

**UNIVERSITATEA ROMÂNNO-GERMANĂ DIN SIBIU
FACULTATEA DE ȘTIINȚE ECONOMICE ȘI CALCULATOARE**

ANALELE

UNIVERSITĂȚII ROMÂNNO-GERMANE

SERIA ȘTIINȚE ECONOMICE

NR. 8 / 2009

**EDITURA BURG
SIBIU**

ISSN 1583-4271

Editura BURG

Calea Dumbrăvii nr. 28-32, 550324 – Sibiu

tel: 0269-233.568; 0369-401.002

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THEORIES REGARDING ECONOMIC GROWTH

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Abstract: *in the present paper the authors aimed to present a series of recent theories regarding economic growth, namely those who treat its immediate and fundamental causes.*

Key words: economic growth, economic convergence, immediate causes, fundamental causes

1. GENERAL CONSIDERATIONS

The issue of economic development and convergence has been for a long time the major concern of social sciences specialists, the number of papers published on this subject of major interest being in this regard significant.

Daron Acemoglu, Simon Johnson and James A. Robinson consider actually that *the most common, but ever so crucial, question in what economic growth and development are concerned is the following: why certain countries are poorer than others?*[2]

The economic growth theories can be grouped according to certain criteria. For this particular analysis, the authors have chosen a criterion which takes

into consideration the fact that several economists (Acemoglu, Johnson, Robinson, North, Thomas, Bennedsen, Malchow-Moller and Vinten for instance) divide the causes of economic growth in two major categories:

- immediate (proximal): physical capital, human capital, productivity etc;
- fundamental: institutions, geography, culture and so on and so forth (see [5]).

The result is, thus, that a country's economic performance depends on a number of variables, even though, as Abdiweli Aii observes, these variables are not equally relevant in determining the economic growth (see [2]).

2. THEORIES OF ECONOMIC GROWTH BASED ON IMMEDIATE CAUSES

Daron Acemoglu, Simon Johnson and James A. Robinson³ observe that the neoclassic traditional models of economic growth, such as that of Solow (1956), Cass (1965) and Koopmans (1965), explain the existing differences in what regards the income per capita through the different ways of production factors accumulation. According to these models, also known as models for exogenous growth, the differences between countries in terms of factors accumulation are due either to differences in savings rates (Solow), or to preferences (Cass-Koopmans), or to other exogenous parameters, such as the increase in the aggregated productivity of factors [5].

Solow's Model (1957) is among the most frequently cited neoclassical models in the field's literature. Morten Bennesen, Nikolaj Malchow-Moller and Frederik Vinten [3] present in essence the basic characteristics of this model, which are outlined in this next part.

According to the Solow model the GDP of a country depends on:

- its endowment with factors (inputs), such as capital or labour force (or, more precisely, physical and human capital);
- the aggregate productivity of these inputs, in other words the way in which the inputs are mixed to generate production.

The growth rate of the GDP can be decomposed into contributions as follows:

- the factor(input)-based growth, in other words capital and labour force;
- an increase in productivity, the so

called "aggregate productivity of factors" = APF.

The latter, namely APF, has become known as "Solow's rest" since it is calculated by subtracting the contribution, in the general growth rate, that of capital and of the labour force. Thus, the increase of APF encompasses all that cannot be explained through the changes undergone by the inputs. It has been calculated that, depending on the improvements brought to the capital and labour force inputs, the APF contribution to the general growth is between 30 and 50%.

Abdiweli Aii [1] has conducted an interesting analysis of the evolution of the economic growth theories based on immediate causes, a range of relevant observations being now presented. He pays special attention to Romer's analysis (1990), which suggests that profit, as a motivation for private companies, is incompatible with the neoclassic hypothesis of perfect competition. According to Romer, firms invest in technology only when they see a potential for profit, gaining to acquire a certain power of monopoly. *Abdiweli Aii* also outlines the important political implications of Romer's analysis:

- due to the dissemination of knowledge generated by the research and development activity conducted by firms in the private sector, governments should either subsidize research and development, or to better/correct the incomplete property rights associated with the research activity. The institutional and legal framework and the economic environment which encourage the profitability of technology investments will influence the rate of technological changes and that of economic growth. In Romer's opinion,

the growth can be sustained by the continuous accumulation of new technologies and countries with different levels of technology may remain on different economic growth trajectories for long periods of time;

- human capital becomes more productive by interacting with the knowledge stock, including, thus, all the scientific knowledge previously accumulated. The less developed countries, which do not possess sufficient human capital, are not capable to benefit from the advantage of the common knowledge base, which in turn limits their capacity to support economic growth.

One of Abdiweli Aii's important conclusions [5] is that the inclusion of human capital changes entirely the analysis of existing differences between certain countries in what economic growth is concerned. *The assumption according to which physical capital is not the only type of capital essential to economic growth, human capital becoming as important if not more significant is perhaps the most important contribution of the endogenous growth models.* The countries with a larger initial stock of human capital, the cited author adds, tend to grow, during an indeterminate period of time, faster than those with a lower initial stock. The reserve of human capital influences the rate with which a country is able to absorb ideas, products and new technologies, which in turn influence economic growth in various countries.

3. THEORIES OF ECONOMIC GROWTH BASED ON FUNDAMENTAL CAUSES

As part of the fundamental causes group we will present the institutions and the opening up of the economy (of commerce)

3.1. Institutions

The new institutional economy (neo-institutionalism) has started developing in the 1970s. In this context many economists considered as necessary a series of alternatives to the previously presented exogenous and endogenous models of economic growth, which were based on the closest (proximal) determinant factors. It is true that the increase of production needs both an increase in inputs, as well as a higher level of productivity. However, it has been considered that investments in inputs and changes in productivity are determined by something more profound, namely by the fundamental causes of economic growth, among which there are the institutions [5].

Daron Acemoglu, Simon Johnson and James A. Robinson believe that, in essence, the hypothesis according to which the differences related to economic institutions are the fundamental cause of the differences on the line of economic growth is based on the concept which states that the way in which people decide to organize their societies is the one which determines whether they prosper or not. Certain ways of organizing a society, which stimulate people to innovate, to risk, to save up for the future, to find better ways of doing things, to learn and educate themselves, to solve the problems of collective action, to insure/generate the public goods and the main sources of differences in what regards economic performance are the national policies and institutions [2].

Other authors support the idea that the best proof of the institutions' impact on institutional development and convergence is represented by the progress and downfall of centralized economies.

3.2. The opening of economy (commerce)

According to *Paul M. Johnson's* definition, the countries with relatively "open" economies are the ones that permit the free movement of goods and capital in and out of the country, without high rates, import protectionist quotas, foreign currency controls or major restrictions in the area of foreign investments [4].

The opinions stand divided, certain authors bringing out often the cases of the countries which were unable to accomplish a high rate of growth, despite making use of an economic policy of openness. On the other hand, the critics of this type of policy give examples of countries which recorded high levels of economic growth, even though they had increased the barriers in the way of commerce.

The opening of commerce is a necessary condition for a fast and constant economic growth. It is, however, not sufficient, other factors such as macroeconomic stability, politics credibility and an adequate regime of contracts' execution being necessary in this regard. In other words, there is the possibility that a country characterized by an openness of commerce to be associated with a stagnation or decrease of incomes, a fact incompatible with the necessity of openness.

It is interesting to observe that the countries with large markets can initially sustain a certain amount of growth despite the high level of commercial barriers. However, after a certain period of time, such markets become saturated and, as a consequence, open economic policies, which would permit the access on external markets, are required.

Romain Wacziarg [6] has identified three categories of channels through which the effects of commerce liberalization on economic growth are manifested. They are as follows:

a) Government policy.

The opening of the commercial policy can create a stimulus for governments regarding the adoption of less distorted internal policies and of more disciplined types of macroeconomic management, due to the risk of recording capital leaks or because of the fact that political decision-makers are bound by international agreements.

b) Allocation and distribution.

More traditional theories refer to the role of allocation efficiency, which can more easily be accomplished when there is an open commerce regime.

c) Transfer in technology.

Open economies are more exposed to the world stock of knowledge, which determines the increase of productivity, the transfer in technology becoming, thus, a channel through which the openness of commerce influences growth.

4. CONCLUSIONS

The theories of economic growth divide its causes into two major categories: immediate (proximal): physical capital, human capital, productivity etc. and fundamental: institutions, geography, culture and so on.

The most important contribution of the endogenous growth models is that according to which physical capital is not the only type of capital important to economic growth, human capital becoming in this regard as important if not, more important.

Institutions have a great impact on economic development and the best

proof is represented by the progress and downfall of centralized economies.

The openness of commerce is a necessary condition for a constant and swift economic growth. It is, however, not sufficient, other factors such as macroeconomic stability, politics credibility and an adequate regime of contracts' execution being necessary in this regard.

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SIMION BĂRNUȚIU. THE INFLUENCE OF THE GERMAN ENLIGHTENMENT

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Abstract: *Simion Bărnuțiu is considered the first professor to lecture in the Romanian language academical courses on philosophical topics. The book is a veritable philosophical periplus, belonging to a road-opener. Simion Bărnuțiu chooses the influences, proving himself permeable to models but not enslaved to them.*

Key-words: Philosophy, Enlightenment, lecture, modernity, Ethics

Didactically, Simion Bărnuțiu treats a large spectrum of issues, addressing a variety of fields: the History of Philosophy, Logics, Metaphysics, Pedagogy, Ethics, Empiric Psychology and Aesthetics. Bărnuțiu is considered the first professor to lecture in the Romanian language academical courses on philosophical topics.

The course *The History of Philosophy*, lectured in Iassy, in the period 1855-1864, refers to an ample *corpus* of critics of the history of philosophy, containing analysis on an overwhelming number of philosophers. The study is kept at the Library of the Romanian Academy in Bucharest, the Romanian manuscript nr. 5439, and is part of a donation of Iuliu Maniu, great grandchild of the sister of Bărnuțiu. The book is a veritable philosophical periplus, belonging to a road opener: after referring to the concept of history of philosophy, the author tries a description of the philosophy of the Ancient Orient, he stops on the Greek philosophy to

Plato and after the great Greek thinker, for closing his intercession with the age of Albertus Magnus, in the first centuries of the past millennium.

The sources of the course, the variants of the text, its location in the age are relevantly commented by Ionuț Isac (see [1]).

Being a theoretical thinker, Bărnuțiu was a „spirit withdrawn in himself, pondering a lot on the topic before expressing it in words” (see [2]). He chooses the influences, proving himself permeable to models but not enslaved to them.

The model for this course is the study of Wilhelm Traugott Krug *Geschichte der Philosophie alter Zeit, vornehmlich unter Griechen und Römern*, next to numerous passages taken from the study *Despre viețile și doctrinele filosofilor* by Diogene Laërtios or from the work of the Roman philosophers Cicero and Seneca.

G. Bogdan- Duică remarks the influence of the German and French

Enlightenment upon Bărnuțiu. From the knowledge acquired in Carei, Blaj and Sibiu he will shape his social- political ideas, the antitheological and antifeudal attitude, of visible Enlightenment provenance. But in the philosophy courses Bărnuțiu pleads for sintetism. Between the Enlightenment ideas of Herder or Lessing and those of Kant, Bărnuțiu will incline towards Kantianism.

The course starts with observations in the manner of Krug and Kant regarding the concept, the matter, the form, the methodology, the periodization and the sources of philosophy. The research of the history of philosophy is made in the spirit of „the wise from Königsberga”: „...”he lists, under Kantian influence, the dogmatical method, sceptical or chritical, choosing the latter and using it throughout the study. The preliminary conclusion to which his philosophical conscience leads him (...) is the one validated by the subsequent exegesis of the universal history: we find the properly beginnings of this history at the Greeks, at the moment of the first searches of a reasonable principle in the multitude of the manifestation of the absolute” (see [4]).

The inclination towards the rationalism of the classical Greek Antiquity, pre-Christian, evident in his historical-philosophical intercession, is due to the influence of the rationalism (Wolff, Baumeister), to the triad of the classical German philosophy Kant-Fichte-Hegel (the first one- known through the “way” of Krug, with his studies: *System der theoretischen Philosophie* and *System der praktischen Philosophie*) as well as the studies made abroad (Bărnuțiu passes his Ph.D at Pavia, a place of event of the westerner Germanic rationalism).

Naturally, a question was raised, if the study of Simion Bărnuțiu *Istoria*

filosofiei (*The History of Philosophy*) includes elements of originality. Compared to the German model: Krug (*The History of Ancient Philosophy, especially of the Greeks and Romans-Istoria filosofiei antichității, cu deosebire a grecilor și romanilor*) and Kant (*Critique of Pure Reason-Critica rațiunii pure*), he will linger more upon the original texts and upon their hermeneutics. Compared to the former exegetical sources, Bărnuțiu will bring personal notes- perennial proofs of philosophical conscience and erudition. The complexity of these contributions, in spite of some contestant voices, is hard to be denied.

For sure, Bărnuțiu’s viewpoints about the historical background in which his philosophical ideas were born, are more permanent than the ones belonging to the sources. The professor speaks about the strong bond between philosophy and language, between philosophy and society, in the spirit of his famous militancy: „In the history of philosophy can take place only those opinions, which it deserves for their originality, their intern complex and the influence upon the philosophy of the contemporary and the posterity”/Paragraph 5-note, p.14 (see [1]).

Simion Bărnuțiu is meritory for adapting the ideas of Kant and Krug to the Romanian patterns: he will reorganize the whole material, he will give new dimensions to the chapters- by compression or by extension-, he will reformulate the content of ideas, giving it a modern shape, proper to the Romanian ambiance, whose philosophical vocabulary was still frail. Here’s a eloquent passage for the pamphleteer verve, the expressiveness and the literary virtues of the philosophical terminology of Bărnuțiu: „Acest period, vorbind propriamente, e

periodul servituții rațiunii omenești, căci și genii cei mai eminenti ai secolului încă tremurau de fulgerile vaticanului și de carcerile Inquișiunii (sic- *n.n.*). Ei n-aveau voie să vorbească și să scrie cum cugetau, de aceea filosofia și rațiunea nice n-au făcut vreun progres în acest lung period. În limba poetică s-ar putea numi acest lung period somnul rațiunii, încât și ideile cele mai mari ale unor bărbați din acest period încă ni se arată numai ca niște visuri, care aveau însemnătate numai pentru cei ce le visau, și pentru aceștia numai atunci când îi duceau la tribunalul inchișiunii (sic- *n.n.*) sacre, ca să răspundă la ce visau așa (Campanella, Galilei ș.a.)” (see [4]).

Simion Bărnuțiu’s dimension of an historical philosopher makes an impression by a sistematizing vocation, scientific austerly and conscious modernity. Perhaps not by chance B.P. Hasdeu considered Bărnuțiu „the father of the Romanian people” (see [1]).

The force of the philosophical intercession of Bărnuțiu is given also by the consonance with the present educational-moral marks. The Professor’s pleading proves to be exemplary throughout the centuries: „Istoria filosofiei depinde mintea ca să cugete de puterea sa, o învață a cunoaște metodică cugetării științifice, rătăcirile acesteia, precum și cauzele și urmările acestor rătăciri. Istoria filosofiei are influență în toate științele și în istoria lor, specialmente în istoria religiunii și a umanității, pentru că rațiunea e fundamentul a toată știința. Istoria filosofiei, ca studiu, are influență mare în cultura minții omenești, pentru că cercetarea și espunerea materiei ei cere una încordare de puteri spiritali” (see [4]).

The study of the philosophical course manuscripts of Bărnuțiu, diversified in terms of thematic and of an impressive

wealth, disclose the constant interest of the professor for the identification of the historical cross-references to the systematic chapters, as well as for the tracking of the system elements in the succession of the theories: ”Ever and everywhere in Bărnuțiu the philosophical historiography and historiology are interconnected with the sistematical philosophy, and the latter with the sociological and political philosophy, very modern and topical” (see [4]). From this point of view, of the modernity, analyzes the eminent thinker D.D. Roșca the philosophy of Bărnuțiu, in the essay *Bărnuțiu the European (Europeanul Bărnuțiu)* .

In Bărnuțiu’s view the reason is an expression of freedom, the philosophy has the important role of contributing to the shaping of the human being, to the changing of its condition, viewed not only as a „thinking reed” („trestie gânditoare”), but also as a vivid presence in the fortress. We will find observations on this topic also in his *Pedagogy (Pedagogie)* and *Empiric Psychology (Psihologie empirică)* lectures: „Poterea cea mai nobile a omului e rațiunea și facultatea de a-și determina voința cu libertate, ceea ce e strâns unit cu rațiunea” (see [4]).

On the 6th of June 1854, Simion Bărnuțiu obtains at his doctoral dissertation the title of Dr. of Civil and Criminal Law. That fall, the government of Moldavia proposes to him the Logics Department at the Academical Gymnasium in Iassy, which he will accept starting with January 1855.”In *Logics* (...) he develops the former attempts in this direction and foreruns, to a remarkable degree of philosophical thinking, Titu Maiorescu’s lectures about Logics” (see [5]).

Among the studies written during the years of his professorship it is necessary to mention the *Ethics* lecture and, above

all, the *Metaphysics* lecture, an essential study for the rationalist spirit of Bărnăuțiu, where we distinguish the inclination towards materialism and an obvious detachment from the German source (W.T.Krug). „Omul e destinat, de la natură, spre a fi domn preste lucrurile naturii”- states Bărnăuțiu, contrary to the theory of Rousseau, which we don't find with Krug. ”Unii zic că statul neculturii ar fi mai folositor omului atât în respectul fizic, cât și morale, însă aceasta este o părere fără temei; numai cultura cea falsă și rău aplicată poate fi stricătorie” ([3]).

„The man of the high ideals” (“Om al idealurilor maxime”)- the way Ioan Chindriș defines him (see [3]), a man whose deeds surpass words, Simion Bărnăuțiu will vehemently and fervently volcanic express himself in 1842, and then in 1848. All his articles show the knowledge of the Natural law philosophy, which will urge to appeal unjust decisions of some institutions of legislative nature.

Removed from Blaj, cancelled from his status as a professor (in october 1845), Simion Bărnăuțiu decides to study law. He will register at the Saxon Academy of Law in Sibiu, founded in 1844, which in 1846 was calling the young people to come „only to Sibiu”, abandoning the Hungarian schools. Between 1846-1848, in Sibiu, he will become acquainted with a new principle, favorite, concerning the philosophical bases of law. It is about the legal philosophy of Friedrich Karl Savigny, a known theoretician of the Historical law, author of the study *Vom Beruf unserer Zeit für Gesetzgebung und Rechtswissenschaft* (Heidelberg, 1814).

It is known that, due to the lack of appropriated trained teachers, Simion Bărnăuțiu will teach at the Academical Gymnasium in Iassy all the subjects of philosophical profile. „Până la Bărnăuțiu,

nici un profesor de filosofie din Transilvania, Moldova și Țara Românească nu a tratat probleme atât de diverse” („Until Bărnăuțiu none of the Philosophy professors in Transsylvania, Moldavia and Țara Românească has treated such various issues”) - notes Radu Pantazi (see [5]). In the school year 1859/1860, he was teaching 16 hours per week: Roman Law, Natural Law, Romanian Public Law, Pedagogy, Aesthetics, Ethics, History of Philosophy etc. „Din această imperioasă necesitate pedagogică s-au născut faimoasele sale lucrări din perioada ieșeană” („Out of this indispensable necessity were born his famous studies of the period of Iassy”)- highlights Ioan Chindriș (see [3]).

The disciples from Iassy will edit for him, posthumously, three studies of Law theory: *Dreptul public al românilor* (1867), *Dreptul naturale privat* (1868) and *Dreptul naturale public* (1870). There are still in stage of manuscript important studies of law: *Despre constituțiuni*, *Doctrina dreptului rației*, *Dreptul ginților*.

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CONSIDERATIONS REGARDING THE COMPANY'S BUDGETING ACTIVITY

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Abstract: *It is essential for a company's life to plan, to foresee the needed financing and the available capital sources to be used. Western companies do not do anything economically, technically, organizationally etc. without making a budgeting for these situations, regardless of their wideness and importance in the company's general activity. Under these circumstances, the paper approaches several aspects regarding the budget's elaboration and their importance for the companies' activity.*

Keywords: budget, managerial, company, financial

1. General considerations

The financial-accounting activity, focuses on the firm's dimension value, on the engagement in certain processes and last but not least on the environment processes. Thus, the manager of a firm will set down and foresee the correct and operative functioning and organization of the financial-accounting activity [1].

Taking into consideration the environment which undergoes a continuous change, we appreciate that the anticipation (projection, planning) constitutes as a management priority function because it provides a possible identification of future, trying to answer the following questions: "What must and what can be realized within the firm?"

To be certain that the operational decisions and the financial policy are in conformity with the firm's established objectives, and able to provide a stable financial basis, the financial-accounting activity must always operate draw up a financial projection. The goal is to see the standard of the firm as

regarded from past, present and future circumstances. If things turn out to be unfavorable the firm will need a so-called "plan B", so that nothing can take it by surprise, offering no financial alternatives. Any firm's goal is to provide the activity's well/functioning according to the generated funds of the developed operations. However this goal is not an easy task, if not even an impossible one. This is the reason for which we could assert that the firm's financial projection determines the financial-accounting activity to focus on the following tasks:

- The accomplishment of an operational balance sheet and the projection of an incomes and expenditure's budget, in order to set down an improvement programme regarding the capital's usage;
- The support of the general firm's strategy;
- The gathering of its own and borrowed capitals, according to the current necessities, with low prices

and maintenance of the financial autonomy;

- The assurance of an exterior quality information during all phases of the capital's obtaining process;
- The speed-up of the capital's circulation during all phases of exploitation;
- The finding out and the mobilization of the internal supplies;
- The achievement of the foreseen economic programmes;
- The drawing up of some economic and financial mobilizing indicators;
- The support of a process which guarantees the systemic analysis of the capital's projection, improving the proper measures when there is a financial resources lack or excess;
- The ensuring of the firm's financial balance and of an optimal financial structure;
- The proper execution of the current operations regarding cashing in order to provide liquidities;
- The rational allocation of the financial resources which need the assessment of the expenditure necessary for the new investments or modernizations, as well as their efficiency in order to avoid capital immobilization.

One of the problems the organization faces in the financial projection is to find new ways of dimensioning and control regarding the balance relation between expenditure-incomes. Managers are always relying on the financial-accounting, in order to find the optimum of this correlation, as a support for the enterprise's future evolution. The expenditure and the incomes can be controlled by the managers but only if these are the results of their actions, influence and decisions. Within this context, the financial-accounting activity becomes an active factor both in the process of laying the basis of the economic decisions, as well as in the general management of the firm. Most of the firm's manager projects imply the financial issue, because the finances

having the right of veto to turn the project to good account [2].

2. Conceptual approaches regarding the budget

The notion of "budget" is often met in literature, in the specialized language as well as in the current language. Therefore, we ask ourselves: "What is the budget?"

In current sense, the budget is defined as: "*a financial plan, through which the quotas from the entire resources belonging to the accomplishment of objectives are foreseen, financially speaking, by a particular organizational sub-division*" [3].

Another definition is given by the noted specialists Nicolescu Ovidiu. and Verboncu Ion, as it follows: "*the budget ensures, in financial expression, sizing goals, expenses, incomes and results at the level of management centres, and, finally, evaluating the economic efficiency by comparing the results with their budgeted level*".

According to the economic and financial vocabulary [4], "*the budget is an estimated and restrictive situation of expenses and incomes to be accomplished within a specific period of time by an individual or a community. The budget is sanctioned by a decision, which gives it enforceable and coercion power. It is the result of a freely-assumed decision.*"

We believe that **the budget is that situation that plans, both financially speaking, as well as in non-financial terms, an activity or operation, by establishing the responsibilities, contributing to the establishment of efficiency that led to reaching objectives, allowing the activity's control and determining violations** [5].

Therefore, the future can be visualised, but this does not necessarily guarantee the achievement of objectives. Since every business is characterised by risks, **the budget does not represent the universal solution** for an enterprise's financial problems, and the financial activity does not offer the solutions to the dilemmas managers face.

Many managers run their business without having a unitary vision about it. In their attempt to make it from one week to another, or from one month to another, they forget about one very important instrument – the budget. Have you ever went on a trip not thinking about what you need for the road, how you transport everything, etc? Of course you have not. Well, it is, or should be the same in business. We believe that the budget's main purpose is **to be regarded as a map which would help the company follow the right way.**

The budget is a collection of economic or physical elements and its purpose is to set certain limits in how the activity runs, limits which after that would allow controlling that activity. Therefore, the budget aims a company's business area for which prediction is made and then attempt to include in the plan.

The budget is the transposition in numbers of the company's business plan. In its most simple shape, it is a prediction of incomes and expenses. Even from the beginning, the budget will help managers account for each activity planned for a specific period. If they know the possible costs for each of their activity, they will be able to prevent any financial problem.

As a managerial instrument, the budget includes two major concepts which describe its functionality. One concept refers to the prediction and planning activity and the other concept refers to the activity of attempting to fit the plan. Therefore, any moment now, the budget may offer key information on how the activity is going as related to what had been initially established.

The main **objectives** of drawing up the budget can be the following [6]:

- *management instrument*, because it reveals all predictions and objectives which work as a “compass” of daily activity;
- *stimulation instrument*, since, very often, before establishing the final budget, various possibilities are being tested, measuring the impact a

decision or another might have on the forecasted result;

- *motivation and conflict prevention instrument* because the budgetary procedure often allows reaching a compromise, through negotiation, which is like a sort of contract between the different parties involved.

Plans and budgets have to go beyond just a simple forecast of the possible [7]. The financial management has to be aware of the fact that budgets will no longer characterize the most wanted possible, but the most probable possible. The financial management must focus on the establishing some lithe, flexible budgeting, adapted to the production and change cycle.

The budget's basic structure is given by: *the object / the field of the business it refers to* (for example: the income and expenses budget, the general activities budget, the investments' activity budget etc.), *the activities* for which the budget is detailed and drawn up (for example, the budget is detailed for the following activities: to obtain the product X, the commercial activity, the transport activity etc.), *the organizational structure* for which the budget is elaborated (for example, the budget is established by section 1 – foundry, wrapping production branch X, the commercial department etc.), *the list of indicators* which form the budget. It can be noticed that the budget depends on two things: activities and organizational structure; it expresses itself through a list of indicators and in two shapes: forecasted and accomplished [8].

3. The budgeting activity's organization between its advantages and limits

The budgeting, as an activity established through the budget management, refers to the drawing up of some annual budgets, where the necessary resources are being quantified and allotted, by establishing the responsibilities for reaching the enterprise's objectives, under profitability conditions. Thus, the management through budgets is

the system which ensures the forecasting, control and evaluation of the company's activities and of its basic process and structural components, by means of budgets [9].

The financial theory has synthesized various types of budgets, according to different criteria, namely:

- a. According to the budgeted economic process, there are:
 - the exploitation (production) budget;
 - the auxiliary activities' budgets.
- b. According to the phenomena they refer to, there are:
 - financial budgets;
 - treasury budget;
 - external cash-flow budgets.
- c. According to the time period had in view, there are:
 - the budget of the entire economic activity;
 - budgets on responsibility centres (supplying, sale, production departments and shops, social activities, research etc.).

We believe that the introduction of a forecasting system through budgets has a series of advantages, among which we mention:

- *it enables the existence of an efficient accounting system;*
- *it gives priority to the analysis of how financial resources are ensured and used, resources which can be considered "rare" nowadays;*
- *it foresees information sources which allow knowing the company's evolution and its activity's adjustment to the market's oscillations;*
- *it implies the involvement of everybody in the management, a fact which contributes to a better knowledge of the company's reality;*
- *the drawn up documents do not have a standard format, which allows the most useful detailing of facts;*
- *it is the key of a profitable economic activity, because there are no*

accomplishment limits or restrictions, but it "only" requires professionalism, and each responsibility centre is responsible for the way in which budget forecasting have been complied with and objectives met;

- *it promotes communication and coordination* in order to get involved and balance all enterprise's departments and functions, so that it can achieve its forecasted objectives;
- *it enables the establishment of authorities and responsibilities* [10];
- *it builds itself as a genuine support for calculating and using the different types of indicators* (profitability, solvency, liquidity, stability etc.);
- *it enables the realistic evaluation and company's risk control;*
- *it enables the evaluation of performances and employees' and managers' stimulation, by getting them involved in carrying out and achieving the established performance objectives;*
- *it ensures the management through exception etc.*

Organising the budget activity has, however, certain limits, generated, first of all, by the difficulty of an accurate evaluation of indirect expenses and the non-consideration of human dimension. Therefore, the problems encountered in the budgeting activity are [11]:

- *the rigidity* of the framework imposed to the action, which harm the reaction;
- *its tendency to reproduce the previous schemes, planning the future as an extrapolation of the past, which harms creativity and innovation;*
- *its technocratic derivatives, which lead towards an isolation into a formalism distant from the action and the restraints and towards managers' deception of an*

unrealistic future and falsely satisfactory;

- *the incapacity to connect short-term decisions* to long-term perspectives;
- the budgetary practices' *tendency to divide the company in well-guarded territories*;
- *the distributive and patrimonial vision it imposes*, focused on allotting and controlling resources to the prejudice of the action's content;
- *objectives'* more or less imperative and arbitrary *imposing* from managers, who ignore the real content of the process;
- *the introvert vision*, turned rather towards internal resources than towards the evolution of the business environment.

Based on the above presented we believe that, without a fully coordinated budgetary system, the management only has a slight idea about the evolution of the financial situation. At the end of a financial year, budgets are the ones which help establish the company's weaknesses and advantages, by comparing the actual results of the activity to the sums forecasted through budgets. Moreover, if the company has already implemented bookkeeping, profit and performance centres, it is recommended to elaborate a general budget which would be later on detailed to the level of each centre, the established budgetary network being however efficient only if it includes all company's structural and process elements.

Planning, forecasting and projecting the finances and the possible capital sources is essential for the company. The success companies are never acting without taking into consideration the economic, technical and organizing issues, no matter of their involvement and significance in the company's general activity.

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RELATIONSHIP MARKETING

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Abstract: *This paper presents several aspects with regard to the concept of relationship marketing. The development of the marketing concept and of the information technology has led to the development of affiliate marketing specializations. Managers and marketers alike must realize the importance of developing and maintaining a good relationship with the customers. The paper presents a short history of the relationship marketing concept as well as some aspects with regard to its implication in the internal organization's activity.*

Key words: relationship marketing, consumer, retention, marketing

Marketing is the process associated with promoting for sale goods or services. It is considered a "social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and values with others" (Kotler et.al, 2008). It is an integrated process through which companies create value for customers and build strong customer relationships in order to capture value from customers in return (Kotler et.al, 2008).

The term marketing concept holds that achieving organizational goals depends on knowing the needs and wants of target markets and delivering the desired satisfactions. Marketing is defined by the American Marketing Association [AMA] as *"the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society*

at large. The term developed from the original meaning which referred literally to going to a market to buy or sell goods or services.

Recent approaches in marketing is the *relationship marketing* with focus on the customer, the *business marketing* or *industrial marketing* with focus on an organization or institution and the *social marketing* with focus on benefits to the society (Kotler et.al, 1999). New forms of marketing also uses the internet and are therefore called *internet marketing* or more generally *e-marketing*, *online marketing*, *desktop advertising* or *affiliate marketing*. It tries to perfect the segmentation strategy used in traditional marketing. It targets its audience more precisely, and is sometimes called personalized marketing or one-to-one marketing.

Relationship marketing is a form of marketing developed from direct response marketing campaigns

conducted in the 1970s and 1980s which emphasizes customer retention and satisfaction, rather than a dominant focus on point-of-sale transactions.

Relationship marketing differs from other forms of marketing in that it recognizes the long term value to the firm of keeping customers, as opposed to direct or "Intrusion" marketing, which focuses upon acquisition of new clients by targeting majority demographics based upon prospective client lists. Relationship marketing refers to a long-term and mutually beneficial arrangement wherein both the buyer and seller focus on value enhancement with the goal of providing a more satisfying exchange. This approach attempts to transcend the simple purchase-exchange process with customer to make more meaningful and richer contact by providing a more holistic, personalized purchase, and use the consumption experience to create stronger ties.

According to Liam Alvey, relationship marketing can be applied when there are competitive product alternatives for customers to choose from; and when there is an ongoing and periodic desire for the product or service.

Fornell and Wernerfelt (1987) used the term "defensive marketing" to describe attempts to reduce customer turnover and increase customer loyalty. This customer-retention approach was contrasted with "offensive marketing" which involved obtaining new customers and increasing customers' purchase frequency. Defensive marketing focused on reducing or managing the dissatisfaction of your customers, while offensive marketing focused on "liberating" dissatisfied customers from your competition and generating new customers. There are two components to defensive marketing:

increasing customer satisfaction and increasing switching barriers.

Modern consumer marketing originated in the 1950s and 1960s as companies found it more profitable to sell relatively low-value products to masses of customers. Over the decades, attempts have been made to broaden the scope of marketing, relationship marketing being one of these attempts. Arguably, customer value has been greatly enriched by these contributions.

The practice of relationship marketing has been facilitated by several generations of customer relationship management software that allow tracking and analyzing of each customer's preferences, activities, tastes, likes, dislikes, and complaints. For example, an automobile manufacturer maintaining a database of when and how repeat customers buy their products, the options they choose, the way they finance the purchase etc., is in a powerful position to develop one-to-one marketing offers and product benefits.

In web applications, the consumer shopping profile is built as the person shops on the website. This information is then used to compute what can be his or her likely preferences in other categories. These predicted offerings can then be shown to the customer through cross-sell, email recommendation and other channels.

Relationship marketing has also migrated back into direct mail, allowing marketers to take advantage of the technological capabilities of digital, toner-based printing presses to produce unique, personalized pieces for each recipient. Marketers can personalize documents by any information contained in their databases, including name, address, demographics, purchase history, and dozens (or even hundreds) of other variables. The result is a printed

piece that (ideally) reflects the individual needs and preferences of each recipient, increasing the relevance of the piece and increasing the response rate. Relationship marketing relies upon the communication and acquisition of consumer requirements solely from existing customers in a mutually beneficial exchange usually involving permission for contact by the customer through an "opt-in" system (Gale and Chapman, 1994). With particular relevance to customer satisfaction the relative price and quality of goods and services produced or sold through a company alongside customer service generally determine the amount of sales relative to that of competing companies. Although groups targeted through relationship marketing may be large, accuracy of communication and overall relevancy to the customer remains higher than that of direct marketing, but has less potential for generating new leads than direct marketing and is limited to Viral marketing for the acquisition of further customers.

A key principle of relationship marketing is the retention of customers through varying means and practices to ensure repeated trade from preexisting customers by satisfying requirements above those of competing companies through a mutually beneficial relationship (Gordon, 1999) This technique is now used as a means of counterbalancing new customers and opportunities with current and existing customers as a means of maximizing profit and counteracting the "leaky bucket theory of business" in which new customers gained in older direct marketing oriented businesses were at the expense of or coincided with the loss of older customers. This process is less economically viable than retaining all or

the majority of customers using both direct and relationship management as lead generation via new customers requires more investment. (Kotler et.al, 1999).

Many companies in competing markets will redirect or allocate large amounts of resources or attention towards customer retention as in markets with increasing competition it may cost 5 times more to attract new customers than it would to retain current customers, as direct or "offensive" marketing requires much more extensive resources to cause defection from competitors. However, it has been suggested that because of the extensive classic marketing theories center on means of attracting customers and creating transactions rather than maintaining them, the majority usage of direct marketing used in the past is now gradually being used more alongside relationship marketing as its importance becomes more recognizable.

Relationship marketers speak of the "*relationship ladder of customer loyalty*". It groups types of customers according to their level of loyalty. The ladder's first rung consists of "*prospects*", that is, people that have not purchased yet but are likely to in the future. This is followed by the successive rungs of "customer", "*client*", "*supporter*", "*advocate*", and "*partner*". The relationship marketer's objective is to "*help*" customers get as high up the ladder as possible.

This usually involves providing more personalized service and providing service quality that exceeds expectations at each step. Customer retention efforts involve considerations such as the following:

1. Customer valuation - Gordon (1999) describes how to value customers and categorize them according to their financial and strategic value so that

companies can decide where to invest for deeper relationships and which relationships need to be served differently or even terminated.

2. Customer retention measurement - Dawkins and Reichheld (1990) calculated a company's "customer retention rate". This is simply the percentage of customers at the beginning of the year that are still customers by the end of the year. In accordance with this statistic, an increase in retention rate from 80% to 90% is associated with a doubling of the average life of a customer relationship from 5 to 10 years. This ratio can be used to make comparisons between products, between market segments, and over time.

3. Determine reasons for defection - Look for the root causes, not mere symptoms. This involves probing for details when talking to former customers. Other techniques include the analysis of customers' complaints and competitive benchmarking.

4. Develop and implement a corrective plan - This could involve actions to improve employee practices, using benchmarking to determine best corrective practices, visible endorsement of top management, adjustments to the company's reward and recognition systems, and the use of "recovery teams" to eliminate the causes of defections.

Retention strategies also build barriers to customer switching. This can be done by product bundling (combining several products or services into one "package" and offering them at a single price), cross selling (selling related products to current

customers), cross promotions (giving discounts or other promotional incentives to purchasers of related products), loyalty programs (giving incentives for frequent purchases), increasing switching costs (adding termination costs, such as mortgage termination fees), and integrating computer systems of multiple organizations (primarily in industrial marketing).

Relationship marketing also stresses what it calls internal marketing. This refers to using a marketing orientation within the organization itself. It is claimed that many of the relationship marketing attributes like collaboration, loyalty and trust determine what "internal customers" say and do. According to this theory, every employee, team, or department in the company is simultaneously a supplier and a customer of services and products. An employee obtains a service at a point in the value chain and then provides a service to another employee further along the value chain. If internal marketing is effective, every employee will both provide and receive exceptional service from and to other employees. It also helps employees understand the significance of their roles and how their roles relate to others'. If implemented well, it can also encourage every employee to see the process in terms of the customer's perception of value added, and the organization's strategic mission. Further it is claimed that an effective internal marketing program is a prerequisite for effective external marketing efforts. (George, W. 1990).

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THE BRAND – A KEY COMPONENT OF THE MARKETING PROMOTION POLICY

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Abstract: *The brand is an important element of today's marketing policies. The development of information technology and of the Internet has brought the brand in front of many other promotion policy elements especially today when the competition has become stronger and stronger. This paper point out some key aspect with regard to the brand, the direction that the companies must go if they want to survive in this ever changing market. Brand orientation, brand name, brand image and brand loyalty are just a few aspect of the complexity that the brand represents.*

Key words: brand name, management, brand loyalty

The history of using the brands in the marketing activities marks the efforts of the goods and services producers and of the sellers in order to enrich the arsenal of marketing tools within the market and bring forth new ways of communication with the client (Balaure et. all, 2009).

A brand is a *name or trademark connected of a product / service or producer*. Brands have become increasingly important components of culture and the economy, now being described as "cultural accessories and personal philosophies"

Brand orientation is a deliberate approach to working with brands, both internally and externally. The most important driving force behind this increased interest in strong brands is the

accelerating pace of globalization. This has resulted in an ever-tougher competitive situation on many markets. A product's superiority is in itself no longer sufficient to guarantee its success. The fast pace of technological development and the increased speed with which imitations turn up on the market have dramatically shortened product lifecycles. The consequence is that product-related competitive advantages soon risk being transformed into competitive prerequisites. For this reason, increasing numbers of companies are looking for other, more enduring, competitive tools – such as brands. Brand orientation refers to *the degree to which the organization values brands and its practices are oriented*

towards building brand capabilities (Bridson & Evans, 2004).

The development of the information technology and especially of the Internet has made it harder for the companies to create a distinctive difference between them and the competition. The globalization in combination with the Internet has made the companies to realize that the clients are no longer far and apart but closer and closer.

Right now we can see the brand from two different points of view. There are some marketing specialists that make a distinction between the psychological aspect of a brand and the experiential aspect. The experiential aspect represents the sum of all points of contact with the brand and is known as the **brand experience**. The psychological aspect, referred to as the **brand image**, is a symbolic construct created within the minds of people and consists of all the information and expectations associated with a product or service.

The companies and the specialist that work with the brand seek to develop or align the expectations behind the brand experience, creating the impression that a brand associated with a product or service has certain qualities or characteristics that make it special or unique. A brand is therefore one of the most valuable elements in an advertising theme, as it demonstrates what the brand owner is able to offer in the **marketplace**. The art of creating and maintaining a brand is called **brand management**. Orientation of the whole organization towards its brand is called **integrated marketing**.

Careful brand management, supported by a cleverly crafted advertising campaign, can be highly successful in

convincing consumers to pay remarkably high prices for products which are inherently extremely cheap to make. This concept, known as **creating value**, essentially consists of manipulating the projected image of the product so that the consumer sees the product as being worth the amount that the advertiser wants him/her to see, rather than a more logical valuation that comprises an aggregate of the cost of raw materials, plus the cost of manufacture, plus the cost of distribution.

Modern value-creation branding-and-advertising campaigns are highly successful at inducing consumers to pay, for example, 4.5 lei for a 2 liter Coca-Cola bottle that cost approximately 1.8 lei to make.

Brands should be seen as more than the difference between the actual cost of a product and its selling price - they represent the sum of all valuable qualities of a product to the consumer. There are many intangibles involved in business, intangibles left wholly from the income statement and balance sheet which determine how a business is perceived. The learned skill of a knowledge worker, the type of metal working, the type of stitch: all may be without an 'accounting cost' but for those who truly know the product, for it is these people the company should wish to find and keep, the difference is incomparable. By failing to recognize these assets that a business, any business, can create and maintain will set an enterprise at a serious disadvantage.

A brand which is widely known in the marketplace acquires **brand recognition**. When brand recognition builds up to a point where a brand enjoys a critical mass of positive

sentiment in the marketplace, it is said to have achieved **brand franchise**. One goal in brand recognition is the identification of a brand without the name of the company present. For example, Disney has been successful at branding with their particular script font (originally created for Walt Disney's "signature" logo).

Consumers may look on branding as an important **value added** aspect of products or services, as it often serves to denote a certain attractive quality or characteristic (see also brand promise). From the perspective of brand owners, branded products or services also command higher prices. Where two products resemble each other, but one of the products has no associated branding (such as a generic, store-branded product), people may often select the more expensive branded product on the basis of the quality of the brand or the reputation of the brand owner.

The **brand name** is often used interchangeably within "brand", although it is more correctly used to specifically denote written or spoken linguistic elements of any product. In this context a "**brand name**" constitutes a type of trademark, if the brand name exclusively identifies the brand owner as the commercial source of products or services. A brand owner may seek to protect proprietary rights in relation to a brand name through trademark registration. Advertising spokespersons have also become part of some brands.

The main principles of a good brand name should (1) be protected (or at least protectable) under trademark law; (2) be easy to pronounce; (3) be easy to remember; (4) be easy to recognize; (5) be easy to translate into all languages in the markets where the brand will be used; (6) attract attention; (7) suggest

product benefits or suggest usage; (8) suggest the company or product image; (9) distinguish the product's positioning relative to the competition; (10) be attractive; and (11) stand out among a group of other brands.

The brand names should also follow the three spectrums of use - Descriptive, Associative or Freestanding: (1) **Descriptive brand names** assist in describing the distinguishable selling point(s) of the product to the customer; (2) **Associative brand names** provide the customer with an associated word for what the product promises to do or be; (3) **Freestanding brand names** have no links or ties to either descriptions or associations of use (Diller et al, 2006).

The act of associating a product or service with a brand has become part of a day to day occurrence. Most products have some kind of brand identity, from common table salt to designer jeans. A brandname is a brand name that has colloquially become a generic term for a product or service, such as Band-Aid or Kleenex, which are often used to describe any kind of adhesive bandage or any kind of facial tissue respectively. Another aspect that we have to take into consideration is the one related to the brand management. **Brand management** is the application of marketing techniques to a specific product, product line, or brand. The main goal of this technique is increase the product's perceived value to the customer and thereby increase brand franchise and brand equity. Marketers see a brand as an implied promise that the level of quality people have come to expect from a brand will continue with future purchases of the same product.

The value of the brand is can be determined by the amount of profit it generates for the manufacturer. This

can result from a combination of increased sales and increased price, and/or reduced cost of goods sold, and/or reduced or more efficient marketing investment.

The annual list of the world's most valuable brands, published by Interbrand and Business Week, indicates that the market value of companies often consists largely of brand equity. Research by McKinsey & Company, a global consulting firm, in 2000 suggested that strong, well-leveraged brands produce higher returns to shareholders than weaker, narrower brands. Taken together, this means that brands seriously impact shareholder value, which ultimately makes branding a CEO (Chief Executive Officer) responsibility.

There are several approaches that can be tied to the brand like: **(1) Company name** - often, especially in the industrial sector, it is just the company's name which is promoted (leading to one of the most powerful statements of "branding"; the saying, before the company's downgrading, "No one ever got fired for buying IBM"). This type of brand can be seen in the car industry as well, for example, Mercedes-Benz, BMW, Ford; **(2) Individual branding** - each brand has a separate name (such as Seven-Up, Kool-Aid or Nivea Sun) which may even compete against other brands from the same company (for example, Persil, Omo are all owned by Unilever); **(3) Attitude branding** - is the choice to represent a larger feeling, which is not necessarily connected with the product or consumption of the product at all. Marketing labeled as attitude branding include that of Nike, Starbucks, and Apple Computer; **(4) Iconic brands** - are defined as having aspects that contribute to consumer's self-expression and personal identity;

Along side the brand name and brand management we have to take brand loyalty into consideration. Today more

than ever, especially in the context of smaller and smaller markets and of fierce competition, the companies and marketers alike have to discuss the aspects of the client's loyalty towards a product or a company.

Brand loyalty, in marketing, represents the consumer's commitment to repurchase or otherwise continue using the brand and can be demonstrated by repeated buying of a product or service or other positive behaviors such as word of mouth advocacy (Dick and Basu, 1994).

Brand loyalty is not just simple repurchasing of a product or of a service. Customers may repurchase a brand due to situational constraints (such as vendor lock-in), a lack of viable alternatives, or out of convenience. (Jones et. all, 2002). True brand loyalty exists when customers have a high relative attitude toward the brand which is then exhibited through repurchase behavior (Dick and Basu, 1994). This type of loyalty can be a great asset to the firm: customers are willing to pay higher prices, they may cost less to serve, and can bring new customers to the firm. (Reichheld, 1993).

Most important of all, in this context, of brand loyalty, is usually the 'rate' of usage, to which the Pareto 80-20 Rule applies. Kotler's 'heavy users' are likely to be disproportionately important to the brand (typically, 20 percent of users accounting for 80 percent of usage — and of suppliers' profit). As a result, suppliers often segment their customers into 'heavy', 'medium' and 'light' users; as far as they can, they target 'heavy users'. Philip Kotler has pointed out four patterns of behaviour with regard to the brand loyalty: (1) **Hardcore Loyals** - who buy the brand all the

time; (2) **Softcore Loyals** - loyal to two or three brands; (3) **Shifting Loyalty** - moving from one brand to another, and (4) Switchers - with no loyalty (possibly 'deal-prone', constantly looking for bargains or 'vanity prone', looking for something different). (Kotler, 1991).

The brand has become a more and more important player in the field of marketing. The development of advertising techniques has brought the brand on the front row of marketing. Companies and marketers alike must understand that the brand name is along side advertising probably the most important element of the marketing promotion policy.

The development of the communication technology has created not just the means but also the environment for the brand to become a vital tool for attracting the clients and turning them into consumers and vivid supporters of the company's product or services.

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THE FINANCIAL CRISIS AND THE ROMANIAN INVESTMENT ENVIRONMENT

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Abstract: *This paper provides a broad overview of the investment environment in Romania. It begins by examining the differences between financial assets and real assets. Then it analyses the three broad sectors of the financial environment: businesses, government, and investors. Many features of the investment environment are natural responses of profit seeking companies and individuals to opportunities created by the demands of these sectors. Finally, the paper analyses recent trends in Romanian financial markets and the driving forces behind financial innovation..*

Key words: financial assets, financial environment, investors

The material wealth of a society is determined ultimately by the productive capacity of its economy, the goods and services that can be provided to its members. This productive capacity is a function of the real assets of the economy: the land, buildings, knowledge, and machines that are used to produce goods and the workers whose skills are necessary to use those resources. In contrast to such real assets are financial assets such as stocks and bonds. These assets, as commercial papers, do not represent a society's wealth; they are no more than sheets of paper; they do not directly contribute to the productive capacity of the economy. Financial assets contribute only indirectly, because they allow for separation of the

ownership and management of the firm and facilitate the transfer of funds to enterprises with attractive investment opportunities. Financial assets contribute to the wealth of the individuals or companies holding them. This is because financial assets are claims to the income generated by real assets or claim on income from the government.

When the real assets used by a firm ultimately generate income, the income is allocated to investors according to their ownership of financial assets, or securities, issued by the firm. Bondholders, for example, are entitled to a flow of income based on the interest rate and par value of the bond. Equity holders or stockholders are entitled to any residual income after bondholders and

other creditors are paid. In this way the values of financial assets are derived from and depend on the values of the underlying real assets of the firm. Financial assets define the firm. When they invest for the future, they may choose to hold financial assets. The money a firm receives when it issues securities and sells them to the investors is used to purchase real assets. Ultimately then, the returns on a financial asset come from the income produced by the real assets that are financed by the issuance of the security. In this way, it is useful to view financial assets as the means by which individuals hold their claims on real assets in economies.

An operational distinction between real and financial assets involves the balance sheets of firms. Real assets appear only on the asset side of the balance sheet, while in contrast, financial assets appear on both sides of the balance sheet. Our financial claim on a firm is an asset, but the firm's issuance of that claim is the firm's liability. When we aggregate over all balance sheets, financial assets will cancel out, leaving only the sum of real assets as the net wealth of the aggregate economy.

Another way of distinguishing between financial and real assets is to note that financial assets are created and destroyed in the ordinary course of doing business. When a loan is paid off, both the creditor's claim and the debtor's obligation cease to exist. In contrast, real assets are destroyed only by accident or by wearing out over time.

We can classify the clientele of the investment environment into three groups: the corporate sector, the government sector and the household

allocation of income or wealth among investors. Individuals can choose between consuming their current endowments of wealth today and investing for the future. The household sector, the less developed in Romania, make constantly decisions concerning activities as work, job training, retirement planning and savings versus consumption. Most households are interested in a wide array of assets and the assets that are attractive can vary considerably depending on the household's economic situation. Even a limited consideration of taxes and risk preferences can lead to widely varying asset demands, and this demand is a driving force behind financial innovation. A desire to minimize taxes leads to demand for some financial assets that are exempt from state taxes. Until 2006, in Romania there were a small taxation for gains from financial assets, the tax was 1% of the difference between the selling and acquiring price from which it can be deduced the costs of transaction [1]. Starting with 01 January 2006 the fiscal code is modified [2], introducing another taxation, 16% of the difference between the selling and acquiring price of the asset. If the asset is not sold for a period of time more than 365 days, then the tax remains 1%. In other words, different taxes create "tax clienteles" that in turn give rise to demand for a range of assets with a variety of tax implications. Risk considerations also create demand for a diverse set of investment alternatives. At an obvious level, difference in risk tolerance creates demand for assets with a variety of

risk-return combinations. Risk motives also lead to demand for ways that investors can easily diversify their portfolios and even out their risk exposure. These diversification has given rise to mutual funds that offer small investors the ability to invest in a wide range of stocks, bonds and virtual all other financial instruments. Whereas small investors' financial decisions are concerned with how to invest money, businesses typically need to raise money to finance their investments in real assets: plants, equipment, technological know-how, etc. Broadly speaking, there are two ways for businesses to raise money: they can borrow it, either from banks or directly from investors by issuing bonds, or they can take in new partners, by issuing stocks, which are ownership shares in the firm. Businesses issuing securities to the public have several objectives. First, they want to get the best price possible for their securities. Second, they want to market the issues to the public at the lowest possible cost. Businesses might want to farm out the marketing of their securities to firms that specialize in such securities issuance because it is unlikely that any single firm is in the market often enough to justify a full time security issuance division. Issuing securities requires immense effort. The security issue must be brought to the attention of the public, buyers must subscribe to the issue, and records of subscription and deposits must be kept, the allocation to each buyer must be determined, and subscribers finally must exchange money for securities. These activities clearly call for specialists. The complexities of securities issuance have been the catalyst for creation of

an investment banking industry to cater to business demand. Another implication is that every business will prefer to issue simple securities that are the least expensive. Such a demand for simplicity by business issuers is likely to be at odds with the investors demand for a wide variety of risk-specific securities. This mismatch of objectives will give rise to an industry of middlemen who act as intermediaries between the two, specializing in transforming simple securities to complex issues that suit particular market niches.

Like businesses, governments often need to finance their expenditures by borrowing; but governments cannot sell equity shares, so they are restricted to borrowing to raise funds when tax revenues are not sufficient to cover expenses. They also can print money, but this source is limited by its inflationary implications.

Governments have a special advantage in borrowing money because their taxing power makes them creditworthy and therefore able to borrow at the lowest rates.

In Romania, this year brought new directions regarding local municipalities financing. If last year, bonds seem to be most favored by the local municipalities because the interest rate was low and because the big demand for bonds, nowadays the towns still seek for funding, but from other sources. The wide offer from the banks for financing has lowered the cost for bank loans. The bonds announced to be issued at the end of 2005 and at the beginning of 2006 have not been issued, with a small probability that they ever will. Only Timisoara and Targu-Mures are preparing new bond issues. Since

2004-2005 have appeared another banks along with BCR, that want to finance Romanian towns and municipalities. Dexia is one of them. This bank came in Romania for this purpose, to finance municipalities. But there are more: BRD, Alpha Bank or HVB are trying to cut a slice of this market. Last year the interest rate for loans were 1-2% over the BUBOR rate, now it diminished and there are banks willing to offer credit at an interest rate lower than BUBOR. Last year the interest rate was 11-12% and now is among 9%. And the general loan conditions have been changed since last year: the offer could be negotiated, payment modalities could be very flexible and the interest rates could be negotiated.

When enough clients demand and are willing to pay for a service, it is likely in a capitalistic economy that a profit-seeking supplier will find a way to provide and charge for that service. This is the mechanism that leads to the diversity of financial markets. Let us analyze these demands one by one. A small investor wants to invest his money, but direct investment for him is intrinsically difficult, because he cannot advertise his willingness to invest.

And so, financial intermediaries such as banks, investment companies, insurance companies or credit unions naturally evolve to bring the two sectors together. Financial intermediaries sell their own liabilities or raise funds that are used to purchase liabilities of other companies, and in this way lenders and borrowers do not need to contact each other directly. Pooling the resources of many small investors, the intermediaries are able to lend considerable sum to large

borrowers. And by lending to many borrowers, they achieve significant diversification, meaning they can accept loans that individually may be risky. Investment companies, which pool together and manage the money of many investors, deal with the problem that most household portfolios are not large enough to be spread among a wide variety of securities. It is very expensive in terms of brokerage fees to purchase one or two shares of many different firms, and it is clearly more economical for stocks and bonds to be purchased and sold in large blocks. This observation reveals a profit opportunity that has been filled by mutual funds offered by many investment companies. In Romania, there are monetary funds, bonds and shares funds. But after the falling of the investment fund FNI, the Romanian small investors are reticent in invest through these funds, the number of investors are very small. Limited consideration of taxes and risk preferences can lead to widely varying asset demands, and this demand is a driving force behind financial innovation. A desire to minimize taxes leads to demand for some financial assets that are exempt from state taxes. Until 2006, in Romania there were a small taxation for gains from financial assets, the tax was 1% of the difference between the selling and acquiring price from which it can be deduced the costs of transaction [1]. Starting with 01 January 2006 the fiscal code is modified [2], introducing another taxation, 16% of the difference between the selling and acquiring price of the asset. If the asset is not sold for a period of time more than 365 days, then the tax remains 1%. In

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accounts worth slightly more than 3 millions euros. Certinvest was managing asset worth some 1 million euros at the end of January 2006, but managed to attract 430000 euros in February. It ranks first on the market in terms of number of account managed, 25. BT Asset Management had 14 individuals account whose value exceeds 5.7 million euros. All of them belong to individuals.

Investors clearly want information, but, with only small portfolios to manage, they do not find it economical to incur the expense of collecting it. Hence, a profit opportunity emerges: a firm can perform this service for many clients and charge for it. Just as economies of scale and specialization create profit opportunities for financial intermediaries so too do these economies create niches for firms that perform specialized services for businesses. Firms raise much of their capital by selling securities such as stocks and bonds to the public. Because these firms do not do so frequently, however, investment firms specialized in such activities are able to offer their services at a cost below that of running an in-house security issuance divisions. Most firms find it simpler to issue "plain" securities, leaving exotic variants to others who specialized in financial markets. This discussion leads to the notion of primitive versus derivative securities. A primitive security offers returns based only on the status of the issuer. For example, bonds make stipulated interest payments depending only on the solvency of the issuer. Dividends paid to stockholders depend as well on the board of director's assessment of the firm's financial position. In

contrast, derivative securities yield returns that depend on additional factors pertaining to the prices of other assets. The payoff to stock options depends of the price of the underlying stock. Much of the innovation in security design may be viewed as the continual creation of new types of derivative securities from the available set of primitive securities. In Romania, only after 2004 the investors begin to use these types of securities, and mostly to protect themselves of the fluctuation of domestic currency. There is one place where we could transact these securities: in Sibiu, at the BMFMS (Bursa Monetar-Financiara si de Marfuri Sibiu). So, much financial innovation and security creation may be viewed as a natural market response to unfulfilled investor needs. Another driving force behind innovation is the ongoing game played between governments and investors on taxation and regulation. One of innovation attributable mostly to tax avoidance motives is the long term discount, or zero coupon bond. These bond, called "zeros" pay little or no interest, instead providing returns to investors through a redemption price that is higher than the initial sales price. The financial markets had discovered that zeros were useful ways to lock in a long-term investment return. There are an enormous variety of bond issues, and new forms of bonds are spawned almost daily. By a principle of natural selection, some of these new instruments become popular and may even replace existing species. Others will not get off the ground. The general tendency is clear: tax and regulatory pressures on the financial system very often lead to

unanticipated financial innovation when profit-seeking investors make an end around the government's restrictions. But when all the profit is taxed with 16% [4], there are less ways to innovate. We have recently seen one trend in the Romanian investment environment: globalization. National Bank of Romania (BNR) gave the right to foreign entities to participate at the state issued bond market [5]. And it is more: Romanian investors can take advantage of foreign investment opportunities, since BNR gives them this right to invest abroad [6].

The effects of the financial international crisis are seen in Romania. Still, the banking system was little affected while it had no "toxic assets" and it was protected by strong regulations. On many ways the crisis is seen every day: reduced exports and imports, limited demand, limited access to credit and liquidity, depreciation of local currency, withdrawal of the foreign investors, loses in companies earnings and subsequently loses in tax revenues. Another consequence was a retirement for foreign investors from Eastern Europeans countries which had an impact on speculation in local currency, as last October 2008 that ended with National Bank intervention. The foreign currency indebted population and companies led to another problem: deterioration of debt (as local currency was revalorized: in December 2008 1 Euro valued at 3,89 lei and today is more than 4,29 lei) and lowering prices in real estate (a downfall with more than 40%). These effects made the predictability for the economic variables evolution very uncertain, that leads to crisis aggravation by negative effects over

future and augmentation of prudence in future investment.

In order to response to the adverse effects of the crisis we have to take into account the following:

- Romania has a very large deficit of current account, which indicates the dependency of Romanian economy from foreign financing. If we try to reduce this deficit, we can face dramatic consequences over local currency quotation and so over economic development;
- It is needed to strengthen fiscal and wage policy and to promote investment in large public programs. This could ameliorate the foreign investors perspective over Romania, by using more EU funds and so a replacement in foreign funds. Another scope is to create more jobs in less used domains as infrastructure, tourism, food) that could take over economic growth.
- A very strong danger is that different economical foresight institution are issued pessimist forecasts for Romanian economical growth in 2009, even to a negative growth. This could bring an emotional treatment for political factor in order to release the pressure: fiscal relaxed policy and growing wages.
- There is a lower rate of exports in GBP as is in other Central and East Europeans countries;
- Energetic balance is equilibrated, because Romania is not a very major importing energy country and thus is not very influenced by frequently changes in oil prices;

In order to grow, an economy needs to stimulate consumption, investments and export. Global demand is based on three components: consumption expenditures, public or private

investment expenditures and fiscal operations expenditures (public expenditures that are growing or diminishing). In order to invigorate consumption and economic activities there are three base directions:

- lowering the fiscal taxes, that could bring more personal earnings and more expenses for personal needs;
- lowering interest rate, that will stimulate credit for public and companies and growing of investment in assets;
- stimulating public investment, and thus more public debt for new jobs;

Following one or a combination of these factors, the aggregate demand could be maintained at a level to put public and private sector to use more force work and so to diminish unemployment.

The measures regarding interest rate, known as monetary policy are best welcomed and very efficient over economical stagnation. And a flow in monetary policy could have little effects: lower interest rates are important in developing investments; but in poor periods when unemployment rate is high, interest rate is not very important in influence consumption expenditures, while the uncertainty of maintaining work place is predominant. In these periods is an over capacity of production and the companies are not encouraged by lower interest rates to invest in other assets.

Lowering taxes is considered a strong measure through recession times, while population and companies will benefit from new funds for spending or invest. Still, it not exists certitude that available funds will be used for expense or investment. In bad times people and companies tend to keep or deposit these funds. The lowering taxes could serve

to, as John Maynard Keynes said “*liquidity preference*”. The desire to keep liquidity or equivalent does not improve demand.

A strong way to stimulate demand in stagnation time is involvement of the state in creating new places for work. In order to do this, state should borrow and to accept big budgetary deficit. The improvements of public assets – streets, airports, schools – will grow public wealth and public income.

When economy recovers and public revenues will grow, the public expenses should diminish and the fiscal taxes should return at the old values or to augment in order to prevent speculative excess and in extreme cases, inflationist pressure of demand on market. These actions are not very simple, but there is no other way.

The government must fight against unemployment and economic stagnation with hard measures adopted for hard times.

In conclusion, after the union, our country became an equal partner both in commerce and finance and put the Romanian investors to choose with more trust and confidence these kinds of investments because from 2007 the free circulation of the capital became effective and the international capital is cheaper and easier to get.

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SOME ASPECTS OF SHORT TERM FINANCIAL METHODS IN ROMANIA - FACTORING

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Abstract: *When companies sell their products, they sometimes demand cash on or before delivery, but in most cases they allow some delay in payment. We can often see that for the average manufacturing companies, accounts receivable constitute about one-third or more of its current assets. Receivables include both trade credit and consumer credit. Management of trade credit requires answers for a set of questions, but only one interested us: how quickly could a company collect its money? Is there a method to improve cash-flow? As a quite new introduced in Romania financial method, the factoring solve the problem of liquidity. This paper concentrates on the mechanism of factoring, and which are the benefits for importers and exporters, the frequently heard comments regarding factoring, and how this financial instrument had developed in Romania.*

Key words: short term financial management, factoring, payment delay

In a functional market economy, the companies, regardless of their size, should use modern financing instruments, created to support the optimum condition in order to manage their liquidities. Among these instruments, we mention the factoring. In order to improve the firm's cash flow, factoring insures the delivering or export companies an improvement of their financial capacity. Factoring, as a financial instrument is "a financial possibility characteristic to sales companies to transform, at due date, the debts in liquid financial means" [1]. Factoring is when a business sells its accounts receivable, usually to a bank. "Accounts receivable" are the debts that people or companies owe to a business for goods and services provided. So, for instance, your phone bill is an account

receivable (AR) for the phone company... until you pay it, at which point it's cash. Now, a businessman may sometimes want cash right now, instead of waiting 30 or 60 or 90 days for his customers to pay him. So a bank will offer to buy his ARs - at a discount, of course - for cash. The businessman gets a quick hit of money, and the bank gets a steady stream of income as the customers pay off their debts.

The concept of invoice factoring originated over 200 years ago in the United States, but it was not until the 1960's that the first factoring services were introduced into the United Kingdom. In the early years factoring had a poor reputation, being seen as a lender of last resort. The Association of British Factors (ABF) was formed in 1976 by which time a number of the

United Kingdom's clearing banks had either bought in to the market or started their own operations. As a result factoring's image began to improve. The market really started to take off in the 1980's with the introduction of invoice discounting and with an annual growth rate of 20% invoice discounting soon overtook factoring volume. This attracted many new entrants, some of them foreign owned until today there are over 50 providers of factoring and invoice discounting in the UK. In 1996 the ABF merged with AIF and CFA European Chapter to form the Factors & Discounters Association (FDA). In countries from eastern and central Europe, the factoring started to be used in 1995, but because of the great advantages insured by this instrument, the value of the transactions have been greater year by year [2].

How does factoring work? There is nothing complex about factoring. It is simply a unique package of services designed to ease the traditional problems of selling on open account. Typical services include investigating the creditworthiness of buyers, assuming credit risk and giving 100% protection against write-offs, collection and management of receivables and provision of finance through immediate cash advances against outstanding receivables. Factoring is a complete financial package that combines working capital financing, credit risk protection, accounts receivable bookkeeping and collection services. It is offered under an agreement between the factor and a seller. Under the agreement, the factor purchases the seller's accounts receivable, normally without recourse, and assumes the responsibility for the debtor's financial ability to pay. If the debtor goes

bankrupt or is unable to pay it's debts for credit reasons, the factor will pay the seller. When the seller and the buyer are located in different countries the service is called international factoring. A simplified factoring working scheme is represented below [3]

As international trade continues to increase, so too do the opportunities for the factoring industry. Because international factoring works in a similar way to domestic factoring, exporters have realized that it can help them to become more competitive in complex world markets. Many businesses that turn to factoring companies are reassured to know that the industry is closely associated with the banking sector. Although factoring companies remain highly specialized institutions, nearly all major banks now have factoring subsidiaries. This has enabled the industry to promote its services with great success and to work for businesses of every size. Factoring has become well established in developing countries, in particular in those that are highly industrialized. In various Asian countries, the growth of factoring has been dramatic while in Latin America, financial institutions continue to join the industry. Similar growth has occurred in Central Europe, the Baltics and the Middle East. Today, almost every industry can profit from factoring. Textiles and clothing are the most popular but manufacturers of industrial and farm equipment, office equipment, electronics and processed food are increasingly turning to factoring. For many companies, selling in an international market place is the ultimate challenge. While the rewards can be substantial, success can also bring its share of problems. Different customs, currency systems, laws and

languages still create barriers to trade in a world where sophisticated computer technology allows orders abroad to be placed within seconds. Whilst arguments for factoring are strong, there are also counter-arguments that need to be carefully considered. In some cases these can be overcome by the choice of factoring company but it is wise to be aware of all the facts before entering into a relationship with a new factoring company. The following represent some of the most frequently heard comments:

1. *"The level of prepayments are not as promised"*. Most factoring companies will headline their offer of a service with a promised level of prepayment against debtors - typically this can be anywhere between 70% and 85% or even 90%. In practice the offered level is rarely achieved. This can be due to one of a number of reasons including: an over-riding exposure limit on the borrower or individual debtor; exclusion of export debtors; delays in providing proof of delivery; a dispute on an individual invoice that leads to the whole account being excluded. Efficient company systems can overcome some of the problems associated with under funding of debtors. Note that the headline prepayment level offered by the factor is not always as important as the willingness in practice to fund to that level. Careful questioning of the factoring company before taking up an offer can assess this more accurately. The majority of factoring companies will carry out an exhaustive due diligence survey before taking on a new client and this will determine the level of prepayments offered and should also be used by the client to assess whether the prospects of achieving the offered level of prepayments are realistic.

2. *"The factoring company is not as efficient as a company at collecting debts"*. It is true that not all factoring companies are equal in this respect although statistics are not conclusive. Anecdotally the smaller more flexible companies can be more efficient when dealing with smaller debtors. Certainly the smaller independent companies have a stronger motivation to be more efficient in view of their dependence on the service income to make a profit and not the margin on borrowing when they themselves have to borrow funds to on-lend from the clearing banks

3. *"It is difficult to exit a relationship with a factoring company"*

Certainly a business factoring its debts will find it difficult to replace the factoring company once it becomes dependent on the level of funding. This will be even more of an issue if further growth is envisaged. On the other hand a well managed and profitable company with static or moderately growing sales will be able to reduce gradually its dependence on factoring before replacing a modest level of debt with a fluctuating overdraft. Factoring contracts normally stipulate a minimum term and will be subject to a notice period - often three months. The notice period may be negotiable, as factoring companies will rarely wish to hold on to a dissatisfied client.

4. *"Factoring is expensive"*. Factoring can be more expensive than a simple overdraft but is conversely far cheaper than equity or credit. What price an expanding and profitable business?

5. *"Companies will lose control of the sales ledger and lose contact with their customers"*. Once again, there is some truth in this criticism. However, success in any form of business is about communication and most of the better

factoring companies will allow dialogue between client and debtor. This is best agreed at an early stage so as to avoid the factor upsetting good customers through a heavy-handed approach. Most factoring companies these days will allow or even encourage a dialogue and / or assistance with debt collection.

Factoring is an instrument for financing businesses especially for import or export companies less known in Romania. Here, the account receivable could be pay through the classical form of payments by the clients or other modalities. The credit institutions promote the factoring for debts. Since 2002 the Romanian law defines factoring as: "a contract made between a party called adherent or a supplier of goods or services and another party called factor, a financial institution or a bank, in which the latter insures the financing, the surveillance of the debts and the protection against the credit risks, and the former assigns to the factor all the debts evolved from the selling of the goods or services provided".[4]

Factoring has been around in Romania since the mid-1990s, but only on a very modest scale: \$12 million in 1995, \$15 million in 1996. But in the last few years it has begun to explode. Last year, about \$550 million worth of accounts receivable were factored, and that number is expected to be around \$950 million next year. These numbers are either large or small depending on how you look at it. Great Britain, with about three times the population of Romania, factored over 100 billion dollars of debt last year. On the other hand, factoring barely exists in several transition countries. Bulgaria didn't start until 2003, and factored only about \$2 million last year. And the growth rates

are, to say the least, encouraging. For now, what's interesting is that three separate and distinct financial instruments have all shown explosive growth in the last few years. Growth from a very low base, yes. But if these growth rates are maintained for just a few years, it's going to start having some remarkable, and very noticeable, effects. With all the substantial advantages offered by factoring, the Romanian companies did not use it until 1999. Only then the total amount of transaction exceeded 100 mil. euros. At the time, in Poland, the total amount of transaction was 3000 mil.euros, and in Czech Republic, Hungary and the Baltic countries the amount was greater. Reasons for this disparity are depend not only from macroeconomical conditions, but also the offer of banking system. The lack of this offer at that time was a hindrance in the expansion of the factoring, but this is changing now. The rapidly growing revenues gained by banks from factoring operations, approximately ten times in the last six years, shows an enhancing of the commercial changes and needs of the firms in need for liquidities and in strong concurential environment. Romanian factoring market is divided between BRD (27%), BCR (23%), Raiffeisen (19%), UniCredit (19%) and ABN Amro (12%). But it will be changed in future, whilst the proximity of the Romania's union with the European Union as an equal partner both in commerce and finance will put the Romanian investors to choose with more trust and confidence these kinds of intruments because from 2007 the free circulation of the capital will became effective and then the international capital will be more cheap and more easy to get.

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THE PUBLIC-PRIVATE PARTNERSHIP (PPP)

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Abstract: *Partnerships can be found across every business sector, from health care to multi-media to high technology. Partnerships come in all shapes and sizes, but share the same essential foundation: the belief that as active and sharing partners, both sides will achieve high ambitions that otherwise lie beyond reach. And the vital means is communication, in which the Internet, especially in its extranet form, plays the crucial role.*

Key words: partnership, public, private, success

1. General considerations regarding the partnership

The partnership is defined as the formal or informal way in which two or more parties decide to work together in order to reach a common purpose, on one hand sharing the risks and on the other hand the abilities and resources and trying to get mutual benefits.

Types of partnership:

- *Informal partnership* – can be established when the purpose is specific enough and achieving it is not a problem, the parties having similar structures, knowing each other and possibly having already worked together before.
- *Formal partnership* – for more complex or long term tasks, or if partners belong to different types of structures (NGO, APL, etc.).
- *Representation partnership* – federations, unions, councils, alliances, forums, leagues etc.
- *Operational partnerships* – they assume the existence of certain precise projects as the reason for the association.

There are a series of **key elements** when forming partnerships, among which we mention:

1. *The needs and the target* should be established – all partners involved must know the partnership's purpose, they must understand which their responsibilities and roles are inside the group;
2. *Partners* should be selected – within the group – according to the existing or potential abilities and not according to their personalities; generally, partners will have to have communication, technical and problems solver skills and interpersonal skills;
3. The first *meetings* and preliminary activities should be analyzed – generally, people are sceptical during first meetings and can become suspicious about future partners;
4. The partnership's objective should be very precise, as well as the expectations inside the group;

5. Establish some ground *rules* – especially regarding taking part to meetings, discussions, confidentiality, constructive feedback and necessary contributions inside the group;
6. It begins by assigning not very difficult and short term implementation *tasks* but they must be serious enough to matter to the group;
7. The group's *interest* is maintained by providing up to date information which partners inside the group are collecting. Any new piece of information helps to improve the level of efficiency;
8. Enough group *meetings* should be held. The group requires time to be able to be coherent and efficient.
9. The power of positive feedback, of recognition and reward should be used – people answer positively to any *stimulus* of this kind, both inside the group and individually.

- collaboration / participation decisional process;
- encouraging all members' communication and involvement;
- flexibility;
- dividing as big a volume of information as possible among members.

2. The Public Private Partnership (PPP)

The Public Private Partnership (PPP) is a way of **cooperation** between a public authority and the private sector, for the accomplishment of a project which brings positive effects to the labour force market and to the local development. It has two major objectives:

- a). employment;
- b). local development which ensures economic and social cohesion.

The Public Private Partnership is a is an institutionalized cooperation between the local public administration and a private partner, with the purpose of accomplishing projects, which have as result a good or a public service (the infrastructure, common facilities, services). It is characterized by common investments, sharing responsibilities, risks and successes, having as reasons financing, the planning, operation and maintenance of public infrastructure and services.

The Public Private Partnership (PPP) appeared in **France**, ever since the end of the 19th century and the beginning of the 20th century by leasing the public possessions during the French doctrine of the public services. A partnership was established during the 1980s between the local and European authorities to prevent delinquency and for social cohesion.

In the **USA**, types of partnership in railway construction began to show up ever since 1860 (Trans Continental Railroad). The partnership agreement called "Job Training Partnership Act" of 1983 regulates the collaboration between authorities and the business sector to supply training services for the benefit of economically disadvantaged adults and young people.

Success factors in establishing a partnership:

- the existence of an agreement concerning the need to establish a partnership;
- the existence of a common opinion and a common action strategy, with precise and realistic objectives;
- the existence of common interests;
- the existence/choice of a leader respected by all members;
- the members' general feeling of trust and respect;
- members' compatible working styles;
- the members' organizational culture is oriented towards collaboration;
- efficient organizational management;
- available time to establish the partnership;

In **Ireland**, the social partnership was developed (Program for National Recovery 1987-1990) which was extended at the local level through:

- “National Program for Economic and Social Progress, 1990-1993;
- “Program for Competitiveness and Work”, 1994-1996.

The Public Private Partnership (PPP) was present in **Romania** during the mid 1990s with the elaboration of certain sector or national strategies (The National Strategy for Sustainable Development – 1999; The Medium Term Development Strategy – 2000).

The initiation and accomplishment of a Public-Private Partnership (PPP) has **two stages**, namely:

1. *The Decision establishment and passing* – the local public authority adopts a decision regarding the accomplishment of a partnership.
2. *The implementation* – includes two stages:
 - from the moment of elaboration and approval of the feasibility study until signing the project agreements with the selected investors;
 - from the time of signing the project agreement (preliminary contract) until signing the PPP contract.

The partnership agreement (frame-convention) is a legal document between the local public administration and a private partner, which establishes the rights and obligations assumed in the development, according to the law, of a common project.

The partnership contract is a legal document which decides the rights and obligations of the local public administration and of the investor for the entire period of the public-private partnership, covering one of the many stages of training, financing, construction

or exploitation of a public possession, for a determined period of time, but no longer than 50 years.

There are two types of Public Private Partnership (PPP):

1. The “horizontal” partnerships – between the local public administration from the base level and the civil society and/or the business community;

It is made for:

- The accomplishment from the private sector of certain activities of any kind financed by the public sector for employment and local development;
- Making some infrastructure investments;
- Operating a public service in private system;
- Taking over the activities in the public sector by the private operators.

2. The “vertical” partnerships – between various levels of the public administration (the basic level and the higher levels) and the private sector. *They are essential for projects financed through pre-structural funds and the structural funds destined to regional and local development.*

Fields of activity of the Public-Private Partnership (PPP):

- **Public Interest** Projects;
- **Social** Projects (day centres, canteens, employment centres, etc.);
- **Local development** Projects (infrastructure – highways, Economic Development – Information centres, Job Club, Business Centres, etc.);
- **Cultural** Projects (buildings’, museums’ restorations etc.);
- **Town planning** Projects (parks, amusement places, etc.).

Stages covered by the PPP cooperation:

- ✓ The project’s conception – planning;
- ✓ The project’s financing;
- ✓ Construction;
- ✓ Exploitation;

The maintenance and transfer of any public possession (the physical infrastructure for the supply of a public service).

Factors in the decision and operation process in the Public Private Partnership (PPP):

- ✓ Strategic management and planning (leadership, planning, decision processes);
- ✓ General management (of human, financial resources etc.)
- ✓ Project management;
- ✓ External environment (political, economic, financial, the prefect-town council relationship) including the interested parties' pressure on the decisions a town council takes);
- ✓ Organisational culture.

The Public Private Partnership (PPP) advantages:

- ✓ Sharing project costs;
- ✓ Externalizing certain activities in the public administration structure which can be better fulfilled in the private sector (for example by leasing or sale);
- ✓ Ensuring the financial transparency;
- ✓ Sharing risks associated to an economic activity;
- ✓ Making the business community responsible and sensitive to the local community;
- ✓ Positive effects on employment and on participants;
- ✓ Efficient usage of the expertise held by the private sector;
- ✓ Improving or maintaining the quality of services through innovation;
- ✓ Intelligent exploitation by introducing services' real costs;
- ✓ Economic benefits (economic growth and jobs).

3. PPP projects examples:

1. In Covasna County there are examples of inter-institutional

partnerships, administration-civil society partnerships.

The last successful multiple inter-institutional partnership was the one that developed the national program Farmer in Europe. Partners of this program were: The Ministry of European Integration, The Department for Agriculture, Woods and Rural Development, The prefect's institution and, at the local level, The County Agency for Agricultural Consultancy, The Office for Agriculture and Rural Development, DSVAS Covasna (Sanitary Veterinary and Food Safety Office), The Payment County Agency for Rural Development and Fishery (OJPDRP). 452 people from 20 visited towns have attended this program as audience.

2. In Constanta, the "European Services Pilot-Centre for Disabled People and Techirghiol Training" was developed, with partnerships between the County Council, the European Council's Bank of Development, The National Authority for Disabled People and a network of Irish NGOs, among which the Foundation for a Better Life, Focus on Romania, Trade Air and Aurelia Trust.
3. In Prahova County a partnership between the County Council and a private IT company called SC ASESOFIT International SA was created for the project "Integrated System for the Local Public Administration", through which the county council's integrated system would interact with the one of each town hall in the county, in order to make activities more efficient and to optimize documents' circulation.
4. In Dambovitza County there has been a project entitled "The weekend discussion centre", which wanted to train specialists in the Local Public Administration to access the SAPARD programme.

Partnerships between the County Council in Dambovita, the County Council in Prahova, the County Council in Ialomita, the SAPARD Agency, the Regional SAPARD Office in Targoviste, the Foundation for Local Development Moreni were established.

5. In Bucharest-Magurele, through the project entitled “The Centre for Disabled people” it was intended to establish a centre for paraplegic people, with partnership between Motivation UK Foundation, Motivation Romania Foundation, CRIMM Foundation, Magurele High school and the National Agency for disabled people.
6. In Timis County, there was a project entitled “Business Incubator and Software Technological Transfer Centre Timisoara”, having as partners the County Council in Timisoara town, the Polytechnic University in Timisoara, IBD/GTZ (the German Government Programme for Economic Promotion and Employment in Romania).
7. In Mures County, the project “Regional Ecologic Depot in Mures County” has as partners the County Councils, the Local Councils in all the county of Mures and VASTE Italy Company, represented by SC Agenda 21 SA.
8. PHARE RO 2002/000-586.01.02 project “Support for the national strategy to improve Romany situation”, with a total value of 7,6 M euro (6 M euro represent PHARE funds and 1,6 M euro is the Romanian Government’s

contribution) started in 2003 and ended in 2006.

The project’s purpose was to help the development of certain fair and sustainable partnerships between the Romany communities and to facilitate access to health services. The project wanted to strengthen the capacity and active participation of Romany communities to the economic, social, educational, cultural and political life of the Romanian society. The general objective was the accessibility and facilitation of the Romany community’s active participation to the economic, social, educational, cultural, and political life of the Romanian society. The involvement of the Romany communities in the project was essential.

9. **The Education 2000+ Centre** has been developing projects in over 70% of the counties in Romania as well as international projects in partnership with organisations from Austria, Bulgaria, Cyprus, Finland, Greece, Italy, Norway, Holland, Poland, Portugal. At a national level, the centre’s programmes have been developed in over 300 teaching institutions, approximately 8000 teachers and trainers have been trained; tens of students benefited from these programmes. Successful and important projects for the improvement of elaborating educational policies at the national level have also been the ones applied in disadvantaged or with a high percentage of Romany population communities: “The Second Chance”, “Improving the study conditions for Romany kids: Focus – Romania”.

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TRANSPORT SECURITY

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Abstract: *Internal security involves the security of people, the security of borders, of energy, of transports, of supply with vital resources and the protection of critical infrastructure. Many tragical events happened because of terrorist actions on transports. Many organisations of the whole world appeared to fight against terrorist action on transports of goods or persons. They act in all kind of transportation and corroborate their activities for the protection of people and goods.*

Key words: security, transports, terrorism

1. Introduction

Security as a state or condition is *resistance to harm*. From an objective perspective, it is a structure's actual (conceptual, and never fully knowable) degree of resistance to harm. That condition derives from the structure's relationship (vulnerability, distance, insulation, protection) to threats in its environment. From a subjective perspective, security is the perception or belief that a valued structure has sufficient objective security. The subjective meaning of security as "freedom from anxiety or fear" resonates in the origins of the word. Latin "Se-Cura," means literally "without care" as in "carefree." Security as a form of protection are *structures and processes that provide or improve security as a condition*. The Institute for Security and Open Methodologies (ISECOM) in the

OSSTMM 3 defines security as "a form of protection where a separation is created between the assets and the threat. This includes but is not limited to the elimination of either the asset or the threat. In order to be secure, either the asset is physically removed from the threat or the threat is physically removed from the asset. Security as a national condition was defined in a United Nations study (1986) as "a state at which countries think that there is no danger of military attack, political pressure, or economic coercion, so that they can develop and progress freely.[2] Terrorism is the systematic use of terror especially as a means of coercion. At present, there is no internationally agreed definition of terrorism. Common definitions of terrorism refer only to those violent acts which are intended to create fear (terror), are perpetrated for an ideological goal (as opposed to a lone

attack), and deliberately target or disregard the safety of non-combatants. Some definitions also include acts of unlawful violence and war. The history of terrorist organizations suggests that they do not select terrorism for its political effectiveness.^[4] Individual terrorists tend to be motivated more by a desire for social solidarity with other members of their organization than by political platforms or strategic objectives, which are often murky and undefined. The word "terrorism" is politically and emotionally charged, and this greatly compounds the difficulty of providing a precise definition. Studies have found over 100 definitions of "terrorism". The concept of terrorism is itself controversial because it is often used by states to delegitimize political or foreign opponents, and potentially legitimize the state's own use of terror against them. A less politically and emotionally charged, and better defined, term (used not only for terrorists, and not including all those who have been described as terrorists) is violent non-state actor. Terrorism has been practiced by a broad array of political organizations for furthering their objectives. It has been practiced by both right-wing and left-wing political parties, nationalistic groups, religious groups, revolutionaries, and ruling governments [8]. One form is the use of violence against noncombatants for the purpose of gaining publicity for a group, cause, or individual.

Before the 11-th of september 2001 infrastructure and the equipments of transport were considered as possible targets of terrorist fight for several reasons: are accesible, can focus the public attention by media, represent a fight on national symbols and can affect a large number of persons by one action.

The attacks on commuter trains in Madrid on 11 March 2004 (191 killed) and on the Underground and a bus in London on 7 July 2005 (52 killed) also brought to the attention of EU politicians how vulnerable our public-transport systems are. The Commission has started consultations with the public transport sector on how to factor in security constraints from the start of the planning and design stages of installations and networks.

Now after the conclusions of the events from 11-th september 2004 can we consider that exists enough measures and procedes for assure the security?

2. The security of feroviar transportation

In feroviar transports the criminal actions for infrastucture and rulant material are rare enough. In our country these are more often in the last time.

COLPOFER is an international association of security on feroviar transports where 19 countries are part and betwen them is realised an util change of informations and experience in these field.

The weak of feroviar transports is determined by these factors:

- the rail stations are accesible for anyone and the rail ways are unprotected especial in the rural zones;
- the bridges and tunels are vulnerable at the attack with explosive substances or biochimic agents;
- the control sistems are vulnerable at explosive substances or virus attack.

A great importance have the international cooperation on this fild. Great Britain is an example for the other countries because it has solid programs on surveiling the rail stations, the

luggage protection and the protection of unpublic zones. About EUROTUNEL there was implemented a security system like in airports so in Waterloo station and in Ashford station function the best security installations.

Italian rail transports realised an evaluation of the risk of terrorist attacks under rail stations, tunnels and bridges. For these risks became less are done recurrently courses and special trainings.

In Japan were introduced supplementary systems for Shinkansen trains protections that include video cam and more patrols in stations, in trains and on the routes.

3. Road security

In Romania, beginning the 18-th of June 2009 function the dispositions of president order of National Agency of Fiscal Administration nr. 1206/2009 about the use of the monitorisation system and security of goods road transports. [4]

The order stipulate the application of intelligent seals (GPS) at the containers and at the vehicles of goods transports that have goods under the vama authorities surveillance.

The International Road Transport Union (IRU) believes that enhancing supply-chain security is important but doubts that the scheme which had been proposed by the Commission would have achieved this aim. Bertil Dahlin, president of the IRU Goods Transport Liaison Committee, said: "Hauliers are faced with a plethora of rules and regulations on security and they are completely lost in the jungle of requirements... It seems that the proposal for a draft EU Regulation will do little more than only add to the confusion." [3]

4. Security of naval transports

AQUAPOL is an autonomous organisation made from the representatives of naval policy of the EU countries.

This organisation began its activity in 2002 having at this moment 9 states with full rights in EU: Nederlanden, Belgia, France, Germany, Austria, Hungaria, Cehia, Slovachia, Romania.

AQUAPOL wants the optimisation of the collaboration between the members for security in naval transports and to harmonise the laws at European level for prevent and combat the terrorist infractionality in naval transports.

This organisation checks the river transports on the most important water ways like Rhin – Main – Danube from Rotterdam Port till Constanta Port.

Romania want to adopte Govern Decizion about Transports Police from Romania join at AQUAPOL.

Ports are not only focal points for shipments of dangerous cargo but also for major chemical and petrochemical production centres and, because they are often situated near cities, terrorist attacks could easily trigger knock-on effects on the surrounding industry and harm people in the neighbouring population. Additional measures on port security were therefore adopted by the Commission in October 2005, requesting that member states draw up port security plans, and entitling the Commission to conduct inspections to verify their effectiveness (EurActiv 10/02/04). [3]

The EU co-operates with the US to eliminate potential terrorist threats from maritime container transport in the framework of the Container Security Initiative launched in September 2004 (EurActiv 18/11/03).

5. Security of air transports

The European Parliament voted Wednesday 25 April 2007 on new EU rules concerning security checks at airports, the ban of liquids in aircraft cabins and the use of 'sky marshals'.

The report accepts the idea of sky marshals but says they must be highly trained, that no country will be obliged to accept them and that a decision on whether they can be armed should be left to national authorities.

Canada is recognized as having one of the most successful and safest civil aviation programs in the world. Transport Canada works with many partners both here at home and around the world to protect and maintain our air safety and security record, and to make air travel more environmentally responsible.

It is dangerous and illegal to pack dangerous goods in baggage or to carry them on board. It is forbidden to pack matches in your luggage; carry them on your person. Check with the flight crew before packing or carrying gases, corrosives, substance of which you are uncertain.

As a general rule passengers and crew members are not permitted to transport dangerous goods on board an aircraft in their carry-on or checked luggages, or on their person.

The Government of Canada has committed more than \$2.6 billion to enhancing aviation security since 2001, and air travel has become much safer as a result. Transport Canada is working diligently to make further improvements for a secure Canadian aviation system — one that is protected against unlawful interference, terrorist attacks or use as a means to attack our allies.

Airservices Australia was established in July 1995 under the Air Services Act

1995. Airservices Australia is a Government-owned commercial authority responsible for the management of air traffic control over 11 per cent of the world's surface. Airservices Australia's principal functions are: air traffic control and airspace management; aeronautical information; communications; radio navigation aids; search and rescue alerting; and airport rescue and fire fighting services.

In September 2005, the Commission proposed amending its 2002 rules and introduced the idea of placing armed air marshals on flights. Parliament and Council supported the suggestion but stressed that placing armed officers on flights must remain subject to approval by states of departure, over-flight and arrival (EurActiv 13 October 2006).

One year later, following the exposure of a terrorist plot to smuggle liquid explosives onto aircrafts flying from the UK to the US (EurActiv 21/08/06), the EU adopted Community-wide rules limiting the size of hand luggage and the amount of liquid that can be taken on flights (EurActiv 28/09/06). The new rules have applied since 6 November 2006 but MEPs are demanding they be reviewed or even repealed due to the annoyance caused to passengers (EurActiv 06/09/07).

The Association of European Airlines (AEA) and the Airports Council International Europe (ACI) both warn against “the ever-increasing cost of aviation security”, which now represents up to 25% of operating costs in European airports. They believe that “countering the threat of terrorism is a national security duty” and that government must therefore help finance the costs linked to protecting the general public, as it does in the US. This, they

say, is also essential to ensure a level playing field for Europe's aviation industry both within and outside of the EU.

They also stress that security measures must remain risk-based, saying: "What passengers do not want is political actionism which does nothing to enhance the already high security levels."

Regarding the transfer of passenger data, the AEA states that passenger data requests are a financial burden while "posing a risk to quality customer service" and raising "legitimate data-protection and data-privacy concerns". [3]

6. The Transportation Security Administration (TSA)

The Transportation Security Administration (TSA) is a U.S. government law enforcement agency that was created as part of the Aviation and Transportation Security Act passed by the U.S. Congress and signed into law by President George W. Bush on November 19, 2001. The TSA was originally organized in the U.S. Department of Transportation but was moved to the U.S. Department of Homeland Security on November 25, 2002. The agency is responsible for security in all modes of transportation. The TSA has been heavily criticized for racial profiling, theft, and other travel-related incidents.[2]

The TSA was created by the federal government in response to the September 11, 2001 attacks. Prior to its creation, security screening was operated by private companies which had contracts with either an airline or a consortium contracted by multiple airlines that utilize a given terminal facility.

With the arrival of the TSA, private screening has not disappeared completely. Under the TSA's Screening Partnership Program (SPP), privately operated checkpoints exist in the following airports: San Francisco International Airport; Kansas City International Airport; Greater Rochester International Airport; Tupelo Regional Airport; Key West International Airport; and Jackson Hole Airport. Private security firms have been approved by the TSA to provide security, but under the authority of the TSA.

The organization was charged with developing policies to ensure the security of U.S. air traffic and other forms of transportation. The TSA says airport security and the prevention of aircraft hijacking are two of its main goals, though it is widely disputed whether the TSA aids in accomplishing these goals and whether the TSA is necessary for their accomplishment.

The TSA oversaw the Federal Air Marshal Service until December 1, 2003, when the program was officially transferred to the authority of the U.S. Immigration and Customs Enforcement. In the U.S. government's 2006 fiscal year, the Federal Air Marshal Program was transferred back to the TSA. The TSA also currently oversees the Federal Flight Deck Officer program, which gives a very limited number of pilots the right to carry guns with them inboard to protect themselves in case of an emergency.

TSA are your neighbors, friends and relatives. They are 50,000 security officers, inspectors, directors, air marshals and managers who protect the nation's transportation systems so you and your family can travel safely. They look for bombs at checkpoints in airports, inspect rail cars, patrol

subways with our law enforcement partners, and work to make all modes of transportation safe.

A report by the Inspector General found that TSA officials had collaborated with Covenant Aviation Security at San Francisco International Airport to alert screeners of undercover tests. From August 2003 until May 2004, precise descriptions of the undercover personnel were provided to the screeners. The handing out of descriptions was then stopped, but until January 2005 screeners were still alerted whenever undercover operations were going on.

A report on undercover operations conducted in October 2006 at Newark Liberty International Airport was leaked to the press. The screeners had failed 20 of 22 undercover security tests, missing numerous guns and bombs. The Government Accountability Office had previously pointed to repeated covert

test failures by TSA personnel. Revealing the results of covert tests is against TSA policy, and the agency responded by initiating an internal probe to discover the source of the leak. In July 2007, *The Times Union* of Albany, New York reported that TSA screeners at Albany International Airport failed multiple covert security tests conducted by the TSA, including the failure to detect a fake bomb.

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THE ETHIC CODE – SKETCH FOR AN EFFECTIVE CODE OF ETHICS

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ABSTRACT: In an organisation, it is absolutely necessary to be familiar with the professional code of ethics and values in order to practice the highest level of ethical judgment and provide a professional work and also a respect for everyone and for yourself. The ethical obligations of the health information management professional include the protection of patient privacy and confidential information. In a study, Colin Fisher and Alan Lovell says that because business decisions often specialized knowledge, ethical issues are often complicated than those faced in personal life – and effective decision making requires consistency. Because each business situation is different, and not all decisions are simple, many organizations have embraced ethical codes of conduct and rules of professional ethics to guide managers and employees.

Keywords: ethic code, efficient ethic code, ethic analyses

1. Introduction:

The ethic code of an institution must be built around some clear objectives: promoting the values of ethic principles, creating an adequate ethic background for the professional activity in conformity the goals of the institution prevention and finding solutions of ethic conflicts, discouraging immoral practices, sanction of the values of the institution.

A thing that must be permanently taken into account in planning an ethic code should be its efficiency and functional character. On the one hand, the ethic

code must be performing and easy to use. It must be conceived as a means of decision for each level of the hinted decision, from the common employee to the members of the administrative department or shareholders. On the other hand, the carrying into practice of the ethic code must become visible in obvious results. “The ethic code must leave traces behind”. Otherwise, the Ethics will be considered a mere nothing, a useless thing, a waste of time, a dissipation of human and financial resources or worse, something unwanted. An ethic code badly done

may endanger the idea of professional ethics. These are some of the reasons why we propose a pragmatic approach in conceiving the ethic code.

2. The role or the functions of the Ethic Code (EC):

1. *Component of the organizational culture:* the Ethic Code expresses in written form the ideals, the values, the principles and the moral standards considered as wished for in the institution. At the same time, the Ethic Code is promoting and cultivating these values among the numbers of the institution. The final goal of the Ethic Code is to create an adequate moral background for an institution. This must be considered a goal on its own of the institution.

For this, the Ethic Code must be conceived so that it would act first of all in a proactive way and next in a reactive one. The destination of the Ethic Code and of ethics, in general, is first of all, to create a proper background for the individuals' development and the progress of their professional activity. Only next, the Ethic Code has the role to punish the reprehensible conduct.

The Ethic Code must be sensitive to the society's changes or those in the professional background, as well. It must make way for the improvement adaptation of this code about which, we can say, it is perfectible.

The Ethic Code must draw up a hierarchy of the groups of interest's importance being oriented towards the needs whose interests it support.

2. *Decisional instrument:* from the moment it is adopted, the Ethic Code becomes, close to the law and the internal rules a mark in taking decisions (from resolutions at the level of the administrative department to those from

all the other departments or individual decisions). The Ethic Code must function efficiently as an instrument of decision.

For this purpose, the Ethic Code must eliminate, as soon as possible, ambiguities; it must define an order of priorities in the case of conflicts between ethic principles or in the case of conflicts between ethic principles and laws or regulations of interior order. Thus, the laws take priority over the ethic principles, but the ethic principles have superiority over the rules of the interior order or over decisions taken at different levels. The Ethic Code must define accurately the sanctions provided for misbehavior. At the same time, it must be known by the groups aimed at, it must be made public on the web site of the institution. Simultaneously, it must be promoted and explained at the employees' level (through training debates, work-shops or seminars—depending on the institution size and culture). Here comes the role of the public relations departments in the institution, which besides a coherent communication with other institutions, irrespective of their type, must also fulfill an efficient internal communication.

In order to reach these goals, the PR departments must know with great attention the Ethic Code valid for the institution they represent, but the ethic codes of other institutions too, with the idea of collaborating much easier with them.

3. *An instrument of preventing and solving moral conflicts* (a decisional instrument in the management of conflicts and of the crisis): with that end in view, the Ethic Code must identify all the groups of interest and the possible

conflict intercourse between them (majority shareholders vs. minority shareholders, shareholders vs. managers, employee vs. employer). The Ethic Code must identify the sources generating moral conflicts (the different situations of interest, lack of communication circumstances creating excess), eliminate them and offer the means to solve the generated conflicts.

values, principles and standards, moral conflict, conflict of interest, social responsibility, rights and duties. The Ethic Code must offer a set of sanctions clearly specified, proportional to the gravity of the deed and sensitive to the context (antecedents, the general moral behaviour of the complainer, circumstances). The Ethic Code must guarantee and create equity and justice by means of the solutions it offers; justice and equity must be considered a goal as such.

All these values are superior to the interests of the institution or of some of the members of the management. The Ethic Code committee must publish the sanctions and the annual reports. The ethic committee must possess not only the duty to solve the claimed ethic conflicts but also to take notice in the cases in which disagreements towards the accepted ethic values are created. It is the Council who must take notice both in the cases when the accused are individuals and in the situations in which the moral guilt belong to the institution. The Ethic Code must come to all the specific contexts of all the activities in the respective professional background where ethic conflicts may appear as: relationships with customers, contacts with stakeholders, links with the community, relationships with the State Institutions, etc. They must be well defined, rejected in public, discouraged

Directly, the Ethic Code must offer a set of means-concepts clearly defined which can allow the identification of the conflict relationships and diagnosing of the ethic conflicts (these concepts must be enumerated and defined in a clear and concise way, either in the introduction or the schedule). Among such examples of concepts there are: ethics and morals, Ethic Code, and the immoral practices penalized, especially those generalized as small bribes, preferential treatment.

4. *Managerial instrument of human resources*: the Ethic Code must function as a decisional means, in the relationships between the institution and the employee; it must guarantee justice and impartiality when hiring, promoting, awarding or accessing for funds and resources.

5. *Marketing instrument*: an efficient Ethic Code must act not only in the relationships between the individuals in the interior of the institution but also in the relationship between this institution and other ones. With that end in view the Ethic Code must identify the groups of interest outside the institution, other companies, groups sharing a joint interest in it, government and ministries, audience, NGO Organizations, research institutions, public and private sponsors, potential consumers, private business, mass-media. The Ethic Code must support the moral behavior of the institution's representatives and employees in their relationship with the outside groups, identify the conflict relations and the conflict generating sources as against the external groups, promote on the outside the values of the institution, act simultaneously with the strategy of management of the institution brand, act simultaneously with the PR strategy and define the

institution's strategy of social responsibility. At the same time, they must identify social projects in which the institution is or may be involved (education, specific community problems, regional development, infrastructure, local projects of public interest, social problems as poverty, unemployment, public health). All these programs must be promoted.

3. The ethic analyses. The analyses of the deontological Ethics

One of the most important forms of the ethic analysis is the deontological analysis. Deontology deals with the study of moral obligations; in Greek the original word is "duty" (see [2]), *Figure 1* (see [2]). Duties are more often connected than unconnected with the concept of rights; a certain person has a duty-not to concept of rights; a certain person has a duty – not to bring violation to the others' rights and another one owns a corresponding right –

not to be brought any violation of this type. A person has the right to education and another one is responsible for the guarantee of the respective education. Thus, the analysis of the deontological ethics studies the proper behaviour in terms of accomplishing someone's duty, of respecting the others' rights, or following certain moral principles, which are, derived from the notion according to which the individuals in a society own an innate right to share to a certain extent the available benefits. *Figure 1* is showing the way that the process of the analysis of the deontological ethics is carried out. Usually, it begins with an ethic problem or with a moral dilemma which constraints in reaching a goal. Anyway, the basis to determine if something is ethic or not, using the analysis of the deontological ethics, is enough different from the utilitarian analysis (the utilitarian

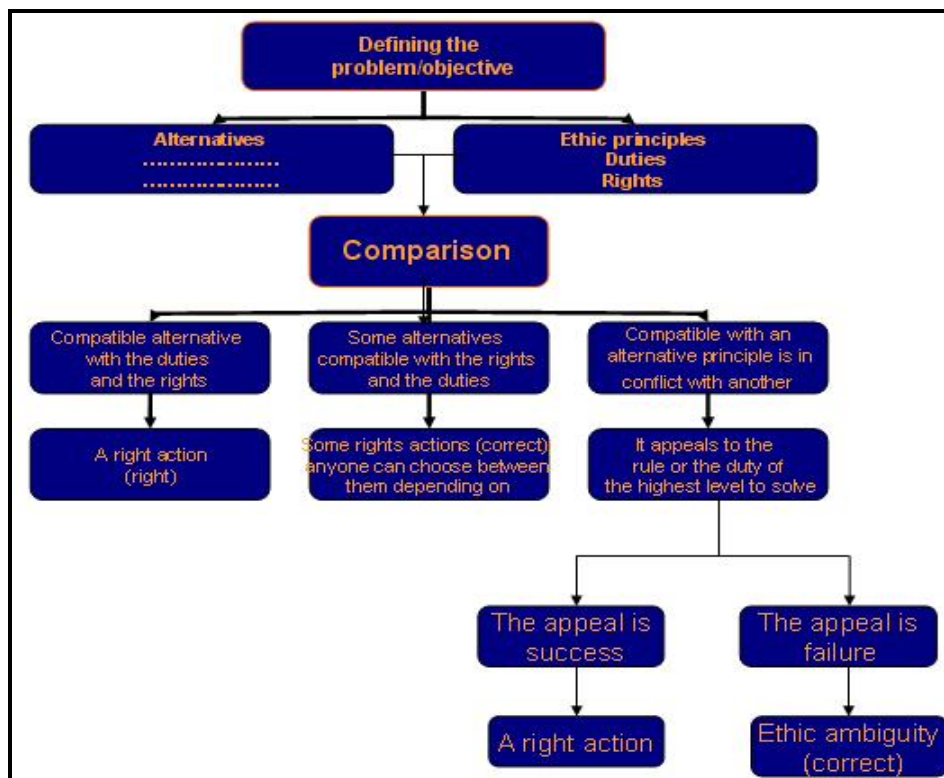


Figure 1. The deontological ethic analysis

approaches of ethics win referring to the consequence that would maximize the entire happiness in a society; in an affair, the analysis level is normally, the affair itself and the organization is often taking into consideration only those experimental consequences; it is sometimes criticized that it represents a non-ethic approach in which the finalities justify the possibilities – the goal excuses the means).

In the deontological analysis, something may be or is ethic if it is compatible with certain moral principles, the consequences of an act are not considered as a base in determining it is or it is not ethic. If the action is compatible with the moral principles, then it is considered ethic. Otherwise, the action is non-ethic.

Most of the ethic principles used in the deontological analysis are connected to the accomplishment of duties or to the non-complice with another person's rights. In this approach, if a manager has only one alternative, action or politics to choose and if this is compatible with all duties or rights, then, it is indeed ethic. If there are several alternatives compatible with the rights and the duties, then, all could be considered ethic. In the circumstances, the decision-maker may rely on other criteria too, connected with the consequences of the

action or other esthetic preferences of the manager.

The ethic analyses can be divided into two big modalities of thinking. First of all, what principle or moral rule best fits in this case? Then, which are the consequences of the decisions? Those, who emphasize principles and rules tend to attach a greater importance to the inherent quality and at the bottom of the decision. This reasoning naturally leads to taking into consideration the rights and duties of those involved and affected by the situation. Such a form of ethic thinking is more adapted to the concerns of the utilitarian analyses. The analyses utilizing these two questions, concentrate their attention on some considerations extremely various, being able to generate finally, various ethic argumentations.

In order to illustrate this point of view, *Table 1* presents certain differences and implications of these two aspects in adopting a decision of promotion. First of all, they take into consideration the decision through a careful pointing out of some of its consequences.

Then, a number of principles will be re-examined, principles used frequently by managers in guiding promotional decisions.

Table 1. Use of results and principles in ethic analysis regarding a decision of promoting

<i>The hypothetical results of a decision</i>			
<i>Consequences</i>	<i>Van</i>	<i>Mary</i>	<i>Ron</i>
Acceptance in time	Raised	Low	Average
The group moral	Raised	Low	Raised
Support of top management	Weak	Strong	Average
Stability	Raised	Low	Raised
Renewal and adaptability	-	Raised	Average
Need of a refresher courses as soon as possible	3 years	2-3 years	Indefinite
Capacity of competition:	Raised	Indefinite actually raised for the organization	Average
- on a short term	Low		-
- on a long term	-		Raised

<i>Hierarchical placing based on moral principles</i>			
<i>Principles</i>	<i>Van</i>	<i>Mary</i>	<i>Ron</i>
Loyalty and dedication	Raised	Unknown	Raised
Seniority	Raised	Low	Average
Growth potential	Weak	Strong	Strong
Equal opportunities	Ample (age)	Ample (sex)	Ample (race)
Past performance	Raised	Average	Raised

In the table above (see [2]), the three candidates have maximum grades. This is a situation that managers and not only often meet, these decisions having important ethic dimensions because they have a great importance for the individuals involved. The first approach connected with ethics is focused on the results. "What will happen if I do something?" If what happens is something good, then the action is considered moral or ethic. Otherwise, this is not ethic. The other approach

refers to the inherent action. Is it compatible with a valuable moral principle? Do we respect the moral principles that we consider important? If we feel inclined to proceed in this way, then, which would be the convenient principles in guiding our decision of promoting in this exercise?

The first step implies the determination of the answers to the question regarding the promotion: what will happen if all the candidates are promoted? What consequences should be taken into

consideration? For every decision, the results know different dimensions and there are sometimes secondary effects, which result from indirect consequences.

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Note: ESF co-financed by contract research POSDRU/6/15/S/26

THE PR DEPARTMENTS IN THE ROMANIAN UNIVERSITIES

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ABSTRACT: *Any organization, and any person with new challenges and must deal with new problems, make decisions that ensure the development or decline precipitated. To require in their organizations, individuals, ideas must be based on different strategies, which are developed by various advisers, specialists in a particular activity to provide solutions to problems that arise. Public relations prove an original and effective tool to meet the challenges we face. Public relations can help solve a problem, launching an idea, avoiding a disaster even in the Romanian universities. Expect miracles from them impractical and neglect, on the other hand, the importance of great service that can bring.*

Keywords: Public Relationships, academic liberty, Romanian universities, PR department

1. Ethics teachers versus Ethics students

If for some people, the Public Relationships departments as active parts in some organizations or institutions, are only “a fashion” and “in fashion” for the institutions higher education they have become nowadays a necessity. It may seem strange, but the necessity of the appearance of the PR departments within universities originates in the need for communication.

Nowadays, the prestige and value of a university, from a certain area, are given by several factors such as:

tradition, achievements, professors, notoriety, students’ performances, infrastructure and equipment. But, in order to be known by a more numerous public and in more expanded areas, they must be conveyed. There is a relationship of independence between the university and the students or potential students. The degree of success of the established targets for a certain specialization or another one depends on its impact on the public pointed out by the competition on the number of available places, on the graduates’ number or the management of quality of the institution. All this represents

priorities in the projects of activity of PR's departments. Synthesizing, they are shaping on the basis of the competitive elements the image of the institution, so that it could be an attractive one. The PR departments are set up as a binding matter between the university and the students, between the university and an institution with a similar profile and with the supplier of "quality" human material, such as high schools or colleges. In order to carry out this activity entirely successfully, the experts, working in this field, must be acquainted with - besides the specific techniques and means used in public relationships - ethic principles specific to the university background beside the general ethic principles which rule the activity of PR as a whole.

That's why, in the following chapters, we are going to expound the codes of the University professors' professional ethic - codes of the taken into account by the PR departments in parallel with the display of the students' ethic codes. The main purpose of this approach is to establish the convergence points between the parts involved in the university education.

The University is an institution whose goals, valid for each of its members, contain the professional development and self-assertive, the evolution of knowledge and research on condition of respecting the state law and the human rights. The university respects each member's dignity and is promoting the academic integrity. Its members undertake to contribute to the democratic development and the prosperity of the society. The values

and the principles that a university is promoting in an excellent way and whose effective fulfillment it tries to ensure are: the academic liberty, the personal independence, the justice and equity, the value professionalism, honesty and the intellectual correctness, transparency, respect and tolerance, responsibility, benevolence and concern. All these sets of values lose their "power" and the institution loses its dignity when it is deprived of the contribution of a professional PR department that should cultivate this huge capital of imagination. Of course, there is the temptation to minimize to a certain extent the PR's role in universities both from the perspective of the university professors and students too, and, by force of inertia, things will work for a while. In the course of time, the ignorance of PR or the display of one "by ear" in which the ethics, be it of teachers, established by certain codes or regulations, be it of students, born from the necessity to be put in concord with the university principles, is considered only a trifle and it will have unfortunate consequences. That's why this approach is wished to point out the major role of a PR's activity - well - defined, ethic and moral - in outlining a background of performance inside a university.

2. The Academic Liberty

A first aspect that could "provoke" certain ethic dispute is the academic liberty. Where it begins and what area it occupies which its final target is and what consequences it has in the educational process are the main

aspects that must be known, shaped and conveyed by the PR departments.

Theoretically, the university is a space free of interferences, pressures or political, religious constraints and of economic power excepting such constraints as those of scientific, legal and ethic nature.

The members of the university are protected against manipulations, oppressions on terms of respecting the scientific standards and the professional responsibilities. Any member of the university staff must avoid injuring the others liberty on the bases of the respect for differences. The critical approach is encouraged, intellectual partnership and cooperation irrespective of political opinions or religious beliefs are, too. The university is promoting a background favorable to pursuing self-government. With that end in view, the exercising of the informed consent regarding programs, contests and education and research opportunities is ensured and there offered opportunities so that each member of the university can take and apply decisions regarding his/her own academic and professional career. The university takes over resolute action for undiscriminating and for equality of chances to learn, to be hired or to the programs, to eliminate conflicts of interest, to prevent and struggle against any form of corruption, favoritism or nepotism. The university must also ensure the recognition, cultivation and reward of personal and collective values that lead to the achievement of its institutional destination. We can include among them the dedication to the profession and learning, to the institution and the

members of the academic community, creativity and gift.

It undertakes to cultivate a favorable background for research and competitiveness. With this end in view, high standard academic programs are developed able to lead to the evolution of knowledge, to the formation of competitive specialists and to the rise of prestige in research. At the same time, it is also encouraged and rewarded the orientation towards a scientific and educational quality of professors, scientific explorers, students and of the learning and research programs, the quality and professional excellence at a managerial and administrative level.

The initiative and scientific curiosity are cultivated, too and they act against imposture, amateurism, superficiality, unconcern and limitation. When all these elements find a practical applicability and they are transmitted in an ethical way, without hiding certain deficiencies or without having transmitted only “half of the truth” (generally the favorable one), then we can say that we have a PR successful activity and at the same time ethic. But when these elements are created artificially, “beautified”, the ethics is missing and although the action of PR may be considered on the moment as having a positive result, its favorable effects on short term won’t be able to compensate the negative aspects on a long term.

3. Integrity and intellectual honesty

A second essential aspect in outlining the image of the university is integrity and intellectual honesty. By their own construction, words like “honest” or

“correct” give the idea of “ethic”. Thus, if the PR departments inside the universities succeed in promoting by means of “campaigns” the integrity and the intellectual correctness as fundamental values, this cannot be done but in an ethic way. That’s why the following will be promoted: the university defends the right to intellectual property; the benefits will be granted to those who are at the origin of the intellectual property; all those who have taken part in different stages of a research – whose results become public – must be mentioned in the spirit of professional integrity, of recognition and gratitude; any form of intellectual fraud is forbidden: total or partial plagiarism, copying out during exams or contests, the modification of the research results, replacement of papers or of the candidates identity, the assumption of works from fellow-students or professors and all attempts of corruption to fraud. All of them are outlined as ethic/moral principles.

4. The Structure of the Process of Learning

Although it may seem a rather technical aspect, the structure of the process of learning has major involvements on the image of institutions. The way in which the students get the academic background and adapt to the university standards and requirements depend on it. That’s why an efficient, coherent communication of it is one of the PR attributions. Of course, the ethics has again an authorities word as the distortion of reality or the communication of some false things can affect in a negative way the student’s

expectations or disturb his aspirations and finally, it will modify the favorable perception as against the institution. On the other hand, the process of learning becomes more and more complex under the impact of the new information technology removing the accent from the professors who are teaching the students, to the students who are teaching the professors. Far from being a wordplay, this statement emphasizes a change of pattern. In the first case, the professors are the only who decide on the contents of the courses or on the applicants, that is realized in different forms (seminars, lab-work, homework projects, etc.) depending on the specific character of each university field. They are the only source of information and knowledge, a matter granting them a prevailing functional position. The students are more passive actors in this process, their part being to learn what their teachers convey during their didactic activities. The referential system of knowledge is the university. Consequently the programs of university studies are an exclusive result of the faculty thinking and wish, respectively of the university.

In the second case, the students are the most important actors, who want to be better educated in order to integrate in a profitable way in the work market. That’s why, they become active in the process of learning, searching for as many as source of knowledge and using the information technologies in order to discover and use them. The professors are the most important source of information and knowledge. They pass from a typical transfer of knowledge during courses and practical application

to the creation of a learning background in which the students become knowledge explorers. The professors become in this context interpreters and guides for the students. The referential system of knowledge is now the society, especially the job-market and the programs of university studies must integrate the requirements of all the concerned parts. The security of the quality of the process of education becomes a social demand. The society should shape its existence having at its bases the ethic principles. The universities must be open to a dynamic world. The most difficult will be for the mature and of full-age university professors. The youngest, especially the students, have no “past” to lose of memory. They empathize with the present and the future. They have not academic “traditions”, either good or bad, they take the academic world, as it is when they enter it gates. The young are at a level in which the main responsibility is self-development and self-assertion. None of the categories involved in the university community can be treated a priori-fairly “avant-garde” or “expired”. The public life, the university one included, operate in a relative world loaded with contextual values. An ethic-political constant is accepted, namely the adherence to the human rights to the defense of dignity, human liberties, to the right of self-assertion. The protection of the students’ right to education and professional, moral and civic formation is accepted, as a first obligation of an institution. The laws when not disconnected can help. The financial politics try to help too (a little,

considering the political decision about the place occupied by the education budget in the public budget, as well as by the last general level) but they come to an enterpriser statute, exactly because of little resources. Usually, the excuse is drawn out of the family of the “economic determinism”: “there where is no material foundation, also the moral and scientific superstructure”. But, if quality studies and a correct educational background are not being offered, the available resources can also be lost in time. Thus, a reputation of weak educational services’ performers is acquired; an institution one cannot trust, too. Now, the quantitative stage is finished (that of quantitative expansion of university studies). The number of seats for the first cycle of university studies exceeds the number of high-school gradulators. Consequently, there will be a time when it must be answered coherently not to the question who many students are in a university or faculty but to what kind of programs or useful abilities for the professional insertions – in competition condition they are able to offer. Among all the offers there is a vital one – that of certain people educated in an institutional culture, the closest as possible to exemplarity because it is this one that the gradulators will tend to reproduce as professionalisms, citizens or private individuals. This is not possible without the transformation of the academic integrity in a behavioral reflex. That’s why an amateur operation regarding the academic ethics as well as ignoring problems of ethic nature lead no where.

In this moment, a few Romanian Universities possess ethic codes, most of them vague and inoperative, just simple declarations of principles. Even less have ethic committees or councils. These committees are wrongly made in large number, as a matter of fact it is about the management monopoly (as a rule, that of rectors, vice rector or deans) the leadership of this committee. It is neither a “capital sin” nor a bad intention but simply an error of procedure often derived from the ignorance in the field of university ethics. Thus, the Romanian academic background is corrupt: or is anomie (we

don't care to solve institutionally such problems), be it suffers of moral-legal confusions (the moral must pass as laws and be treated in same way as they are). Out of these reasons, it was thought necessary that, before develop a project of a Code of university ethics (which can be done easily through be means of the method copy-paste from other codes), we must know which are the real important problems of the Romanian universities and also the orientation of the project of Code by proximal gender (the western models) and specific difference (status quo in our educational institutions).

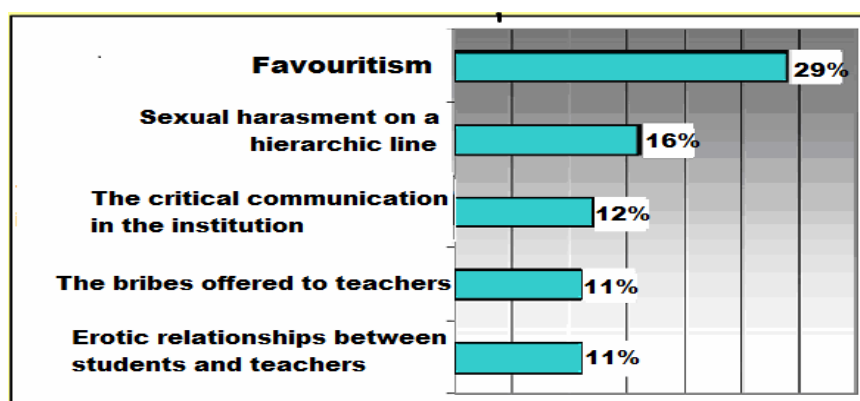


Fig. 1. The hierarchy of the importance of ethic problems from the students' point of view. A percentage of total mentions at the level of this category

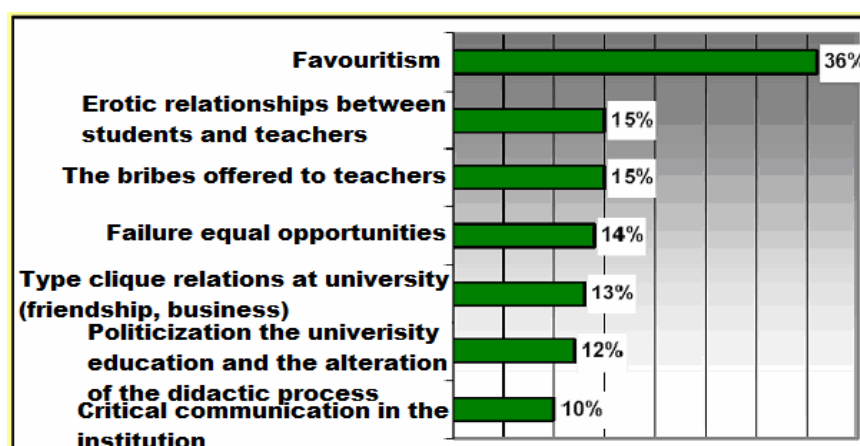


Fig. 2. The hierarchy of the importance of ethic problems from the teachers' point of view. A percentage of total mentions at the level of this category

In a modern organizational culture it is entirely ethic and at the same time moral that all students be considered important actors in the university life. Their opinion regarding the performance of the whole university process (consequently about their selves, too) becomes a necessary component in the evaluation and improvement of the quality of the process of learning. That's why we have developed the previous studies about the importance of ethics, presented in a graphical form, appealing both to professors and students.

All these components au integrity in the fundamental process of learning organized by the university. Its design, its communication and its practical applicability must respect the ethic principles universally respected by both parts involved in: students and professors.

But, in order to realize this process, there are also necessary some processes-support, as: the process of information organized by the PR departments, the process to provide a material basis, the process of ensuring adequate social conditions.

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Note: ESF co-financed by contract research POSDRU/6/15/S/26

THE ADVERTISING MANAGEMENT

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Abstract: *Advertising Management today has become an important area of business, where the sellers interact with the buyers, which include practically everyone on the planet, and that is why, even common man, lay persons quite aware of the subject. However for a professional businessperson, it is essential that not only the subject is learnt thoroughly but also even subtle nuances are understood so that the person becomes comfortable with it. With practice, expertise can be gained to strengthen the skills. Advertising is a fast moving, glamorous discipline and yet without proper concepts it can become quite banal [2].*

Key words: Advertising Management, Plan-Media, communication targets, creation.

Advertising is a management function. While advertising is the event, advertising management is the whole process - a function of marketing starting from market research continuing through advertising leading to actual sales or achievement of objective. It goes further in regard to evaluation of the whole cost-benefits that were involved in the whole exercise. This means, that if there is a public service ad with an objective to increase domestic saving, the evaluation would take place in terms of the actual increase in domestic savings as can be found from banks and other financial institutions. If it's about launch of a new product, then the evaluation would be in terms of benefits derived from the cost sunk in the advertising campaign. Advertising

management incorporates various specialized sub-functions like media strategy, message strategy, media planning, media buying, etc. While advertising management is an inseparable part of the marketing department, usually, the marketing department of an organization is concerned more with market research and evaluation of results. All the critical processes of advertising management are generally outsourced to specialized advertising agencies. For example, the media buying is done in bulk by these ad agencies on which they receive discount/ commission that goes into their earning. It involves designing the strategies to be adopted for influencing the public media selection and deciding on the aspect to be advertised based on

the image of the company and the present marketing objective.

1. Mass-media elements used in publicity. Definitions

The Universe of media-audience designates the totality of individuals with certain characteristics from a certain area. Example: the population of a country, the female population of a country, the population having access to television, etc.

The target group that audience aimed at by the publicity campaign. Example: women over 18 with average income or over average living in an urban area; men with superior income, etc.

A broad core target group is extrapolated from the core target which includes both the potential audience and the incidental consumer or which can influence the purchasing decision. We can define several broad targets for the core targets.

Example: in the case of products for which mothers care the core target, grandmothers or fathers can also be included in a broad target that can be women between 20-60 (including grandmothers) or the total population between 20-60 (including fathers).

The *reach/coverage* represents the number of different individuals coming into contact at least once with the advertising message. The coverage is usually expressed in percentages of the core target or the universe of the media-audience and it is usually measured on a four-week period. It may also be expressed in thousands of people.

Example: Let's suppose that the core target of an X product is made out of ten individuals. Let's suppose that an advertising spot-broadcasting in the first day of the advertising campaign reaches six individuals. We are speaking here

about a coverage of 60% for the spot 1. Let's suppose that in the second day of the campaign this spot is seen by five persons. In this case, we are speaking about a coverage of 50% for the spot 2. But, if out of the five individuals who have seen spot 2, three individuals have also seen spot 1, we are counting the number of distinct individuals who came into contact with the advertising message and we get to 6 (spot 1) + 2 (spot 2) = 8 . In other words, the coverage of the two spots of the advertising campaign is 80%.

The *rating* represents the number of individuals or house-holds that at a given moment are watching certain TV programme or listening to a radio one. It is expressed in percentages from the universe of the media audience. The agencies use this universe of the media determine how many individuals will come into contact with the message and to estimate the time they are exposed to the same message.

GRP's (Gross Rating Points) is an indicator which estimates the percentage of the total audience that can be exposed to the advertising message. It is calculated through totalizing the rating of the programmes used in transmitting an advertising message. This indicator (*GRP's*) is always related to a specific core target (woman, 18+ urban). The sum *GRP's* can exceed 100 because it doesn't take into account duplicates or repeated exposures of the same individual to the media. The individuals are numbered whenever they are exposed to the message.

Example: A product Z has as its core target women between 18-50. We are talking into consideration a TV campaign that is making use of the programmes A, B, C which are also

supplying – each of them – a certain audience:

A ----- rating 10
(1)

B ----- rating 12

C ----- rating 8

TOTAL GRP's – 30

GRP's can be totalized only when they are calculated when reported to the same universe of the media audience.

Example: A regional advertising campaign is being developed in Romania, Bulgaria and Hungary. The core target of the product is everywhere the same: men, 18+, urban. But the universe varies from one country to another, depending on each country's demography characteristics. The country's *GRP's*:

Romania ----- 2.200
(2)

Bulgaria ----- 1.200

Hungary ----- 250

TOTAL 3.650

Contracts/impressions: they represent the real number of individuals reached by a media during of advertising break in '000 (thousands). In a case of a media universe of 800.000 individuals, if the advertising break had a rating of 25, then the respective post delivers 200.000 contracts. The estimation intercourse is:

$$\text{Contacts} = \text{GRP's} / 100 \times \text{Universe} \quad (3)$$

The frequency measures the medium number of the audience exposures to the advertising message. It is usually expressed for a four week period.

$$\text{Frequency} = \text{GRP's} / \text{Coverage} \quad (4)$$

Cost per Thousand (CPT) represents the cost to get 1000 contacts of a specific

core target. CPTs referring to different core target cannot be compared. The formula of the estimation is:

$$\text{CPT} = \text{Notification cost} / \text{Contacts} \quad (5)$$

(in '000)

Cost per Point (CPP) represents the necessary financial effort to get an *GRP's*. the formula of the estimation is:

$$\text{CPP} = \text{Notification cost} / \text{Rating of programme} \quad (6)$$

2. The realization of the Media - Plan

After an exact ascertaining of the sequence during the campaign and of the types of media conveyances (Press, TV, etc.) that are to be used in the campaign, they pass to an effective choice of the Medias and to the assignment of the daily media consumption on each media conveyance.

This new stage consists in building the media-plan; if, up to now everything was thought on a big scale, from now on everything is being detailed, each issue of the publicity message in the media is being quantized both as a financial effort and as an impact (coverage, frequency, impressions). As a result of the estimation both the total media effect can be estimated, of the campaign, in detail.

One of the fundamental principles which are the bases of building the media-plan, is that there isn't any publicity message to cover "the national level". Any message is ultimately local and personal and, in fact, it means any man or woman who is reading a newspaper or watching TV.

Although there isn't any unique size for a media-plan and any general rules for its fulfillment, there are, however,

certain principles taken into account in any media department. What really exists as a common point of departure is the plan of media activities. Besides the plan of activities beginning the building of the media-plan, there is also required a series of components to which an answer media is being offered at a micro level: the core target, the communication targets and the creation elements of the publicity message, the geographical factor (the distribution of the product), the frequency/coverage report, the reaction towards competition. Once the answers are made final, we can pass to an effective realization of the detailed calendar of the company: *what* media channels will be exactly used, *when* (the programme, the day and time for television, the day of the issue for press) and *how long* and *how much espace* will be used for each of the advertisements. We must underline once more that there are no standardized reels of approach and that the tactics of realization of the media-plan differ from one agency to another, from one campaign to another, from person to person. What is common is the fact that the media-plan is solved by successive evaluation of the media answer in relation to the targets of the campaign and continuous adjustment. The experience and the creativity of the media team can be the key word. We are going to present each component of the media-plan.

2.1 The core target

The description of the core target is fundamental in building the media of the plan. According to the socio-demographic characteristics of the core target, the specialist in media can identify the media conveyances by means of which he can reach the core

target in the most economic and efficient way. Each socio-demographic profile can be transposed in reality by some specific customs of media consumption. The audience's habits of media consumption become thus essential in choosing the communication channels. Their identification means an efficient investment/placing of the customer's money or, on the contrary unjustified expenses. Generally speaking, the media consumption habits differ depending on the age (the young people listen a longer period of time to the radio, the adults read more newspapers or specialized magazines), on sex (women read more dedicated magazines or watch soap operas on TV while men prefer daily newspapers or the news on TV) and on other socio-demographic characteristics. The criteria incomes can also be a factor in the media consumption habit; thus, people with high incomes and a lot involved in business will read rather specialized or business publications, will listen to radio programmes while driving than watching TV – the time assigned to it being shortened to watching only news or a summary of it. The local publications are more read than the national ones, offering large spaces to the local news or to the feature reports. Another effect of the description of the core target is the pressure that its dimension exercises on the budget of the media: both from the point of view of the coverage and the point of view of the frequency (the number of the necessary exposure must be done for each individual). From the point of view of the coverage: the larger is the core target aimed at by the campaign (several typologies and, consequently a greater diversity of media consumption, several conveyances must be chosen) in order to

be able to transmit the same message to everybody. Here, the media specialist interferes essentially, that is he has to identify the smallest number of these channels with which the core target can be covered. It is of the ways of making important savings. From the point of view of frequency, the pressure on the budget will be greater often as it is necessary to reach the core target owing to the fact that the ratio of the coverage is one of multiplication.

2.2 The geographical factor

The geographical distribution of the product implicitly orders the value of the budget. The influences are major and they must be taken into consideration. Obviously, the urban crowded areas represent a strong potential of selling and here, the distribution of the product will also be concentrated. The big urban regions are covered by the televisions with national coverage, but when we are talking about other types of media (press, outdoor) each of these regions will have other characteristics. In some of them the local media are more important, in some others the consumption habits go to the media with national coverage. As a delimitation element it is obvious that strong developed industrial countries are more connected to the national press because their needs depend on the contacts with the rest of the country. The present-day tendency is towards making media-plan with two components: national one and an adjacent one (local – when the case is or the budget allows it). Quite often, the local component plays a more important role than the national one and there are situations when the message addresses only to one region, or how it happens during summer, special actions take place at the seaside (an excellent sale

market by some millions of people on holidays).

2.3 The Relation Frequency - Coverage

At this stage, we are taking into consideration tactics of dividing in phases the budget, that have already been presented in the plan of activities. The first step is done taking into consideration there factors: the reach, the frequency and the continuity (continuity is the uninterrupted length of a campaign). Only the big announcers can allow themselves to concentrate on these three factors and, consequently they will try to divide their money the most efficient way possible. The reach, the frequency and the continuity must be balanced taking into account the volume of the budget, which is not always permanent and the main targets of the company. We can underline the fact that any budget cannot be sufficiently big to perform in a perfect way the targets of the media. Usually, it will be chosen between using the least expensive media (effectiveness) and those which can transmit the message the best in accordance with the targets of the media (efficiency). The relationship between the three factors is presented generically in the following diagram (Figure 1).

The balance between frequency and coverage is the only one which can be operated on; in most cases the length of the campaign is stable. In other words, there is seldom the opportunity of modifying the length of the campaign from a year to six months in order to carry out the targets of coverage or frequency. In most cases, media planners begin with the factor frequency in building the media of the plan. And this is because the frequency is determining; there is need of several exposures to convince a certain

individual from the core target to buy the product.

As a consequence we may consider the balance frequency / coverage as a total number of displays which can be bought within the limits of the budget, admitting that we have a budget with which we can acquire one million displays. Whenever we increase the number of displays per individual we will decrease the number of reached individuals:

5 individuals x 200.000 individuals = 1.000.000 displays (7)

4 individuals x 250.000 individuals = 1.000.000 displays

2 individuals x 500.000 individuals = 1.000.000 displays

To the extent publicity is developing, the advertising messages (spots, advertisements in the press) contain much more information, the media experts become more and more interested in “effective communication” representing the degree from which an individual can understand and totally remember the advertising message. In order to measure the degree of communication as compared to the number of exposures in media, we may

use the terms “effective reach” and “effective frequency”.

2.4 The Reaction Towards Competition

The advertise functions in an extremely competitive environment. By means of the media-plan we can carry out not only an efficient campaign for a product but we also accomplish the demand for a different product (that is the product must be totally different from other similar ones). As in the case of establishing the frequency balance versus coverage, there will be kept a limit in building the plan, a limit which will take into consideration the media targets and it will also prevent the negative effects of the competition if and when it is possible. One of the decisive factors of the audience’s level that must be reached is given by the consumer’s loyalty towards their favorite brand or, in case the target is bringing over the competition’s consumers, their degree of loyalty towards those products is aimed at.

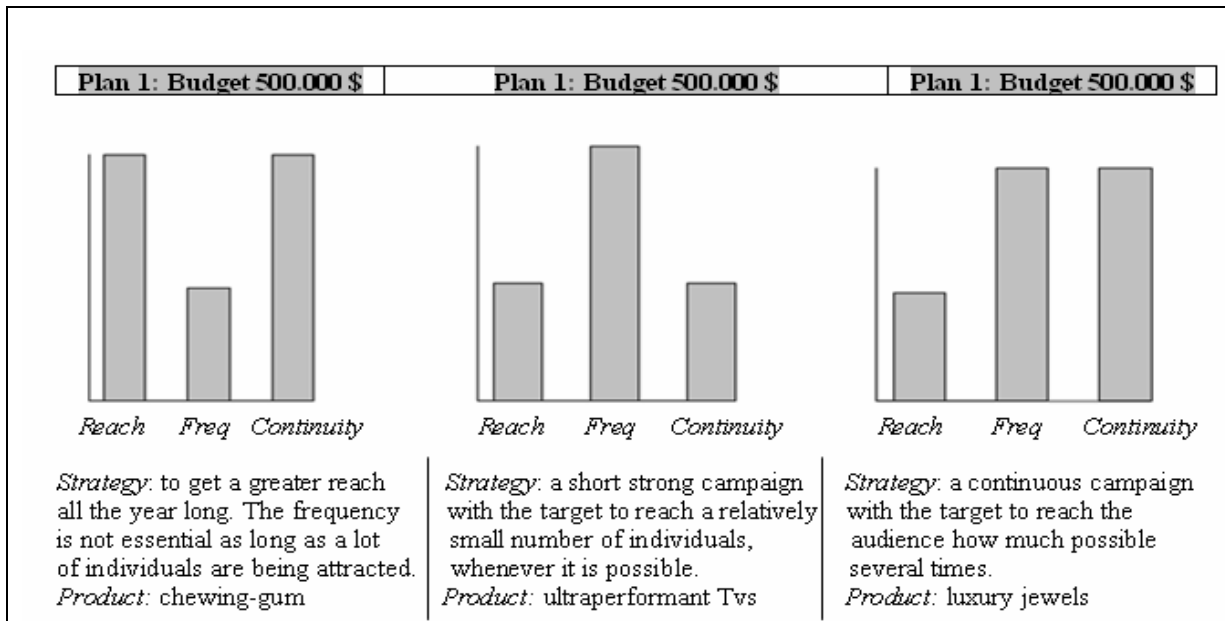


Figure nr. 1: Needs of strategy media (comparative examples)

Source: <http://www.jstor.org/stable/2486335>

3. Communication Targets - Elements of Creation

One of the elements that must be taken into consideration is the intrinsic relationship between the psychological profile of the target audience and the type of media it consumes. The essential element of each media conveyance (publication or TV channel) is that by its entire editorial contents and the way it presents the world it represents an “attitude” towards life. The media consumer chooses that “attitude” towards life the moment he/she buys the newspaper or turns on the TV on a certain channel. In the case of television each programme can represent an “attitude”. The identification consumer-media is done on an intimate psychological level, based on elements almost identical: language, aspiration, esthetics.

If the communication targets and the way the advertisement is realized or the creative elements of the message contradict or are different as against the

“attitude”, then, the consumer will not perceive the add in a positive way.

At the same time, the media consumer “consumes” each type of media in a different way: newspapers, to find out quickly information, selecting the most interesting one, magazines for more ample articles, granting more time to reading, etc. Each type of media requires a unique type of predisposition. We can say that the selection of media conveyances in accordance with the typology of the advertising message ensures not only a correct connection with the audience but also the use of media channels in order to add positive valence to the product/service.

Among all those primary communication considerations that must be taken into accounts in the selection of media, we can identify:

1. The creative inclination of the audience: the young people are more inclined to listen to the radio or watch TV than read:
2. The qualitative background for the message: the reader of a magazine for adults is rather a

partisan of classicism than of a magazine foe non-conformist young men;

3. The synergetic effect: the advertisers seek for media combinations which can have a greater effect in communication than sum of the media in a normal way. A car manufacturer will use: *outdoor* to improve the awareness of the brand, *magazines* for the product's details, daily newspapers for the representatives addresses and price and *television* for demonstrations and image.

The calendar of the campaign

It is realized by adapting the message on each media conveyance, depending on the budget and the other established factors for magazines. The type of the advertisement will be chosen (colour: white-black), its size (full page, half or a quarter of it or another type of module), what section of the magazine is more suitable for the ad (for food- the culinary section in magazines for women), in which months the commercial will be bought (for monthly editorials) or how many weeks a year for weekly editorials and which of them. The same procedure is respected as far as newspapers and magazines are concerned. As far as television is concerned, the identification of programmes addressing the best to the core target is decisive. Each TV station must be identified and within it the programmes are chosen, depending on the level of audience. The time, the day and the cost (according to the length of the advertising space) are established, depending on the chosen programme. The tactics of modeling a campaign respect on a small scale the tactics

presented in the activity plan. The media-plan includes at the same time all the details connected with costs for each media unit acquired.

The Management of the Advertising Creation

In advertising, the product is a result of a team-work: account, creative, media planner. The advertisement will be successful only when the strategy (the strategy of communication, too), the creation and production go hand in hand. But strategy relies on research. The necessity for some date is shown only later on, during the working out of the strategy. Then, a new research must be ordered, conceived and accomplished. At the same time, some particular details, received in the meantime from a customer can change the situation radically, or, an idea from the part of the agency may be accepted by the customer and the initial demand may be changed. Some strictness (too expensive products material) or production opportunities (new technologies) may also interfere and modify or they may form a starting point in the strategy of communication or in choosing the modalities of creation, even the creative strategy. We notice that it is about a series of activities that take place/occur simultaneously or that must follow a logical succession, which shows as possible the method of management to the manager of creation, the manager of the brand-team or the manager customer-service.

At the same time, the method of the management through targets may also be carried into practice, as far as we speak about targets and strategy and the creativity of the management.

Both the manager and the creative of publicity must know what people are motivated by and how to get a change in their attitude and behaviour. It is true that the manager has got in addition the key factor of the formal authority but, if we synthesize the written words in the specialized literature about creative personalities, we will discover a lot of similitudes with what is usually considered the features of a manager. It is not surprising at all, if we think well. Finally, both the management and the advertising are rather arts than science. The best similarity would be with architecture which supposes the integration of the esthetic criteria with the functional one, the combination of the inspiration with the scientific strictness, but it remains above all an art.

The Creative Personalities

Is creativity a natural or acquired feature of personality. It is possible to teach someone to become creative? The studies of Genetics show that people are born with certain inclinations for creativity, with the capacity to combine complex ideas, without any apparent connection between them and with the capacity to solve problems. In spirit of it, the creativity tests show that the scores obtained by a five years old individual diminish with 90% at the age of seven. When 40 years old, creativity represents on the average only 2% of the creativity an individual possesses when 5. Which are the factors that determine this enormous loss/wastage of creativity?

The creativity is suppressed in the process of development of our personality through education. Since an early age we are rewarded when we obey and punished when we are

different. In a short period of time after their birth, the human beings are taught to realize certain tasks in a certain way. Both parents and teachers are preoccupied above all to teach children to be obedient, "to know how to behave" and they are less preoccupied to develop their creativity.

The education and the vague cultural influences destroy any man's desire to be different. There are certain personality traits that the people working in publicity, especially "the creatives" reveal in an obvious way. First of all, they are sucking in like a sponge, any type of experience. They have a great number of sources of inspiration: things they might have seen, read or listened to, places they have visited or where they worked, people they have met (this may show the fact that they combine their two "lives", the personal one and that from "the working place").

Research shows that the creative individuals tend to be independent, self-satisfied, stubborn, self-controlled, self-disciplined and they have a large tolerance for ambiguity. They take upon themselves the risk (they assume the risk) and they have a strong ego. In other words, they possess the place of the control situated in the interior. Such kind of people do not take into consideration the standard or the rules of the group they belong to and they are less conventional than the non-creative people. The creative individuals are skeptical, curious, attentive, with a keen sense of observation and a great ability in thinking, which allows them to make original associations of ideas. They also possess a developed sense of humour. Some say they express conclusions by intuition rather than by logic reason.

Some other would say it is about the manifestation of an indispensable quality of both the creative and the manager, that is the commonsense, that ability to feel or to appreciate in a correct way the relationship between things.

The creative people in the field of publicity tend to get high scores for the characteristics presented below, although not every people get these scores for all these characteristics (we underlined all those desirable qualities for a manager) intuitive, who assumes the risk, enthusiastic, open to the others feelings, motivated, non-conformist, diligent, imaginative, orientated towards a target, self-confident, he likes to play with ideas, persuasive alone, curious, interested in art, receptive.

In publicity, the creativity doesn't limit only to the department of creation. The publicity in itself is a creative domain and all the people inside it, irrespective of the department when they work, must have imagination, must be creative. The general managers the media-planners or the production managers all must find new and unknown solutions to the problems they confront with.

Do not forget the creativity managers or customer-service managers. At the same time, being familiar with the field and its rigours or being familiar with the desirable features of the people they hire and lead, are some traits absolutely necessary for the publicity managers. This is a reason why this course is trying to give a general view over the matter.

The Stages of the Process of Creation

Advertising supposes above all a lot of research and analysis work. The process of creation supposes several stages. Research is fundamental for the activities of planning and creation in

advertising. Even those who are the declared partisans of the "empiric" orientation based on idea and inspiration, still use research – though with an informative role. The research may be done by specialized companies or by the department Research-Planning of the agency. The methods and the techniques used in publicity are of a qualitative or quantitative type, the first ones being predominant.

The most often used qualitative methods are: focus-group (a debate moderated by the researcher in a group of consumers from the core target), the analyses of content for different social papers/documents, the interview in depth with the vox-pop consumers (the voice of the street; short interviews in the street with common people on clear and limited matters).

The most often used quantitative methods are: the market research, the studies regarding the consumers' behaviours, the polls.

Conclusions

Advertising is an all-pervasive facet of most growing communities. It has important consequences for the advertisers who use it and for individuals who are exposed to it. However, its economic and social impact is a subject of continuous controversy (see [3]).

The recent economic malaise hit advertising hard. Additionally, the advertising market has changed significantly, with tougher competition, new players, and new media. No one knows that better than newspaper and magazine publishers, with fewer bookings, lower revenues, and lower earnings the all-too-familiar picture.

Using Advertising and Publicity are very effective methods to promote and

create positive awareness for you and your business. But, there is a clear difference between Advertising and Publicity. Advertising is something you get by paying for it. “Advertising. A form of communication that, from the point of view of the recipient, is held in low esteem. For the most part, advertising is unwanted and unliked. In some cases, detested” (see [5]). Publicity however, is something you hope you'll get. That, because publicity can be generally gained at no cost to you and it generally has many times the credibility of advertising.

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THE PRINCIPLE OF SUBSIDIARITY AND ECONOMIC LIBERALISM

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Abstract: *Subsidiarity is a guiding principle for defining the boundary between Member State and European Union responsibilities - that is, who should act. It is a dynamic concept, developed from antic writings, inspired from Catholic social doctrine and classical economic liberal theory, and any assessment of it will evolve over time. It allows Community action within the limits of its powers to be expanded where circumstances so require. Being used to safe guard the natural right of individuals and groups to associate and enjoy a strategic place in relation to national and international authorities, the principle affirms that structural organization and decision making ought not to be under the supervision of higher or larger authorities if lower or smaller ones are capable of accomplishing the task.*

Keywords: subsidiarity, common good, invisible hand, state intervention

Political and social ideas have different destinies. While some of them fall into oblivion and disuse, others, surviving and proving their perennality, becomes the far guide of new, over daring political construction. Subsidiarity is one of these sustainable concepts and the political construction to which today is most commonly associated - in addition to the federal states – is the European Union.

Before being adopted and included among the far principles guiding the European Union, subsidiarity has its own history. Derived from the Latin term of subsidium or subsidiarius,

initially meaning something in reserve, and later acquiring a wider sense of support in case of need, subsidiarity has its origins in Catholic social doctrine, although there were implicit references in Calvinism and even hundreds years before, in the writings of Greek philosopher Aristotle[1] and the Italian Thomas Aquinas in their writings on justice [17].

For Romans, subsidium means "giving help from the reserve" to those who are in the vanguard of the battle, and the principle of subsidiarity reflects this activity. In essence, it refers to giving support while still respecting the

initiatives and capabilities of those who receive it. Originally, this principle was neither a rule nor a political principle, but rather a crucial socio-ethical principle and part of the Catholic social tradition [2]. As this sense of the word indicates, the notion of subsidiarity contains positive connotations, taking into account the intervention of force for the benefit of those in trouble.

Catholic social thought is governed by the fundamental principle of human dignity, rested on the twin pillars of principles of solidarity and subsidiarity. If solidarity emphasizes the priority of common good above all parties, ideologies or partial interests in society, subsidiarity emphasizes that the common good is to be pursued in a particular way, one that has much in common with traditional notions of limited government.

The principle of subsidiarity was developed in the first papal encyclical on the "social question," Leo XIII's *Rerum Novarum*, in 1891, as an attempt to articulate a middle course between the perceived excesses of both *laissez-faire* liberal capitalist society on the one hand and the various forms of communism, Marxian socialist alternatives, which subordinate the individual to the state, on the other. It was primarily concerned with the conditions of workers, emphasizing the need for state intervention to protect them, for instance, by guaranteeing adjust wage and the freedom to organize for collective bargaining [3].

Pope Leo XIII wrote: „*Whenever the general interest or any particular class suffers, or is threatened with harm, which can in no other way be met or prevented, the public authority must step in to deal with it. Now, it is to the interest of the community, as well as of*

the individual, that peace and good order should be maintained; that all things should be carried on in accordance with God's laws and those of nature; that the discipline of family life should be observed and that religion should be obeyed; that a high standard of morality should prevail, both in public and private life; that justice should be held sacred and that no one should injure another with impunity; that the members of the commonwealth should grow up to man's estate strong and robust, and capable, if need be, of guarding and defending their country”. But the limits of that intervention “*must be determined by the nature of the occasion which calls for the law's interference - the principle being that the law must not undertake more, nor proceed further, than is required for the remedy of the evil or the removal of the mischief*”[4].

Already in this early formulation, some tension can be seen inherent in the principle being articulated, the Church's social teaching being opposed to all forms of collectivism. Political and social tasks ought to develop upward toward larger communities only when they cannot be performed adequately by lower ones, beginning with that most fundamental unit of human community, the family [5]. When public authority is obligated to intervene and provide assistance to people in need, yet must not intrude to the point of absorbing or destroying them, or preventing them from accomplishing what they can on their own [3].

The same tension there is inherent in subsidiarity as defined by the Treaty of Maastricht, as we will see, a tension that exists in all federal systems between the rhetoric of diversity and the modern impetus towards universality.

Pope Leo XIII insists that individuals must be allowed to seek their own good, which implies that no person should be impeded from pursuing this personal end insofar as it also contributes to the common good. In articulating the principle of private ownership as a sacred and inviolable right, Leo says that the law should favor private ownership partly because „Men always work harder and more readily when they work on that which belongs to them; nay, they learn to love the very soil that yields in response to the labor of their hands, not only food to eat, but an abundance of good things for themselves and those that are dear to them." [4]

While further developing the principle, Pope Pius XI gave the classic definition of subsidiarity in his encyclical *Quadragesimo Anno* of 1931, reformulating the *Rerum Novarum* principle of intervention-but-not-interference, with a decidedly stronger emphasis on the limits of public authority. [3]

„Still, that most weighty principle, which cannot be set aside or changed, remains fixed and unshaken in social philosophy: Just as it is gravely wrong to take from individuals what they can accomplish by their own initiative and industry and give it to the community, so also it is an injustice and at the same time a grave evil and disturbance of right order to assign to a greater and higher association what lesser and subordinate organizations can do. For every social activity ought of its very nature to furnish help to the members of the body social, and never destroy and absorb them.”[6]

The principle of subsidiarity, articulated by Pope John and asserted by all his predecessors since Leo XIII, prevents

the common good from assuming an existence independent of private concerns, and thus turning into a social ideology. Only a social system based on subsidiarity can avoid turning the state into either a mere legal sanction of individual interests (as in nineteenth-century liberalism) or into a personification of a common good in which individual interests are not adequately represented (as in the dictatorial states of the twentieth century). In such a system, citizens build the common good up from the ground constantly revising and reconsidering it in accordance with the particular needs of the time. A major problem with the traditional presentation of the common good is that it appears as a fixed concept, unmovable by the dynamic changes of human existence. The common good ought to reflect the ever active choices of free individuals, which it grounds, guides, and restricts. [7]

According to this approach, such a fundamental principle holds out hope of being a very solid foundation for limited government.

The classical economic liberal theory approaches the same idea of individual initiative, providing material benefits to humankind. This called for limiting the powers of the state and freeing the invisible hand of the market. They argued that the market would order the self-interested behaviors of individuals toward a larger common good more efficiently than the state, doing this without the coercive intervention of the corrupt officials. [8]

Adam Smith, much more so than Milton Friedman, treats self-interest as a moral good, emphasizing the material benefits of the invisible hand to society. [9]

In *The Theory of Moral Sentiments* Adam Smith says that every animal,

including the human person, should by nature take care of its own being, including health strength, agility, wealth, and the respect and esteem of persons we live with. [10] The same idea of individual initiative and responsibility occurs in Friedman's „Capitalism and Freedom". Both authors consider that individuals have greater motivation and greater productivity than do socialist systems where goods and services are produced for the sake of the collective.

In *The Wealth of Nations* Adam Smith uses the term of „invisible hand" like the modern sense, in a clearly version of the invisible hand argument, saying that all individuals pursuing their own self-interest, are generally better off than under interventionist systems of political economy. When individual human beings are granted what Smith calls the "natural liberty" to pursue their own interests, the harmony of these individual pursuits will, unintended by the actors, often produce social and economic good [11], if "all systems ... of restraint, therefore, being thus completely taken away"[12] . Businesses should do whatever improves their financial position, because entrepreneurs frequently promote the interest of society more effectively than if they had actually intended to promote it, even if others are harmed. Self-interested economic actors in free competition with each other unintentionally create a system of self-constraining, called „invisible hand" of the free market, which governs the economic life, creating economic growth and well-being such that no one actor or group of actors can take advantage of other actors or take advantage for very long, causing this to

result in the promotion of the public interest [13].

„As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value, every individual necessarily labors to render the annual revenue of the society as great as he can. He generally, indeed, neither intends to promote the public interest, nor knows how much he is promoting it. By preferring the support of domestic to that of foreign industry, he intends only his own security; and by directing that industry in such a manner as its produce may be the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention"[12]

Although they do not include the phrase "the invisible hand", other passages of *The Wealth of Nations* support the standard interpretation using slightly different language, as "own advantage" for "greatest value", and "most advantageous to society" for "public interest":

„Every individual is continually exerting himself to find out the most advantageous employment for whatever capital he can command. It is his own advantage, indeed, and not that of society he has in view. But the study of his own advantage, naturally, or rather necessarily, leads him to prefer that employment which is most advantageous to the society" [12].

On a macroeconomic level Smith argues that an ideal economy is one that protects its citizens, creating conditions for well being, economic growth and provides public services in the context

of personal liberty, protection of rights and enforcement of laws of justice .[11] Between the seventeenth and nineteenth centuries, concerns with the extent of state led the Dutch Calvinist Althusius, John Locke, Montesquieu and J.S. Mill to emphasize the need for sharing of power between national and local levels [17]. Subsequent echoes of it can be found in the thought of political actors and theorists as varied as Tocqueville, Lincoln, and Proudhon [14].

Subsidiarity, as used by Locke, Montesquieu and Mill, encapsulated both ideas that the state should not intervene unless it was necessary and the idea that the state should intervene when it was necessary, rising issues of efficiency and general well-being [17]. This premise leads to what is called "positive subsidiarity," justifying intervention by the state in situations where "lower" forms of organization cannot achieve their ends by themselves. Subsidiarity insists not only that the state may intervene in such situations, but that it has the duty to exercise that right, this being the "subsidium", which the political community must give to others, a help that does not destroy them but enables them to perform their own functions better and thus to contribute to the common good of all.

The doctrine of laissez-faire, as explained by Adam Smith in *The Wealth of Nations* holds that market economies, when left alone, are essentially self-regulating, contributing to an optimal allocation of resources and the most efficient possible distribution of production. Even Smith recognized that government had a function in all this, caring for the needy, building public works, providing education and public health and providing merchants from conspiring against the public

interest. Although Keynes's "General Theory" had a great influence on policy, economists still continued to cherish the idea that governments should not interfere with the price system. If and when governments did intervene, their actions should be as closed to the market as possible. So, even if laissez-faire was marginalized by Depression, by wartime planning and by postwar recovery, it lived in the hearts of economists. [15]

The term liberalism has taken on new meanings over time, varying by countries. According to David C. Korten, liberals are people who believe government has a necessary and consequential role in restraining market excesses and addressing social and environmental needs that market neglect; neoliberal is a person who, in the name of free market, advocates downsizing and privatizing governmental functions, deregulating markets, and removing economic borders to give the forces of capitalism free reign. [8]. The distinction has to be made between economic liberals, who advocate markets as primary mechanism for setting and implementing society's priorities, and political liberals, who believe that government has an important role in regulating markets and supplementing their functions with properly administrated government programs and services. The ideological competition between political liberalism and economic liberalism came to define the major political struggles of the twentieth century, each claiming for itself the "mantle of freedom" [8] and democracy, which each in its more extreme manifestations-communism on the left and fascism on the right-systematically denies. Political liberalism has created the institutions of

representative democracy and established the principle that the state is responsible for the well-being of the whole. Economic liberalism's belief in the potentials of self-organizing systems that minimize the need for hierarchy remains one of the most truly revolutionary ideas of our time.

Inspired from Catholic social doctrine as we mentioned and economic liberal doctrine, as we saw, as a principle ruling the relations between individuals and the whole, subsidiarity favors individual action, recognizing that the individual is society's most fundamental "social unit" and individual autonomy and freedom of choice and industry must be encouraged. To achieve this goal, political authorities must support individual freedom of action, association and organization.

The central principle of free market economics (the invisible hand) calls for an approach combining social consideration with economic priorities, because in a real, contemporary economy, there are impediments that cannot be removed because economic and social dimensions are not hermetically sealed off from each other, and interact as two complementary and interdependent aspects of the same interactive system. In a real economy, compared to theoretical models, the interaction between parts is intimately related to the whole. [16]

Subsidiarity espouses two interrelated aspects of social and political life. The first one, concerning the relationship between man and society emphasize the growing role of the individual in society, with the aim of protecting the individual against an excessively corporate state structure or assistance from state for those in need [17]. The second aspect relates to a sharing of

power between different levels of government, involving the need to determine the decision-making level at which each problem can be most effectively and properly approached, sliding from local, regional, national or European levels.

The principle of subsidiarity, offers a conceptual tool to mediate the polarity of pluralism and the common good in a globalized world, working as a conceptual and rhetorical mediator between supranational harmonization and unity, on the one hand, and local pluralism and difference, on the other. [14].

The principle of subsidiarity has minimized many threats to governmental autonomy by seeking to ensure that regulation occurs at the lowest administrative level possible. As a result, the EU has had a marked preference for standardization either through directives, leaving national governments with the responsibility for transposing the standard into the national legal system and implementing it, or through mutual recognition. Both approaches provide for greater flexibility than any set of across-the-board regulations.[22]

European Union is in a constant state of transforming its constitutional framework adapting to the realities of each stage of evolution, both internal realities and external environment. The principle of subsidiarity, once assimilated into Community law, could only reflect the same revisions, so that its evolution, content, interpretation and application must be understood in their dynamics in order to understand its role and current trends that influence it. Establishing the principle of subsidiarity as one of the fundamental principles of the Treaty establishing a Constitution

for Europe demonstrates its importance for the organization and reorganization of European construction.

The principle of subsidiarity was introduced into the Treaty of Maastricht as a general principle applicable to all areas of non-exclusive competence, for defining the boundary between Member State and European Union responsibilities. The second paragraph of the Article 3b, now Article 5, of the European Community Treaty, reads as follows:

„In areas which do not fall within its exclusive competence, the Community shall take action, in accordance with the principle of subsidiarity, only if and in so far as the objectives of the proposed action cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale or effects of the proposed action, be better achieved by the Community.” [18]

Subsidiarity was a tool that has been used only very rarely with a legal purpose in those constitutional systems in which the principle is formally recognized. So, in the absence of any solid legal tradition on subsidiarity, the few indications given by Article 5 (2) were of very little use for deciphering a legal principle that could be functional before the Community Courts [19]. In order to clarify this vagueness, the negotiation on subsidiarity has been reopened in Amsterdam, resulting the Protocol on the application of the principles of subsidiarity and proportionality annexed to the European Community Treaty by the Treaty of Amsterdam, which among other things establishes detailed criteria for the application of the principle of subsidiarity by the Community Institutions participating in the legislative procedure.

The Protocol lays down obligations for all European Union institutions to assess compliance with the subsidiarity principle. The primary responsibility lies with the Commission, which is required to substantiate the legislative proposals having regard to the principle of subsidiarity. During the legislative process, the European Parliament and the Council are also obliged to ensure compliance with the principle of subsidiarity, especially in the amendments they present to the original proposal. Furthermore, the Commission is required to submit an annual report on the implementation of Article 5 of the Treaty to the European Council, the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. [20]

However, the introduction of the subsidiarity principle into the Treaty and adoption of the Protocol on the application of the principles of subsidiarity and proportionality have failed to yield the expected results. Discussions about Community's competence remained opened, new questions arising. The constitutional debate on subsidiarity and proportionality led to the adoption of a revised framework for these two principles by the European Convention. The Constitutional Treaty recognizing for the first time the sub-national level in defining the principle of subsidiarity, including the Committee of the Regions and local and regional authorities explicitly as an integral part of the Community structure, as regards application of the subsidiarity principle.

Talking about the common good, in terms of reducing poverty and rising life standards, and when questioning whether or not the market can do the job

of eliminating poverty on its own, the principle of subsidiarity is used as a leading concept, recalling the idea of the market's invisible hand. In economic terms, the subsidiarity principle states that economic activities that can be efficiently carried out by the market should indeed be undertaken by it, meaning that there is no case for intervention from public authorities unless this would improve efficiency. The principle can also be applied to questions of centralization versus decentralization in federal governments, involving the idea that decentralized authorities should be given priority over central authorities [21]. This problem is summarized to the question whether or not the government should assist or supplement the market in order to bring about a more equal distribution of income, appealing to the concept of horizontal subsidiarity between the market and the State. If there is a role for social partners and the question whether it is given to the higher level of authority in fixing minimum protection standards appeals to the concept of vertical subsidiarity between public authorities at different levels.

Conclusion

Developing from antic writings, inspired from Catholic social doctrine and classical economic liberal theory, subsidiarity is still a dynamic concept, essential to the functioning of European Union institutions, intended to ensure that decisions are taken as closely as possible to the citizen and that constant checks are made as to whether action at Community level is justified in the light of the possibilities available within Member States. Subsidiarity applied in European Union ensure it's Member States and citizens that their rights are

provided, the autonomy of the regions is respected, specific interests and cultural diversity is protected, the principle being an indispensable tool for democracy.

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Published by: Oxford University Press

THE EUROPEAN TRANSPORT POLICY: CREATING A SUSTAINABLE FUTURE FOR TRANSPORT

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Abstract: *One of the biggest challenges of our society is to reconcile transport with the environment, transport policy being one of the European Union policies most affected by environmental policy. Environmental damage due to transport activities will be a growing concern in the future, because many Europeans still remain exposed to dangerously high levels of air and noise pollution. Reducing transport's environmental impacts involves progress towards a number of environmental policy objectives. Lowering consumption of non-renewable resources is essential for all aspects of transport systems and their use. The undesired environmental consequences of transport activity will require further action in particular on noise, air pollutant emissions and greenhouse gas emissions. The goal of the European Transport Policy is to establish a sustainable transport system that meets society's economic, social and environmental needs.*

Key words: The European Transport Policy, sustainable transport system, environment

Introduction

Sustainable development became an overarching objective of the European Union, when it was enshrined as Article 2 in the Amsterdam Treaty, governing all the Union's policies, actions and strategies. It means that the needs of the present generation should be met without compromising the ability of future generations to meet their own needs, safeguarding the earth's capacity to support life in all its diversity.

Thousands years ago, the Greek philosopher Heraclitus said „panta rei”, meaning everything is moving,

everything is in motion. These words seem to fit our modern reality very well, motion being the driving force of progress. But, if on the one hand, the increasing mobility of persons and goods is a normal and positive phenomenon in a growing economy, on the other hand, it is a worldwide source of concern [1]. There is a growing awareness that the positive effects of mobility, such as the increase of economic efficiency through gains of trade and labor mobility, are offset by negative externalities, such as environmental pollution, congestion or

lack of accessibility, and high accident rate.

Current trends in transport indicate that the system is moving away from sustainability. It is clear that major changes are necessary to be made, in order to create a form of transport that has to be sustainable, energy-efficient and respectful of the environment. To contribute to a more sustainable mobility, the European Commission's aim is to disconnect mobility from its adverse effects, meaning, above all, promoting co-modality, technical innovation and a shift towards the least polluting and most energy efficient modes of transport.

European Union Transport Common Policies

Transport is one of the Community's earliest common policies and Member States emphasized the importance of the Common Transport Policy with its own title in the Treaty of Rome [2]. Since this Treaty entered into force in 1958, this policy has been focused on eliminating borders between Member States in order to facilitate the free movement of persons and goods and thus create a common transport market. Its principal aims are to complete the internal market, ensure sustainable development, extend transport networks throughout Europe, maximise use of space, enhance safety and promote international cooperation. Although the objective of establishing a Common Transport Policy was in existence from the moment the Community was established, nothing significant was done until it became absolutely necessary to act in order to achieve the single European market by 1992 [3].

In December 1992 the Commission published its first White Paper on "The

future development of the Common transport policy" [4]. The guiding principle of the Paper was the opening-up of the transport market to greater competition between the operators. In 2001, the Commission issued a second White Paper [5], an agenda for the European transport policy throughout 2010. Entitled "European Transport policy for 2010: time to decide", it was orientated towards harmoniously and simultaneously developing the different modes of transport, in particular with co-modality. The Paper constituted a ten-year strategy aimed at improving the quality and efficiency of European transport. This program was updated in the mid-term review of 2006 [6], The Commission reaffirming the main principles that guide its policy, drawing attention to the changes in the context since 2001: enlargement, the acceleration of globalisation, international commitments on global warming, the geopolitical context of the growth in oil prices and security fears. At the same time, following the review of the European Union Sustainable Development Strategy 2001 launched by the Commission in 2004, the European Council adopted in June 2006 an ambitious and comprehensive renewed Sustainable Development Strategy for an enlarged European Union [7].

If the transport system is at the very heart of economic and social development, providing the foundations for all modern-day economic activity, contributing importantly to raising living standards and the quality of life, it also has less desirable consequences, to name but a few – more roads may mean more traffic and more noise; power plants may add considerably to greenhouse gas emissions; and dams may entail the destruction of large areas

of countryside and the displacement of population [8].

Since these negative trends bring about a sense of urgency, short-term action is required, whilst maintaining a longer term perspective.

All these factors have influenced the sector and resulted in calls for new solutions to problems encountered. Approaching the end of the 10-year period, it is time to look further ahead and prepare the ground for later policy developments. Transport policies for the next 10 years must be based on a reflection on the future of the transport system that embraces also the following decades, with a long-term vision for the sustainable mobility of people and goods, because policies of a structural character take a long time to implement and must be planned well in advance.

Achievements and failures regarding European Transport Policy

Developments in the recent past shows that the European Transport Policy has largely achieved the objectives set out in strategic documents, by substantially contributing to the development of the European economy and its competitiveness, by facilitating market opening and integration, by establishing high quality standards for safety, security and passenger rights and by improving working conditions, ensuring access to jobs, goods and services, education, leisure and tourism activities. Transport infrastructure plays a crucial role for the socio-economic development and cohesion of regions, being also the basis for an environmentally sustainable transport system. Companies have benefited from integration in the different modes of transport and from market opening which has generally led to more

efficiency and lower costs. Even if much remains to be done, Trans-European transport networks (TEN-T) policy has helped Structural and Cohesion Funds to gradually fill their infrastructure deficits, linking European Union markets and peoples. Transport of goods plays an essential role in the industrial production and distribution process and in supplying people with goods, influencing the international division of labor, since low transport costs encourage the delocalization of production.

In spite of the growth in transport, related emissions of harmful substances such as carbon monoxide, unburned hydrocarbons, particulates and nitrous oxides are decreasing as stricter emission standards are imposed for cars and trucks. Air quality in European cities has significantly improved through the application of ever-stricter Euro emission standards.

Significant progress has been achieved in reducing road accidents, even if the objective to halve casualties in road transport by 2010, included in the 2001 White Paper, will probably not be achieved. Marine pollution and maritime accidents were considerably reduced and the European Union has established one of the most advanced regulatory frameworks for safety and for pollution prevention. In aviation, it has adopted a comprehensive set of common, uniform and mandatory legislation covering all the key elements affecting safety: aircraft, maintenance, airports, air traffic management systems [9]. After the attacks of 11 September 2001, a security policy was developed, setting European Union legislative measures on transport security for most transport modes and for critical infrastructures. Quality services for

transport users have been promoted, legislation in the field of passenger rights being adopted.

If the European Transport Policy has contributed to a mobility system that compares well in terms of efficiency and effectiveness with that of the economically most advanced regions of the world, assisted social and economic cohesion and promoted the competitiveness of the European industry [10], the results with respect to the goals of the European Sustainable Development Strategy are more limited, the European transport system still remaining not sustainable in several aspects [11].

Despite the important role of the different transport functions, transport has a substantial impact on the environment, emissions in urban areas of NO_x and fine particles (PM₁₀) which are damaging for human health still remaining at a high level. The transport sector, which is the fastest growing consumer of energy continues to increase its emissions of greenhouse gases, which remain a key challenge in creating a low-carbon future. It is responsible for a large share of urban air pollution, contributing to global warming as well as congestion, noise and other air pollutant emissions. Furthermore, transport has a serious impact on the landscape because it divides natural areas into small patches with serious consequences for animals and plants, habitat loss and landscape fragmentation. Even if energy efficiency of transport is increasing, the main cause of increased emissions is the growth in transport demand. Freight and passenger traffic continue to grow at a very fast pace, outstripping gains made through fuel and energy efficiency [12]. The concern to reduce overall fuel

consumption has not been to outweigh the larger transport volumes, the majority of actions to reduce the carbon footprint of the transport sector being taken within the transport sector itself and ignoring the key drivers which create the demand for transport. With still over 39 000 deaths in the European Union in 2008, transport by road remains far too costly in terms of human lives [9].

The concentration on competition, competitiveness and growth in the transport sector has also led to a situation, which failed to contribute to other urgent sustainability issues.

Policies for Sustainable Transport

Measures for improving the environmental performance of transport include regulatory standards, technical measures to increase the fuel efficiency of cars and trucks, better traffic management and better urban planning. The ongoing trends and future challenges in the transport sector point to the need for satisfying a rising demand for accessibility in a context of growing sustainability concerns. Of key importance is solving the dilemma between growth-oriented policies which tend to generate more transport, and environmental policies that call for emission reductions.

A sustainable transport system has to meet the different functions of transport whilst respecting all three pillars of sustainability: social sustainability, environmental sustainability and economic sustainability, as set out in the Lisbon Strategy. Sustainability in this wider sense requires an active and highly integrated policy that places the social role to transport in the forefront: integration of regional, financial, social, economic and environmental policies. Is

likely possible that transport will place economic sustainability, in terms of competitiveness of the European transport industry, on the same level as environmental and social sustainability. To ensure the reduction of pollution and congestion, there is a clear need for better regulation in the transport sector, which should set binding targets, and not leave it to the markets. Moreover, it was criticized that although new technical solutions in many cases already exist, there is a lack of political willingness to implement them. Concrete policy measures tend to favor technological solutions in order to reduce emissions and energy consumption, whilst there continues to be a lack of a real political commitment to promote modal shift and to establish an integrated sustainable transport system [9].

Political leadership and a strong commitment made by the decision makers at all levels, European, national, regional and local, are essential for realizing the objective of a sustainable transport system. Any strategy formulated at European level can only be successful if decisive action is taken at the local level; concrete actions will be taken over and implemented by local authorities.

The most important policy instrument will probably be standard setting. The transition to a new and integrated transport system will only be quick and successful if open standards and norms for new infrastructure and vehicles and other necessary devices and equipment are introduced [9].

In general, concrete policy actions are required in five areas: greenhouse gas emissions, air pollutant emissions, noise, growth in transport and share of the individual transport modes.

Greenhouse gas emissions. The European Union Energy and Climate Package targets a 20 % overall reduction in greenhouse gases by 2020 and highlights the need for the transport sector to contribute actively.

Directive 2009/33/EC of the European Parliament and of the Council of 23 April 2009[13] on the promotion of clean and energy-efficient road transport vehicles aims to stimulate the market for clean and energy-efficient road transport vehicles. Since this would have a substantial environmental impact, there is an intention of influencing the market for standardised vehicles produced in larger quantities such as passenger cars, buses, coaches and trucks, by ensuring a level of demand for clean and energy-efficient road transport vehicles. The 21st century will most likely see the replacement of vehicles relying on the internal combustion engine by electric vehicles, including fuel-cell vehicles which belong to this family. The European green cars initiative focuses on five main areas of research: electric and hybrid vehicles, hydrogen fuel cells, biofuels, improvements in the internal combustion engine and logistics.

Funds provided under this initiative will come from two main sources: grants from the European Union's seventh research framework programs and loans from the European Investment Bank, bringing together resources from the European Union and the private sector to accelerate the development of these two technologies [9].

In this direction acts another Commission Communication, of 19 October 2006 entitled "Action Plan for Energy Efficiency: Realising the Potential" [17], which announced that the Commission will continue its efforts to develop markets for cleaner, smarter,

safer and energy-efficient vehicles through public procurement and awareness-raising. Also the mid-term review of the Commission's 2001 Transport White Paper entitled "Keep Europe moving – Sustainable mobility for our continent", of 22 June 2006, announced that the Union will stimulate environmentally-friendly innovation in particular by successive European emission standards (Euro Norms) and by the promotion of clean vehicles on the basis of public procurement.

In its Communication of 7 February 2007 entitled "Results of the review of the Community Strategy to reduce CO₂ emissions from passenger cars and light-commercial vehicles" [18], the Commission presented a comprehensive new strategy to enable the Union to reach its 120 g/km objective for CO₂ emissions from new passenger cars by 2012. A legislative framework was proposed to ensure vehicle technology improvements.

Complementary measures should promote the procurement of fuel-efficient vehicles.

The Commission Green Paper on Urban Transport of 25 September 2007 entitled "Towards a new culture for urban mobility" notes the support of stakeholders for promoting the market introduction of clean and energy-efficient vehicles through green public procurement. A possible approach could be based on the internalisation of external costs by using lifetime costs for energy consumption, CO₂ emissions, and pollutant emissions linked to the operation of the vehicles to be procured as award criteria, in addition to the vehicle price. In addition, public procurement could give preference to new Euro standards. The earlier use of cleaner vehicles could then improve air quality in urban areas.

Air pollutant emissions. Air and noise pollution is getting worse year by year, urban traffic being responsible for 40% of CO₂ emissions and 70% of emissions of other pollutants arising from road transport [14]. Even if emissions of regulated air pollutants from vehicles continue to fall through a gradual tightening of the EURO emissions standards, concentrations remain high in some urban areas.

Emissions cuts in CO, NO_x, VOCs and fine particles are subject of the European Union-Auto-Oil Programme that contains stricter limit values for light vehicles in 2005 and heavy duty vehicles in 2008 (Directive 1999/96/EC). Focus is on voluntary agreements concluded with the automotive industry and work on fiscal framework conditions. Another focal point is the promotion of clean fuels: bio-fuels (from organic matter) shall provide 5.75% of the total energy consumption by 2010. By 2020, 20% of the present fossil oil consumption shall be replaced with bio-fuels.

Noise. Road traffic is by far the main source of exposure to transport noise. Almost 55 % of the population living in agglomerations with more than 250 000 inhabitants are exposed to daily road noise levels exceeding 55 Lden (an European Union benchmark for excessive noise)[15].

Transport noise mitigation can follow a number of different but complementary strategies: technical improvements to vehicles and infrastructure to reduce noise generation; separating heavily used transport links from densely populated areas; using barriers and improved sound insulation of dwellings to reduce the impact on those living in exposed areas; reducing traffic levels,

banning especially noisy categories of vehicles, imposing restrictions during night-time or changing driving patterns to reduce noise, improving vehicles and infrastructure using, for example, better silencers, low noise tires and noise absorbing road surfacing; enhancing vehicle aerodynamics to reduce wind noise may also reduce energy consumption and thus emission of greenhouse gases.

Growth in transport. Congestion in towns and cities is one of the main problems resulted from increased traffic, with many adverse consequences that this entails in terms of delays and pollution, with negative economic, social, health and environmental impacts and degrades the natural and built environment. Often located on urban ring roads, it affects the capacity of the Trans-European Transport Network (TEN-T).

A better understanding of the reasons behind the growth in transport demand is therefore crucial to formulating effective measures to manage and reduce its negative effects. However, transport demand and growth are normally created by decisions and developments outside the transport sector, transport being more often a means to an end, such as shopping, working and holiday trips [14].

If transport activities give rise to environmental impacts, accidents and congestion, in contrast to the benefits, the costs of these effects of transport are generally not borne by the transport users. The internalisation of external costs means making such effects part of the decision-making process of transport users, which will serve as a basis for

future calculations of infrastructure charge.

Decisions made in these sectors outside of transport influence the carbon footprint of the transport sector as they are often taken without considering the consequences on transport demand and greenhouse gas emissions [12]. At local level, it is a major challenge to reduce the negative impacts of congestion whilst ensuring that urban areas continue to do well economically.

The liberalization of the internal European Union market has led to complex freight transport movements. One impact of this has been the practice of cabotage, used to reduce 'empty runs'. Planning and technical measures have to be implemented to reduce the negative impacts of freight transport passing through urban areas and to reduce incidences of 'empty running', i.e. empty return trips from deliveries. Currently cabotage is legal only if haulers conduct no more than three cabotage operations in the country of destination within seven days of completing a delivery. To meet this request, the European Parliament's proposal to lift all limits on cabotage by 2014 [15], will increase benefits from this practice and also to reduce empty running.

Because up until now, infrastructure has been mainly designed for joint usage by passenger and freight vehicles, the growth in traffic and the related congestion, especially in and around cities, has led to frictions between passenger and freight transport. In order to avoid and reduce this, where justified by traffic volumes, the possibility to provide dedicated infrastructures for passengers and freight should be considered.

Intelligent Transport Systems applications can play a core role for the

efficient management of urban mobility. Innovation will help to make transport more sustainable, which means efficient, clean, safe and seamless. In the years to come, intelligent transport systems for road (ITS) and traffic management systems for rail (ERTMS) and aviation (the single European sky's SESAR), backed by Galileo) can optimize the use of the network and improve safety, allowing for a more accurate positioning. The benefits of using ITS can be resumed as [16]: toll payments are fully automated, eliminating the need to stop at the toll gate; transporters benefit from integrated ITS systems such as navigation, digital tachographs, fleet and freight management and electronic toll payment; a vehicle involved in an accident sends its precise location, obtained by satellite positioning via a communications network, to an emergency centre; real-time traffic information for drivers helps fighting congestion, and reducing bottlenecks and pollution.

Share of the individual transport modes. Rethinking urban mobility involves optimising the use of all the various modes of transport and organising "co-modality" between the different modes of collective transport (train, tram, metro, bus, taxi) and the different modes of individual transport (car, motorcycle, cycle, walking). It also involves achieving common objectives in terms of economic prosperity managing transport demand to guarantee mobility, quality of life and environmental protection, within an approach that always keeps the transport users and workers, with their needs and rights, at the centre of policymaking. It involves reconciling freight transport and passenger transport interests

whatever the mode of transport used [14].

The optimal functioning of the transport system requires interconnection between different networks. The most immediate priorities appear to be the better integration and interoperability of the individual parts of the network as a way to improve the overall efficiency of the system and the acceleration of the development of innovative technologies. This requires the optimization and operation of the network as a single entity, whereas currently modal networks are largely separated and even within modes there is a lack of integration among countries.

Conclusions:

Sustainable development must include respect for social rights and the expectations of all citizens in general, aiming at the continuous improvement of the quality of life and well-being on Earth for present and future generations. The transport system is facing new and great challenges: the need to drastically reduce the greenhouse gas emissions; consumption of non-renewable resources, growing demand; congestion that approaches intolerable levels in many cities, airports and ports; fragmented, inefficient and expensive public transport. Corresponding to the three axes of sustainable development - economic, environmental and social, a policy mix consisting of regional, structural, energy, social and economic policies, is of paramount importance, in order to ensure that future generations will be able to develop their activities in a healthy environment in which working and living conditions are promoted to the highest possible standards.

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