

**SECTION:  
MACROECONOMICS, GROWTH AND ECONOMIC EQUILIBRIUM**

**Ioan Talpoș**

West University of Timișoara, Faculty of Economics, Timișoara, Romania  
ioan.talpos@fse.uvt.ro

**Bogdan Dima**

West University of Timișoara, Faculty of Economics, Timișoara, Romania  
bogdan.dima@fse.uvt.ro, bogdandima2001@yahoo.com

**Mihai Mutașcu**

West University of Timișoara, Faculty of Economics, Timișoara, Romania  
mihai.mutascu@fse.uvt.ro, mmutascu74@yahoo.com

**THE FISCAL POLICY AND THE STABILITY OF THE NOMINAL SECTOR:**

**THE ROMANIAN CASE**

***Abstract:** the fiscal policies in the contemporaneous economic systems heavy influence both the real and nominal sectors. These effects could be located at the primary distribution of the social resources as well as at level their redistribution one.*

*The aims of this paper are: (1) to review the literature of the main conceptual frameworks which link the fiscal policy and the dynamic of real sector, especially on the inflation side (2) to advance an empirical analyze of these link for the Romanian case and (3) to draw some conclusion about desirable framework of the fiscal policy for the current period in the perspective of Romanian access to European Union.*

**Keywords:** impact, inflation, fiscal policy, econometric analyze, fiscal deficit, budgetary sold

**Adrian Victor Badescu**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania.  
adi\_bad@yahoo.com

**Bogdan Sacal**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania.

## STOCHASTIC GROWTH MODELS

**Abstract:** *Stochastic optimal growth involves the study of optimal intertemporal allocation of capital and consumption in an economy where production is subject to random disturbances. The theory traces its roots to the work on deterministic optimal growth by Ramsey, Cass and Koopmans. Its influence has been enhanced by research that shows how the convex stochastic growth model can be decentralized to represent the behavior of consumers and firms in a dynamic competitive equilibrium of a productive economy. This makes the stochastic optimal growth model useful both as a normative exercise and in the development of positive theories of how the economy works. As a consequence, the theory has emerged as one of the central paradigms of dynamic economics.*

*It is based on a simple, yet powerful model that answers fundamental questions that are basic to any theory of dynamic economic behavior:*

- *the characteristics and determinants of optimal policies*
- *the economic incentives that govern the optimal intertemporal allocation of resources*
- *what is the transient and long run behavior of variables in the model*

*Historically, the main focal point of the theory has been issues of aggregate economic growth. At the same time its primary variable, capital, has a flexible interpretation that allows the model and its extensions to represent a wide variety of economic problems ranging from the study of business cycles and asset pricing to the allocation of renewable natural resources. Equally important, the model provides a strong theoretical foundation for applied analysis of these problems.*

**Keywords:** stochastic optimal growth, decentralized stochastic growth model, business cycles

**Anuta Buiga**

Babes – Bolyai University, Cluj – Napoca, Romania

[anutabuiga@yahoo.fr](mailto:anutabuiga@yahoo.fr)

**Andreea Botezatu**

Academy of Economic Studies, Faculty of Finance, Insurance, Banking and Stock Exchange,  
Bucharest, Romania

[andreeabotezatu@gmail.com](mailto:andreeabotezatu@gmail.com)

## GROUPS AND COMMON PATTERNS OF EUROPEAN COUNTRIES

***Abstract:** Our goal was to realize a plausible statistical analysis of EU-25 member states, identifying common patterns and also differences concerning main economic indicators, establishing which are the indicators' limits so that a certain country can be considered as being part of a certain cluster. The paper is in fact a case study on real data concerning European States published by EUROSTAT and we performed cluster analysis by using both hierarchical and k-means clustering. As Romania is on its way for becoming a EU member, it also represented a matter of analysis, for pointing out its position relative to the other EU old and new Member States and also relative to Bulgaria. Through the paper we underlined the differences registered when using two different types of hierarchical clustering methods: Ward's method and Single Linkage, and we made use of Euclidian distances.*

**Keywords:** Clusters and Cluster Analysis, Economic Indicators, Member States, Ward's method, Single Linkage

**Bogdan Dima**

West University of Timișoara, Faculty of Economics, Timișoara, Romania  
bogdan.dima@fse.uvt.ro

**Flavia Barna**

West University of Timișoara, Faculty of Economics, Timișoara, Romania  
flavia.barna@fse.uvt.ro

**Miruna Lucia Nachescu**

West University of Timișoara, Faculty of Economics, Timișoara, Romania

**MACROECONOMIC DETERMINANTS OF THE INVESTMENT FUNDS MARKET.  
THE ROMANIAN CASE**

***Abstract:** The evolution of the investment funds market is influenced by a number of factors that have a more or less significant impact upon the trend this market follows. The implementing of stimulating policies in what concerns the development of the investment funds market, strictly connected to the development of the national economy, implies both the awareness of these factors existence as well as the need of evaluating the impact they have. The purpose of the present paper is to identify and quantify the impact of the macroeconomic variables, such as the inflation rate, interest rate or exchange rate, upon the evolution of the investment funds market in Romania.*

**Keywords:** investment fund market, VEC model, Johansen test

**Sabin Dobrogeanu**

Academy of Economic Studies, Bucharest, Romania

[dobrogeanusabin@yahoo.com](mailto:dobrogeanusabin@yahoo.com)

**Ana-Maria Zamfir**

Academy of Economic Studies, Bucharest, Romania

[anamaria\\_zamfir@yahoo.com](mailto:anamaria_zamfir@yahoo.com)

## **OPTIMUM CURRENCY AREA THEORY ANALYSIS OF EUROPEAN MONETARY INTEGRATION**

**Abstract:** *As part of the December 1991 Maastricht Treaty on European Union, the European Economic Commission outlined a plan to achieve the creation of a single European currency starting in 1999. Despite concerns, starting January 1, 1999, the new common currency – Euro – came into existence, the exchange rates of countries entering the monetary union were fixed permanently to the Euro, the European Central Bank took over monetary policy from the individual national central banks, and the governments of the member countries began to issue debt in Euros. In early 2002, Euro notes and coins began to circulate and by June 2002, the old national currencies were phased out completely, so that only Euros could be used in the member countries. We try to present in this study both advocates and sceptics point of view about monetary union. Advocates of monetary union point out the advantages that the single currency has in eliminating the transaction costs incurred in exchanging one currency for another. In addition, the use of a single currency may promote further integration of the European economies and enhance competition. Sceptics who think that monetary union may be bad for Europe suggest that because labour will not be very mobile across national boundaries and because fiscal transfers for better performing regions to worse performing regions. We also presented a short survey of empirical studies on the OCA theory in connection with the European Monetary Union and Romania. However, just being closely linked to each other through trade and capital flows is not enough reason to adopt a common currency. We can think of this as being a necessary condition but not a sufficient condition for monetary union: we need to dig deeper into the economic analysis of Optimal Currency Areas.*

**Keywords:** Optimum Currency Area Theory, European Monetary Union, Maastricht Treat Criteria, Central Banking.

**Ana-Maria Zamfir**

Academy of Economic Studies, Bucharest, Romania

[anamaria\\_zamfir@yahoo.com](mailto:anamaria_zamfir@yahoo.com)

**Sabin Dobrogeanu**

Academy of Economic Studies, Bucharest, Romania

[dobrogeanusabin@yahoo.com](mailto:dobrogeanusabin@yahoo.com)

## THE CENTRAL BANK'S OBJECTIVES – MONETARY POLICY SIGNALLING ANALYSIS

**Abstract:** *In this paper we analyse the use of announcements of objectives or intentions, announcements which are common in implementation of monetary policy. To analyse such announcements, this paper uses a model in which there is asymmetric information over the central bank's objectives. This uncertainty is represented by a stochastic inflation target, upon which only the central bank can condition its actions. Thus, the scope is set for signalling, and the use of announcements can be seen as a way for a central bank to signal its type. This paper assumes that a central bank can signal at its own discretion and shows that while central banks with high inflation targets never use announcements, central banks with low inflation targets occasionally, but not always, will choose to reveal their private information through an announcement. Signalling will be assumed to be discretionary, and this paper studies if and when a central bank will make announcements. It will be shown that weak central banks will never make announcements whereas tough central banks sometimes, but not always, will resolve the informational asymmetry through an announcement. A first finding is that, contrary to what a cheap-talk equilibrium suggests, the announcements may be more precise the larger the central bank's news. Moreover, this paper shows that the frequency of announcements is unambiguously increasing in the magnitude of the central bank's news, something that goes well in line with what is typically found in actual implementation of monetary policy.*

**Keywords:** Asymmetric Information, Central Bank, Inflation Targets, Signalling.

**Monica Dudian**

Academy of Economic Studies, Bucharest, Romania

**Mihaela Hrisanta Dobre**

Academy of Economic Studies, Bucharest, Romania

**Răzvan Bărbulescu**

Academy of Economic Studies, Bucharest, Romania

**Delia Țâțu**

Academy of Economic Studies, Bucharest, Romania

## **AN APPLICATION OF THE THEORY OF CONTRACTS ON LABOR MARKET**

***Abstract:** In the labor market the firm can play the part of the insurer for its employees. Thus, having a favorable economic juncture it will take insurance premiums from the employees and instead of these will maintain the wage at the same level no matter the economic situation. In this case we can talk about an optimal contract. This assumes a constant wage  $w$  no matter the state of nature. The firm will give to the employees a complete insurance given the fluctuations that take place in the economy.*

*The more favorable the economic juncture, the greater the employment level will be. In a market with perfect competition, the level of employment is characterized by productive efficiency since real wage equals labor marginal productivity. Within this type of contract we can not talk about productive efficiency since the wage is less than labor productivity.*

*The optimal contract describes a situation similar to that of insurance contracts. The employees would rather pay an amount of money to the firm in exchange for a constant wage no matter the economic juncture.*

*Unlike competing background, the theory of contracts is characterized by: more stable, the level of employment is sub-optimal since the wage is less than labor marginal productivity, the goal of insurance against risk and the goal of efficiency in production are totally opposed and this opposition explains wages rigidity and involuntary unemployment.*

**Keywords:** labor market, optimal contracts, the <droit a gerer> model

**Alexandra Horobet**

Academy of Economic Studies, International Economic Relations, Bucharest, Romania  
alexandra.horobet@gmail.com

**Radu Lupu**

Academy of Economic Studies, International Economic Relations, Bucharest, Romania  
ralupu@gmail.com

**Dan Dumitrescu**

Academy of Economic Studies, International Economic Relations, Bucharest, Romania  
dandumi@ase.ro

**Alina Chiciudean**

Academy of Economic Studies, International Economic Relations, Bucharest, Romania  
alina.chiciudean@gmail.com

**TRANSMISSION OF STOCK MARKET VOLATILITY IN THE  
CENTRAL AND EASTERN EUROPE**

***Abstract:** The emerging markets from Eastern Europe have been, in recent years, object of research on contagion effects, specifically as related to the Russian crisis in 1998, but the attention toward them was more focused on their integration with the larger European capital market. The objective of our paper is to calibrate a MGARCH model for the evolution of the Eastern Europe stock indices in order to find details about the transmission of equity returns and volatilities among these countries' capital markets. We use data for the period September 2001 – September 2006, as weekly changes in stock market indices from the following Eastern European countries: Romania, Hungary, Czech Republic, Poland, Turkey and Russia, measured in US dollar terms. We use a conditional expected return system of equations so that each market's index returns are dependent on the lagged returns of the other market, and the BEKK model, which allows for the conditional variances and covariances of the stock markets to influence each other. The estimation of the model's parameters provides us with interesting information about the relations among the capital markets in the Central and Eastern Europe.*

**Keywords:** emerging markets, Eastern Europe, contagion, multivariate GARCH



**Ioana Teodora Meşter**

University of Oradea, Faculty of Economics, Oradea, ROMANIA

imester@uoradea.ro

## **THE DESCRIPTIVE ANALYSIS OF THE BUSINESS CYCLE**

**Abstract:** *If the more or less regulate moves of the macroeconomic variables are accepted by the economists as a reality, the problem of the measurement of the aggregate level of the economy in direct link with these fluctuations is much more difficult due to the numerous variables implied.*

*The way these variables move in time is very different from a situation to another. While some variables have already reached their maximum level, others are on the descendent slope. This is the reason why the measurement problem of the aggregate level of the macroeconomic activity deserves our attention.*

*The answer to this question is important once from the theoretical point of view, and second, due to its practical utility.*

*Depending on the result of the measurement process, the authorities are able to conduct their economic policies. More precisely, the monetary or fiscal authority will act differently if the economy is in recession or in expansion.*

*These are the reasons for which a very important phase in the study of the cycle is its descriptive analysis, which is realized by focusing on certain aspects, such as:*

- *The length and magnitude*
- *The correlation of the economic variables with the reference series*
- *The study of the cyclical indicators*
- *The analysis of the relative variability of economic series*
- *The diagnose and prevision based on the cyclical indicators*

**Keywords:** economic fluctuations, business cycle, economic policy, macroeconomic dynamics, economic indicators.

**Ioana Teodora Meşter**

University of Oradea, Faculty of Economics, Oradea, ROMANIA  
imester@uoradea.ro

## **THE MODELING OF THE ECONOMIC FLUCTUATIONS FROM THE POLITICAL BUSINESS CYCLE PERSPECTIVE**

**Abstract:** *The whole history shows that the force of a government and its capacity to keep the electorate's confidence in a certain period of time depends on the success of its economic policy. These words of Harrod Wilson, prime minister of Great Britain are the essence of the political business cycle.*

*The premise of this theory is that the electors, from their perspective of utility function maximizers, tend to feel themselves satisfied regarding the government's conscription, when the revenue rises and the unemployment is low. The idea is that the government will try to manipulate the evolution of the business cycle so that the maximum efficiency is achieved exactly before the general elections. This way, the government has all the chances to be reelected.*

*This reasoning can be led further more, by emphasizing the effects of such a behavior has no positive effects on the economy, once because it leads to undesired fluctuations, and twice, as the economy doesn't function efficiently, it is restricted and limited by imposing politics that lead to the reelection of the government.*

*The purpose of this paper is to analyze in a mathematical model the effects of such a behavior of the government.*

**Keywords:** economic fluctuations, business cycle, political cycle, economic policy, macroeconomic dynamics

**Elena Pădurean**  
CCFM Victor Slavescu

**Ionel Leonida**  
CCFM Victor Slavescu

## **A YEAR FROM THE IMPLEMENTATION OF DIRECT INFLATION TARGETING STRATEGY**

***Abstract:** The present paper overtakes the evolution of the new operational framework of the monetary policy – inflation targeting – adopted by the National Bank of Romania in August 2005, starting with the first conditions of the monetary policy and continuing with its performances assessment, underlining the positive and the negative aspects characteristic to a change in strategy at the monetary policy level. The inflation targeting strategy put a special accent on the monetary policy transmission mechanism as the monetary policy decision concern the whole economy and especially the prices level. Taking into consideration that the transmission mechanism is characterized by long, variable delays and even uncertain feedback, it must be accepted the difficulty of a precise prediction for the effects of the monetary policy measures.*

*While the National Bank has succeeded to adopt relatively fast the tools to the new inflation targeting strategy, the other indirect responsible institutions haven't adapted policies, so existing contradictions between the macroeconomic policies mix reflected by the overtaking of the inflation level established by BNR for the end of 2005 and the beginning of 2006.*

**Keywords:** inflation, monetary policy, inflation targeting strategy

**Marilen Pirtea**

West University of Timisoara, Faculty of Economics, Romania  
marilen.pirtea@fse.uvt.ro

**Marius Miloş**

West University of Timisoara, Faculty of Economics, Romania

## **FISCAL REFORMS (PLAIN INCOME TAX RATE) IN THE CONTEXT OF FISCAL HARMONIZATION AND COMPETITION IN THE EU COUNTRIES.**

***Abstract:** The flat-tax is one of the main topics of discussion in the new EU member states and there are serious demands of tax-reductions all over Europe.*

*The Baltic countries have first introduced the flat-tax. In 1994, Estonia became the first country in Europe to introduce a so-called “flat tax”. This fiscal policy turned out to be benefic even though the established tax-rate was pretty high (26%). Once this policy was adopted, results like higher foreign direct investments or a general growth of the economy were to be noticed. Studies reveal the fact that the Baltic countries which adopted the flat-tax became definitely more attractive to investors.*

*Mathematically, in those countries in the analysed period, direct foreign investments turned to be in average three times higher than in the other new member states which have more or less the same level of economical development. Not only the new member states got benefits from the fiscal policies but also other Eastern countries which use the flat-tax. Consequently, in the analysed period, Russia had a growth of the direct foreign investments of 9 billions \$ and Romania seems to collect the benefits of this fiscal policy starting with 2006. The same remarks apply considering the evolution of the GDP. Baltic countries had a faster growth of the economy in comparison to Hungary, Check Republic, Poland.*

*However, there is still a debate on the disadvantages of the flat-tax. The main problem seems to be the ability of the states which use the flat-tax to collect the necessary fiscal revenues and to have enough revenues as % in the GDP.*

**Keywords:** fiscal reforms, plain income tax, fiscal competition

**Ioan Talpoș**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania  
ioan.talpos@fse.uvt.ro

**Cosmin Enache**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania

**ECONOMETRIC TESTING OF PUBLIC DEBT SUSTAINABILITY:  
THE CASE OF ROMANIA**

***Abstract:** This paper intends to present how it could be tested the sustainability of public debt. The proposed methodology is regarding some stationarity tests for the first order difference of public debt stock and some tests of co-integration for first order differences of total public expenditures (including the interest for public debt) and total public revenues. The empirical evidence for this methodology was realized on the case of Romania, using datasets from 2000-2006 period of time.*

**Keywords:** public debt, sustainability

**Georgeta Vidican**

International Development Group, Department of Urban Studies and Planning, MIT – U.S.A.  
[gvidican@MIT.EDU](mailto:gvidican@MIT.EDU)

**Anamaria Aldea**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania.  
anamaria\_aldea@yahoo.com

**Daniela Marinescu**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania

**PRODUCTIVITY GROWTH IN AGRICULTURE: EVIDENCE FROM ROMANIA**

***Abstract:** The agricultural sector has always been an important component of the Romanian economy. Currently, agriculture accounts for as much as 13 percent of the gross domestic product (GDP), almost half of overall employment, and 40% of the land in agricultural use. However, the overall productivity of Romanian agriculture remains low compared to that of the European Union (EU) members. The poor performance of agriculture is most clearly evidenced by much lower standards of living in rural areas compared to urban areas; the largest concentration of absolute poverty, illiteracy, and infant mortality is found in the countryside (UNDP 2005).*

*There is considerable consensus on the fact that an effective economic development strategy depends critically on promoting development and output growth in the agricultural sector (Johnston and Mellor 1961; Hayami and Ruttan 1985). Hence, attention to productivity gains arising from a more efficient use of existing technology is justified.*

*The purpose of this paper is to measure the relative efficiency of Romanian agriculture and to analyze factors that influence the level of agricultural efficiency. We make use of data drawn from the National Institute of Statistics during 1990-2005.*

**Keywords:** Romanian agriculture, efficiency, productivity, production frontier, performance

**Camelia Baltaretu**  
CS,CCFM Victor Slavescu  
cbaltaretu@yahoo.com

## **THE ANALYSES OF THE POTENTIAL GDP**

**Abstract:** *This paper reviews some methods that can be used for estimating potential GDP. Measure of potential output and output gap play a important role in macroeconomic analyses. Determination of Potential GDP allows to identify the permanent shocks that can modify the potential output. Knowing the nature of this shocks has a major role in policy mix*

**Keywords:** methods for estimating GDP, measuring potential output

**Camelia Baltaretu**  
CS,CCFM Victor Slavescu  
cbaltaretu@yahoo.com

**Adina Criste**  
CS,CCFM Victor Slavescu

**SOME ASPECTS OF ECONOMIC GROWTH FOR ROMANIA  
BETWEEN 2000S AND 2006S**

***Abstract:** This paper presents some aspects of economic growth for Romania in the last six years. A special attention is given to GDP - the real growth rate as a major indicator of economic growth, to inflation and to budgetary deficit as a percentage of GDP.*

**Keywords:** GDP, economic growth, budgetary deficit



**Monica Dudian**

Academy of Economic Studies, Bucharest, Faculty of Economics, Romania

**Mihaela Hrisanta Dobre**

Academy of Economic Studies, Bucharest, Faculty of Economics, Romania

## **CORPORATE RATING IN ROMANIA FROM THE EU ACCESSION PERSPECTIVE**

***Abstract:** The implementation of Basel II Agreement together with the EU accession implies the use of risk rating on the Romanian financial market.*

*It's logical presuming that the rating market will develop beginning next year even though in 2006 the legal framework for the activity of rating agencies does not even exist.*

*Our paper offers an overview of the rating market in Romania over the years 2007-2008 that is based on the theoretical and practical experience gathered in the EU and the USA.*

*The paper focuses on the place and the role of the rating agencies, on the responsibilities of the Regulation Authorities and on the necessary norms for the good functioning of the market, taking into consideration the type of financial instruments used in Romania.*

**Keywords:** risk rating, rating agencies, financial instruments

**Alexandrina Duta**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania  
[alexandrina.duta@fse.uvt.ro](mailto:alexandrina.duta@fse.uvt.ro)

**Adina Popovici**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania  
[adina.popovici@fse.uvt.ro](mailto:adina.popovici@fse.uvt.ro)

## **THE DYNAMICS OF SECTORIAL STRUCTURES AND ECONOMIC GROWTH**

***Abstract:** The starting point in approaching the theme we propose is represented by defining economic growth from the perspective of its effects, the increase of the final product or national revenue, per total and per inhabitant, as a premise of economic development and welfare increase.*

*The paper aims to highlight the significant aspects of the relationship between sectorial structures changes and productivity dynamics, in the primary sector and in the secondary one, sectors which belong to material production.*

*The level of economic activity results and the dynamics of the weight of these sectors conditions, at least partially, tertiary sector development, as an expression of productive system efficiency, reflected in economic growth.*

**Keywords:** sectorial structures, economic growth, productivity dynamics, primary sector, secondary sector, tertiary sector

**Alexandrina Duta**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania  
[alexandrina.duta@fse.uvt.ro](mailto:alexandrina.duta@fse.uvt.ro)

**Adina Popovici**

West University of Timisoara, Faculty of Economic Sciences, Timisoara, Romania  
[adina.popovici@fse.uvt.ro](mailto:adina.popovici@fse.uvt.ro)

## CONCEPTUAL DELIMITATIONS REGARDING THE VARIABLES OF ECONOMIC GROWTH MODELS

**Abstract:** *The elaboration of economic growth models is part of the traditional approach of scientific research which uses the succession: data – relations – models.*

*In this context, the importance of the conceptual delimitations regarding economic growth and the significances of this process from the perspective of its determinant factors, of its effects, of measurement possibilities, of peculiarities derived from the specific of national economy potential, but also of the limitations due to internal or external factors becomes obvious.*

*The rigour of conceptual delimitations allows, on one hand, the identification of the most significant variables, and, on the other hand, the highlight of some correlations that may represent the expression of an economic growth model meant to turn to good account national economy potential and, in the same time, to assure the competitiveness on the level of external economic relations.*

**Keywords:** conceptual delimitations, variables of economic growth models, national economy potential

**Corina Ioanăș**

Academy of Economic Studies, Bucharest  
[corina\\_ioanas@yahoo.com](mailto:corina_ioanas@yahoo.com)

**Adriana Florina Popescu**

Academy of Economic Studies, Bucharest  
[adriana.fp@gmail.com](mailto:adriana.fp@gmail.com)

**Mihaela Botea**

Academy of Economic Studies, Bucharest

**CURRENT CHANGES IN THE INTERNATIONAL BUSSINESS ENVIRONMENT**

***Abstract:** Harmonization of national systems is caused by four fundamental forms of capital movement throughout the global economy: 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 globalized 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 which brought to the increase of the foreign direct investments reffer to the desire to supply the foreign markets or to exploite 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 specialisation. The centralised 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 centralisation has been facilitated by the development of worldwide informatics and telecommunications links.*

*Developments in international capital markets have provided an environment favourable to foreign direct investments. Globalisation 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 protectionist measures may be implemented by the government, 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 unfavourable 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 specialisation, 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:** Harmonization of national systems, globalisation,

**Elisabeta Jaba**

Universitatea Al.I. Cuza, Iasi, Romania  
ejaba@uaic.ro

**Carmen Pintilescu**

Universitatea Al.I. Cuza, Iasi, Romania  
carmen.pintilescu@uaic.ro

**Corneliu Iatu**

Universitatea Al.I. Cuza, Iasi, Romania  
ciatu@uaic.ro

## **PREVISION MODEL OF THE DYNAMICS OF OCCUPATION RATE**

**Abstract:** *The occupation rate of the population expresses synthetically and, in the same time, influences the state and the dynamics of the economy and the life conditions of a population. The evaluation and the analysis of the dimension of this measure present a special importance for the work out of development strategy. In the direction of such a hypotheses, the authors of the study have identified a prevision model of population's occupation rate.*

*The study begins with the evaluation, through the indices of the dynamics, of the evolution of occupation rate and their influence factors. Next, we realised the identification of the groups according to the dynamics of the occupation rate, with principal component analysis, but also the selection of the independents variable, using the discriminant analysis.*

*Finally, we estimate the parameters of a model of prevision of the dynamics of occupation rate. The model of prevision can be used for the simulation of different variantes of prevision, which can be taken into account for the foundation of the economic development strategies.*

**Keywords:** occupation rate, prevision model, principals component analysis, discriminant analysis, economic development strategy

**Ramona- Mihaela Păun**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania  
rpaun26@yahoo.com

**Alexandru Nemptisor,**

Academy of Economic Studies, Faculty of Economic Cybernetics, Statistics and Informatics,  
Bucharest, Romania

## **FDI IN ROMANIA AND ITS IMPACT ON REGIONAL AND NATIONAL ECONOMIC GROWTH**

***Abstract:** In this paper we try to asses the impact on foreign capital on both regional and national growth and see wether it did indeed determine a positive impact or rather affected in a negative matter the already existing companies. For this study we employ the Mankiw-Romer-Weill model and use data covering the years 1995-2005.*

**Keywords:** Solow model, Mankiw-Romer-Weill model, FDI, economic growth, regional economic growth

**Vasilie Bogdan**

“G. Barițiu” University, Brașov, Romania

**Ioan Eugen Țigănescu**

Academy of Economic Studies Bucharest, Romania

## STATISTICAL MEASUREMENT OF CONCENTRATION PROCESS

### **Abstract**

*A democratic society and a liberal market can confront with different tendency like the deepening income distribution, polarization and concentration of them, with contradictory political, economic and social consequences. Contradictory because some of the concentration processes are beneficent, as is the case of scale production which assure an efficient utilization of production factors.*

*But, some of concentration processes are noxious for optimal operation of social and economic systems; among these we mentions:*

- *Excessive concentration of financial power of the monopolies with all negative consequences on economic, social and political life.*
- *Deepening the asymmetry of households income distribution and the gap between*

*poor and rich population which can generate social tensions.*

- *Excessive concentration of heavy industry production with great impact on ecological equilibrium, on social and economic territorial development.*

*Such detrimental processes ought to be searched through adequate scientific tools. The above mentioned phenomena are specific to present day Romanian society which unfortunately is still in a transition period. On the other hand, theoretical and empirical approach of the concentration processes are quite recent in Romania because the lack of interest for the subject in the former very centralized economic system. This is the reason why the most of recent scientific researches have not enough coherence.*

*In this paper we intend to compare the classical statistical methods used in our country with some new approach of the Gini concentration coefficient which is accepted as the main indicator used in this field. It is known that in all reports on human development elaborated under United Nations Program for Development Aegis, Gini coefficient is invariably used as a measure of concentration process of population income and human development index (HDI). We have also discussed some directions of systemic approach of the subject.*

**Keywords:** concentration process, Gini concentration coefficient, human development index



**Monica Mihaela ROMAN, PhD Professor**  
Academy of Economic Studies Bucharest  
mroman@ase.ro

## **REGIONAL DISPARITIES IN TIME USE IN ROMANIA**

### **Abstract**

*Recent theoretical and empirical studies tend to highlight the prominent role that time plays in society, in a context of changing rhythms of work, the ageing of the European population and changing family structures. In this contribution we shall analyse the way time is used for leisure in Romania and situate it in the European context. We highlight the time use for creative and leisure activities in respect with the main demographical categories: age groups and gender. We use the factor analysis to observe the differences existing in time use for leisure between eight Romanian regions and we also identify the factors that cause these differences. There are some specific patterns in time use in Romania. The most important category of free time is dedicated to mass media 65%: watching TV, reading and listening to radio. The persons who lived in Bucharest spend the most time on mass media activities, 3.8 hours, while in the NE region the time spent on these activities is 2.6 hours, which is less with 51%. In Romania, elderly spend less time for leisure than other age groups and more than that, elderly spend less time for leisure than other Europeans at the same age. The large disparities appear between rural and urban areas and are worth to be discussed in the paper, since more than 60% from Romanian elderly are living in rural area.*

**Keywords:** time use, disparities, regions, model

**Mihai Roman Phd. Professor**

Academy of Economic Studies

romanm@ase.ro

**Hanzi-Georg Faghiura Phd. Student**

Germany

## **INTERNATIONAL CAPITAL FLOW INFLUENCE ON ECONOMIC GROWTH**

### **Abstract**

*A lot of factors, like domestic and foreign investments, labour quality, saving and wealth, public deficit and exchange rate influence usually economic growth. In this paper we build a macroeconometric model to determine the main factors that influence budgetary deficit and inflation. Also, we try to explain that foreign investments has a discipline effect on government fiscal policy. Main findings from our model shows that budgetary deficit was influenced especially by inflation and government changes, and inflation was influenced by financial openness. Foreign investments has no significant influence on fiscal government discipline.*

**Keywords:** foreign investments, growth, inflation, deficit

**Mihai ROMAN Phd. Professor**  
**Academy of Economic Studies**  
**romanm@ase.ro**

**USING MONETARY OR FISCAL POLICY TO INCREASE ECONOMIC GROWTH IN  
ROMANIA?**

**Abstract**

*There are a long debate in the literature between adepts of fiscal policies and those of monetary policies that can influence beter economic growth. This paper analyse three alternative scenarios for an open economy. Our models analyze monetary and fiscal policies used in last 15 years in Romania to see wich one is most efficient. Main results derived from models shows that monetary policies are more efficient than fiscal policy.*

**Keywords:** fiscal policy, monetary policy, growth, model, scenarios