The acceleration of technical progress involves creating some flexible structures to ensure the adaptation to the rapid technological and process changes.

#### **Demographic changes.**

As the labour force is starting to be made up more and more of untraditional workers (contract collaborators, half-time workers, supplier/ seller partnerships), the organizations will have to become more and more flexible in order to work with these categories of staff. The concept of virtual organization has become a reality. In some of the organizations today there are employees who never meet directly, working together by means of technology. In others, the members of a team may not be employed by the same organization or may not work in the same geographical area.

These trends are creating a dynamic, unpredictable and very competitive economic environment. In order to compete, the organizations must find a way to adapt rap-

idly and efficiently. The traditional organizational structures, based on the military principle of order and control and on a mechanistic vision of the economic process, have become inflexible. Recently, in the repertoire of structures new and more flexible models have been added.

This is how, thanks to these trends, the organizational structures are evolving. The organizations tend to adopt other structures as a reaction to the new and different economic pressures. So far, there have been four major stages in the evolution of organizational structures: the vertical organization, the bureaucratic organization, the decentralized organization, the network organization.

As the organizations have evolved, they have gone through each of these stages, usually in the order in which we have enumerated them. Still, each organization can go through these stages in different ways. Some can even have several types of structures simultaneously. We will present in what follows several types of organizations based on knowledge (See Nicolescu, O., Nicolescu, L., *The Economy, the Firm and Knowledge Based Management*, Economica Publishing House, 2005, pp. 185-194).

**The network organization** represents the most evolved form-

the glove of the future firm- the last stage in the evolution of the organization structure, being the first real innovation in the structure project of the organization. In the network organizational structure, the emphasis is laid on the customers, not on the internal functions. Due to their outward and not inward orientation, the network organizations are more receptive to the customers' total needs and to the market changes. All these lead to the rise in the company profit and profitability.

The network organizations are based on teams dealing with a process or a client, not on individuals carrying out functional activities under the coordination of several management levels.

The appearance of the network structures is the direct consequence of two major changes in managerial thought. The first change is the understanding of the importance of multi-qualified labor force. This tendency in managerial thought contradicts Adam Smith's idea that the supreme advantages come from the division of labor.

The second change is the understanding of the fact that success is not based solely on technical or functional experience, but also on their application to those processes and resources that are important for fulfilling the client's

needs.

**The network of companies** – networking, consists of a set of companies, independent from a legal point of view, based on the principle of stakeholders.

**The cluster** - a flexible organization based on the existence of a key element, around which the decisions and actions of the component firms gravitate. Their financial advantages reside in the following: cooperation between companies at a low cost; the creation of increased possibilities for innovation; the division and diminishing of financial risks and costs; the reduction of the period necessary for the manufacturing of products, and, consequently a rise in the stock turnover; the reduction in the time for the trading of products by diminishing the credit periods; considerably lower costs, as a result of economies of scale and scope.

**The emergent company**, in which a large proportion of activities is represented by those of research and development, is an organizational category based on innovation. The company positioning involves four important strategic decisions with financial implications: the dimensioning of the technology and of the markets on which the company is focused, setting the priorities for the actions of development and innovation, determining the degree of activity outsourcing, the temporal harmo-

nization of previous decisions. In the conditions of the acceleration of the transition to a knowledge-based society, the emergent companies will see a rapid rise on the ladder of the future companies.

The stage of transition towards the knowledge-based economy, characterized by a reconsideration of the role of management as a main element of socio-economic efficiency, brings communication between managers and their subordinates to the forefront, as being a catalyst of managerial processes, and at the same time a condition of an organizational and motivational climate which is appropriate for reaching the objectives. Deep mutations will take place, triggered by this transition, and change and the implementation of the economic, managerial, technical and technological NEW will become the mood of the organization, with considerable consequences for the complexity and configuration of communications.

An essential effect of the communication process in the firm of the future is the propagation of change and the entailment of a massive involvement, that is the creation of a wave effect within the organization. This presupposes the delegation of authority, a topic very much in fashion in the 90s. But, although receptivity seems to be an essential value of many corporate cultures, managers do not understand what it really is and how it is created. They are afraid of communicating. Among

the fundamental dilemmas are: "Should we communicate change from the top to the bottom or from the bottom to the top?", "Does seeking advice mean giving up power?"; "Should we postpone communication till we have all the answers?"; "If the employees have information available, do they also have the right to refuse to do what they are told?"

The essence of change is the passage from the known to the unknown. The periods of crisis and transition are always risky. The ambiguity and the uncertainty inherent in change demonstrate that success depends on *open, active, trustful communication* (See *Management of Changes*, Teora Publishing House, 2002, pp. 125).

The vision of a new future is what allows overcoming difficulties and stimulating change. Working out this vision together with the managerial team is probably a leader's most important task. The visionary leadership contains the early signs of adherence to change "and the propagation of these positive signals within the organization triggers the viable change."

This is not merely a propaganda task of the managing director; it also means giving the employees the time and the space to become adepts of change. To lead actually means two things: firstly to suggest a vision and a guiding line, to know where you are heading; secondly, to convince



other people to accompany you on this road!

It is interesting that the vocabulary used to define the role of the leader includes words such as “to work out”, “to stimulate” and “to communicate” and not “to sit at the desk and design a vision which will then be imposed on the others from the top to the bottom”. In this respect, we will analyze a series of practical means and methods that can help you create a common vision which will combine your strategic objectives with the energy of the people in the organization..

***The intense coordination and the visionary leadership will be the functions by which the managers will manage to adapt to change, to implement the new firm model- the firm of the future- and to attract the financial resources necessary for the achievement of these objectives.***

Financial resources are necessary in order to motivate the staff- the fourth function of management, which will turn into the function of reciprocity- of feed-back or pay-back or what is already known, the social responsibility of the company. The managers will be interested in the fate of their employees as long as these prove to be profitable for the company and the costs they generate are lower than the profits they bring or can bring. The motivation system in the firm of the future

is one in which inputs represent outputs for another system, thus seeking continuous performance. Usually, in order to make sure that their human resource investment is a profitable one, managers resort to the pay-back system so as to keep their good employees, with significant results.

All these redefinitions and reconsiderations will involve turning the control and evaluation function into the function of economic watchfulness.

The relationships between the management, the control and the financial management, in the conditions in which the capital sources, their use and the purpose in mind are totally different, necessitates an appropriate and thorough study.

When placing control in the framework of the competition mechanism, we shouldn't neglect M. Gervais' theory, according to which control must help you ***“contain yourself in order to adapt to the unpredictable and to maintain yourself in activity in line with your objectives”***

The new functions of financial management in the company of the future, outline as it is natural, a sixth function- ***the knowledge function***, which turns the knowledge-based company into a sustainable one.

In this context, the triangle of sustainability in the knowledge-based company from the perspective of the triple bot-

tom line, has at its peak profit and competitiveness, starting from the premise that profit must turn into good-will, and the synergy between the human and the artificial- human and informational resources- must lead to competitive advantages for the company.

In this framework, innovative organizations do more than spread knowledge, they make a habit of using knowledge creatively. In a crisis, having the necessary knowledge is important, but not knowing how to use it innovatively can render it useless (See Basadur, M., Gelade, G., *The Role of Knowledge Management in the Innovation Process, Creativity and Innovation Management*, Volume 15, no. 1, 2006, pp. 47).

In the article „*Taking Friedman Seriously: Maximizing Profits and Social Performance*” published in *The Journal of Management Studies*, the authors Husted and Salazar assert that firms continue to invest in all sorts of projects, even though they may be uncertain about their ability to extract all the benefits provided by such investments. Firms more typically have a portfolio of Corporate Social Responsibility projects, some of which may be coerced, others altruistic, and still others strategic in nature for a competitive advantage.

Still, more and more firms try hard to adapt to the new challenges of the knowledge-based society, inclusively to transform the financial management functions of the future firm.

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**PENTRU NOTIȚE**

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