

SECTION 1: MICROECONOMICS AND MANAGERIAL APPLICATIONS

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ABNAMRO

MODELS FOR ENERGETIC SYSTEMS AND ENVIRONMENT PROTECTION – HISTORY AND PERSPECTIVES

***Abstract:** This paper consists in a theoretical and applicative approach related to sustainable energetic systems and global necessity of environment protection. In the first part there are described the international treaties or documents affecting the worldwide environment and energy policies, such as the Kyoto Protocol or different green papers, also there are presented the associated mechanisms that can be implemented through cooperation between governmental authorities, public or private companies and international organizations. In the second part of the paper it is reviewed the dedicated literature to sustainable energetic systems. In this context, the paper presents the most important authors and their publications, the models created in time and their results, the software instruments and research methodology. In the end of the second part it is shaped the research perspective in the field of sustainable energetic systems based on the previous investigation. The third part of the paper is an applicative approach of the aspects covered in the first parts. Parallel scenarios are run using a special software tool and interpreted in the end of the paper.*

Keywords: energy, environment protection, research, modeling techniques

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**MODELLING THE EDUCATIONAL PROCESS AND ITS IMPACT OVER THE
ECONOMIC DEVELOPMENT**

Abstract

There is a strong connection between the individuals' level of education and their future possibilities to find a suitable job. It can be noticed that university graduated persons can find easier a long or short term job. The problem of educational signals isn't a recent one but it represent the main subject of future studies, especially since M. Spence published his dissertation thesis in 1974. The paper presents and analyses a Principal-Agent model. We shall determine the optimal contract under symmetric and asymmetric information. The optimal contract shall be compared to Pareto optimum.

Keywords: symmetric information, asymmetric information, principal-agent model, educational process

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A SIMPLE MODEL OF CONSUMPTION DECISIONS IN CYPRUS

***Abstract:** We consider a dynamic consumption-income model and estimate its parameters using time series data from the economy of Cyprus. The estimates, derived by the Full Information Maximum Likelihood method, support the main principles of economic theory. Then we examine the dynamic behaviour of the model and derive some forecasts.*

Keywords: Forecasting, Dynamic Consumption Function, Maximum Likelihood Estimation

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A CYBERNETIC SYSTEM TO ANALYZE AND DIAGNOSIS THE QUALITY AND EFFICIENCY IN HIGHER EDUCATION

***Abstract:** This paper propose to make a diagnosis and analysis at local level of each faculty in a university and at higher level, the whole university, in order to point out, how the learning process is carried on, taking into consideration the results obtained. Using some concepts of system theory and cybernetic like controllability, observability, control, hierarchical system and considering each faculty as a cybernetic multilevel system on propose a strategy to improve the structure (curricula design) and also the inputs of the learning system in higher education in order to obtain the desired outputs with minimum resources.*

Keywords: hierarchical system, controllability, observables, accessibility, control, resolution degree, co-ordination, state.

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CURRENT CHANGES IN THE INTERNATIONAL BUSINESS ENVIRONMENT

Abstract

Four fundamental forms of capital movement throughout the global economy cause harmonization of national systems: the human capital (immigration, emigration, deportation etc), financial capital (aid, equity, debt, credit & lending etc), resource capital (energy, metals, minerals etc) and power capital (security forces, alliances etc). Most of the existing difficulties and complexities in the general macro affairs of countries, communities, and the interactions between them, can be traced to these four flows.

The International Monetary Fund defines globalization as “the growing economic interdependence of countries worldwide through increasing volume and variety of cross-border transactions in goods and services, free international capital flows, and more rapid and widespread diffusion of technology”. In the same time, the International Forum on Globalization defines it as “the present worldwide drive toward a global economic system dominated by supranational corporate trade and banking institutions that are not accountable to democratic processes or national governments”. There are critical theories which emphasize that globalization cannot be understood separately from the historical development of the capitalist world-system and different definitions which highlight the ensuing debate of the roles and relationships of government, corporations and the individual in maximizing social welfare within the globalization paradigms. It is clear though, that globalization has economic, political, cultural and technological aspects that may be closely intertwined. Given that these aspects are key to an individual's quality of life, the social benefits and costs brought upon them by globalization generate strong debate.

The import or export activities performed by a company are not the only ways to turn it into a multinational, but also the ownership and the control of facilities abroad having a conclusive role. Therefore, a multinational company owns or controls the production facilities and the subsidiaries outside the origin country. Related to size, the multinational companies can range from medium-size companies, having only several foreign subsidiaries, to giant companies with an annual turnover larger than the gross national product of some smaller countries of the world. The size and the significance of multinationals is increasing. Many companies from countries with medium income are presently becoming multinationals and their number is annually increasing.

The continuously growing activities raise questions about their control. The governments can be powerless if multinationals exploit the tax regimes of the fiscal haven countries through transfer prices or switched production from one country to another.

The most part of the investments transfer, known as foreign direct investments, are performed between the developed countries. The reasons that brought to the increase of the foreign direct investments refer to the desire to supply the foreign markets or to exploit natural resources from other countries. The investing activity acts inside an international corporative strategy, which takes into consideration the relative costs, the revenues, the taxation and the process specialization. The centralized control of production activities within multinationals

has increased, partly by the need for strategic management of production planning and worldwide resource allocation. This process of centralization has been facilitated by the development of worldwide informatics and telecommunications links.

Developments in international capital markets have provided an environment favorable to foreign direct investments. Globalization is the process through which the national capital markets are internationally integrated.

There are positive influences of the foreign direct investments in the beneficiary's economy, such as stimulating the economic activity, increasing the employment and the training opportunities, introduction of new technologies and advanced management techniques or the import of capital.

There are also disadvantages for the host country, like the loss of political and economic sovereignty, the local tax avoidance through transfer prices, destabilization of monetary policy and large international currency flows and introduction of different cultural values instead of the local ones.

Free trade exists where there is no restriction on imports and exports. Inside the European Union the international trade is free between its members. In practice, however, there are barriers to free trade because the governments try to protect national industries against foreign competitors. The government may implement the protectionist measures, but the public demands for protection can overcome the accepted level. They could be intended to hinder the operation of the law of comparative advantage. It is the case of the United States, where some protectionist measures have been taken against Japanese car imports.

Protection can be applied in several ways like tariffs or customs duties, import quotas, embargoes, hidden subsidies for exporters and domestic procedures, import restrictions, restrictive bureaucratic procedures or product standards, government actions to devalue the domestic currency. The protectionism can also have unfavorable effects. Because the protectionist measures taken by a country will provoke retaliation by others, the volume of the international trade will be reduced, and along with this its benefits: the specialization, the greater competition and the advantages of the scale.

The widespread protection can damage the national projects of economic growth and the protectionist measures should be restricted to certain cases, which might be discussed and negotiated with other countries. Although from a nation's own point of view, protection may improve its position, it can also lead to a worse outcome for all. Protection can have political disadvantages in a policy of protection.

As an alternative to protection, a country can try to stimulate its export competitiveness by making efforts to improve the productivity and lower the costs of the domestic industries. The hidden subsidies and exchange rate devaluation are examples of indirect measures, but other measures like the funding industrial training plans and educational policies can determine the improvement of the national industry on a long term.

The political aspects of globalization are evidenced when governments create international rules and institutions to deal with issues such as trade, human rights, and the environment. Among the new institutions and rules that have come to fruition as a result of globalization are the World Trade Organization, the Euro currency, the North American Free Trade Agreement, to name a few. Whether a government is to consciously open itself to cross-border links, is the central question of this aspect.

Keywords: globalization, protectionism, investments, control

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A MICROECONOMIC ANALYSIS OF ROMANIAN HOUSING MARKET

Abstract

In the last three years Romanian housing market has boomed, average prices climbing over 300%. A traditional explanation relies on the growing popularity of mortgage finance. Cheaper and less bureaucratic loans have made a house affordable for more households and caused a sharp increase in demand. The inelastic supply and other market imperfections have generated a price bubble. This paper examines three market imperfections that could have facilitated extreme price movements. Firstly there may be a Giffen anomaly in Romanian urban housing market. Secondly, adaptive expectations and a risk-seeker behavior on owner's side could also have fuelled a price bubble. Last but not least, the prices swiftly climbed due to a poor regulated real-estate brokerage sector prone to moral hazard. Here we use a principal-agent model for highlighting the dynamic elements of the relationship between broker and the seller of a house.

Keywords: Giffen goods; risk-seeking behavior; principal-agent model; real estate brokerage; moral hazard

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ABOUT THE MANAGERIAL MODELLING FOR ASSESING VULNERABILITIES OF FINANCIAL SYSTEMS

Abstract

In this paper, we made a review of different analytical approaches to assessing vulnerabilities in the modern financial systems, to review the methodologies used for assessing risks as reflected on and off the balance sheets of financial institutions, to suggest the benefits and limitations of the different approaches and to suggest enhancements that could help strengthen financial system stability assessments. This paper is an introduction to modeling, in particular, the use of financial models to help solve business problems. A model is a representation of some part of 'reality' but in the context of financial modeling the word 'reality' is interpreted very widely. Business problems are frequently concerned with the future and the 'reality' that we seek to model is often a hypothetical state of affairs. In the same way as a set of financial plans elaborated in a budget can be considered as accounting for the future, an identification and representation of the possible effects of future strategies may be regarded as modeling the future. There are two main reasons why organizations find it useful to build financial models. Firstly, business and financial problems are frequently complex and there is a need to focus attention on essential features and to separate these from confusing detail. An intelligently constructed model can assist here because its structure is intended to capture the essential features of an object system whilst being less complex by omitting irrelevant noise. In addition to the simplification available through modeling, there is often the hope that experimentation with the model will assist in locating a solution to the real problem. This is the second reason for the use of financial modeling. In many branches of science repeated experiments can be carried out to test alternative theories or in search of the solution to a problem. It is not possible to do this in many business problems but experimentation can be carried out on a model. This facility linked with the power of the modern computer has led to a dramatic growth in the use of financial modeling by manager, financial analysts and accountants. Often such models are important features of sophisticated computerized decision support system.

Keywords: financial system, managerial modeling, organization

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REFLECTIONS OVER ON-LINE EDUCATION IN OUR GLOBAL AND DYNAMIC CONTEMPORARY SOCIETY

Abstract:

In the context of the development of the informational society and of the knowledge-based economy, the concepts of on-line education and e-learning represents a solution for the elimination or for the improvement of the conservatory educational system's gaps, but also a challenge, as the misunderstanding of the concepts that it brings and their misguided application leads to serious deviations from its purpose. It is implied that the implication of the modern society, that project mainly in the economic area, will reach all the other activities, even education. Despite the conservatory character of education, the importance that electronically stored information is undeniable, as is the immense virtual library of the Internet which offers the possibility of finding data easily, overcoming the old barriers of physical nature. Information technology has known a continuous expansion in terms of the sphere of applicability and use of the informational products, but also in the development of new business opportunities created by the transition to the digital economy, in which the newly generated informational environment is called cyber-space. The analysis of the expansion of Computer Technology has to be regarded both horizontally (as area of expansion) and vertically, to the level of the individual. The current changes in modern society and the evolution of the public opinion and outlook, defined by the generalisation of the Internet-Intranet-Extranet technologies, produce significant changes in the management and understanding of education, which has to be connected with the economic realities. E-learning is a relatively new and insufficiently known “industry”. It means the covering of a set of vast applications and processes, based on computer-aided learning. E-learning implies the distribution of information in an electronic environment (multimedia, Internet, Intranet) and more accurately it is defined as long distance learning. The advantages of this system are the possibility of the student to manage the necessary time for studding and the flexibility of the system that encourage the student's own style of learning. Because of these advantages, nowadays, the conservatory and traditional educational system begins to collapse, making way for computer-aided learning, this is due mainly to low costs, flexibility and ability to leave students to spend their free time as they wish. Knowledge-based society has a globalizing dimension by its nature, which facilitates dialogue at different levels for technical assistance, technological transfers, development of standards and general rules necessary in the new world of open communication. The mutations that appeared in the modern world in all the areas demonstrate that the implementation of new technologies does not represent only the assimilation of some concepts and techniques, but also it states the transition to a new economy, that of the informational society, along with a knowledge revolution. Although, in some specialists' opinions, the new technologies do not restructure the whole context of the socio-economic life, guarding its magic in Silicon Valley, it cannot be denied that the informational society made a spectacular debut, having a major impact over human society. With the increasing importance and volume of information, a wide and fast access to information must be ensured for all the actors of modern society, this implying a new way of

working and understanding. The new vision over the knowledge based society increases the importance of knowledge, information and communication, all these creating the nucleus of humanity's progress. The digital revolution based on these new values has transformed the business and governmental environment, revolutionizing the educational processes and generating new ways of memorizing, storing, and sharing information and data to a global level, causing an irreversible transformation in the social and individual level. The new knowledge- determined society is inclusive, which means that any person, without any kind of discrimination, has the right to create, receive and use information and knowledge, no matter what media it being used and without border restrictions. The new form of social organization is individually-centered, focusing on citizens and communities as creators and beneficiaries of large- scaled dissemination of information. This implies a restructuring of the social organization in the sense of increasing social equity and democracy, mainly by increasing the transparency offered by the wide access to information, resulting in improving the quality of life. The new perspective, the openness of communication, also implies new forms of solidarity and cooperation, together with an increase of the degree of responsibility in using and spreading information.

Keywords: E-learning, Web-Based Training, Internet, information, data, knowledge-based society, education, globalization

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THE ROMANIAN PUBLISHING SYSTEM: A CYBERNETIC APPROACH

Abstract

After the fall of the communist regime Romania faced a brief period of enthusiasm, followed by the shock of the market economy. In the first years after the Revolution of 1989, despite the rigid and non-stimulating legislation, possibilities occurred for business development in the publishing industry. Step by step, private publishing houses, librarians and book store sellers appeared and created a new Romanian publishing system. In accordance with the theory of systems, the Romanian publishing system has to fulfill some basic criteria. It has: to be a complex system; to be an open system; to be a dynamic system.; to contain at least one feedback loop. The Romanian publishing system is a cybernetic system in so far as it has at least one decisional structure. In this respect, the paper demonstrates that this system is a cybernetic one. The demonstration is based on the following key elements: the system analysis; the structure of a publishing house; the relationships among the main publishing actors; the publishing market analysis; the stakeholders analysis; the evolution of the Romanian publishing industry after 1990. The paper argues for an urgent need for establishing a strong Romanian publishing system in a competitive environment.

Keywords: Publishing industry, publishing house, system, cybernetics, Romania

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THE MULTINATIONAL CORPORATIONS IN A KNOWLEDGE-DRIVEN WORLD ECONOMY

Abstract

Since the end of World War II, corporations have increasingly committed themselves to international markets. After the fall of the Berlin Wall, the multinational corporations (MNC) have become key drivers of globalization.

Knowledge and organizational learning in MNC have long attracted the attention of many researchers from different countries. It is well accepted that knowledge has become one of the most valuable asset in today's MNC. Moreover, in a knowledge-driven world economy, many MNC try to implement and develop solutions related to organizational learning. If the learning process is well managed, MNC obtain a substantial competitive advantage.

The aim of this paper is to investigate and discuss the importance of knowledge in MNC. In this respect, the authors assert that today's MNC need to learn continuously in order to become "knowledge-driven entities".

Keywords: Multinational corporation, world economy, knowledge, organizational learning

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DYNAMIC MODEL OF FIRM WITH VARIABLE CAPITAL PRODUCTIVITY

Abstract

The paper puts to the discussion a new dynamic model of firm. The firm has possibility to influence capital productivity by funds allocations. Dynamic system has decision variable – level of extensive (influence dimension of capital) and intensive investments (change the productivity), and state variable capital dimension and productivity. Optimum function means maximize of present dividends on a given time. In paper is presented a simulation of such a system on a concrete case.

Keywords: firm model, dynamic system, logistic function, simulation, capital productivity, Bellmann principle, intensive investments, extensive investments.

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ENTREPRENEURSHIP – THE EDUCATION OF THE FUTURE

Abstract

„The entrepreneur”, said around 1800 the French economist J.B. Say, “ takes the economic resources out of a domain with low productivity and inserts them into a field with high productivity and increased efficiency”. Nonetheless, Say’s definition does not mention who this “entrepreneur” is. As Say invented this term almost 200 years ago, there has been a total confusion in connection with the definitions of the “entrepreneur” and of the “entrepreneurial system”. In the university activity, in the developed countries (especially in Europe), is present a new teaching philosophy – entrepreneurial education – an extension of the teaching and scientific research activities. This theory has come up from the way in which the following problems are fixed: Why is the university environment interested in entrepreneurship? Is the entrepreneurship a new stage of the university conception? Is the university entrepreneurship stimulative and does it support the business environment?

Keywords: entrepreneurship, education entrepreneurial, tradition education

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MEASUREMENT AND MANAGEMENT OF PERFORMANCE USING COSTS

Abstract

In order to achieve the strategic goals of the organization, a system for the performance analysis inside the informational system has become absolutely necessary. Based on a managerial approach, the estimation and the gauging of performance can be realized by using the analysis of a couple of specific cost concepts: external cost, sunk cost and controllable cost. This paper will debate these cost concepts.

Keywords: external cost, value, performance, hidden cost, controllable cost

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ANALYSE MODEL OF THE LENDING RISK AT THE ROMANIAN BANK SYSTEM LEVEL

Abstract

The analyses of the lending risk become the first challenge in risk management at the bank system level. This paper presents some of the representative analyses models of lending risk: based on the Risk Grade indicator, on the Risk Metrics method for volatility calculation and on the Credit Metrics – Risk Calculation model. The paper closed with an application on the analyses of the lending risk in default case.

Key words: risk, lending, management, bank system, risk measurement, portfolio, default

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COMPETITION vs. COOPERATION

Abstract

*The objective of this paper is to look at some of the factors likely to influence the actual process of interaction between them – and the pressures which may exist to lead them to choose competition or cooperation, or some intermediate stage between these extremes, as the pattern for such interaction. Competition is often regarded as a ‘zero-sum’ game, where one party can only benefit at the expense of another (competitor). Collaboration, however, is usually seen as a ‘non-zero-sum’ game, where all parties to the collaboration may gain at least some benefits. The course of competition will depend on the particular combinations of industry structure and competitors in any individual scenario, so it is hard to do more than give some very general guidelines. Some key strategies for competitive interaction are considered below. Surprise is a key means of securing short term advantage. The benefits of collaboration have been recognized for some time. ‘Collaboration between competitors is in fashion’, enthused Hamel, Doz and Prahalad back in 1989. They highlighted the growing importance of competitive collaboration in the form of joint ventures, outsourcing agreements, product licensing and cooperative research. From their study of more than fifteen alliances over five years, they argued that collaboration is competition in a different form. Successful companies are those able to develop their internal skills and technologies whilst recognizing that cooperation has limits and their partners’ objectives may sometimes conflict with their own objectives. Each partner must contribute something distinctive: basic research, product development skills, manufacturing capacity, access to distribution. The aim is to create advantage in relation to companies outside the alliance while preventing a wholesale transfer of core skills to the partner. To develop my understanding of competitive interaction, I turn to game theory, which is concerned with understanding the behavior of players when their fortunes are interdependent. The origins of game theory date back in 1944, when John von Neumann and Oskar Morgenstern published their book, *Theory of Games and Economic Behavior*. They distinguished between two types of games: in the first type, players interact according to specified rules of engagement. Rules might come from, say, contracts or trade agreements. In the second type, players interact without any external constraints. Business can be considered to be a complex mix of both types of games. In the classic Prisoners’ Dilemma game and the Value Net model, the aim is to emphasize the utility of game theory in demonstrating that win-win opportunities exist alongside win-lose situations. The difference that is required is that one organization’s relationship with another can be competitive and co-operative, either at different times or even simultaneously.*

Keywords: competition, cooperation, game theory, organization’s relationship

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SECURITIES SELECTION ON ROMANIA CAPITAL MARKET

Abstract

Romanian capital market is characterized by a small number of securities quoted compared to developed capital markets, thus the benefits of portfolio diversification are difficult to obtain. We examine return and risk of different portfolio made up from securities traded on Bucharest Stock Exchange. Considering market capitalization, the securities were classified in distinct portfolios in order to see their over-performance or under-performance compared to the market portfolio. Securities allocation decision is taken based on risk and return of the entire portfolio; the paper intends to compute the securities optimum weights.

Keywords: Capital market, portfolio return and risk, optimum portfolio, optimum allocation, volatility, diversification

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SHARES' VALUATION ON ROMANIAN CAPITAL MARKET

Abstract

Shares valuation it is a challenge in case of Romanian listed companies on capital market. The lack of informational efficiency of this market is one of the problems. Another one is represented by the lack of the comparables which can be taken as reference in order to value shares by using multiples. Having these restraints, we try to find solutions to improve the valuation technique used to estimate the shares' intrinsic value of the Romanian listed companies on capital market.

Keywords: Capital market, shares valuation, valuation techniques, market efficiency, intrinsic value

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THE EFFICIENT WAGE OF A CORRUPTIBLE AGENT

Abstract

In this paper we focus on determining the optimum wage a principal must pay an agent in presence of corruption. We consider the context of the public sector engaging an agency to check on the level of investment that a private company has performed, in terms of labor protection, in order to apply to the EU standards. In case the agency reports an under-realized level of investment, the company is subject to a fine. On the other hand, a dishonest agent will not report the miss-investment when the company offers him a bribe, increasing his incomes and this way reducing the company's loss. The regulator is unable to check on the agent's honesty (effort) or the company's bribing attempt. We still take into account the possibility that the corruption is revealed, case in which both the agent and the company are going to be severely penalized. Given this context, we try to find the optimum compensation policy the regulator can adopt in order to get the best result from the agent. He could set higher penalties for the agent or company in case of corruption or he could increase the agent's wage, or give him commissions, directly related to the fines he reports on the agency. This case of delegated authority, subject to corruption, is a common practice in the developing countries attempting to apply to the community standards. Romania finds itself in this specific situation, trying to comply with the EU standards, making this topic an interesting point of discussion.

Keywords: principal, regulator, agent, moral hazard, adverse selection, bribe, corruption, effort, compensation, payment, model.

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MERGERS VERSUS TENDER OFFERS.
A VIEW OVER ACQUISITION MARKETS

Abstract

In this article we will develop a model of the acquisition market in which the acquirer has the possibility to choose between two takeover mechanisms: mergers and tender offers. A merger is viewed as a transaction game between the acquiring and target firms; while a tender offer is modeled as an auction in which bidders arrive in a consecutive manner and compete for the target company. At any stage of the bargaining game the acquiring firm can stop the negotiations and make a tender offer. In equilibrium, there is a unique level of synergy gains below which the acquiring company makes only a merger attempt as it expects to lose in the competition resulting from a tender offer. For synergy gains above this level tender offers can occur. In spite of that, to get tender offers, target shareholders must give their managers golden parachutes that give higher payoffs in tender offers than in mergers.

Keywords: mergers, acquisition, market, shareholders

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**THE ASSESSMENT OF THE INVESTMENT PROFITABLENESS REGARDING
THE MODERNIZATION OF THE INFRASTRUCTURE OF THE RAILWAY LINE
COMPONENT PART OF THE IV PAN-EUROPEAN CORRIDOR**

Abstract

Due to its geographical location, Romania represents a crossing area of the main international transport railway lines, linking both the Northern and Southern part of Europe and its Western and Eastern parts. Three of these corridors cross the Romanian territory: Corridor IV, VII and IX. Many countries pay a special attention to Pan-European Corridor IV “ Berlin Nurnberg–Prague-Budapest-Constanta-Istanbul-Thessaloniki”. On the Romanian territory the railway component of Pan-European Corridor IV has as main route Curtici-Arad-Sighisoara-Brasov-Bucuresti-Constanta. The investment analysis, is a specific work for the railway infrastructure, estimates that in the present day economic situation in our country, the investment can be hardly justified from the financially point of view having in view the whole recovery of the investment and operation costs from its own benefits. During the restructuring and the endowing the CFR network with new equipment, having in view the integration into the European network, the main activity is to rehabilitate the railway lines, especially those having high traffic volume and being efficient from economic point of view. The purpose followed by this economic analysis consists in an estimate of the potential level of investment economic efficiency. The study has in view to determin of the proposed investment efficiency, based on cost-benefit analysis brought up to date. In this respect they had in view the following evaluation indicators to evaluate the project efficiency:

The financial analysis of economic return from the microeconomic point of view, the financial viability and the possibility to recover the expenses for investment achievement and exploitation through the Internal Rate of Return (IRR), through Net Benefit Value (NBV) eith a minimum discounting rate (10%), The economic analysis of the objectives, from the point of view of the national economy on the whole, spreads out for many economic sections, respectively Economic Rate of Return (ERR). Other synthetic indicators concerning the railway investments. The technical parameters, after investment achievement, aim to travel with 160km/h speed on some sections of the main railway line, where the improvement of the plan and of the longitudinal geometry of the line can be achieved with minimum investment efforts.

Keywords: investment, cost-benefit analysis, ERR

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THE HOME INSURANCE – THE RISK AND THE UNCERTAINTY

Abstract

Every year the cost of damages caused by floods and earth flow reminds authorities about a controversial motion: mandatory home insurance. It is possible that starting with January 1st, 2006 the house insurance will be mandatory to every householder in Romania. This type of mandatory home insurance was introduced in Turkey after the high magnitude earthquake that occurred in the Izmit Region in August 17-th, 1999. This type of insurance covers the risk of earthquake, floods and earth flow. The project must be developed, approved by the Government and adopted by the Parliament until November 2006. The Romanian National Institute of Statistics tells us that over eight million houses are private properties. Romania is a country where most people own their homes, as opposite to the West where the rent is commonly used. Many westerners frequently use rent or mortgage and become owners after their forties, so they are obligated by the banks to have home insurance. Most home buyers borrow money in the form of a mortgage, and the mortgage lender always requires that the buyer purchase homeowners insurance as a condition of the loan, in order to protect the bank if the home were to be destroyed. Anyone with an insurable interest in the property should be listed on the policy. Also in Romania the increasing number of insured properties are caused by the outgrowing mortgages. In this context, Romania as a market could gain normality, forcedly rising but with good intention the number of insured houses. Insurance in law and economics is a form of risk management primarily used to hedge against the risk of potential financial loss. In this paper I would like to analyze the implication of mandatory home insurance from three points of view: the government, the insurance company and the insured. To highlight the positive and negative points of mandatory home insurance I will use risk models and chaos models. The paper also studies the risk that the insurer will not pay the damages caused by natural catastrophes using the model of risk reserve. I want to study the implication of all the players and the roll of each one in this project. Considering the latest floods in Romania and the fact that only 15% of the houses are insured, a mandatory home insurance is a must.

Key words: Insurance, Mandatory home insurance, Risk, Uncertainty, Mortgage

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THE IMPORTANCE OF BUSINESS SIMULATIONS ON THE DEVELOPMENT OF FUTURES MANAGERS' ABILITIES

Abstract

This paper emphasizes the main advantages of business simulations, focused on the improvement of decision-making processes in the business world. We have conceived and implemented a business simulation, based on the impact of marketing, production, logistics and financial decisions on the each virtual company demand. The simulation promotes a real challenge between participants and the team-building vision. We considered the interactivity a key factor for success and, in this way, the decisions of each virtual company influence the decisions of competitors. In view to facilitate the work of the coordinator and of the teams involved in the business simulation, we realized a software in Delphi environment – support of decision processing, that illustrate the main capabilities of the business simulation.

Key words: business simulation, team-building, decisions processing, indicators relationships modelling

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THE ANALYSIS OF THE ECONOMIC EVALUATION METHODS FOR A MICROECONOMIC SYSTEM

Abstract

This article reviews the main methods used to evaluate an enterprise such as: patrimonial methods, comparison based models, stock exchange evaluation methods in an economy based on risk and uncertainty. The enterprise, as the object of the evaluation, is seen through the main factors that determine its value.

Keywords: Evaluation methods, operational approach, microeconomic system analysis, rentability.

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REASONING THE MEDIUM AND LONG TERM ACTION STRATEGY OF A COMPANY

Abstract

This paper elaborates a stochastic model of decisional analysis to set up medium and long term action strategy for a company addressed as a complex cybernetic system. A great number of factors appear in increasingly complex economic environments in which company actions. These factors' effects can be known or can be not and therefore assessed. The notion of "risk" is associated to the probability of achievement of previously set goals. This association ignores the opposed character of economic processes that are set by objective and subjective components, such as: economic environment, competition, actions of the employees in charge at each attempt to start the decision, cultural customs and limits of adopted methods to carry on economic processes. Following this idea, in complex situations, the manager doesn't select the certain gain strategy, no matter how sure he is of achieving company's targets (goals). The decisional process passes through several phases – defining the problem, defining alternative solutions, assessment of solutions, elaborating a hierarchy of the solutions, selecting a solution (decision), action and solution work out. Consequently, the manager analyses the chances and forecasts either a decreasing of potential gain, or a restriction of losses, taking a risk with regard to company's proposed goals.

Keywords: stochastic model, long term strategy, decisional process

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STUDY CONCERNING THE MARKET POWER AND THE FACTORS WHICH INTERFERE

Abstract

It had been known that not every positive association observed between the firm productivity and the market concentration degree must be interpreted as superior efficiency of the large firms and the market power exercis .In conclusion, the paper presents the essential aspects which can justify that the relation structure-behaviour-result doecn`t conduct directly to a difference between the market power and the superior efficiency. The analysis would be made for firms considered to be in Cournot competition and the ones in Bertrand equilibrium.

Key words: market, market power, market concentration, Cournot competition, Bertrand equilibrium

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CLASSICAL AND NEW APPROACHES OF FINANCIAL CONTAGION

Abstract

Recent crises have led to the view that financial crises can spread across international borders like a contagious disease. Indeed the scope and severity of the recent crises is such, that it has helped crystallize a belief that financial crises, in this new era of globalization, are becoming increasingly more contagious. In the past few years, crises in one region have been followed by crises in countries that are geographically distant, have different economic structures, and do not share significant economic links. Recent crises with these features have raised some questions. What are the channels for the international transmission of area-specific shocks? Are there channels of international transmission that are only active during a crisis? Should international investors and policy makers worry about the rise in correlation during periods of market instability?

Keywords: financial contagion, crises, shock transmission

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PRICE CHANGES UNDER INFORMATIONAL ASYMMETRY CIRCUMSTANCES

Abstract

Models based on the existence of 'menu costs' may lead to asymmetrical price adjustments. Ball and Mankiw showed that the degree of asymmetry of the output response to a monetary shock is positively related to the size of the shock itself. When inflation is 0 there is no asymmetrical response, but this becomes more and more obvious when we encounter a higher rate of inflation.

In the following model of analysis, firms may employ periodical price changes or may use special adjustments as a response to shocks by paying a 'menu cost'. Asymmetry occurs naturally. The inflation trend is positive so positive shocks in relation with the desired prices by firms require higher adjustments than negative shocks of similar size. If a firm wants smaller relative prices, it will not have to pay the 'menu cost' and reduce its prices because this will be a natural result of inflation.

The Ball-Mankiw model on which we focus our analysis is flexible enough and may suit many macro-economical problems.

Keywords: prices, informational asymmetry, Ball_Mankiw model

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DEPENDENT DEFAULTS IN CREDIT PORTFOLIO

Abstract

Credit spreads of different issuers are correlated through time. Two patterns are found in time series of spreads. The first is that spreads vary smoothly with general macro-economic factors in a correlated fashion. This means that firms share a common dependence on the economic environment, which results in cyclical correlation between defaults. The second relates to the jumps in spreads: we observe that these are often common to several firms or even entire markets. This suggests that the sudden large variation in the credit risk of one issuer, which causes a spread jump in the first place, can propagate to other issuers as well. The rationale is that economic distress is contagious and propagates from firm to firm. We present in this paper a dependent default approach on credit risk portfolio modeling.

Keywords: credit risk; structural approach; default risk; default probabilities, dependent default

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STRUCTURAL APPROACH IN CREDIT RISK MODELING

Abstract

Credit risk is the distribution of financial losses due to unexpected changes in the credit quality of a counterparty in a financial agreement. This paper provides a review of the structural approach for modeling credit risk, considering the single firm case based on the Merton (1974) model and first passage models, based on Black and Cox (1976), examining their main characteristics and extensions.

Key words: credit risk; structural approach; default risk; default probabilities