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Indexed and/or Abstracted in:
EBSCO; EconLit; Index Copernicus; RePec

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The ROMANIAN ECONOMIC AND BUSINESS REVIEW (REBE) is a refereed journal published four times annually by the Romanian-American University. The editors invite submissions of articles that deal with important issues in economy and business. Papers that focus on specific phenomena and events affecting Romanian economy are particularly encouraged. Because REBE seeks a broad audience, papers should be comprehensible beyond narrow disciplinary bounds.

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Subscription rates:
Institutions - \$100/year
Individuals - \$30/year

ROMANIAN ECONOMIC AND BUSINESS REVIEW

SUMMER 2012

VOLUME 7

NUMBER 2



ISSN 1842 – 2497

ROMANIAN ECONOMIC AND BUSINESS REVIEW

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THE JESUITS: FROM MARKETS TO MARXISM; FROM PROPERTY PROTECTION TO SOCIAL PROGRESSIVISM

Chris Fleming,
David Rigamer and
Walter Block*

Abstract

At the inception of the Jesuit order in the 16th century, they played an important role (along with the Dominicans) in the formation of the School of Salamanca. The economic philosophy undergirding this institution was far more radically free enterprise oriented than even Smith (1776). Yet, in the modern world, the Jesuits are not at all associated with economic freedom. Rather, if there is any philosophy informing their views it is liberation theology, an amalgamation of the non atheistic aspects of Marxism, combined with a more traditional Catholicism. The present paper is an attempt to trace this virtually 180 degree reversal of field and to understand it.

Key words: Liberation theology, Marxism, socialism, Catholicism, Jesuits

JEL Classification: B1, Z12

There has been a remarkable change in economic philosophy of the Jesuit Order. Early scholars in this tradition were firm supporters of free markets and limited government control of the economy. Their counterparts in the modern era have switched to supporting liberation theology which uses government control to fix the “errors” of the market in a Marxian fashion. The burden of the present paper is to provide an economic analysis of this paradoxical situation so as to help understand it. But first one must start from the beginning.

Background

Let us begin with an understanding of the Jesuits. The Society of Jesus was founded in 1534 by St. Ignatius de Loyola. It has become one of the largest Catholic religious orders. In addition to standard Catholic doctrine, the Society of Jesus is known globally for its specialization in higher education, social justice, and human rights (Brodrick, 1940). Many Jesuits teach liberation theology, a Marxian social justice theory, despite controversy amongst the religious. The papal encyclicals,

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which are written by committees but appear over the name of the pope in office when released, bounce back and forth between mildly denouncing socialism to promoting socialist policy.¹ These encyclicals are guidelines for Catholics, yet the committees writing them often disagree on correct teaching. They become stuck between what “feels right” morally, and what will actually promote the change they seek. While this may seem like it promotes a disconnect between economics and morality, it merely points out that most economic legislation does not create the desired effects legislators were seeking. Often it can produce the exact opposite (Hazlitt, 1962). Thus, the tension between economics and morality stems from a failure to understand economics and the underlying causes of problems before trying to offer a solution that will produce the desired moral outcome.

As scholastics, the Jesuits were established at what was perhaps the most prestigious university in philosophy and ethics at the time of their inception, Salamanca. Named for the city in Spain in which it is housed, this school comprised some of the most brilliant minds of the day, and developed economic theories about inherent value, just price, and usury (Grice-Hutchinson, 1952). This school was inspired by the works of St. Thomas Aquinas in the thirteenth century. The Scholastics were extremely free market oriented (Chafuen, 2003). They based their analysis on an understanding of scarcity and the institution of trade. Catholic theories supportive of markets and free enterprise valuation appear as early as the thirteenth century and become refined through the School of Salamanca in the sixteenth.

While economics was not yet a defined discipline, the studies of these early scholastics at the School of Salamanca are the foundation of free market economy (Huerta de Soto, 1996, Rockwell, 2009) and the precursor to the Austrian School of economic thought.² While it may seem like a big jump from Spain to Austria, this is an important part of the historical context. The sixteenth century is often referred to as the Spanish Golden Age because Spain controlled essentially all of continental Europe apart from France. The Spanish Emperor, Charles V, sent his brother, Ferdinand I, to rule over the “eastern part of the empire,” which is the etymology of the word “Austria.” Hence, the teachings of the school of Salamanca eventually found their way into the hands of Menger, Hayek, and Mises, where this free market theory was revitalized (Huerta de Soto, 2008).

¹These encyclicals deal with political economy: Leo XIII, "Rerum Novarum" (Vatican City, May 15, 1891). Pius XI, "Quadragesimo Anno" (Vatican City, May 15, 1931). John XXI, "Mater et Magistra" (Vatican City, May 15, 1961). John XXI, "Pacem in Terris" (Vatican City, April 11, 1963). Paul VI, "Populorum Progressio" (Vatican City, March 26, 1967). Paul VI, "Octogesima Adveniens" (Vatican City, May 14, 1971). Paul VI, "Evangelii Nuntiandi" (Vatican City, Dec. 8, 1975). John Paul II, "Laborem Exercens" (Vatican City, Sept. 14, 1981). John Paul II, "Sollicitudo rei Socialis" (Vatican City, Dec. 30, 1987). John Paul II, "Centesimus Annus" (Vatican City, May 1, 1991).

²The Austrian School of economic thought stresses praxeology, individual preferences and subjectivity within self-regulated market-based exchange. The school's view on time-preference and interest rates within its business cycle theory explained the Great Depression, as well as the current financial decline (Woods, 2008). The name "Austrian," is derived from the heritage of its early developers Carl Menger, Eugen von Böhm-Bawerk and Ludwig von Mises. See on this Humphreys, 2007; Rockwell, 1995;

This is where the logical contradiction of the historical setting fits in. If the Jesuits were scholars at the School of Salamanca, a predominately free market school that was the predecessor to the Austrian School (Woods, 2005; Huerta de Soto, 1996, 2008; Chafuen, 2003; Grice-Hutchinson, 1952), then how do modern Jesuits wind up supporting, promulgating and teaching liberation theology, a form of Marxism without the atheism? It of course cannot be maintained that the Catholic Church is a homogeneous monolith. There are of course ideological and philosophical and even theological differences within it. These give rise to debates, disagreements, the firing of professors on theological grounds,³ even potential schisms. For example, several popes have attempted to rein in the most extreme versions of liberation theology.⁴ However, neither can it be denied that as an empirical generalization, social justice, liberation theology, concern for the poor and downtrodden as a result of capitalism, suspicion of the free enterprise system, are still widespread within this religious community. This is at *great* variance from the views of the School of Salamanca. Enquiring minds need to explore this almost 180 degree transition.

Analytics

We begin by moving from the earliest economic thought, down the path that leads to Marx's philosophy. The spread of knowledge from Salamanca at this time was not as powerful one might think, despite the fact that this school of thought is now very popular in Austrian quarters. Rather, the big news in the sixteenth century comes when Martin Luther posted his grievances on the door of a church in Germany. The protestant reformation stole the School of Salamanca's thunder⁵ in this respect; this is an important part of the explanation as to why many (virtually all) economics textbooks skip the School of Salamanca, and, indeed, everything else of significance before Adam Smith (1776) when referencing economic thought (De Roover, 1955). A deeper look into the history of economic thought will reveal that:

“Much of what these sixteenth-century Catholic thinkers taught in the economic realm revealed a considerable understanding of and appreciation for the functioning of the market, including the role of entrepreneurship, the nature of exchange, and the justice of prices and wages determined by the free interplay of supply and demand. Well before Adam Smith, therefore, a whole host of thinkers not only anticipated many of his insights regarding the free market but even avoided some of his errors (the labor theory of value chief among them) that would arise in Smith's work.” (Woods, 2005, 43-44)

³http://www.google.com/#sclient=psy&hl=en&rlz=1W1DMUS_en&q=the+firing+of+Catholic+professors+on+theological+grounds+&rlz=1W1DMUS_en&aq=&aql=&oq=&pbx=1&fp=a09eab5fb0f14aaf

⁴http://www.google.com/#sclient=psy&hl=en&rlz=1W1DMUS_en&q=popes+oppose+liberation+theology+&rlz=1W1DMUS_en&aq=&aql=&oq=&pbx=1&fp=a09eab5fb0f14aaf

⁵A similar occurrence in the history of economic thought took place when Hayek (1931) and Mises (1912) were swept away in the Keynesian (1936) “revolution.”

The Paradox that remains is thus: how do the Jesuits come to follow the Marxian path rather than sticking with the classical liberal view?⁶

Economic Reasoning

To explain this one must look at the Jesuits primarily as a religious order and only secondarily as a philosophical entity. This may be hard to do considering the deep inner thinking and Ignatian spiritual exercises of self-reflection that differentiates Jesuits from other religious orders. However, the Society of Jesus is primarily a religious order, and so the early Jesuits who were Spanish Scholastics did not study economics in the same way as is done today. Modern economics is a positive science, focusing primarily on how the world operates; it is strictly focused on ends. Whereas, the Jesuits are more concerned with the normative view: how things ought to be. Having a religious background, there is a great concern for not only achieving moral outcomes, but requiring a moral means to those ends.

While when a Jesuit teaches a class on morality today, he will often make the point that the ends do not justify the means; there are various early Jesuits who point out that the end can justify the means (Fulop-Miller, 1930, 150-162). This is yet another divergence between today's Jesuits and their early roots. Economics on the other hand separates the end and the means entirely.

There are good and bad intentions and good and bad outcomes. This can be illustrated with the following 2x2 matrix:

		Intentions	
		Good	Bad
Outcomes	Good	A	B
	Bad	C	D

For the most part, the church is concerned with the left column – good intentions. In quadrant A, one would find Mother Teresa, a person with good intentions and from whose intentions emanate good outcomes. Quadrant C depicts unintended consequences. While the intention was good, the outcome was not. This is where most economic legislation lands.⁸ Quadrant D is the domain of unsavory

⁶Classical liberal, to distinguish the original meaning of liberalism from that which American politics has brought today's meaning to be: far left, favoring large governmental institutions. Classical liberalism is a call back to the original meaning of liberalism, which is based on liberty and freedom. This is ironic, given the ideas on which this country was founded; the meaning of this word has been shifted to the opposite direction when it comes to American politics today.

⁷ We owe this way of putting the matter to Dan D'Amico.

⁸ For example, the minimum wage, rent control and tariffs. From the point of view of most but not all

characters, persons with bad intentions who are able to achieve their desired intentions, hence bad outcomes.⁹ Finally, quadrant B is where Adam Smith's invisible hand would fall; regardless of intentions, there are good outcomes.¹⁰ Today, the church often lands in quadrant C when attempting to promulgate legislation especially in the area of labor law.¹¹ The ability to transpose intentions and outcomes is coupled with the relationships of positive and normative economics, which separates how things are and how they ought to be.

The separation of normative and positive economics does not mean that morality is simply discarded; rather it implies that one should use the positive tools of economics to determine how different economic entities interact. These positive conclusions can then be used when considering the full moral implications and consequences of one's actions. They can be used to avoid winding up in the problem quadrant, C.

Time preference

Another way to explain the church's shift away from free markets is through time preference. The church serves a vast number of people with varying time preferences. Let us hypothesize that Catholics have shorter time preferences than others.¹² If so, then it is perhaps more understandable that some of the economic policies advocated by the church may have negative consequences in the long run, while they appear beneficial in the short term, the church's real concern. The immediate effects of such have a veneer of morality, at least in the quadrant C sense of good intentions. This concept, although seeming to fit a solution of the paradox carries its own restrictions in that it assumes subscribers to the church teachings are economically illiterate. While there are Catholic theologians such as Novak (1978, 1979) and Woods (2005) who embrace free markets and attempt to establish another way of looking at the church and economic policy, it is easy to see how the majority of religious individuals would simply follow the church's lead, having had little or not education in economics. For example, many voters want their congressmen to raise the minimum wage thinking they will earn more, while in reality their real wage is diminished by this type of misunderstood economic legislation. This legislation is perhaps the most dramatic example of quadrant C thinking combined with high time preferences. Most, but not all supporters of this law are well intentioned. And, it is "good" in the short run, but disastrous over the long haul. No one, no one at all, loses his job in the immediate aftermath of a hike in the legally mandated wage minimum. However, as time goes on, and allows entrepreneurs to substitute now

of the advocates of this legislation, if they but knew of its actual effects, they would renounce their support for it.

⁹ For example, international socialists such as Stalin, and national socialists of the Hitler ilk.

¹⁰ We assume, *arguendo*, here, that selfishness constitutes a "bad" intention.

¹¹ John Paul II, "Laborem Exercens" (Vatican City, September 14, 1981).

¹² We rely on the works by Novak (1981) and Weber (2001) as possible support for this supposition. See also Banfield, 1977, 1990, for the relationship of time preference and human behavior.

cheaper factors of production for those, primarily unskilled labor rendered more expensive by this law, its malevolent effects are seen. Catholics and other religious people, who push for the church's socialist agenda on (supposedly) moral grounds, also misunderstand the implications of the economics for lack of education in the field.

Also, religious supporters of dirigisme may focus on the net benefits of society as a whole rather than on their own self-interest. This however would be unlikely because self-interest is the driving force for doing the calculation in the first place. Self-interest can weigh in on the side of short-run benefit at the expense of long-run growth if one has high time preferences. For instance, consider Obama's health care bill. Suppose someone wishes to limit one's own risk by allowing other people to bear the burden of his possible ill health; it can be done, but only at the expense of long-run gains, slowing the growth of the field, reducing technological changes, and accepting the stultification that socialism necessarily brings about (Mises, 1922). Out of self-interest, one may forego the long-run consequences to society in order to mitigate his localized risk because, after all, in the long run we will all be dead.¹³

Having already mentioned the Protestant Reformation, we must delve into the economics involved therein. This schism was a process where power becomes de-monopolized. This process transferred material and spiritual wealth from a few aristocrats to the general population. In an attempt to separate church from state¹⁴ one can view the religious implications of the reformation as a form of de-monopolizing access to God. Here, man does not need to be a religious scholar to read and understand the bible. The Catholic Church, being very slow to change, is still engaged in this process of de-monopolizing power. Throughout the 1960s, more than 400 years after the process began, the church made its next great leap in de-monopolizing access to God via the Second Vatican Council.¹⁵ Because of this document, and the ideological changes responsible for it, individual church-goers were allowed greater direct access to scripture. For instance, the Second Vatican Council switched the language of mass from Latin, which few people understand, to the local vernaculars. With the de-monopolization of access to God, the church's centralized authority is slowly eroding.

The effects of this erosion might perhaps promote better economic policies, if it allows lay persons and religious leaders to rediscover economic theory of the early Jesuits and Dominicans from the school of Salamanca. There is of course resistance to change. Older church leaders, like older people in all walks of life, are less likely to change their opinions of free markets or anything else for that matter. However,

¹³ We abstract here, of course, from the religious belief in the afterlife.

¹⁴ One of the issues the reformation doesn't address is the tie between church from state.

¹⁵ This meeting began under the auspices of Pope John XXIII on 11 October, 1962 and ended with Pope Paul VI on 21 November, 1965. Liberation theology began in the 1950s and 1960s (Boff and Boff, 1987). Thus, a reasonable hypothesis is that both of these movements were influential in inspiring the other, or that both emanated from similar forces active in Catholic circles during this epoch.

younger theologians may be more open to these ideas. At present rates it may take the Jesuit order another couple hundred years to return to its free market roots, and there is the possibility that it will never return. However, it is a good sign that the original doctrine has begun to reemerge (Chafuen, 2003; Woods, 2005) and is available to all. There should be a degree of comfort for religious people in general, and for Catholics in particular in to know that the early Jesuits developed the origins of the free market economy, and had an influence on modern economic thought.

From Free-Markets to Social Progressivism

Let us now consider how far removed from the laissez faire capitalism of the early Jesuits of the Salamanca era are the modern Jesuits in particular, and the Catholic Church in general. While the former championed free enterprise, this can no longer be said of the latter.

Ownership and property rights are essential to the proper functioning of modern society. These concepts influence lives on both large and small scales. They affect governments' public policy and interactions between private groups and individuals. Because property rights are so important to the societal infrastructure, it is understandable why the Catholic Church has much to say on these issues. The church's understanding of ownership and its stance on what can be owned are based on its doctrine of social justice.

However, determination of a single theory of Catholic social doctrine is all but an impossible endeavor, leaving the church's stance on certain issues convoluted. The Contemporary Catholic social thought relies on the writings of popes and other church scholars. These works consist, in the main, of the ten social and economic encyclicals and other important documents, such as *Gaudium et Spes*, *Justitia in Mundo* (Massaro, 2000, 56)¹⁶ and the “Letters” on the economy written by the various bishops’ conferences in many nations. From these works, the church derived a system of social thought that places the well-being of the community and the protection of the least fortunate as the center of its concern. As the institution of moral guidance for its one billion adherents, the Catholic Church's framework for social thought holds important implications for public policy, economics, and society in general. However, modern social thought does not follow from the work of earlier church scholars such as San Bernardo, Luis de Molina, Diego de Covarrubias y Levia and has lacked evolution in light of recent theory.

The basic tenets of contemporary Catholic social thought deal with the ideas of the dignity of all human beings, solidarity, and subsidiarity. From these basic tenets, the modern church derived several principles to guide its community of faith: defense of human dignity, the solidarity of humanity, charity, the concept of subsidiarity between the individual and the community, and distributism (Massaro, 2000, 167). These principles affect the church's conception and teachings about

¹⁶ The ten social encyclicals are mentioned in fn. 1, supra. *Gaudium et Spes*, *Justitia in Mundo* are not usually counted in this category.

economics, rights, and private property, three issues central to the formation of a modern society. These tenets and principles, especially the focus on charity, are compatible with the role of the church as a moral and religious institution. However, recent decades have seen the church expand its range and seek to influence the political and public policy realms of society (Massaro, 2000, 15). The church seeks these new efforts as a way to promote justice and now speaks on issues previously thought to be outside of its scope (Massaro, 2000, 16).¹⁷

The church's change in focus from a charitable institution to an entity working for "social" justice along with charity is an important departure. While charity involved the direct relief of poverty and other forms of suffering utilizing the voluntary giving of others in the community of faith, the focus on justice calls for others to recognize the "absolute obligation" for society to share the "benefits of God's creation" (Massaro, 2000, 19). This absolute obligation requires that the church work through greater institutions than its parishes in order to ensure that the least fortunate maximize their "human potential" (Massaro, 2000, 19). Justice, in this sense, is realized through the global recognition of issues and the determination of enduring resolutions to these problems (Massaro, 2000, 19).

Contemporary Catholic social thought can be described as a system of social justice. This concept is divided into three different systems of justice: "distributive justice, commutative justice, and contributive justice" (National Conference of Catholic Bishops, 1986, 2).¹⁸ Commutative justice deals with fairness in the associations between individuals and groups. The United States Council of Bishops defines commutative justice as the "respect for the equal human dignity of all persons in economic transactions, contracts, or promises" (1986, 2). In their view, contributive justice is the idea that "persons have an obligation to be active and productive participants in the life of society and that society has a duty to enable them to participate in this way" (National Conference of Catholic Bishops, 1986, 2).

Distributive justice is the concept that "the allocation of income, wealth, and power in society [must] be evaluated in light of its effects on persons whose basic material needs are unmet" (National Conference of Catholic Bishops, 1986, 2). Therefore, it is a duty of the community to ensure that everyone has the basic materials for survival. Distributive justice is a form of economic egalitarianism achieved through taxation and income and property redistribution, thus reaching greater equality of both opportunity and outcome.

Some of the most important works on distributive justice and property rights were written by St. Thomas Aquinas. In his writings, Aquinas agreed with the

¹⁷ Although the Church has decided to speak on issues previously thought outside of its scope, it has failed to garner any relevant knowledge in the areas of economics and political theory. Rather, it continues to rely on scripture, its definition of natural law, its own tradition, and its examination of social institutions (Massaro, 2000, 82).

¹⁸ For a critique of the National Conference of Catholic Bishops, 1986, see Block, 1985, 1986

commentaries of earlier theologians such as John Chrysostom and Basil the Great that all things should be “held in common” (Massaro, 2000, 98). However, Aquinas moderated these earlier statements. Due to the “fallen nature of humanity,” it is impossible for goods and resources to be apportioned equitably or held in common (Massaro, 2000, 99) Therefore, Aquinas posited that some amount of property rights were needed because of “. . . the likelihood of disputes over shared property” (Aquinas, ii-ii, q. 66).

While the church's current social thought evolved through the ten papal social encyclicals, the Thomistic concepts of ownership and use have had great influence on these documents (*Laborem Exercens*, 1981, 14). In these encyclicals, the Catholic Church developed the concepts of justice and criticized modern social systems. It recognizes the importance of private ownership, which offers the “most efficient and the most orderly of property arrangements but also gives us an incentive to be productive and to care for the goods God has created” (Massaro, 2000, 132). While these encyclicals show that the popes defended private property rights as fundamental to human nature and a part of natural law, they also severely limited the rights that owners have over their property. The church holds that “widespread distribution of property can help avoid excessive concentration of economic and political power. For these reasons ownership should be made possible for a broad sector of our population” (National Conference of Catholic Bishops, 1986, 2).

Common good

The “common good” of society demands that property rights be limited by public involvement in the planning or ownership of certain sectors of the economy, according to Pope Paul VI.¹⁹ He stated, “Private property does not constitute for anyone an absolute or unconditional right. No one is justified in keeping for his exclusive use what he does not need, when others lack necessities” (*Populorum Progressio*, 1967, 23). This concept is referred to as a “social mortgage” on property. In *Sollicitudo rei Socialis*, Pope John Paul II states that, “. . . the goods of this world are equally meant for all. The right to private property is valid and necessary, but it does not nullify the value of this principle” (Massaro, 2000, 137). The social mortgage can be analogized to a mortgage on a house: since ownership of housing is conditioned on our mortgages being completely paid, so is our ownership of material goods conditioned “on fulfilling our social obligations to the rest of God's creatures” (Massaro, 2000, 137). This means that what we consider “ours” cannot be used to harm the least fortunate or prevent them from “full participation in society” (Massaro, 2000, 137).

One of the main contributors to contemporary Catholic social thought and distributist theory is Rawls (1971), who expounds upon the concepts of social and

¹⁹ The “common good” is defined by the New Catholic Encyclopedia as “the sum total of those conditions of social living whereby men are enabled more fully and more readily to achieve their own perfection” (vol. 4, p. 16-22)

distributive justice. This philosopher posited that “[s]ocial and economic inequalities are to be arranged so that they are both to the greatest benefit of the least advantaged . . . [and] attached to offices and positions must be open to everyone under conditions of fair equality of opportunity” (Rawls, 1971, 302). He proposes a hypothetical individual who designs a “just” society without knowledge of self, others, or societal rules, as if covered in a “veil of ignorance.” He posits that the individual, when faced with the choice of how to form a just society, will choose a type of justice that will benefit the least fortunate. This theory is known as the difference principle. The importance of Rawls' work to Catholic social thought is not at all incompatible with the papal encyclicals, but it is a gigantic departure from previous scholarly activity undertaken by church fathers, particularly during the Salamanca period in the sixteenth century.

The Catholic Church's reliance on Rawls' philosophy and its interpretation of the role of property rights shows disregard for the Church's own scholarship and for current research and philosophy. The work of the late scholastic priests at the University of Salamanca provides a vivid contrast to the Catholic teachings on social thought and property rights. The late scholastics maintained that neither Jesus nor natural law denounced the acquisition of private property or required a proportional, let alone an egalitarian, distribution of goods. In their writings, the scholastics argued that privately owned goods were put to better use than those goods held in common. Tomas de Mercado recognized the issues associated with common ownership when he acknowledged that “common ownership is counterproductive because people love most those things that belong to them. . . . Love always involves the word mine, and the concept of property is basic to love's nature and essence” (Chafuen, 2003, 34). In addition, Mercado pointed to private property as the only legitimate tool to deal with scarcity when he stated that “[i]f universal love will not induce people to take care of things, private interest will. Hence, privately owned goods will multiply. Had they remained in common possession, the opposite would be true” (Chafuen, 2003, 35) Since these privately owned goods were used better, private industries often increased production, which benefited the community. Unfortunately, the benefits of privatizing goods seem lost on contemporary Catholic scholars and leadership.

Late scholastic theories on ownership also expound on the relationship between self-interest and property (Chafuen, 2003, 35). This relationship is essential to understanding economics and the function of society. Pope John Paul II states that in Christian teachings, it is understood that private property is always secondary to the “right to common use” of goods as argued by Thomas Aquinas in *Summa Theologiae (Laborem Exercens)*, 1981, 14). However, Father Juan de Mariana criticizes the common use of goods.²⁰ Mariana noticed that since the Jesuits are provided everything in common, they tend to spend more extravagantly than if their

²⁰ The 2009 co-Nobel Prize winner in economics Elinor Ostrom (1990) defended common ownership.

possessions were owned separately. He states, “. . . it is natural for people to spend much more when they are supplied in common than when they have to obtain things on their own. The extent of our common expenses is unbelievable” (Mariana, 1854, 604). While Aquinas's contribution to Catholic philosophy cannot be denied, Mariana showed that even those who are supposedly aware of the true nature of goods misuse communal property and become gluttonous.

From the opinions expressed in the social encyclicals, it is apparent that one of the main areas of contention over property rights is the issue of use. The Late Scholastics also addressed this, but their views have been lost or simply ignored by Jesuits and other Catholic theologians who follow the liberation tradition. For example, Diego de Covarrubias y Levia spoke about the ownership and use of a plant that produced medicinal fruits (Chafuen, 2003, 41). The plant is valued for medicinal purposes, which allows its owner to demand high payment for its use. However, the scholastic warned that “it is false to conclude that, therefore, the owner has no right to prevent other people from using his goods” (Chafuen, 2003, 41). Scholastic Domingo de Soto agreed with Levia's assessment of ownership and use, but added the condition that state authority may employ law to deprive individuals of their property (Chafuen, 2003, 41). The state may do this in order to defend itself and administer criminal justice (Chafuen, 2003, 41). While this condition allows for the expropriation of private property, it does not embrace or demand the common usage of property.

The modern church often argues that because ownership and use, while not exclusive of each other, are different, common usage is not in contention with private use. Supporters of this claim even cite the writings of some of the scholastics. But while the scholastics recognized the difference between ownership and use, they did not support the common use of private goods. Scholastics such as San Bernardino and Sant' Antonino often recognized the importance of private property because of the efficiency that the institution affords to society and its benefit to the welfare of the community compared to that of communalism (de Roover, 8-9). They recognized that a communal society would be plagued by “inefficiency, involve insuperable managerial difficulties, and create a state of perennial anarchy or dislocation” (de Roover, 9).²¹ The efficiency and benefits of private property as seen by the scholastics can be observed through the modern market system, benefits that the church seems to ignore.

The Rawls episode

What was Rawls' influence on modern Catholic social thought? Rawls (1971) created a theoretical system by which the outcomes of actions and decisions that affect the distribution of goods and power will always favor the poorest. Thus, while

²¹ The term “anarchy” as used by de Roover had a different meaning for the late scholastics than it does in contemporary usage. In this context, anarchy would consist of a community lacking social constraint and respect for private institutions such as property.

this philosopher does not deny that individuals may acquire property, he conditions the appropriation by stating that the least well off must be left no worse off than under any other arrangement.

But why should the people at the low end of the wealth distribution accept a position that leaves them merely better than they were when they cannot be sure that there is not another system that would improve their lot in life even more? In addition, why should the well off accept a position under which they lose?²² These critiques of Rawls (1971) by Nozick (1974), translated from the secular to the religious realm, were in effect the speaking out of the earlier scholastics of the Salamanca era against their modern Jesuit successors. That is, if Rawls represents a non religious version of liberation theology, then Nozick plays a similar role regarding the Jesuits and Dominicans of the sixteenth century.

Nozick's position creates a situation that is favorable to the acquisition of private property and the private control of its use. Under this system, the efficiency that private property affords is realized through private planning, and research and development occur without the need of communal approval (Nozick, 1974, 177). There is also a market safeguard in operation that tends to obviate any one economic actor from "cornering" the market. It is difficult to acquire all of something because the value and cost of such scarce resources increase with every unit sold. Rawls' theory lacks the ability to claim such efficiency or the ability to withstand actual real-world observation. Thus, it is acceptable to say that modern property rights philosophy has moved past Rawls. Unfortunately, the Catholic Church tends to be reactionary and defiant of social changes that challenge its views and teachings.

But perhaps the most devastating critique of Rawls (1971) by Nozick (1974) was the latter's "Wilt Chamberlain" example. Assume the egalitarian wealth distribution required by the "social justice"²³ philosophy. Now, Wilt charges a modest amount of money for people to see him dunk a basketball. Tens of thousands willingly pay for this privilege. At the end of the day, Wilt is richer by a large amount of money, everyone else has less.²⁴ If equality is to be once again established, Wilt must return all the monies he has earned in this way, declaring all such trades null and void, and/or this voluntary commercial activity must be prohibited at the very outset. In other words, Rawls' (and the modern Jesuit's) philosophy, is incompatible with human freedom.

²² Murray (1984) makes an eloquent case that the poor can actually be harmed by the largesse of "welfare.

²³ For devastating critiques of the liberation theology's "social justice," see Block, 2007; Flew, 1995; Hayek, 1976; de Jasay, 2003; Kilchrist and Block, 2006; Mueller, 2003; Nash, 1983; Sowell, 1999; Vogelgesang, 2004; Woods, 2002, 2005.

²⁴ Of course, all such trades are necessarily mutually beneficial in the ex ante sense. The masses may have less cash, but, at least in their view, they are made better off, because they value the sight of Wilt doing his thing on the basketball court more highly than the monetary cost to them of his dunking prowess.

Throughout its history, ownership of goods and resources has been a contentious issue for the Catholic Church. While the earliest theologians favored the socialization of all goods, the scholastic tradition of Salamanca offered reason in addition to theological assumptions for the very opposite conclusion. These late scholastics recognized the intrinsic value of private property in the formation of a well-ordered society and in support of God's plan for humanity. Unfortunately, the modern church, along with the contemporary Jesuit Order decided to ignore the work of the late scholastics and continued to use outmoded theories of ownership and faith, along with a large dollop from egalitarians such as Rawls. Due to its reaction to new theories, the church has stunted its own efforts to improve the lot of the least fortunate.

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MOBILE ELECTRONIC SERVICES IN THE ALBANIAN MARKET

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Abstract

The role and the importance of mobile electronic service are indisputable and serve as necessary condition for a sustainable development throughout the economy. In this article through an empiric study noted and recorded this role in the Albanian market, and draw valid conclusions for the future and challenges of mobile services market. The structure of this scientific article is structured in the following: short introduction, theoretical review of literature, methodology, and analyze of concrete case, included here and one detailed SWOT analyze. In one special annex are given questionnaires and explanations for them and conclusions and further recommendations.

Key terms: Electronic services, mobile market, competitiveness, marketing

JEL Classification: L22, L63

I. Introduction

Telecommunications already have become an inseparable part of our lifestyle. Marketing and IT are among the two "BOOM" key to today's Internet world. A company without IT and marketing is not only ineffective but also the non-existent in the market. If a company does not know before the market where it is intended for the existence and value that represents the consumer, if the company adopts no technology at the right time, of course that is not present in the market.

Nowadays electronic service sector can be applied to a tremendously diverse range of human experience. They are transforming virtually every sector of society and the economy. Today's technological transformations are intertwined with globalization, and together they are creating the new realities of the global economy.

In a society where the information and knowledge are of vital importance for the purpose of development, the role of electronic service sector is growing. So, electronic service sector's play the role of an enabler of development in several respects, cross-sector productivity and economic growth, specific social development goals and political participation and good governance, taking the society in the phase of Information society.

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The aim of this article:

- To have a clear picture of ICT policy in Albanian market
- To learn to look with critical eyes and learn to follow the policies to be successful or sustainable on the basis of recognizing the needs of the consumer market.
- To understand from practical side as marketing concepts applied by the studied cases.
- To compare and analyze through an SWOT analyze the main point of four electronic mobile companies that serves in Albanian market

II. Theoretical review of literature

Marketing today is an integral part of a high influence on our daily lives and a vital part of business success. Marketing identifies and meets the social and human needs. A good and effective marketing has become an increasingly important element of which requires careful planning and implementation, but perfection is difficult to achieve.

In the end all have only one purpose: "the consumer and his needs". All needs for information, internet, electronic services, etc, and everything must be around the fulfillment of those needs. The task of marketing is to attract and to build relationships with customers by creating consumer value and satisfaction, while marketers try to recognize customer needs and fulfill their desires.

Precisely, one of the markets that need more practice strategies for marketing, there are mobile phone companies such as AMC, Vodafone, the latest Eagle Mobile and Communication Plus. Telecommunications market is always near its customers, keeping them together through communication, and being that this is their basic needs. In the end "*marketing is the process by which individuals and groups provide what they need and want through creating and exchanging products, services and value with others*".

III. Methodology

The purpose of this article is the study of electronic services market, evolution and trends in the future. This study is based on the questionnaires methodology. Questionnaires were conducted in two sets: one for mobile services companies and the other for consumers of this market who seek to fit their needs, evaluated and perceived in the proper way from respective companies. Analyzed and the main marketing strategies that adopt today of the most developed electronic services market. Given that the questionnaire forms, and influences the response, at the same time, it is important to be a combination between closed questions, and open. For the realization of this survey are used qualitative and quantitative variables. In terms of quantitative variables have distributed a total of: 50 (questionnaires/company) X 4 (mobile company) = 200 total questionnaires. Qualitative research techniques are relatively unstructured measure to allow a possible answer category.

IV. Overview of Country's ICT Market

The ICT sector in Albania has had considerable growth these last years. It's notable to mention the number of the ICT companies created and active in the last years, where it is noted the liberalization of the Telecommunication market which has been followed by the foundation of several Telecom Operators (www.ert.gov.al). ICT services should be used and served to the market need, to the consumer preferences and to the social and economic challenges, but mainly must be used to create employment, to improve working conditions, and to motivate highly educated individuals to stay in Albania. National and local needs and circumstances will be an important factor to be considered for the development of the Information Society in Albania. It is fundamental to consider the development of the information society as one of the highest priorities in achieving higher living standards and economic growth. So it is very important to notify that:

- There is a significant growth of ICT companies and Telecom Operators created and active during the last years in Albania;
- Scientific research activities in Albania are very limited, primarily due to the inadequate infrastructure, insufficiency of financial resources, etc.
- Specialized ICT departments in particular have suffered considerably from “brain drain.”

The Republic of Albania sees Telecommunication market development as an essential tool in building an information society, which in turn is fundamental to the rapid development of Albania and the region. Human capital is seen as the main source for the creation of information society in Albania, so, the application of ICT.

V. Analyses of Case Study – Applying some new forms of marketing

Telecommunications are recognized as important businesses for their specific nature and this is confirmed by the current stage where have reached mobile cell phones operators. Market mobile telephony in Albania in recent years has undergone drastic changes. At a time when neither thought for a mobile service, the country arrived have four strong mobile operators: Albania Mobile Communication (AMC), Vodafone, Eagle Mobile and recently joined the market and operator of four Plus mobile Communication. But in no way should reduce the merits of their leaders, who have succeeded to guide companies that lead to high growth rates. The first signal of mobile telephony in Albania in May of 1996 bears the name of the AMC. Successful privatization in 2000 of New Mobile Communications will was all a prelude to further her achievements where 85% of the shares were purchased from COSMOTE. AMC as part of Cosmote group, it operates in 5 countries of Eastern Europe. Only a year later came to our country's second mobile phone operator Vodafone mobile. Performance of the race between the two companies since that time is like a contest between two strong cyclists, when they approach the finish by

walking "wheel on the wheel", which takes time and sometimes lead one another. However, in a contest business, more so when it comes to a contest between giants, neither can it come to a hierarchy of fixed consolidated. A few years later the market in Albania will be added and two other operators like Eagle Mobile and Communication Plus as such companies, they brought a significant improvement in the quality of the service and not only that but the quality of society itself. Some of these companies are using sometimes some new forms of marketing that are quite different from traditional marketing that we are used to elaborate every day. These are very active and innovative forms of marketing which are done in a way which attract innovative ways of operating, differentiating through the cost, risk management, management by the zeal and passion and not by the official structure of corporate, continuous offerings, lower fees, risk taking, opportunity driven, etc. All these are dimensions of a relatively new form of marketing: entrepreneurial marketing. Not all companies can and uses such active and innovative forms. It takes too much zeal and passion from the managers, and everything starts from the consumers. Opening such a market in our country brought about a mindset and a new marketing strategy different from previous strategies that are used. However, this is one of the goals of this project, not only familiarity with such marketing strategies but also is able to critically examine the success they have had these strategies in particular and the successes achieved by companies in general. Although the mobile phone market is saturated and completely explore Albanian citizens continue to turn more and more windows to take advantage of their services.

VI. SWOT Analysis

SWOT	AMC	Vodafone	Eagle Mobile
S-Strong	1. AMC Comp. is the first mobile operator in Albania and leader in mobile phone market.	<ol style="list-style-type: none"> 1. The most recent technology of electronic communications. 2. Modern accessories and practical for users 3. Wide range of products/services and offers 4. Training sessions and professional promotion of workers becoming one of the most popular for Albanians . 	<ul style="list-style-type: none"> ▪ Since the early days of the entry into the market, Eagle Mobile has undertaken projects in the area of social responsibility. Nowadays, this company has become a tradition every year to establish a "Social Priority".
W-Weakness	1. Since the entry into the market, AMC has faced an increasing competition in the beginning there was only one contender, now there are three powerful.	1. Despite that, when entered into the market has followed a policy of marketing "Aggressive" and has used every opportunity to be successful again has not been able lead his rival AMC.	The only disadvantage is that mobile eagle came on the market at a time
O-opportunity	Despite that AMC has only 1 year more than Vodafone, the latter has better known to utilize this time and continues to be the first in the rankings.	<ol style="list-style-type: none"> 1. Is the mobile operator which has led to the first 3G technology; this is a chance while other operators are awaiting licenses. 2. Widely used social marketing and sponsorship of 	The company had great success in the market with ProRing Packages, Super Riniring and LIFE. For the first time and replenishment contract numbers were combined

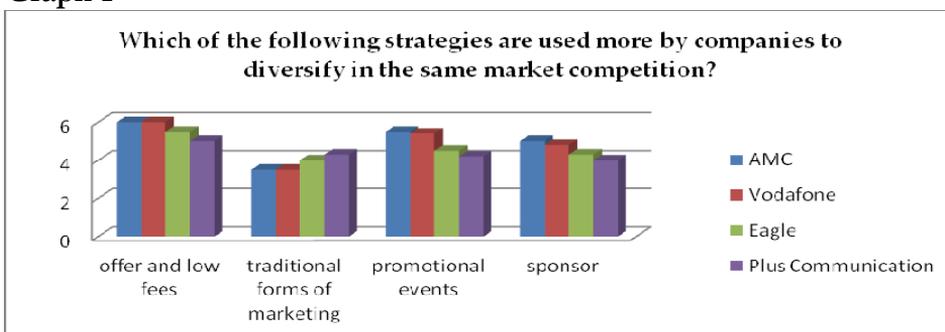
		many are a chance for the company that provides durability and consistent with the needs of subscribers. 3.Program “Red Alert”	into a single group and this is a new practice in Albania
T-threats	Classification of cell phone companies are not seen only as a performance perspective, in some cases even increased compared to the whole company, her rival has managed to take over from this point of view 2. AMC has not yet been able to get license for 3G technology	Like all companies, problem is that the increase of bids, makes people talk more with each other, and from study results, that more frequent communication with cell phone, harms the health of consumers.	Eagle Mobile is still waiting a license for 3G technology while its rivals Vodafone and AMC are reaping this advantage.

VII. Questioner’s analysis: *the results of questioners for companies*

The following results highlight the results of 11 concrete questions of questionnaire by 11 graphics with relevant notes.

1. How many of the following strategies the Company use to diversify in the same market competition?							
more Medium Much less							I don’t know
	1	2	3	4	5	6	
Continuously Offers / low fee for customers, risk taking, opportunity driven, etc	<input type="checkbox"/>						
The use of traditional marketing (media, bill boarder-at, etc.)	<input type="checkbox"/>						
Strong promotional campaign	<input type="checkbox"/>						
Sponsoring events	<input type="checkbox"/>						
Others _____							

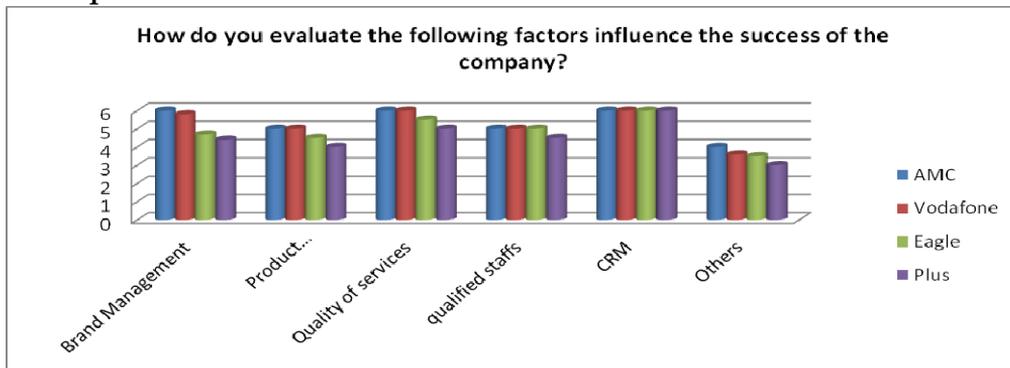
Graph 1



Explanatory Note: As seen presented the first results of the survey question on AMC companies, Vodafone, Eagle and Communication Plus. What strikes at first sight, is that all the alternatives presented, AMC and Vodafone, it seems like walking side by side, both as a company, whether as a strategy pursued. It seems more or less follow the same strategy, and the outcome of the questionnaire, is a little hard to divide one from another (AMC, Vodafone), since the responses obtained were more or less the same. Meanwhile, Eagle and Plus align somewhat with each other, as companies that have recently entered the market, and almost in a time very close.

2. How do you evaluate the following attributes influence the success of the Company?							I don't know
more	Medium	Much				less	
	1	2	3	4	5	6	
Mark	<input type="checkbox"/>						
Product diversification	<input type="checkbox"/>						
Quality of service	<input type="checkbox"/>						
Effective and qualified staff	<input type="checkbox"/>						
Relationship with customers	<input type="checkbox"/>						
Others _____	<input type="checkbox"/>						

Graph.2



Explanatory Note: The graph. 2 presented a second questionnaire question for opinions regarding the companies about the impact of factors on their success. As noted, the alternatives put forward the brand management, customer relationship and quality of service, it is estimated that more of the companies, especially the relationship with consumers, but product diversification and qualified staff have value to companies. It results from the questionnaire and therefore by graph is that the relationship with customers is equally valued by companies as an important factor for success in the market. Apparently, the logical and consistent, not only that each company must adapt and be located close to customer needs, but the nature of the business is such that cannot function without communication with its customers.

3. What part occupies the strategy of marketing in the Company to maintain a stable position in the mobile market?							I don't know
More	less	Medium	Much				
1	2	3	4	5	6		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

4. How many you know or use contemporary forms of marketing to the Company?							I don't know
More	less	Medium	Much				
6	5	4	3	2	1		
<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

5. How much you use the following new contemporary forms of Marketing, as a competitive advantage and an opportunity to maintain a stable position in the market.							I don't know
More	less	Medium	Much				
	6	5	4	3	2	1	
Zeal and passion	<input type="checkbox"/>						
Risk taking	<input type="checkbox"/>						
Opportunity driven	<input type="checkbox"/>						
Innovation and continuous innovation being found close to customers.	<input type="checkbox"/>						

QUESTIONNAIRE ON THE AMC SUBSCRIBERS

6. Which of mobile phone companies are already subscribed?

- AMC
- Vodafone
- Eagle Mobile
- Plus Communication
- Others

7. Have been previously subscribed to a cellular company than the company AMC:

- Yes I have been subscribed to another company and now is using AMC Company.
- Yes I have been subscribed to another company and continue to be a subscriber.
- No I have been subscribed in com. AMC and continue to be

Some implication for marketing and recommendations:

- A recommendation that each of the companies must continue to diversify products, services, and even the company itself as it would greatly assist in raising awareness of their subscribers in terms of brand and image.

- There should be no reason to reduce the marketing budget, and especially for social marketing, starting by the very nature of these companies, which have necessitated a sustainable marketing.

- Should pay more attention to social marketing, as the customers find themselves to meet their needs, and feel themselves very near to companies, and sometimes even identify with them.

- It is appropriate to note that the continued market segmentation should be done by each company as in this way are able to determine their potential customers and target customers, decide how to achieve objectives and meet their needs.

Conclusions

- The information society and mobile electronic service is seen as one of the most important vehicles for seamless integration into the European Union. The Government of the Republic of Albania recognizes that the implementation of ICT is leading, although with some problems toward the information society in Albania.

- In order to be successful in electronic service market are needed new trend contemporary form of marketing which are more oriented in the following dimensions: risk taking, opportunity driven, zeal and passions from the managers, innovative, working through networking, etc.

- Information and Communication Technologies have just started to have a bigger attention from the business community. There is still to be done in terms of ICT infrastructure development and ICT SME usage, to compete regionally or internationally.

- Although the mobile phone market is saturated and completely explore, even though the market is adding a new operator, the respective companies still continue to improve their performance. This means that Albanian citizens continue to turn more and more windows to take advantage of their services.

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THE DYNAMIC OF EUROPEAN AND ROMANIAN ECOTOURISMS – A QUANTITATIVE AND QUALITATIVE ANALYSIS

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Abstract

Europe occupies the first position in the field of tourism: the first half of 2011 was much more profitable than the same period of last year. In January-February 2011 268 million international arrivals were registered worldwide, approximately 12 million more than the previous year, when 256 million international arrivals were registered.

Keywords: ecotourism, Internet, Europe, Romania

JEL Classification: L83

1. Introduction

International tourism has a growth of the profit margin despite the challenges of the economic crisis, and ecotourism has registered growth as well in the past few years, of a few percents yearly, Europe being in top, as far as the number of tourists and the turnover in this sector is concerned.

In Romania ecotourism is a new branch of tourism, but there are a lot of areas where it can be practised and a lot of activities that the nature lover can do on holidays.

2. The current situation and the prospects of international tourism in the present economic context

International tourism has witnessed a growth of profit despite the challenges raised by the economic crisis: in spite of the ongoing crisis, the number of international tourist arrivals increased in the first four months of 2011, in comparison with the beginning of the year, by 4.5%. This increase was positive in all regions, according to the studies of UNWTO (the International Tourism Barometer), except for the Middle East. Some sub-regions saw significant growth, expressed in two figures: South America (+17%), South Asia (+14%) and South-East Asia (+10%).

World tourism is continuing to consolidate and grow, in comparison with 2010, irrespective of the impact of recent developments in the Middle East, North Africa,

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as well as the tragic events in Japan, which have temporarily affected the flow of tourists in these areas. In addition, there is the high unemployment rate and austerity. The sum of all these problems leads to some difficulties that these regions are facing, where governmental support is trying to ameliorate economic and social stability. In conclusion, short-term prospects remain favourable.

Europe exceeded expectations (+6%) and presented the greatest growth registered in the first four months of 2011. The results reflect belated recovery on various European markets.

For the rest of the year the prospects are growth with respect to the previous year: in the second interval of 2011 the tourism season begins in some countries and the number of international arrivals raises substantially in comparison with the anterior period. This reflects in the Trust Index calculated by UNWTO, which shows an optimistic forecast.

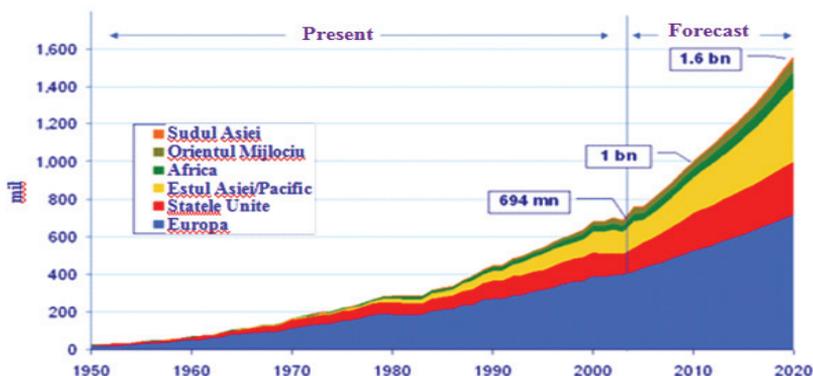
The optimism due to the calculation of the Trust Index is reassuring, especially since we are in the middle of an economic crisis and fiscal instability, both in the United States of America and in Europe.

The World Tourism Organization has developed a long-term outlook, over the first twenty years of the new millennium. The calculation has been made on an interval of twenty-five years, starting with 1995 and ending with 2020, having as basis the year 2010.

The evolution of tourism in the past few years has been fairly uneven, UNWTO (the World Tourism Organization) is nevertheless maintaining its future strategy for the moment. The trend concept for the following years will not suffer any major changes. The data collected throughout the years has shown that occasionally there has been great growth short-term (for instance in 1995, 1996, 2000) and periods with very little growth (for instance 2001-2003) (source: mkt.unwto.org)

For this little growth at the present moment a compensation is expected before long, namely it is predicted to develop into significant growth.

Chart 1: The situation of international tourist arrivals between 1950 and 2020



Sursa: World Tourism Organization (ONWTO)- <http://www.unwto.org/fa>
cts/eng/vision.htm

According to the studies performed by UNWTO, the international arrivals are expected to grow up to 1.6 billion euro by 2020. Out of this, 1.2 billion will be from intra-regional arrivals, whereas the rest of 378 million will come from long travels.

Out of the total number of tourists divided per regions, it is shown that by 2020 Europe (717 million tourists) will be in a top three position, along with East Asia and the Pacific (397 million) and the United States of America (282 million), followed by Africa, the Middle East and South Asia.

East Asia and the Pacific, Asia, the Middle East and Africa will register a growth of over five percents yearly, in comparison with a growth of 4.1% maximum in the other regions. In Europe and the United States of America a growth that exceeds that of 4.1% of the other regions is predicted. It seems that Europe will have the greatest growth.

Table no. 1: The outlook on international arrivals until 2020

	Year 1995	Forecast (million)		Market share (%)		Yearly average, growth rate (%)
		2010	2020	1995	2020	
Global level	565	1006	1561	100	100	4.1
Africa	20	47	77	3.6	5.0	5.5
The United States	110	190	282	19.3	18.1	3.8
East Asia and the Pacific	81	195	397	14.4	25.4	6.5
Europe	336	527	717	59.8	45	3.1
Middle East	14	36	69	2.2	4.4	6.7
South Asia	4	11	19	0.7	1.2	6.2

Source: World Tourism Organization (ONWTO)- <http://www.unwto.org/facts/eng/vision.htm>

From table 1, where the reference year is 1995, a forecast of international arrivals until 2020 is offered; we can notice the evolution of every region in comparison with the reference year.

A parallel was drawn between the arrivals in 1995 and those from 2010, and of 1995 with those from 2020. The results of the forecast are calculated in millions of international arrivals, the results of the market share are expressed in percentages, and the yearly average of the growth rate is also a percentage.

According to table 1, the growth registered in 2010 for all regions was between 0.7% and 59.8% despite the economic crisis that affected almost all the regions; the prognosis for 2020 is extremely optimistic, as there will be growth in comparison with 2010 in all the regions. In the last column of the table we can notice the average

by which the yearly growth rate has increased every year since 1995, and by which it will be increasing until 2020.

The European tourism industry is the most sought-for, as it represents half of the total number of international arrivals, namely the equivalent of all the other sub-regions' together.

Table 2 shows a global detailed description of international arrivals divided into sub-regions, where the yearly situation for every sub-region is presented, in comparison with the previous year as well; the registered quota, YTD (year to date) indicates the situation up until a certain date of the current year, as well as series of monthly or quarterly dates in relation to the same time interval the previous year.

The information has been centralized into three categories: advanced economies, developing economies and regionally. The regional classification has been divided into 15 regions as follows: Europe has been divided into four regions, Asia and the Pacific into four regions, America into four regions, Africa into two regions and the Middle East one region.

3.The online promotion of international ecotourism

As a result of thorough online research, a top of 34 international websites specialized on international ecotourism has been drawn.

For nature lovers and for those who like travelling, ecotourism is the perfect solution to combine two hobbies into one. Through the perspective offered by the 34 websites, those people who are keen on ecotourism can choose the best offers that suit their preferences.

The ecotourism lover may be undecided as to where to go or what budget (s)he has available. Having an extremely wide range of services to choose from, (s)he will become even more confused, after prospecting the market, as the offer is so varied that it is very difficult to pick out only one destination if his/her time is limited.

Blogs are becoming an increasingly popular source for Internet users. Specialized ecotourism blogs are a very efficient informational tool as far as ecotourism is concerned.

Blogs are user-friendly websites where ideas, photographs, video and audio recordings are posted, and a virtual space where one can communicate with the other users that are interested in the same subject.

Ever since the first blogs, the Internet has been remodelled according to these, as they have given the users a voice and the possibility to come in contact with one another. The main attribute of a blog and its motto is "to communicate".

If the client does not wish to visit a particular country and wants to have certain activities (s)he may choose from one of the activities that are specific to ecotourism, such as: an adventure holiday, an archaeological holiday, cycling, ski, snowboarding, backpacking, car tours, castle visitation, horse races, a culinary holiday, a cultural holiday, an educational holiday, holidays that are classified according to age, health and beauty holidays, hiking, balloon rides, ice climbing, kayaking, motorcycle rides, mountain biking, climbing, a multisports holiday, a national park visitation, a

photography tour, a polar expedition, a navigation holiday, a spiritual holiday, a supernatural tour, surfing, camping, volunteering, nature walks, river rafting, wilderness tours, wineculture, yachting.

If we take France as an example, it has as ecotourist destinations the following: Amboise, Loire Valley, the Pyrenees Mountains, Beaune, Burgundy, Cluny, Dijon, Monbazillac, Dordogne, Pomerol, Gironde, Sarlat, Aquitaine, Florac, Languedoc, Languedoc-Roussillon, Midi-Pyrenees, Rocamadour, Lot, Saint-Vino-d'Olt.

An two-week ecotourism holiday in France that includes accommodation, meals and sightseeing or other excursions and environmental protection campaigns costs around 1000-3000 euro per person, a fairly big price.

In the case of Italy, the ecotourism destinations are: Assisi, Umbria, Chianti, Tuscany, Perugia, San Gimignano, Siena, Spoleto, Lake Como, Lombardy, Ossola, Piedmont, Venice.

A two-week holiday costs around 1000-4000 euro per person without extra costs from the client.

In Austria the tourism destinations are: the Danube Valley, Enns, Upper, Krems an der Donau, Lower, Melk, Steyr, Vienna, Wachau, Altaussee, Styria, Hallstatt, Mondsee, Salzkammergut, Salzburg, Steyr.

The price of a one-week ecotourism holiday in Austria varies between 500-1500 euro for one person.

4. The current situation and prospects regarding Romanian ecotourism

Romania has an extremely diversified natural capital. This diversity is in part due to the physical-geographical conditions, including mountains, plains, hills, the Danube Delta, rivers and lakes. The valuable natural capital of Romania consists in 579 protected areas (out of which 13 national parks).

Romania's ecotourism destinations are: Braşov, Transylvania, Bucovina, the Eastern, Middle and Western Carpathians, the Danube Delta, Humorului Monastery and others from Moldavia, Suceava, Maramureş, Sugatag Mine, Poenari Castle, Argeş, Cluj, Sighetu Marmăţiei, Felix Bath, Slănic Prahova, Slănic Moldova, Vidra, Vidraru, the Iron Gates, Sadu River, Sighişoara, Bran, Sărata-Monteoru, Nerei Valley, Sibiu Mine, Călimăneşti, Sovata, etc.

The types of ecotourism activities in Romania are hiking, wilderness trips, horse riding, cycling, aqua activities, winter activities, speleology, photography tours.

As one can see in the enumeration of Romanian ecotourism destinations above, there are a lot of areas where ecotourism is practised, along with other activities that the nature lover can perform during the holidays.

The price for a two-week holiday posted on international websites, blogs and forums is between 1000-2000 euro for one person, and the current offers are very few, which makes Romania a destination that few people choose.

On the other hand, if those who are interested in ecotourism look for offers on the Romanian websites, they will find a much larger array of ecotourism offers (in mountainous areas, hill areas, the Delta, caves, monasteries, the seaside, accumulation

lakes, saline lakes, thermal waters, virgin territories, picturesque landscapes, which are unique in Europe or even in the world) at very small prices in comparison with other European destinations.

The major disadvantage of Romanian ecotourism is the low number of appearances on the international websites, blogs and forums, which would promote Romanian destinations on a much wider scale.

Another disadvantage is the fact that most ecotourism promotion websites are in Romanian, which makes them incomprehensible to a lot of people.

In order to increase the number of tourists we should have a wider range of offers on international websites, but, moreover, the existing ecotourism websites from Romania ought to be translated in more international languages.

One of Romania's major advantages, which is not yet fully exploited, is the low price of excursions in comparison with those of European competition, whose prices are two or three times bigger.

Nowadays, when the economic crisis has affected all peoples, the prices that Romania has for its ecotourism holidays should attract a lot of visitors. A two-week holiday costs no more than 700-1000 euro per person, which is very little if we compare it to the salaries that Europeans earn.

A disadvantage for Romania is the lack of auto infrastructure, which impacts traffic and implicitly represents a significant drawback, favouring the choice of another ecotourism destination. However, with good promotion with very low prices it can still be a destination sought by a lot of Europeans.

Ecotourism programs in Romania are relatively recent. The first such tourism packages appeared around 2000, when some national or natural parks began to develop projects that had an ecotourism component (Retezat, Piatra Craiului, Vânători Neamț, Apusenii).

The ecotourism programs in Romania are sold through local tour operators, which usually collaborate with tour operators from abroad. Among these, there are five prominent tour operators that sell ecotourism programs that are certified by the Romanian Ecotourism Association (DiscoverRomania, Carpathian Tours, InterPares, Tioc Nature & Study Travel, Equus Sylvania). Among the major Romanian tourism agencies that have developed packages in the middle of nature in the past few years we may mention Paralela 45, J'Info Tours, Perfect Tour, Transylvania Tour etc.

5. Conclusions

The price for a two-week holiday posted on international websites, blogs and forums is between 1000-2000 euro for one person and the current offers are very few, which makes Romania a destination that few people choose.

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unique in Europe or even in the world) at very small prices in comparison with other European destinations.

Romanian ecotourism has a low number of appearances on the international websites, blogs and forums, which would promote Romanian destinations on a much wider scale. Also, a large number of the promotional websites are in Romanian, and thus a lot of foreign people cannot understand their messages. In order to increase the number of tourists, there has to be a wider variety of offers on international websites, and, moreover, the existing ecotourism websites from Romania must be translated in more international languages.

A major advantage of Romania, which nevertheless remains unexploited fully, is the low price of the packages, two or three times lower than that of the competition, and nowadays, when the economic crisis has affected all the countries, these prices should attract a lot of visitors.

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ACCOUNTING SERVICES MANAGEMENT

Elena Ioniță*

Abstract

Accounting services are mainly used by small or medium-sized companies that do not have their own accounting departments, records being performed by specialized firms which cater to several customers. The role of accounting is to provide a series of information necessary to back up significant decisions. Thus, the information provided by the accounting service are the basis of the decision making process both inside and outside the company. Accounting has to be understood as an information system that allows producing and disseminating information to support decision making. In order to develop the features of financial and accounting data, it is necessary to identify first their users and the type of information requested by each and every category of beneficiaries.

Keywords: *accounting services, accounting information, information system, users of accounting information*

JEL Classification: M40, M41

Economic agents, regardless of their field of activity, need a series of specialized services which support the managerial system at all the stages involved in the company activity. Here are a few examples of such services: services of accounting tracking and consulting, services of legal counseling, services of management and marketing consulting, information services.

Accounting services are mainly used by small or medium-sized companies that do not have their own accounting departments, records being performed by specialized firms which cater to several customers. A series of consulting services in the financial-accounting field is used even by companies that perform their own accounting records and reporting. Such services are absolutely necessary in the case of companies that organize their accounting activity in compliance with the provisions of the International Accounting Standards (IAS); in such cases, it an audit of the financial-accounting statements performed by external certified auditors is compulsory.

Accounting services mainly address companies and, as such, they have a series of particularities as compared to services meant for the population.

- Accounting services address the organization in its entirety, since all the employees are influenced by them. High quality services can ease their work, while the provider's failure may negatively impact the activity of all workers.

- Considering the complexity of organizational needs, providers have to use a high level of process automatization in order to be able and execute prompt and high quality services.

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- The staff used by providers of accounting services have a high level of qualification, which is absolutely necessary in order to gain the competitive edge. Companies that resort to external services are mainly interested in those skills necessary to satisfy specific needs. Therefore, companies prefer to use service providers, since training internal specialists and building an adequate material basis are more costly than using the services on the market.

- The difficulty of assessing services based on tangible features increases in the case of services that cater to companies, due to their complexity and the need to optimize costs with service usefulness. Service assessment usually relies on certifications of the quality management system and on the evaluation of previous performance (the system of customer recommendations). This burdens the decision making process, since it is necessary to establish clear criteria for the selection of bids. Generally, criteria consider quality, in the absence of any quantity attributes whose performance could be easily quantified.

- In the case of accounting services, relationship management is highly important, the buyer often participating in designing and executing the service. Establishing relations of mutual trust from the very first stages of the collaboration contributes to the success of the transaction and to the creation of a long-term cooperation framework.

- The top management takes part in the decision to buy services based on specific analysis and approval procedures. But the management has to understand the importance of services for the business success and get fully involved in supporting the process of provision of the said services.

- Accounting services have a dominant applicative-functional nature, their design and development being related to company activity and, generally, companies that administer patrimonially automatized economic assets.

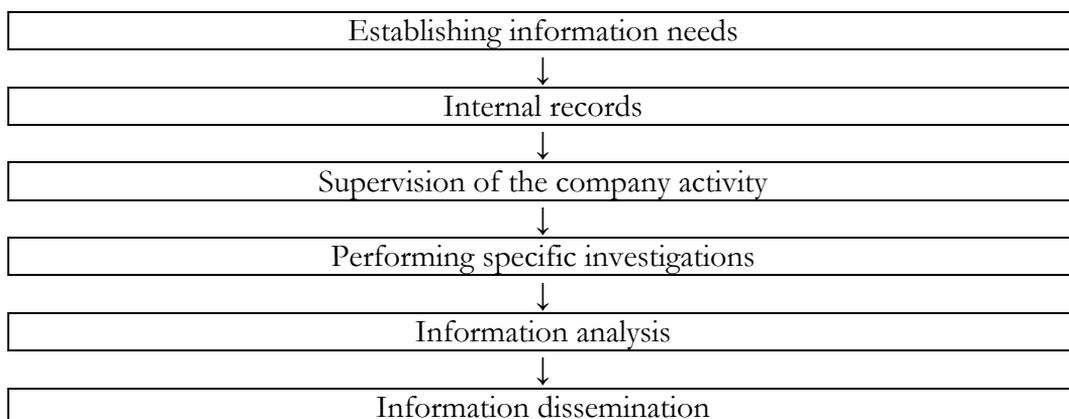
- Accounting services have a significant informational component, since they study the effects of economic transactions and other events on the economic-financial situation, as well as on the performance of a company, in order to inform internal and external users. Through its language, through its own system of concepts and procedures, accounting is the only discipline that can provide financial information on a given organization. Such information is the basis for the assessment of the company by a set of users within and outside the company.

The role of accounting is to provide a series of information necessary to back up important decisions. Thus, the information provided by accounting supports the decision making process both inside and outside the company. Practically, accounting has to provide information that could be used by all those who wish to employ it accurately, whether they are professionals or not. In a highly competitive economy, decision makers' role is all the more difficult, since the correlation between product – market – competition is increasingly complex. Under the circumstances, high quality information obtained at the right moment is a resource for the company, provided it is adequately integrated in the decision making process.

Accounting has to be understood as an information system which allows producing and disseminating information for the decision making process. An information system can be deemed as a whole made of persons, equipment and procedures of timely gathering, selection, analysis, assessment and distribution of accurate information, necessary for the decision makers of a given organization. Thus, accounting can be considered the most important component of the information system of a company since: most decisions at entity level are provided by accounting; it allows managers, based on the information received, to have a general picture of the entire entity; it makes the connection with the other components of the company information system (marketing, production, staff etc.).

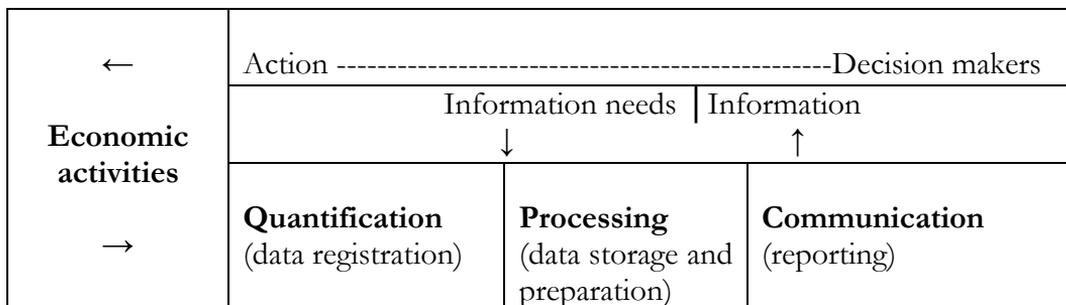
In order to provide a clearer image of the information system, in the figure below we present the stages of obtaining the necessary information.

Fig. no. 1:
Stages of obtaining information



Accounting connects economic activities and decision makers. Firstly, it quantifies economic activities, registering data referring thereto for future use. Secondly, data are stored for as long as necessary, and then they are processed so as to become useful information. Thirdly, information is transmitted to decision makers through reports. We may say that gross data referring to economic activities are an input in the accounting system, and the processed information, useful to decision makers, is the output. To this end, in the figure below we prove that accounting is considered an information system for economic decisions.

Fig. no. 2
Accounting considered as an information system for economic decisions



The role of accounting within the company management system is characterized by the following features: the system of accounting-financial information is the interface between the operational system from which it receives the processing data and the decision making level as receiver of information; the sources of information are the financial statements for accounting information and the reports of economic-financial analysis for financial information; the information beneficiaries are the managers who are responsible with obtaining the physical and financial resources in the company environment and with using them in order to create value for investors.

Accounting registers, classifies and regroups information referring to movements of assets that rely on the company activities, and, based on the information provided by the accounting department, it is easier to grasp the company situation and its outcomes.

The increasing social role of accounting determined certain authors to assess it as a social game, with its actors and directors, instances of regularization etc. To this end, the actors can be grouped in three categories:

- companies (managers and accountants) that create the supply of accounting information;
- financial auditors, who check and certify the financial statements and how they are integrated in the supply of accounting information;
- users who create the demand for accounting information.

In order to be able and develop the features of financial-accounting information, it is necessary to identify first its users and the type of information requested by each and every category of beneficiaries. For instance, for the manager of a company, one of the decisions that could be made based on such information is determining the level from or at which operations can be executed; for customers, one of the decisions most frequently made based on such information is buying the products of a company. The figure below presents the typology of users of accounting information.

Fig. no. 3
Typology of users of accounting information

<i>Typology of users of accounting information</i>	● Current and potential investors
	● Employees and collaborators
	● Creditors
	● Suppliers
	● Customers
	● State institutions
	● The public

Information represents data that were processed in a certain manner and that are presented in a specific way. There are certain dimensions which provide information with enhanced value: the “when” time dimension: updating and availability (receiving the information when we need it); the “what” content dimension: accuracy, relevance, completeness; the “how” form dimension: details, presentation. The importance that information receives depends on a series of factors, from among which the most important are: the nature of the decision to make; the decision maker’s competence and skills; the decision making models used; the importance of committed values; the time the economic agent has at his disposal prior to making the decision; the geographic context of the decision; the degree of uncertainty and risk attached to the decision; the extent to which the decision maker has access to other information as well besides the information contained in the synthesis documents; the nature and size of the company under study. In other words, “*accounting information is identified with the financial-accounting data on the condition and movement of patrimonial items, as well as the economic-financial indicators referring to resources and obtained results*”.

To conclude, accounting can be considered from a triple perspective:

- service provision, whereby it provides interested persons with financial information of the numeric type which helps them make decisions on investments and the distribution of resources within the company;
- an analytic-descriptive science, which, through procedures of measurement, classification and synthesis transforms the gross details which characterize the economic activity into significant information that describes the financial position and performance of the company;
- an information system which synthesizes and structures the economic information referring to companies and which is made available to a wide range of users.

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ANALYSIS OF CAUSAL LINKS AND RELATIONSHIP BETWEEN HIGHER EDUCATION QUALITY, STUDENTS' SATISFACTION AND INTENTION, BASED ON DEVELOPMENT OF A CONCEPTUAL MODEL

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Tudor Edu,
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Abstract

The aim of this article is to identify the causal link between higher education quality, students' satisfaction and their intention to continue studying at the same university. In a globalised world, the universities are exposed to the wide public, and if they want to remain in the market, they need to attract a significant number of students. To this effect, the universities seek to obtain competitive advantages, and make efforts to offer satisfaction to the higher education consumers, in view of retaining them for the next academic cycles: master and PhD. By underlining the causal link between quality of services offered by higher education institutions, students' satisfaction and intention, we are seeking to develop in this article a conceptual model that would emphasize this bilateral relationship.

Key words: higher education institutions, quality, satisfaction, intention

Jel Classification: I23, M31

1. Introduction

While the worldwide competition increased and the student mobility programs developed, the preoccupation for quality has become an extremely important issue for higher education institutions. Thus, quality of services provided in any domain, including higher education, is a crucial step for consumer satisfaction, underlining it, considering the fact that satisfaction generates a higher effect on consumer's re-buying intention than the perceived quality of services (Cronin, J.J. and Taylor, S.A. 1992), as it is the result of comparison between expectations and performance (Parasuraman A., et al., 1985, p. 42). The need to assure high standard quality grew to influence the future of the higher education environment; the expectations of potential consumers rise continuously, as they are triggered by the social evolution,

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globalization, and the presence of new actors in the academic market, competing with the traditional higher education institutions.

This article is made of four parts: the first part is the introduction, the second part includes an overview of the specialised literature dealing with the higher education quality concept, and the identification of relationships between academic service quality and student satisfaction. The third part, a theoretical research based on fundamental research principles, envisages the elaboration of a conceptual model for the identification and analysis of the causal relationship between the higher education service quality and the student satisfaction, as this satisfaction leads to the intention of continuing the studies within the same university where the bachelor degree was obtained, because a satisfied consumer will keep and enhance the relationship with the service provider and will develop preferences. The conclusions will be drawn referring to relationships between quality, satisfaction and intention.

2. The theoretical approach of the academic quality and student satisfaction

If we were to define quality, it would be quite difficult, because this is an intangible item. The specialized literature gives numerous definitions and various interpretations to the concept of *quality*. A first definition of quality " *meeting or exceeding customer expectations*" (http://www.shsu.edu/~mgt_ves/mgt481/lesson1/lesson1.htm) places the customer in the centre of an organization's concerns. The authors - Ramaiyah Arivalan, Zain Ahmad Nurulazam Md., Ahmad Halim Bin – in the article " *Exploring the Dimensions of Service Quality in Higher Education Research*" (<http://eprints.um.edu.my/16/1/arivalan.pdf>, p.2) view various dimensions of the concept of quality:

- ✓ *Quality viewed as an exceptional, very high standard*
- ✓ *Quality viewed in terms of consistency in a process*
- ✓ *Quality viewed in terms of achieving customer satisfaction*
- ✓ *Quality viewed as an expression of value for money*
- ✓ *Quality viewed as an expression of transformation*

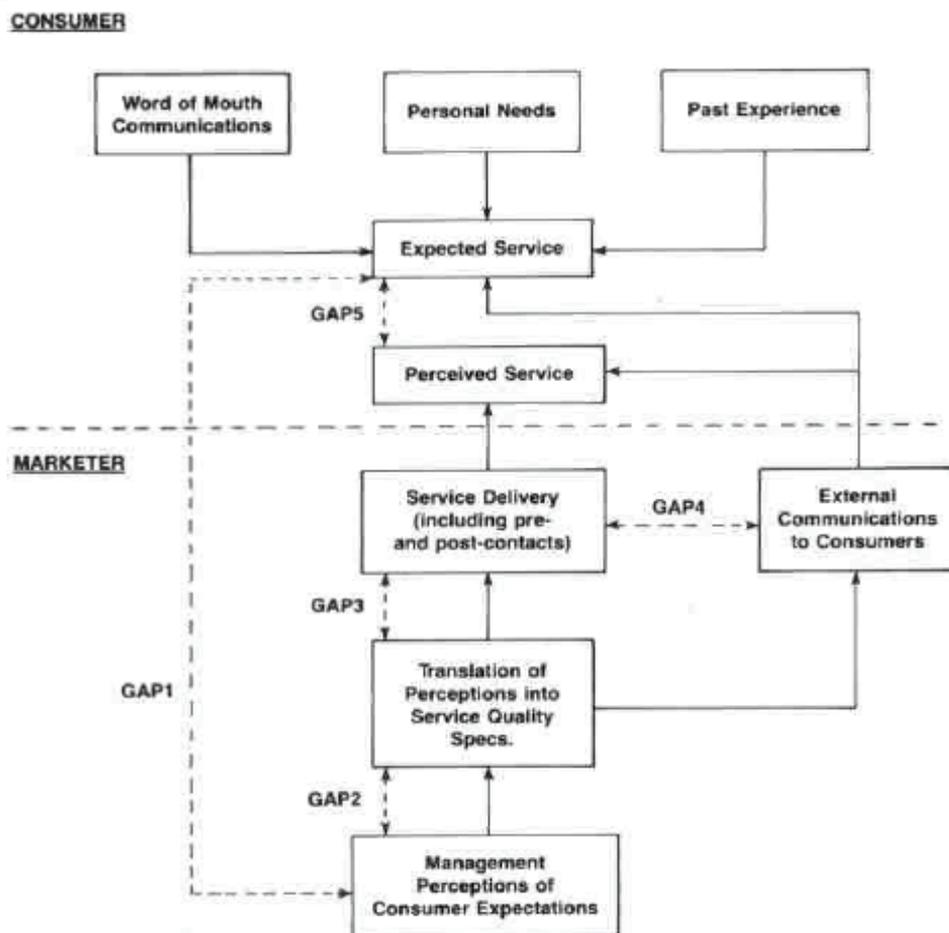
Other definition of the concept of quality is, according to " *the ISO 8402:1994: Standard - a set of characteristics and particular features of an entity (product or service) which enables it to satisfy the expressed and implicate needs of some beneficiaries.*" (Todorescu Liliana-Luminița, 2009, p.219-220). From the point of view of the author Korca Mihai (2009) - " *the education quality is defined as a set of characteristics of a research program and its providers, which meet the beneficiaries' expectations.*" (Korca Mihai coord. 2009, p.17)

Quality assurance in higher education is a long term process, which implies " *evaluation, from various perspectives and institutional levels, of the way in which a higher education institution operates and meets the training and scientific research needs of its „clients*" (Miroiu Adrian (coord.), Crăciun Claudiu, Florian Bogdan , 2007, p. 5)

In the literature, various authors approach the education quality based on beneficiary satisfaction. Thus, Reising, R. W. (1995) considers that " *knowledge represents the climax of quality in education*". Zammuto, R. F., Keaveney, S. M. & O'Connor, E. J.

(1996) in their article "Rethinking student services: assessing and improving service quality", refer to the concept of perceived quality, which means the consumer's evaluation of his/her experience related to a specific organization or institution. Parasuraman A., et al. (1985) in their ISI article – "A Conceptual Model of Service Quality and Its Implications for Future Research" elaborated a service quality model, shown in Figure no.1 below:

Figure no.1 – Service quality model



Source: Parasuraman A., Zeithaml Valarie A., Berry Leonard L. (1985) - *A Conceptual Model of Service Quality and Its Implications for Future Research*, The Journal of Marketing, JSTORE, Vol. 49, No. 4, ISSN: 0022-2429 , p. 44.

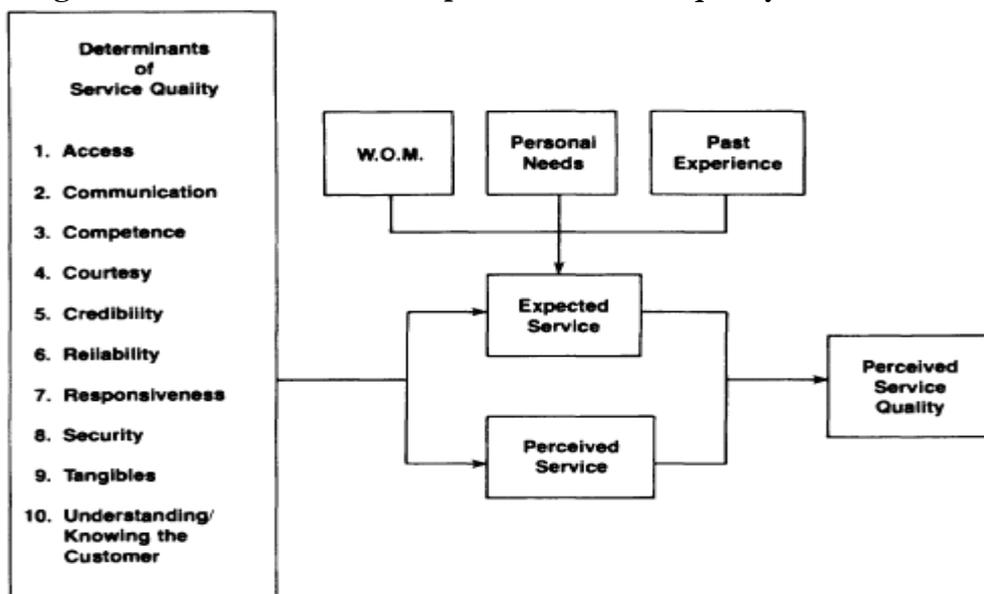
According to the authors, there are discrepancies, gaps related to the perception of service quality. These GAPS – as presented in the above figure - can be major hurdles in the consumers' perception of higher quality of the provided services.

(Parasuraman A., et al., 1985, p. 44). The authors identified 5 GAPs in the model, as follows:

- GAP 1 – consumer expectations – management of perceived quality
- GAP 2 – management of perceptions – service quality specifications
- GAP 3 – service quality specifications – service delivery
- GAP 4 – service delivery – external communications
- GAP 5 – expected service – perceived service (Parasuraman A., et al., 1985)

The same authors have identified 10 determinants of *quality perceived* by consumer, as shown in Figure no.2:

Figure no.2 – Determinants of perceived service quality



Source: Parasuraman A., Zeithaml Valarie A., Berry Leonard L. (1985) - *A Conceptual Model of Service Quality and Its Implications for Future Research*, The Journal of Marketing, JSTORE, Vol. 49, No. 4, ISSN: 0022-2429, p. 48.

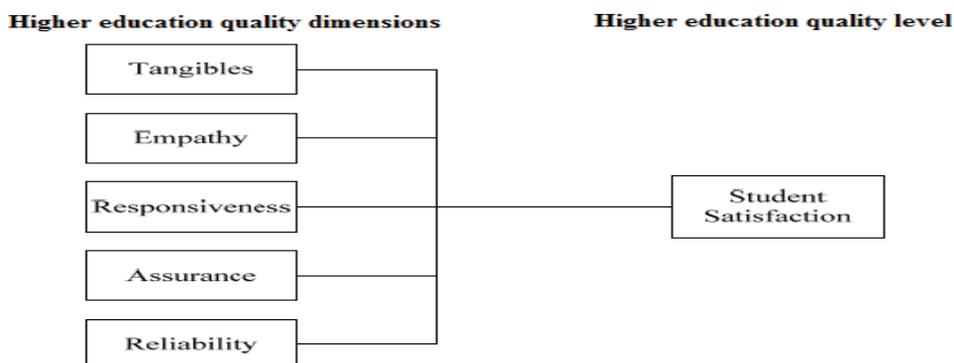
According to the authors, the 10 determinants of *quality perceived by a consumer* imply the following aspects: (Parasuraman A., Zeithaml Valarie A., Berry Leonard L., 1985, p. 47)

1. **Access** - means that the service is easily accessible to the consumer
2. **Communication** - means keeping customers informed.
3. **Competence** - means possession of the required skills to perform the service.
4. **Courtesy** - involves politeness, respect, consideration and friendliness of the contact personnel.

5. **Credibility** – involves customer relationship trustworthiness and honesty.
6. **Reliability** – refers to performance, compliance with deadlines and fulfillment of promises.
7. **Responsiveness** – means giving prompt service and immediate feedback.
8. **Security** – means protection from danger, risk or doubt.
9. **Tangibles** – includes physical evidence of the service, such as: physical facilities, personnel appearance, equipment used to provide the service.
10. **Understanding the consumer** – means making the effort to understand customer needs. (Parasuraman A., Zeithaml Valarie A., Berry Leonard L. ,1985, p. 47)

Cronin, J.J., Brady, M.K. and Hult, G.T.M. (2000) identified in the ISI article- "Assessing the effect of quality, value, and customer satisfaction on consumer behavioral intentions in service environments?" a strong causal relationship between the service quality and consumer satisfaction. Also, the authors Al-Alak Basheer A., Alnaser Ahmad Salih Mheidi (2012) have developed a model expressing the relationship between the quality dimensions of the SERVQUAL model and students' satisfaction; the influence of the independent variables represented by the quality dimensions upon the dependent variable – quality level in higher education – is shown in Figure no.3 below :

Figure no. 3 – Relationship between higher education quality dimensions and service quality level



Source: Al-Alak Basheer A., Alnaser Ahmad Salih Mheidi (2012) – *Assessing the Relationship Between Higher Education Service Quality Dimensions and Student Satisfaction*, Australian Journal of Basic and Applied Sciences, 6(1), ISSN 1991-8178, p. 159.

Based on the hypotheses that each element of the quality dimension has a positive influence on the student's satisfaction, the author concluded that *quality assurance* has a positive influence, as the students believe that the information and knowledge received from lecturers are credible and trustworthy. Also, the research emphasizes the causal relationship between *empathy*, as a quality dimension, and the

student's satisfaction. Individualized attention has a higher influence on satisfaction. There is a strong link between *tangibles* and satisfaction. Students appreciate the provision of equipment, teaching materials, and other physical evidences assured by a university's staff. Also, *reliability* seems to have a significant relationship with the student's satisfaction. It is a prerequisite for the administrative staff and lecturers to be able to answer and address the students' query with a high degree of reliability and consistency. The research has proved that there is no significant relationship between *responsiveness* and students' satisfaction. This is probably due to the policy pursued by the faculty analyzed in the study, where all queries were not dealt with appropriately and promptly. Thus, the question of *responsiveness* as a quality dimension does not arise in the minds of the students. (Al-Alak Basheer A., Alnaser Ahmad Salih Mheidi, 2012, p. 161).

Thus, the student's satisfaction is directly influenced by the quality of the academic environment where he/she is enrolled. The elements of the SERVQUAL model positively contribute to the creation of satisfaction, which is considered the key to success of higher education institutions in the battle for obtaining competitive advantage.

3. The development of a conceptual model based on relationships between “quality, student satisfaction and intention for further studies at the same university”

3.1 Research method, objectives and hypotheses

This theoretical research is intended to analyse the existing relationships between the quality of the services delivered by higher education institutions, the students' satisfaction and their intention to continue their studies at the same university, due to the satisfaction and quality perceived in the academic years.

Research hypotheses:

H1 – Continuous enhancement of the higher education quality creates the feeling of satisfaction amongst students.

H2 – Quality perceived by students enhances their satisfaction as beneficiaries of services provided by the university, and contributes to the positive image of the university through the word-of-mouth communication of students.

H3 – Students' satisfaction contributes to their preference for the university and their intention to continue studies after graduation at the same higher education institution.

The work method was focused on the causal explanation of the existing relationship between the three variables: quality – satisfaction – intention. The study was intended to identify the constituent elements and the relationship between them within the logical triad “quality – satisfaction – intention”. The correlation analyses

performed in the specialized literature was the starting point for the conceptual definition of the model developed on the three aforementioned variables.

3.2 The development of a conceptual model based on relationships between “quality, student satisfaction and intention for further studies at the same university”

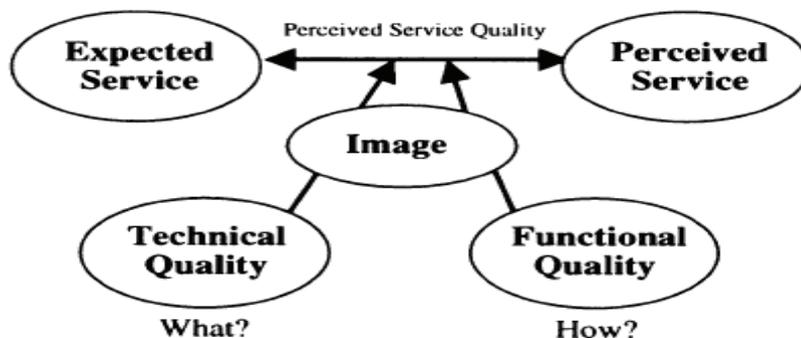
Due to the considerable development of the communication systems, the world and the market structure have changed significantly, and the universities have entered the competition for specific advantages. The development of the quality in services that would meet the consumers' needs is a goal that can be reached only through great efforts. In this context, the service quality is the result of a comparison between expectations and performance perceptions, (Martínez-Argüelles M., Castán J., Juan A., 2010, p. 152), which is the consumer's judgment about the provided service.

Within the SERVQUAL model, the service quality is defined as the gap between the customer perceptions of the future outcomes during the service transaction and his/her expectations of how the service transaction should have been performed. (Culiberg, Rojšek, 2010, p. 152). Quality is thus defined as the gap between perception and expectations: $Q = P - E$. (Parasuraman, A., Zeithaml, V.A. & Berry, L.L., 1988, p. 19), where Q is quality, P is perception, and E stands for expectations. Zeithaml, Berry, Parasuraman (1993, p. 4) identified four types of consumer expectations: expected service, wanted service, adequate service and predicted service. If we consider the students to be consumers of tertiary education services, we can state that they have the right to make a choice and benefit of the various available options for attending a university, depending on the quality of the provided services. Thus, *a positive students' perception of higher education service quality increases their satisfaction; and satisfied students will attract more students through the word-of-mouth or online communication of their satisfaction, and they will continue their relationship with the university* by attending the subsequent degree levels. (Voss Roediger, Gruber Thorsten, Szmigin Isabelle, 2007, p. 950, *op. cit.* Marzo-Navarro et al., 2005; Wiers-Jenssen et al., 2002; Mavondo et al., 2004; Schertzer Şi Schertzer, 2004). The students are the major stakeholders of the higher education institution; this is the reason for the causal relationship developed between them and the university: the students are the beneficiaries of the necessary knowledge for the labor market, and the universities need the students in order to survive in a competitive environment, receive financial support and accomplish their mission. (Munawar khan Mubbsher, Ahmed Ishfaq, Nawaz Muhammd Musarrat, 2011, p.160). Considering this tight relationship, the higher education institutions make intense efforts to increase the students' satisfaction through a better quality of the provided services, the services being continuously monitored and assessed according to the satisfaction level of the direct consumers, the students. (Low Lana 2000, *op. cit* Munawar, Ahmed, Nawaz, 2011, p.160).

Kotler et al. (2009, p.120) defines satisfaction as being "a feeling of pleasure resulted from comparing perceived performances to expectations." By assessing the students' expectations and their satisfaction level, the higher education institutions obtain the needed advantages and maintain a good position in the academic market. Thus, based on the definition of satisfaction, we can state that, if the academic performance meets the students' expectations, they will be satisfied. According to Parasuraman, Zeithaml, and Berry (1986), the satisfaction level is influenced by the gap between the service perceived by the consumer and the expected service. The students whose needs have been satisfied by the higher education institution are more likely to fully achieve their educational purposes and become attached to the university; later they may be devoted graduates, able to offer support to the current students. (Low Lana, 2000, p. 3). The consumers' satisfaction is important for the achievement of vital objectives of any higher education institution, as it contributes to the increase of financial benefits, *retaining the students at the university for the next academic cycles, a positive word-of-mouth communication of the university image*, mitigation of discontent and risks of losing the actual position. (Adaptation after Abedniya Abed, Zaeim Majid Nokhbeh, Hakimi Bardia Yousef , 2011 p.604)

In the specialized literature, Grönroos (1984) identified two quality dimensions: *functional quality*, which measures how the service is delivered (Gudlaugsson, 2009, p.10) and which expresses **how** the service defines the consumer's perception on delivery interactions and *technical quality* that measures **what** is delivered through the service (Gudlaugsson, 2009, p.10) and which reflects the result of the service delivery or what the client receives as a result of his/her interaction with the service. (Brady, Cronin 2001, p. 35). Grönroos model is represented in Figure no.4 :

Figure no. 4 - Quality Model developed by Grönroos (1984)



Source: Grönroos, Christian (1984), *A Service Quality Model and Its Marketing Implications*, European Journal of Marketing, ISSN: 0309-0566, 18 (4), 36-44. **op. cit.** Brady Michael K., J. Cronin Joseph Jr.(2001) - *Some New Thoughts on Conceptualizing Perceived Service Quality: A Hierarchical Approach*, Journal of Marketing, ISSN: 0022-2429, Vol. 65, No. 3 (Jul., 2001), p. 35

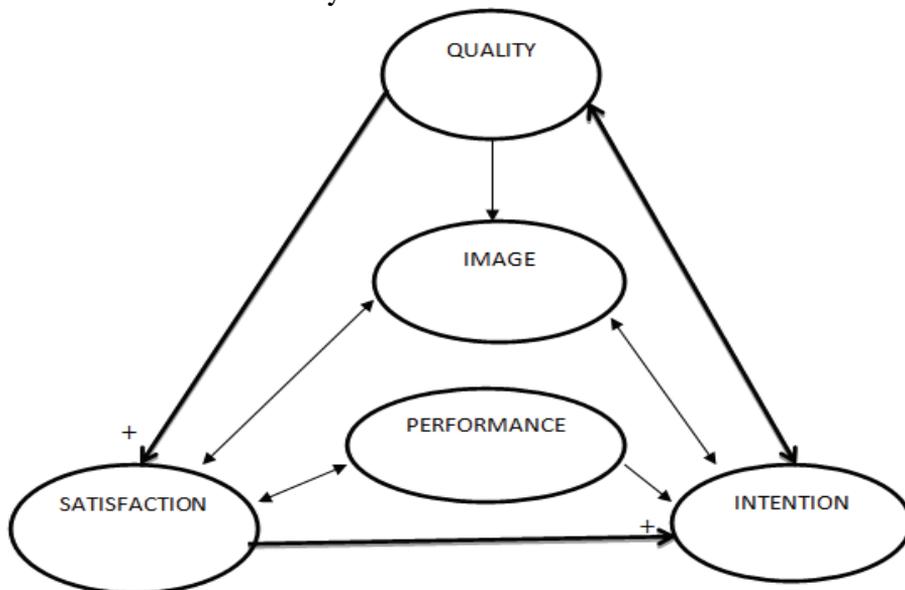
According to the model, the two quality dimensions identified by Grönroos (1984), contribute, through the *image concept*, to building a causal relationship between the expected service and perceived service. According to Palacio et al. (2002) the students' expectations arise before they enroll in the university. Also, the authors Ahmed Ishfaq, et. al. (2010), in the article ISI - "Does service quality affect students' performance? Evidence from institute of higher learning" analyse the impact of quality on the students' satisfaction and motivation. The authors consider that the satisfaction in learning is the major goal that should be reached by education, because "Satisfied students are the source of a competitive advantage and of the word-of-mouth communication of the educational institution's image." (Ahmed Ishfaq, Nawaz Muhammad Musarrat., Zulfqar Ahmad, Zafar Ahmad, Shaikat, . Muhammad Zeeshan, Usman Ahmad, Rehman Wasim-ul, Ahmed Naveed - 2010, p. 2528). Thus, **the university's positive image is the result of the higher education institution's efforts to insure high quality services to its beneficiaries**, as well as intense efforts to maintain and improve quality standards. According to Abbasi, Malik, Chaudhry and Imdadullah (2011, p.211) the university image has been created in the mind of higher education consumers before they enroll in the university; **this university's image affects their decision on enrolling at a specific higher education institution, and later on it affects the student's satisfaction during the academic studies.**

The consumers are able to evaluate a service (are or are not satisfied with it) only after perceiving it (Culiberg Barbara, Rojšek Ièa, 2010, p. 154). In the specialized literature, many researchers who approached in their papers the complex issue of "consumer satisfaction" and its relationship with the delivered service, concluded that *the latter directly affects and influences the consumer satisfaction* (Cronin, J. J. Jr. & Taylor, S. A. (1992), Lee, H., Lee, Y. & Yoo, D. (2000), Wang, Y., Lo, H. P. & Hui, Y. V. (2003), Abedniya Abed, Zaeim Majid Nokhbeh, Hakimi Bardia Yousef , (2011)).

Many research papers approach the students' intention to continue studying after graduation at the same university. "The intention is the result of the developed motivation; it may take the shape of a tendency and represents a probable estimate of the future behavior." (Cătoi, Teodorescu, 2004, p. 23)

Kara Ali, DeShields Oscar W. (2004) developed a conceptual model of the students' satisfaction, their intention and retention. The authors state that the *experience gathered during the academic years has a positive influence on the students' satisfaction and intention to remain at the same university for further studies*. In this context, we developed the model shown in Figure no. 5, in order to demonstrate the relationship between the higher education quality, students' satisfaction and their intention to continue at the same university.

Figure no. 5 – Conceptual model for analysis of the relationship between the higher education quality – students' satisfaction and their intention to continue at the same university



Source: Authors' own research

According to the SERVQUAL model, a higher quality of the academic environment has a positive influence on the students' satisfaction during the academic studies. But a higher quality creates a positive image to the public, regarding the respective higher education institution. The positive image is due to the academic performance. The satisfaction concept contributes to the students' intention to remain at the same university, and it has an effect on the academic performance of each student; thus, a bilateral relationship develops between performance and satisfaction. The perceived performance contributes to creating the intention, which is due also to the quality perceived by the student; actually, the intention is the positive judgment expressed by the wish to continue the cooperation with the institution. Chen, C.-F., & Tsai, D. (2007) developed a conceptual model whereby he showed that image affected the quality and value perceived by the consumer, which then influenced his satisfaction and intention to continue the relationship. According to the author, the image has such a powerful influence on the intention, that the consumer looks forward to recommend his experience.

The conceptual model is focused on the institution's image, as the image represents the stakeholders' perceptions; they are created based on the service quality perceptions, the understanding of satisfaction as a gap between what the student obtains and his/her expectations, and the impact of the intention on the image.

The model emphasizes a dynamic relationship between quality, satisfaction and intention. Any of the three variables has an impact on the

others. Even if the sequence quality-satisfaction-intention seems the only logical relationship, a thorough analysis shows that a stronger intention to remain at the same university represents a guarantee of the delivered quality, and a stable basis that would guarantee satisfaction. The image is the element that can guarantee the dynamic relationship among the three poles, as it is their effect, and their engine also.

Thus, by means of the analysis performed, which included the identification of the determinant elements and causal relationships with impact on the triad quality-satisfaction-intention, the research objective was accomplished and the three hypotheses of were confirmed.

4. Conclusions

The need to insure high standard quality bears effects on the future academic environment, as potential consumers' expectations increase continuously, triggered by the evolution of the society, globalisation, and the new actors on the academic market, which compete with the traditional higher education institutions. The concern for enhancing the quality of the academic environment has become an international practice, because, due to border opening and development of various programs that facilitate the students' mobility, each higher education institution has been exposed to the world. Thus, the higher education quality becomes the key to performance and excellence, because it requires continuous effort from the institution. In this context, the students' satisfaction becomes a barometer of quality, as the greatest challenge of a higher education institution is to become a source for the students' satisfaction. (Arambewela, Hall, 2006, p.144) Quality basically maintains an equilibrium between the internal and external forces (Rana Saba, 2009, p. 2) and contributes to the creation of the students' intention to continue studying at the same university after graduation.

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TOURISM, FRIEND OR FOE TO THE ECONOMIC SUSTAINABILITY OF DEVELOPING COUNTRIES?

Sorina Costache*

Abstract

In 1995, less than 500 million people traveled abroad. In 2011, 980 million people traveled to a foreign country. Tourism is one of the fastest growing sectors of the world economy and it is estimated that it grew at a rate of 4.4% in 2011.

This paper examines the postulate that tourism is the answer for developing countries, in the form of eco-tourism. I will analyze the possible link between tourism and economic growth, in terms of trade. The United Nations Development Program's Human Development Indicator Report for 2010 clearly shows that developing countries that have tourism-oriented economies still rank low according to their HDI.

The academics voice concern over the fact that not only do their debt remains unpaid, but new loans are necessary in order to invest in tourism infrastructure. Furthermore, it has been demonstrated that the programs adopted cause more damage than positive effects. If tourism is to continue in this direction, developing countries will not only remain in the same poverty traps as until now, but their condition might worsen as their international debt will soar while their resources, their environment, as well as their population, will suffer tremendously.

Keywords: eco-tourism, GATS, human development indicator, poverty traps, Fair Trade.

JEL Classification: F18, L83, O44, O57, Q01

1. Introduction

In 1995, less than 500 million people traveled abroad. In 2011, 890 million people spent their holidays or traveled for business to a foreign country.

Tourism is one of the fastest growing sectors of the world economy, surpassing by far the growth of sectors such as industry, the miracle motor of the last few decades. It has been growing at a rate of 4.4% in 2011. The World Travel and Tourism Council stated in a press release on the 8th of March 2007 that:

“This forecast points to a mature but steady phase of growth for World Travel & Tourism in the short and medium term, averaging 4.3 per cent per annum, between 2008 and 2017. In summary, this year's forecasts show all-round consolidated growth. In contrast to the steep end of the

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curve experienced in 2006, 2007 is a year where growth trajectories are rounding off to more mature levels. The outlook is one of healthy and stable progress for the industry”. (WTTC)

The WTTC in fact considers tourism as the world’s biggest industry and the key to “the 21st century’s economic and employment growth”. More and more countries have come to depend on tourism as their main revenues generator (Malta, Burma, etc.).

As Pluss pointed out:

“For several decades now tourism has been a major source of revenue for countries, especially in the Third World. Its growth has been nothing short of phenomenal. In the 1950s, 25 million people traveled to a foreign destination. In the 1960s, this grew to 70 million. By 1997, 617 million tourists had been reported by the Madrid-based World Tourism Organization to have traveled to foreign countries”. (Pluss)

And the previsions are interesting regarding the future trends of the growing number of international tourists. The United Nations World Tourism Organization estimates that by 2020 their number could surpass 1.6 billion people.

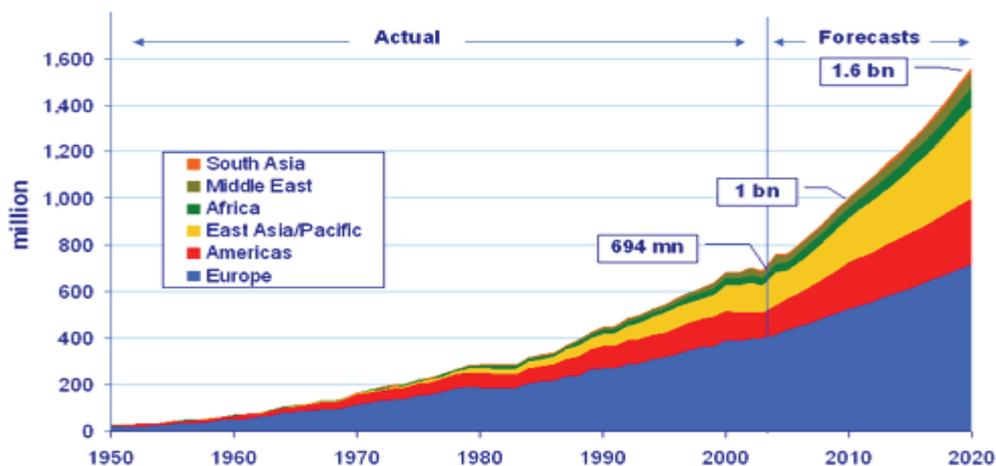


Figure 1.
UNWTO's Tourism 2020 Vision

And if the number of tourists is constantly growing, so do the revenues. It is easy to assume that these revenues reach millions of dollars yearly. In fact, the actual sums are quite shocking. World travel and tourism is expected to generate in excess of more than 9 trillion US dollars in 2011, rising to over 13 trillion US dollars over the coming decade according to the World Travel and Tourism Council's (WTTC) Tourism Satellite Account (TSA) research, sponsored by Accenture and prepared by Oxford Economics.

It is thus understandable why developing countries have given serious thought to developing a tourism infrastructure themselves. The only problem was finding a niche on the ever-growing market. Since the beginning of tourism development, countries have been specializing themselves in one type or another of tourism services. In their chase for tourists, developing countries have paid particular attention to eco-tourism and such-like tourism products.

One important aspect that must be brought into discussion here is the fact that, just like Anita Pleumarom indicated, international tourism promotion is driven by supply and demand within the capitalist market economy, and both tourist-generating and receiving societies are subject to the dictates of this international system. As Watson and Kopachevski observed,

“... people now live in a world in which tourism and tourist experience are major components. Such a world is one in which image, advertising and consumerism – as framed by style, taste, travel, “designerism” and leisure – take primacy over production per se, and in which commoditization is shaped and honed by specific, influential groups in society utilizing a mixture of social, cultural and political resources.” (Kopachevski, 1996, 284)

Nevertheless, tourism growth is more than ever considered vital for the very survival of the developing countries, as it is considered to be the one of the most productive, if not the sole industry that will generate revenues for these nations.

Furthermore, international bodies such as the International Monetary Fund or the World Trade Organization have clearly indicated that tourism is the best solution for these developing countries to salvage their economies, as well as pay their ever-growing debts.

On the other hand, academics as well as the civil society plead for a slowdown in tourism liberalization since these practices, in the form of the General Agreement on Trade in Services, are allegedly causing more harm to the developing nations' economies.

This paper examines the postulate that tourism is the answer for developing countries. We will try to analyze the possible link between tourism and economic growth, in terms of trade. A very important question that must be raised refers to the destination of tourism yields and their supposed benefic effects on the developing nations' economic indicators, such as the GDP, as well as the GDP per capita and human indicators, such as the Human Development Index. The United Nations Development Program's Human Development Report for 2010 clearly shows that developing countries that have tourism-oriented economies still rank low according to their HDI. Where does the money go then? To pay their debts? Do developing countries manage to amass enough revenues from the tourism industry in order to pay back their debts? According to the academics, not only their debt remains unpaid, but new loans are necessary in order to invest in tourism infrastructure. Furthermore, it is of vital importance to assess the real pros and cons of eco-tourism-types of industries for the developing countries, as it has been demonstrated that

such programs cause more damage than positive effects. Indeed, the main point of this article is to stress out that if tourism is to continue in this direction, developing countries will not only remain in the same poverty traps as until now, but their condition might worsen as their international debt will soar while their resources, their environment as well as their population will suffer tremendously.

The paper is structured as follows. The next section presents a concise presentation of the leading economies throughout the world and their tourism industries, in terms of top tourist destinations, revenues, global share of the market as well as their trade related ranking. In section 3 we will concentrate upon the involvement of the international bodies in the redirection of developing countries towards tourism-oriented economies as well as on the new types of tourism adopted by the developing countries, their revenues, and effectiveness. Section 4 has the task of detailing the tourism revenues problem. The last section concludes the paper.

2. Which is to blame for their rich country status, important trade activities or high tourism yields?

The world's over 200 countries are divided into two large groups by an unseeing but all too real barrier: wealth, or rather, possession of wealth. The developed countries and most of their population enjoy a good long life, decent wages, access to health and education, as well as security and democratic political systems. The developing countries know a totally different side of life, where the most basic things, like access to potable water and the daily indicated amount of calories are out of reach for millions of people.

Over time, there have been countless researches and debates upon the causes of this difference in country status between rich and poor countries. A very interesting such study is that of Kiminori Matsuyama, entitled "Why are there rich and poor countries? Symmetry-breaking in the world economy". As Matsuyama sees it:

"To explain cross-country differences in economic performance, the economics of coordination failures typically portrays each country in a closed economy model with multiple equilibria and then argues that the poor countries are in an equilibrium inferior to those achieved by the rich. This approach cannot tell us anything about the degree of inequality in the world economy. A more satisfactory approach would be to build a world economy model and show why it has to be separated into the rich and the poor regions, i.e., to demonstrate the co-existence of the rich and poor as an inevitable aspect of the world trading system. In the present model, the symmetry-breaking of the world economy into the rich and the poor occurs because international trade causes agglomeration of different economic activities in different regions of the world. International trade thus creates a kind of "pecking order" among nations, and as in a game of "musical chairs," some countries must be excluded from being rich." (Matsuyama, 1996, p.1)

Thus, it seems that trade has a much more important impact on the very development of a country than it was credited for. And since the latest developments triggered an increase in tradable services, I have decided to see if trade in tourism is

likely to favor developing countries as well as the developed ones, and more importantly, if the tourism generated yields contribute to the development of the developing countries.

In order to answer these questions, we will first take a look at the top ten tourism destinations. Then, we will search to see which countries are amongst the top ten earners from tourism activities. This data will help us draw a conclusion regarding the place of developing countries in tourism today.

Table 1. Top 10 Destinations 2001–2006

Top 10	2001	2001	2002	2002	2003	2003	2004	2004	2005	2005	2006	2006
	Rank	Arrivals										
France	1	76,5	1	77	1	75	1	75,1	1	76	1	74,7
Spain	2	49,5	2	52,3	2	50,9	2	52,4	2	55,5	2	58,1
USA	3	45,5	3	43,5	3	41,2	3	46,1	3	49,2	3	50,9
Italy	4	39,5	4	39,7	4	39,6	5	37,1	5	36,5	5	40,1
China	5	33,2	5	36,8	5	33	4	41,8	4	46,8	4	49,6
UK	6	20,9	6	22,3	6	24,7	6	27,8	6	27,9	6	29,6
Russia	7	20,4	7	21,2	7	20,4	8	19,9	9	19,90	8	20,8
Mexico	8	19,8	9	19,6	9	18,7	7	20,6	7	21,9	7	21,3
Canada	9	19,7	8	20	10	17,5	10	19	10	18,7	10	17,8
Austria	10	18,2	10	18,6	8	19	9	19,3	8	19,95	9	20,2

Source: 2011 World Travel & Tourism Council,
Tourism Satellite Accounting Tool (SAAT)

Table 2. Top 10 Destinations 2007–2010

Top 10	2007	2007	2008	2008	2009	2009	2010	2010
	Rank	Arrivals	Rank	Arrivals	Rank	Arrivals	Rank	Arrivals
France	1	80,9	1	79,2	1	76,82	1	76,8
Spain	2	58,7	3	57,2	3	52,18	4	52,68
USA	3	56,0	2	57,9	2	54,96	2	59,75
Italy	5	43,7	5	42,7	5	43,24	5	43,63
China	4	54,7	4	53,0	4	50,88	3	55,67
UK	6	30,9	6	30,1	6	28,2	6	28,13
Turkey	8	22,2	7	25,0	7	25,51	7	27,00
Mexico	9	21,4	9	22,6	10	21,45	10	22,4
Germany	7	24,4	8	24,9	8	24,22	8	26,88
Austria	10	21,0	10	22,1	9	23,6	9	24,6

Source: 2011 World Travel & Tourism Council,
Tourism Satellite Accounting Tool (SAAT)

The first conclusions that we can reach, based on the data from Table 1, is the obvious fact that out of the first ten tourism destinations, only two, China and respectively Mexico, are developing countries. The other 8 countries are top developed countries, some of the biggest economies in the world. Table 2 shows the same country distribution, two developing countries and eight developed ones.

On the other hand, the world reputed journal the Lonely Planet had drawn up a list of its own regarding the top destinations for 2012. According to them, Uganda is the hottest spot to visit this year. Myanmar came in second, Ukraine in third, Jordan was on the fourth place, Denmark on the fifth. The list features Bhutan in sixth place, Cuba in seventh, New Caledonia was the eighth nominee, with Taiwan coming in on the ninth place and Switzerland on the last place.

The interesting thing about this ranking is the fact that out of the ten destinations, two are developed countries. In short, the preliminary conclusion will lead us to think that developed countries, as well as developing ones have their fair share of the market. In order to verify this, we will now take a closer look at the top ten destinations in terms of earnings.

Table 3. Top 10 Earners 1990 – 2010, in billions of US dollars*

Top 10 Earners	1990	1995	2000	2003	2004	2005	2006	2007	2008	2009	2010
USA	43,0	63,4	82,4	64,3	74,5	81,6	85,8	96,9	110,0	93,9	103,5
Spain	18,5	25,3	29,9	39,6	45,2	47,8	51,1	57,6	61,6	53,2	52,5
France	20,2	27,6	30,7	36,6	40,8	42,2	46,3	54,3	56,6	49,4	46,3
Italy	16,5	28,7	27,5	31,2	35,6	35,4	38,1	42,7	45,7	40,2	38,8
UK	15,3	20,5	21,8	22,6	28,2	30,7	30,7	36,6	36,0	30,1	30,4
China	2,2	8,7	16,2	17,4	25,7	29,3	33,9	37,2	40,8	39,7	45,8
Germany	14,2	18,0	18,7	23,1	27,6	29,2	32,8	36,0	40,0	34,7	34,7
Turkey	3,2	4,9	7,6	13,2	15,8	18,1	16,9	18,5	22,0	21,3	20,8
Austria	13,4	12,9	9,9	13,9	15,3	15,4	16,6	18,7	21,6	19,4	-
Australia	4,2	8,1	9,2	12,3	15,2	16,8	17,8	22,3	24,8	25,6	30,1

*www.unwto.org data.

Table 4. Top 10 Earners: Exports, Imports (in billions of US dollars), HDI and HDI rank in 2010

	Exports 2010	Imports 2010	HDI 2011**	HDI World Rank***
USA	1278	1969	0.910	4
Spain	246	314	0.878	23
France	521	606	0.884	20
Italy	448	484	0.874	24
UK	406	560	0.863	28
China	1578	1395	0.882	22
Germany	1269	1067	0.905	9
Turkey	114	186	0.699	92
Austria	152	159	0.885	19
Australia	213	202	0.929	2

**Using 2011 data.

***Out of 185 countries, Source: UNDP Human Development Report 2011.
Source: UNTWO.

The incontestable winner in terms of tourism yields are the United States of America, which starting with 1990 have maintained their dominant position up to 2010. It must be observed that in terms of tourism revenues we have roughly the same group of countries, apart from Canada and Russia which have been replaced by Germany and Australia, all developed countries.

The first remark must be made on the composition of this list, where out of ten countries, only two are developing ones (Turkey and China). Again, we have a monopolization of the top ten list by countries from the developed world.

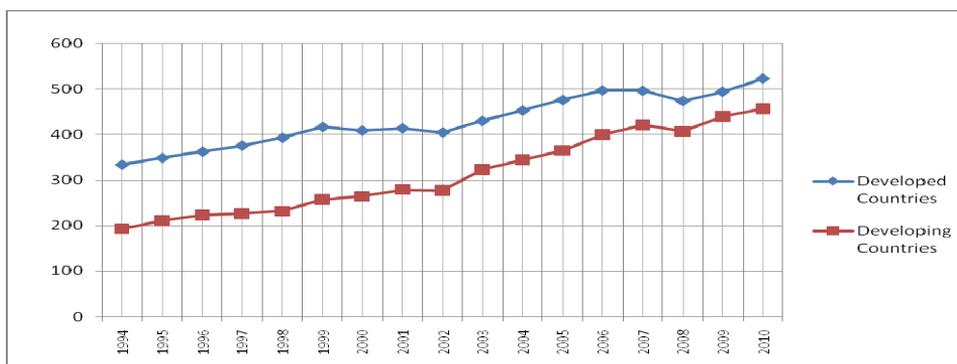
Concerning the international trade data, one would logically draw the conclusion that high tourism yields must mirror important trade figures. Yet, if we are to look closely at the international trade data, we can easily see that these tourism yields seem not to be reflected in them. Countries like Spain, with important tourism yields, have quite a modest international trade activity, whereas Germany, which has average tourism revenues, is third place in terms of trade. This is indeed a most peculiar relation.

Maybe the most striking evidence given by this table is the fact that even if China and Turkey, as developing countries, have managed to climb the ladder and secure for themselves a position amongst the highest recipients of tourism yields, this evolutions does not show in their Human Development Index. Even though they belong to the top countries worldwide in terms of tourism revenues, they rank middle of the class in what concerns their HDI.

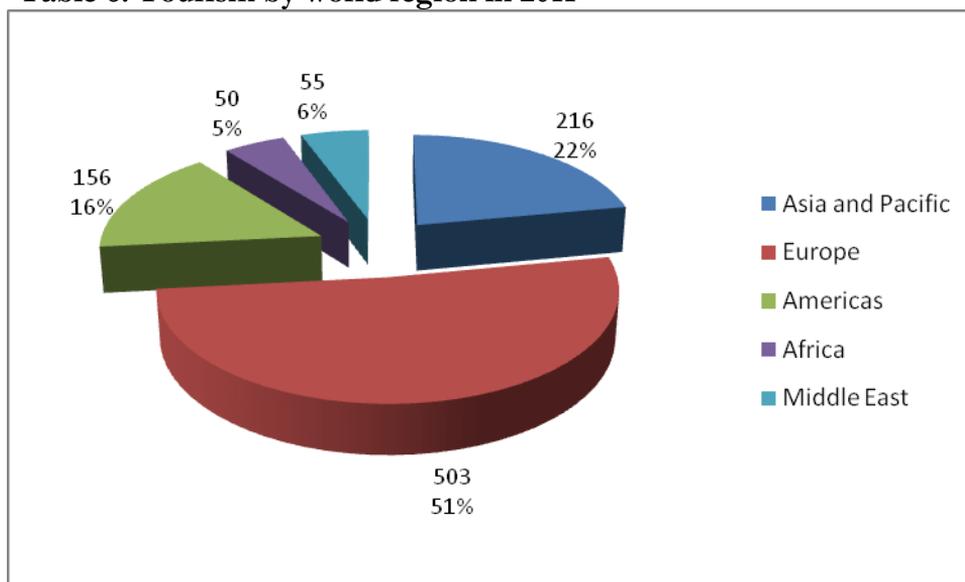
An interesting question will be to ask where does all the money go? Where is the problem, for there surely is one, and what does it concern? Do these developing countries do something wrong? Where are they losing their share of development?

Next we will try and see which regions attract the most international tourists.

Table 5. Tourism by world region in 2010 (million tourists)



Source: World Tourism Organization (WTO).

Table 6. Tourism by world region in 2011

Source: World Tourism Organization (WTO).

The data presented above lead us to the following conclusions. Developed countries rank top of tourism destinations and tourism earners. Nevertheless, there is no explicit link between high tourism yields and the level of wealth, in terms of trade, for these countries. Are we to think that tourism has no active role in the development of these countries? That they are not rich because of tourism, instead they attract the vast majority of tourists because they are rich? And that developing countries, even though they are becoming more and more interesting for international tourists, tend to be left out of the spoils? Maybe the choice of tourism services provided by each group of countries, notably the developed and the developing countries, can provide us with an adequate answer.

3. Tourism, a last resort to developing countries?

If we are to look at the historical perspective of world tourism we will first notice that the emerging tourism destinations are the developing countries and secondly, their growth is more dynamic than that of the traditional destinations, namely Europe and the United States.

These evolutions are presented in Figure 2, below.

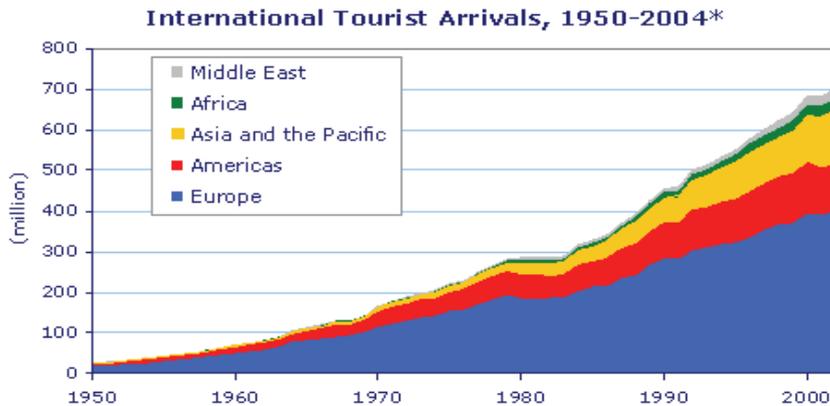


Figure 2.

Source: UNTWO.

As the World Tourism Organization observed,

“The substantial growth of the tourism activity clearly marks tourism as one of the most remarkable economic and social phenomena of the past century. The number of international arrivals shows an evolution from a mere 25 million international arrivals in 1950 to an estimated 980 million in 2011, corresponding to an average annual growth rate of 6.5%. During this period, development was particularly strong in Asia and the Pacific (13% on average a year) and in the Middle East (10%) while the Americas (5%) and Europe (6%), grew at a slower pace and slightly below the world's average growth. New destinations are steadily increasing their market share while more mature regions such as Europe and the Americas tend to have less dynamic growth. Europe's world share declined by over 10 percentage points since 1950 whereas the Americas lost 13 percentage points. Though the Americas' performance has been most affected by the declines suffered in the past years, the fact is that its annual average growth rate for the period 1950-2000 was 5.8%, also below the average for the world (6.8%). Europe and the Americas were the main tourist-receiving regions between 1950 and 2000. Both regions represented a joint market share of over 95 per cent in 1950, 82% forty years later and 76% in 2000.” (WTO)

This is partly the cause of the involvement of international bodies, such as the World Trade Organization (WTO), the World Travel and Tourism Council (WTTC) and the International Monetary Fund (IMF), which spelled out that tourism can “bail out” the developing countries from their difficult economic situations.

In fact, when the Asian countries were struggling with the financial crisis at the end of the '90s, the WTTC recommended in February 1998 that governments continue to view tourism as a priority in order to assist their countries' economic recovery.

As Anita Pleumarom explained,

“Tourism is now viewed as an export strategy. It is no wonder therefore that cash-starved Third World countries view tourism as a shortcut to rapid development. Its potential to earn billions of dollars easily has resulted in it being viewed as a panacea for debt-ridden countries. But more than this, tourism has become part and parcel of multilateral financial institutions’ package for financial bail-outs for countries in distress. Tourism is now being pursued as a serious development strategy for the Third World.” (Pleumarom)

Furthermore, the International Monetary Fund has included tourism as part of its Structural Adjustment Programmes (SAPs). These SAPs, which are the preconditions for the approval of financial assistance, require the indebted country to:

- be integrated into the global economy;
- deregulate and liberalize its economy;
- shift from an agriculture-based to a manufacturing and services industry-based economy;
- liberalize its financial sector.

In short, these preconditions are meant to link the developing countries to the world economy. The SAP, by making these countries liberalize their economy, will ensure that the local economy will open up to foreign investments and transnational companies (TNCs), through the elimination of subsidies and protection to local industries.

Anita Pleumarom further shows that:

“Under the IMF-World Bank prescriptions, tourism is classified as an export strategy. With its capacity to earn billions of dollars, tourism is being promoted by the IMF-WB as a means for Third World countries to repay their debts to them. Third World governments have therefore tried to fulfill their commitments to these SAPs by large-scale investments in tourism related-ventures. In conjunction with financial multilateral institutions and travel and tourism transnational companies, they have launched infrastructure projects such as roads, hotels and tourist-promotion programs.” (Pleumarom)

But these IMF-WB preconditions have been inadequate and they have not triggered a sufficient economic liberalization of the developing countries. Thus, the World Trade Organization has taken an important step to fully liberalize the world economy, by elaborating the most important international agreement with direct bearing on tourism. This agreement, the General Agreement of Trade in Services (GATS) has as main objective the gradual elimination of barriers to international trade in services.

As an effect of these measures, most developing countries have chosen to pursue a tourism-oriented economic development, from Vietnam, the last country to become a member of the World Trade Organization, on the 7th of November, 2006, whose number of visitors for tourism and vacation has increased steadily over the past 10 years (about 3.56 million international guests visited Vietnam in 2006 which showed an increase of 3.7% from 2005), to Myanmar (Burma), the government of which is a military junta.

For the most part, these developing countries have identified several relatively new forms of tourism, such as eco-tourism, rural tourism, biodiversity friendly tourism, health tourism and unfortunately the deplorable sex-tourism, as lucrative niche markets.

The first categories are part of the sustainable tourism section, with eco-tourism, a form of tourism which aims to be ecologically and socially conscious, as its leading emissary. For many countries, eco-tourism is not so much seen as a marginal activity intended to finance protection of the environment than as a major sector of national economy and as a means of attracting tourists. For example, in countries such as Costa Rica, Ecuador, Nepal, Kenya, Madagascar and Antarctica, eco-tourism represents a significant portion of the gross domestic product (or in Antarctica's case, economic activity).

Thus, great abuse is made in the of name eco-tourism. Usually, the label of eco-tourism is used as a marketing tool by travel and tourism local agencies or TNCs. Worse, if eco-tourism does not have the benefic effects that it was designed for, such as the conservation of biological diversity, the sustainable use of its components and the fair and equitable sharing of the benefits, the problem does not stop here. Eco-tourism, in fact, most of the types of tourism adopted by developing countries have disastrous effects upon the environment, the economy and the population.

As Anita Pleumarom underlined,

Observation over recent years has confirmed that opening up new biodiversity-rich areas for so-called eco-tourism-cum-conservation projects only add to the multi-dimensional impacts of mass tourism. Countries embarking on strategies to transform their last "unspoiled" territories into tourism attractions risk that their remaining patches of natural forests will be sacrificed for commercial purposes; marine, coastal and watershed areas get exposed and polluted; and already depleting biological resources further threatened." (Pleumarom)

In Asia, for example, ASEAN members are interested in attracting high-spending tourists from Europe, the US and Australia, by developing a cruise tourism project, that by 2020 is expected to bring some 1.2 million tourist. According to the US State Environmental Resource Center (SERC), cruise ships can carry up to 5,000 people and create shocking amounts of waste. During a one-week trip, a typical cruise ship produces 50 tons of garbage, one million gallons of graywater, 210,000 gallons of sewage and 35,000 gallons of oil contaminated water.

Another important issue that she pointed out was:

“A major question that needs to be addressed in this context: Where will all the money come from for sustainable development and tourism projects? In Thailand, for example, the World Bank and the Japanese OECF have agreed to provide loans to improve and expand tourism as part of a social investment program (SIP) aimed at tackling the problems of unemployment and loss of income arising from the economic crisis. It has been stressed that tourism development is crucial for the country’s economic recovery and “community participation” and “sustainability” are mentioned as major components in projects. But critics have warned that firstly, tourism is not a quick commodity that can pull the country out of its economic pains. And secondly, much of the borrowed money will be used for new developments in national parks and biodiversity-rich areas in the drive to promote eco-tourism.” (Pleumarom)

The economic impact of these types of tourism industries is quite shocking. Not only do the developing countries earn very little from eco-tourism and such-like, taking into account the fact that they had to request more loans from the international financing bodies in order to invest in their tourism industry, but because of this specialization of low-end types of tourism, their national well-off consumers spend their money on developed countries tourism services, such as luxury tourism or shopping tourism. In the end, developing countries find themselves in the same vicious circle, namely the poverty trap.

In South Korea, for example, concerns have also grown that people spend far more on vacation overseas than the country receives from foreign visitors, which resulted in billions of dollars loss in its tourism balance and contributed to its worsening current account deficit.

More so, because of the growing market share of TNCs, Imtiaz Muqbil, a renowned tourism analyst fears that:

“The independence of thousands of small and medium size enterprises, including hotels and tour operators are at risk. This is because most local companies will hardly be able to compete with foreign companies. The radical restructuring of travel and tourism... could strike at the heart of national economies.” (Muqbil)

Most importantly, eco-tourism negatively affects those areas that it was designed to protect in the very first place. According to Raymond Chavez, tourism, especially globalized tourism, is a threat to indigenous peoples.

“In Africa, tourism’s effects on indigenous peoples have been profound: wide scale eviction from their lands, economic dislocation, breakdown of traditional values... . Although eco-tourism is a relatively new phenomenon internationally, it has long been existing in Africa.” (Chavez)

Indeed, various indigenous peoples have come to suffer the negative effects of eco-tourism. The Masai tribesmen in Tanzania and Kenya, for instance, who have

been forced out of their traditional grounds by white safari developers, the Philippines' Kankanaey peoples whose traditions and practices have been disrupted by tourists and the western influences (marijuana, alcohol, prostitution), and many more have been subjected to abuse from the tourism industry.

Tourism critics have often stressed out the fact that tourism in developing countries has taken the form of "sale" of whole countries involving entire societies, their culture, their environment and their identity. Thus eco-tourism can be actually viewed as an ecological and economic trap for the developing countries. The question that naturally arises is if all these negative effects have in the end a positive outcome.

4. Drawing the line: is it all worth it in the end?

At a World Trade Organization conference in Male on the Maldives Islands in February 1997, the director of the Korea Tourism Research Institute explained that the government was viewing tourism as a mere industry and that one striking relation was of particular interest: 14 foreign tourists coming to Korea added up to selling one car (The Nation, 28 February, 1997).

Even worse is the case of Cambodia and the Angkor temples. Even though the flow of tourists is overwhelming, reaching two million in 2007 and expected to surpass three million by 2012, nobody knows where the money goes. Certainly not into preservation or the development of the rural province surrounding the Angkor, which remains the third-poorest in Cambodia. Somewhere, there is a leakage.

A study by Larry Dwyer addresses the difficult question of tourism yields and their limitations. As he remarks,

"In recent years tourist destinations have shifted their marketing focus, away from simply increasing the number of tourists to enhancing the "quality" associated with tourism growth. The way to increase quality is often articulated as moving away from mass tourism, with low expenditure and profit margins per visitor, and moving towards "high yield" tourism with high per capita spending."
(Dwyer)

Larry Dwyer defines yields as "the expenditure injections of tourists (sales revenues) or the profitability of catering to different visitor markets". However, yields can also be defined as having a contribution on the GDP, to gross value added, or the employment consequently generated. Furthermore, one must consider the notion of "sustainable" yield that concerns environmental and social value, not just economic value.

Dwyer continues by underlining the fact that there are several limitations to measuring expenditure, limitations that have not been generally mentioned. Such limitations concern:

- first, the fact that expenditure data does not in itself provide information on what goods and services tourists purchase and so gives no indication of the sectors of tourism or the wider economy that receive the sales revenues.

- second, tourist expenditure is not an indicator of profitability to firms.
- third, gross tourist expenditure is only a partial indicator of the benefits to the economy from the injected tourism expenditure because it includes the import content of the goods and services purchased by tourists.
- fourth, the expenditure measure of yield ignores the economic impact of tourist expenditure. These impacts include contribution to the gross domestic or regional product, gross value added and employment. Tourist expenditure is by no means directly proportional to its economic impacts. “Indeed, if the expenditure composition of a particular niche market is inclined to higher value adding products, the niche market will generate a larger economic contribution to other markets, even if they spend the same dollar amount in aggregate” (Salma and Heaney 2004, 74).
- fifth, the focus on sales revenues neglect the aggregate costs of providing services to each segment.
- sixth, the expenditure measures do not provide information on each segment’s relative spread of impacts and economic and social benefit to the wider destination. “ Thus, it may be useful to know where the visitors in each market segment spend their money. It may well be the case that the economic and social effects (on employment, for example) will differ according to the location of the tourist expenditure” (Dwyer and Forsyth 1994).

In short, expenditure injections per se will tell us nothing about the social or environmental costs and benefits associated with different visitor market segments. There is widespread recognition of the need to develop the notion of sustainable yield to a destination in acknowledgement of the fact that visitors who spend similar amounts of money in a destination may leave very different social and environmental “footprints” (Dwyer et al 2005, Lundie and Dwyer 2007).

Therefore, if the developing countries seem not to fully benefit from tourism yields, it is of outmost importance to search for the hidden beneficiaries.

First, we must take a closer look at the recent developments in tourism liberalization. The GATS brought about a tremendous amount of liberalization in tourism. Other international agreements which focus on the integration of tourism industry into the global economy include the Agreement on Trade-Related Investment measures (TRIMs) and the Multilateral Agreement on Investment (MAI). Their most notable combined measures imply that:

- important tourist and travel TNCs find it easier to invest in the local tourism industries of the developing countries;
- they remove restrictions on foreign corporations’ abilities to transfer staff from one country to another;
- enables TNCs to use trademarks, create and operate branch offices abroad;
- TNCs are permitted to repatriate their earnings to their mother companies abroad;
- protection to the local tourism industry is considered unfair practice and is thus eliminated;

- TNCs enjoy the same benefits as local travel and tourism agencies;
- the requirement that TNCs use local input is removed;
- TNCs are permitted to invest in all sectors of the host country's economy and obtain for them the same treatment as local investors.

Travel and tourism, one of the world's most centralized and competitive industries, has become of foremost interest for TNCs.

Vietnam, for example, has become of major interest now that it has recently joined the World Trade Organization. Indeed, global tourism chains are avid to take over the business, just as they did in other developing countries.

“Upon the news of Vietnam's entry into the World Trade Organization, hotel investors have flocked to the country with plans for large-scale beachside resorts, hoping to turn the golden sands of the burgeoning holiday destination into a gold mine. Amid the wave of interest, industry experts caution that Vietnam will have to choose between mass tourism and a more sustainable approach that looks beyond profits and preserves the country's cultural and ecological heritage”. (New Frontier, 2007)

The corporate tourism system, in the pursuit of maximum profits, wants to own and commodify everything for tourist consumption. The corporate take-over of tourism industry in developing countries is the chief culprit revenues leakages. As Pleumarom warned,

“It is already a well-established fact that in some developing countries, more than two-thirds of the revenue from international tourism never reaches the local economy because of the high foreign exchange leakages. Now, with the implementation of new free trade and investment policies, their balance sheets may even worsen because the profits and other income repatriated by foreign companies is likely to grow larger than the inflow of capital. That means, the claims that globalization and liberalization of tourism will bring wealth, progress, social achievements and improved environmental standards to developing countries need to be seriously questioned.” (Pleumarom)

5. Conclusions

This paper has tried to make several points. First of all, the fact that developed countries cannot claim that their rich country status has been a consequence of tourism and high tourism yields. Rather, they are still the most important tourism destinations because they are rich and they are the top tourism earners because they offer high-end tourism services, such as luxury tourism products (shopping tourism).

The World Tourism Organization's 2020 vision makes a special place for developing countries as important tourism destinations. As it has been shown in this article, being a top destination or even receiving high revenues does not consequently imply an improvement of the economic situation of the country, or of that of its Human Development Index.

If developing countries want to make the best of the tourism industry, then they must make a series of major changes in the policies for in the present situation, it seems that they are losing by a fair amount more than they are gaining through this tourism-oriented economy.

The possible solutions include pro-poor tourism, the fair trade in tourism, the involvement of the civil society in the decision-making, a moderation of tourism liberalization and corporate take-overs developments.

Pro-Poor Tourism (PPT) is tourism that results in increased net benefits for poor people. PPT is not a specific product or niche sector but an approach to tourism development and management. It enhances the linkages between tourism businesses and poor people, so that tourism's contribution to poverty reduction is increased and poor people are able to participate more effectively in product development.

The fair trade in tourism, on the other hand, is about ensuring that the people whose land, natural resources, labor, knowledge and culture are used for tourism activities, actually benefit from tourism. Thus, fair trade in tourism prioritizes groups and sections of a community in host destinations by:

- Fair trade partnerships between tourism and hospitality investors and local communities.
- Fair share of benefits for local stakeholders.
- Fair trade between tourists and local people.
- Fair and sustainable use of natural resources.
- Fair wages and working conditions.

Only when such changes, and many others will be operated, developing countries will be given the chance to enjoy their tourism revenues and know economic development, which will take them out of poverty and underdevelopment.

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ROMANIA'S DEMOGRAPHIC DECLINE – WHAT'S NEXT

Razvan Barbulescu*

Abstract

Just like many other European countries, Romania is facing a demographic downtrend that accentuates over time. Despite studies show that the world is getting overpopulated as the total number of inhabitants should rise from approximate 6.5 billion to over 9 billion, Romania's problem is completely different: Romania has been experiencing a negative population growth for the last decades. This article is modeling Romania's demographic evolution and presenting an outlook of how the future looks for this country in terms of demographic stability, total population, evolution of average and median age, with an emphasis on the expected consequences of this evolution.

Keywords: Population, Fertility, Mortality, Demographic Decline

JEL Classification: E27, R2, J13, J14.

1. Introduction

The demographic evolution of a country has been studied from different angles by sociologists, geopolitical researchers, politicians and economists. The special interest granted for demography by representative experts of many areas, is due to the overwhelming importance of this topic. For example, in economics, the population is important for at least two aspects: first it is part of the aggregate production function of a country by labor input, thus resulting in a state importance in the international trade and, on the other hand, is part of aggregate demand function, resulting in prices changing. In these circumstances, given the importance of this subject, a subfield of economics called "Demographic Economics" appeared in the economic literature.

This is a Demographic Economics article that models the evolution of Romanian Population on long term, in order to raise questions regarding where Romania is heading.

2. Stage of Research

Demographic Economics or Population Economics is defined by the latest edition of Palgrave Dictionary of Economics as "application of economics specific methods in demography, in the study of size, growth, density and distribution of human population."(Allen C. Kelley and Robert M. Schmidt, 2008)

Demographic evolution of a country is mainly depending on two fundamental phenomena: the evolution of birth rates and death rates.

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Birth rate is a demographic indicator showing the average number of children a woman gives birth throughout life. The advantage of this indicator versus the indicator "born alive per 1000 inhabitants" would be that it can be easily compared with the value "2", the minimum threshold to maintain the same population or with the value 2.1-2.2, to maintain constant population considering child mortality. The disadvantage of this indicator is that the real information can be found only at the end of a person's life and thus, information about the average number of children a woman had would be a biased indicator with the difference of few decades before their birth moment. Such an indicator cannot be used for economic policies as data is coming too late to change anything.

Therefore, the calculation of this indicator was simplified: the female population of a country is divided by age or age ranges and it is observed the number of women who gave birth in each age range. To include in this indicator the options of twins, triplets, etc. birth, it is divided the number of children born by a certain class of women to the number of women in that age group, in this way resulting a certain percentage. All age related percentages are summed to provide a general overview of the average number of children born by a woman. The difference versus the first indicator is that to reach the percentage of births on age ranges, there should be made a weighted sum of the number of birth depending on the number of the women in that age range.

Economic and Social Research showed us that birth is influenced by several factors, among which is worth mentioning: the importance of family and social trends on the relationship between men and women (Vlăsceanu Lazăr, 2007), the degree of altruism of the family head and the optimal number of children which leads to family utility maximization (Becker Gary S., Robert J. Barro, 1988), long-term interest rate and growth rate per capita consumption between generations (Barro Robert J., Becker Gary S., 1989), per capita income, human capital stock and profitability indicators associated with costs of family planning (Rosenzweig Mark, 1990), social programs to protect women or single parents such as AFDC and Medicaid (Schultz Theodore, 1994), differences in wages between men and women seen as the opportunity cost of rearing a child (Butz W.P., Ward M.P., 1979) and many other factors.

Mortality rate is a measure of the number of deaths among the population, compared to population size (deaths / 1,000 inhabitants) and is influenced mainly by developments in medicine and improvement of living conditions and hygiene. To simplify our approach, we will consider mortality through its relationship with per capita income, using the Preston curve (Preston Samuel H., 2007). Preston curve is an economic theory that dates back to 1975, observed and tested on empirical data from several countries for 1900', 1930' and 1960', which shows that there is an inverse relationship, strong and sustainable over time between per capita income and life expectancy. The connection observed by the American economist is concave: an increase in living standards leads to a significant increase in life expectancy if the

standard of living is low, and while its level is increased, the marginal influence of life expectancy is decreased.

Preston curve itself has been amended over time by exogenous developments in medicine, like the vaccinations of population, the findings of efficient treatments for diseases that were incurable a century ago and improvements in the performance of health systems. All these led to the Preston curve moving, leading to an increase in life expectancy and thus, to a decrease in age-specific mortality or an increase in the probability of survival for each age range.

Combined, all these theories will lead us to choose the context in which Romania is located in what is called The Theory Of Demographic Transition (Thompson Warren S, 1929). Demographic transition theory is an historical approach to demographic changes occurred during over 200 years in several countries, being an appropriate benchmark for future developments.

The theory is based on a series of four stages of development influencing population trends: the first stage is a pre-industrial one, characteristic for Western European economies from eighteenth century, when, due to the lack of family planning methods and drugs, the population changes are characterized by high rates of both birth and mortality. This is the stage in which changes in the population are best determined by the amount of food available, closely following the trend in the Malthusian paradigm. Currently, countries like Niger are still in the first stage of demographic transition.

The second stage is characteristic for developing countries and is based on economic growth and implementation of sanitary measures, whose effect is reducing mortality, while maintaining high rates of birth. In the second stage, we usually meet a demographic explosion and the population increases dramatically in a relatively short time. In this situation are most of Sub Saharian African countries, the main contributor to world population growth in recent years.

The third stage transmits the impact of falling mortality and birth rates, by decreasing the need for children to maximize family utility function while increasing survival probability at an early age. During the same time a large-scale propagation in family planning methods takes place decreasing fertility. Also very important at this stage is the entry of women into the labor market and society urbanization as factors which change the role of women in society and family. Now the focus moves from traditional family with women whose fundamental role is to raise children to the modern family in which women work to bring incomes in the family.

This third stage, in which both fertility and mortality are low, leads to an aging population which in turn results in an increased dependency in old ages and a decrease in the degree of old people dependence to young people.

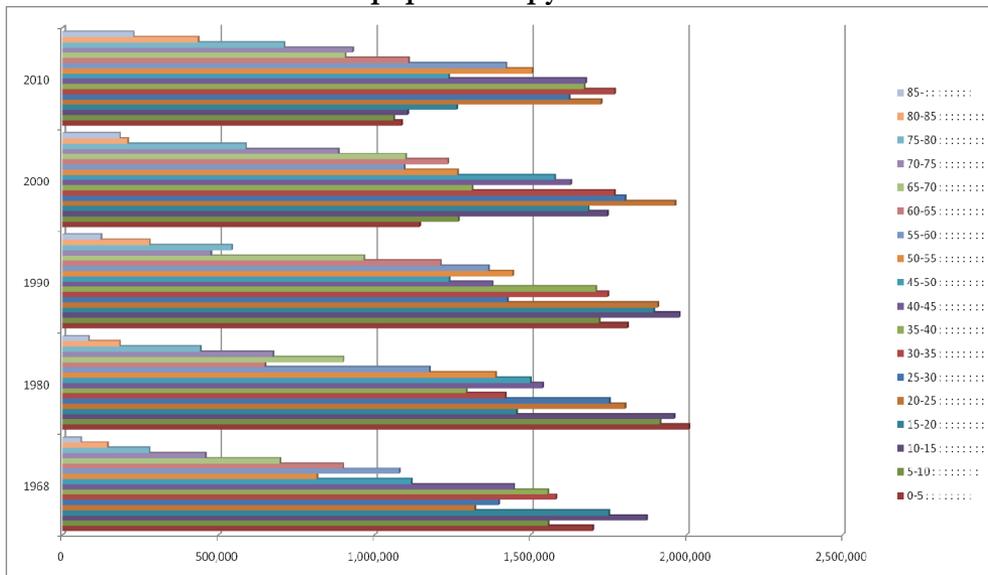
The fourth stage, the last of the initial study, presents a stable population characteristic to many developed economies with a replacement fertility rate of approximately 2.1. Countries that are in this stage have the great advantage of the stability, which provides the possibility of making longer term plans as young population replaces old population in the workforce.

Lately, new stages of this transition following the fourth stage appeared and were observed in various developed countries (Oded Galor, 2005). For example, Western Europe and Japan are clear examples of stage five in which, after a long period of demographic stability, mortality remains at low rates but birth rate continues to decline persistently, leading to a decrease in total population, an aging population and a strong degree of dependence in old age.

3. Demographic evolution in Romania

For our country, we see in Chart 1., that the share of certain age groups in total population changed dramatically between 1968 and 2010, due to changes in birth and death. Thus, while the 1980 population pyramid shows a large number of young people of our country, the situation changes dramatically by 2010. In these circumstances we can say that the share of youth population is constantly decreasing from 35% (3,900,000 people) under 20 years in 1968 to 21% (4,515,000 people) under 20 in 2010. Also, notice how the weight of old age groups (over 65) increased significantly from 8% (1,633,000 persons) in 1968 to 15% (3,206,000 persons) in 2010. However, Romania is better in this respect than countries like Italy and Germany (over 20% of total population).

Chart 1. Evolution of the population pyramid between 1968-2010



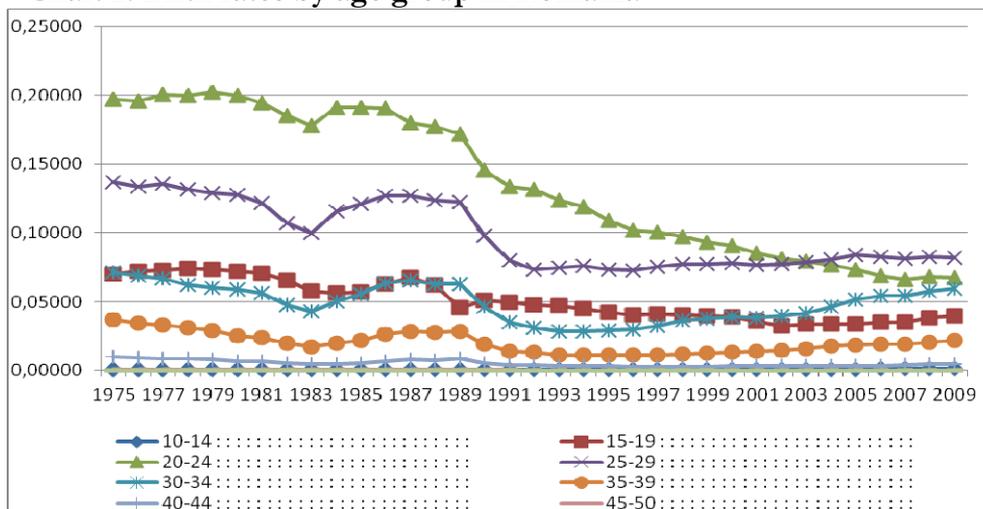
Source: own processing of *Eurostat* data

Apparently, declining birth rates and mortality put us in the fourth stage of demographic transition theory. However, if we note that Romania's population decreased by about 10% from 1990 until today, we realize that in fact our country is in the fifth stage. The fifth stage is probably the most dangerous, because the small number of young people is the base for the future fertility, which is expected to drop

even the current level of 1.37 children per woman. With the population already declining and mortality's impossibility to fall sharply if there is no revolutionary breakthrough in the medical field, a further reduction of fertility can lead to rapid depopulation of the country without an increased flow of immigrants. Knowing that Romania is still an emigration country where the standard of living is significantly lower than in other European countries, Romanian leaders must find solutions to attract a flux immigrants needed for demographic stability.

To predict future demographic trends of our country, should be started from modeling of number of people born and the number of people who die. Modeling the number of newborns is traditionally based on the age fertile female population and birth rate for each age interval. The fertility rate should be modeled according to central tendency and factors such as differences in wages between women and men, the evolution of the income and consumption, interest rate, the tax on consumption and intergenerational transactions or return on investment in human capital. Because men and women incomes began to be monitored only in 2003, overall revenues only in 1995, the number of hours worked by men and women were monitored from 1998, Gender Pay Gap in 1994, the interest rate has a significant but low influence on fertility, according to studies published in the past and the aggregate level of taxes has just began to be calculated by the INS, we have chosen for this study to use only the central tendency of fertility rates.

Chart 2. Birth rates by age group in Romania

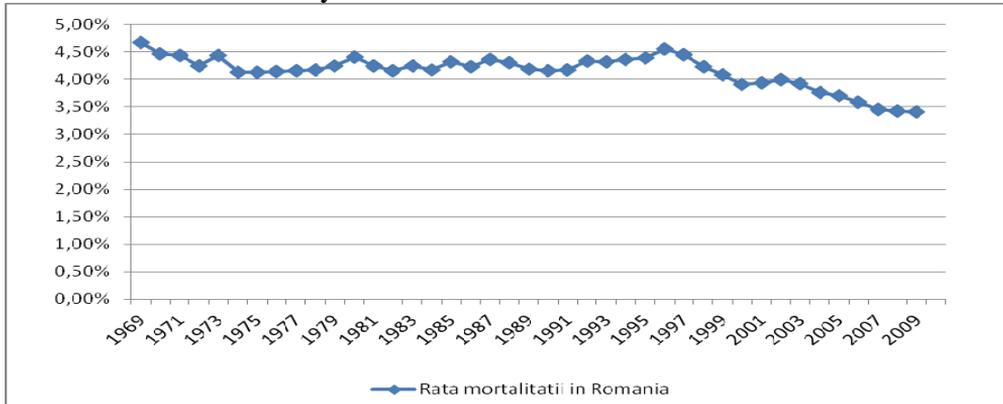


Source: own processing of data from Eurostat

We can see in Chart 2 that the birth rate had fluctuated during 1975-1991 and then stabilized with central tendency. Therefore, in the analysis, we considered only the fertility trends occurring since 1991, in order to discard the legislative and political changes influence occurring before this time.

Modeling deaths traditionally goes from the demographic structure of population and the probability of survival for each age group. Survival probability, in its turn, depends on the standard of living according to the Preston curve, which depends on the investments in healthcare, on the discoveries in medicine and external factors such as wars, disasters, epidemics.

Chart 3. The mortality rate in Romania



Source: own processing of data from *Eurostat*

As seen in the graph above, after a period of stability that lasted until the mid-90s, the benefits of Western medical discoveries have begun to be seen in Romania, together with the easier access to food resulted in higher living standards. Because modeling of living standards and of investments in healthcare will be useful for population growth scenarios not covered by this article, we will limit only to predict the probability of survival according to central tendency.

Following calculations based on central tendencies of fertility and death lead to the conclusion that the Romanian population is declining sharply. The main reasons for this are the overall birth rate well below replacement (1.37 children / woman in 2009 instead of 2.1), rapidly decreasing birth rates in the age group with the highest number of children / woman determined by the incentive to continue studies and delay marriage. Yet, probably the most important factor is the the base effect of the smaller sized younger generation that reached the age group considered to be the most fertile period.

The model contains:

$$Ent_k = \text{Sum} (Fert_i * Fem_i)$$

Where Ent_k represents the number of entrances (children born) in year k, considered to be half girls, $Fert_i$ represents the fertility for age group i computed as age specific fertility trend and Fem_i represents the number of females in age-group i.

$$Ex_k = \text{Sum} (Mor_i * Inh_i)$$

Where Ex_k represents the exits from the population model (deaths) in year k , Mor_i represents 1- survival probability for age group i computed as trend of age specific mortality rate and Inh_i represents the number of inhabitants in age group i .

$$Inh_k = \text{Sum}(Inh_i) + Ent_k + Ex_k$$

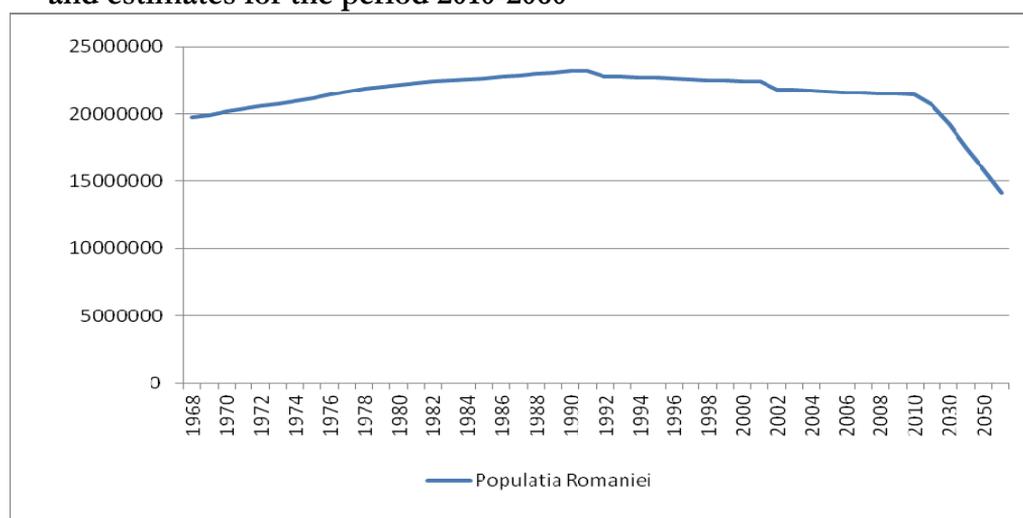
Where Inh_k is the total population in year k .

The model helps us compute both the total population for each year and the population in a specific age group, allowing us to make further calculations regarding how the average age of the Romanian population will evolve. Population was considered according to the certain data before the 2011 Population Census as the census figures are not final and will represent a major outlier in the data, making all modeling more difficult.

According to these calculations, Romania's population would rapidly shrink from 21.4 million in 2010 to 20,700,000 in 2020, 19.2 million in 2030, 17.3 million in 2040, 15.9 million in 2050 and 14.1 million in 2060, as seen in Chart 4. Values are even lower than the pessimistic scenario in the 2007 model forecasts conducted by V. Ghețău (Ghețău Vasile, 2007), which estimated that Romania will reach 16.7 million inhabitants in 2050 if the fertility rate will not recover, scenario that was confirmed by the model in 2011.

Yet, the results are in line with the 2011 Census provisory data that show Romanian population has already decreased to 19 million inhabitants and also with other studies (Bărbulescu Răzvan, 2010).

Chart 4. Evolution of population in Romania between 1968-2010 and estimates for the period 2010-2060



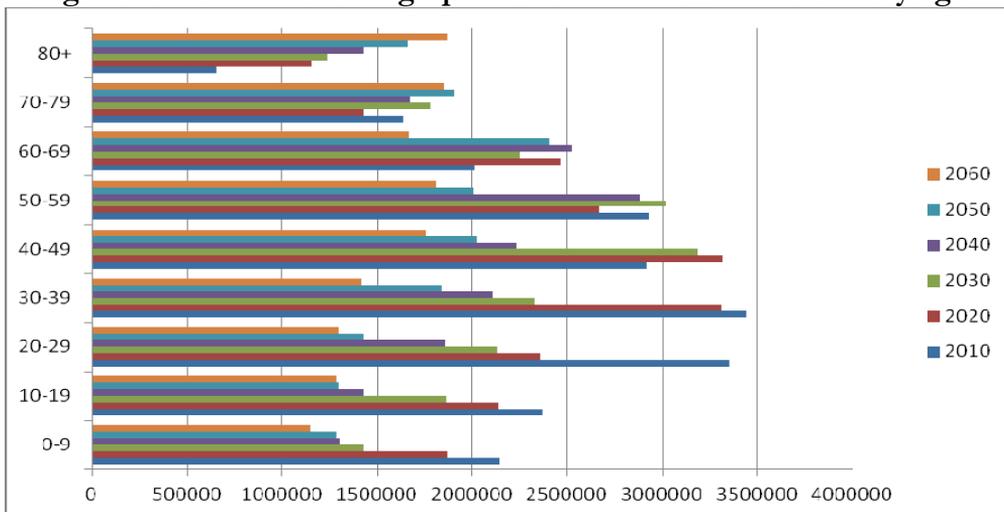
Source: own processing of *Eurostat* data until 2010 and own estimates after 2010

Even worse than the modeled population's decline is the effect on the population distribution by age group. The effect of lower young generations leads to reduced fertility, while older generations nowadays are ageing under low mortality conditions. Thus we see in Figure 5. that the young population decreases as time passes, while the population over 80 years old is increasing.

Increasing older population and decreasing young populations can cause numerous problems for the sustainability of pension funds and social security for the payment of public debt and economic growth in general.

However, estimates made in this article are based on linear modeling and estimated central tendencies, generating a forecast for long periods of time, despite the low number of observations.

Figure 5. Estimated Demographics of Romania - distribution by age



Source: own estimates

4. Conclusions and future research proposals

Romania is, definitely, on a downward trend in terms of population, observed in the last 20 years and with an increasing rate of decline. The main reason for population decline and aging is the basic effect of "missing generations" characterized by a chronic extremely low fertility rate among a decreasing fertile population. Romania is already in the fifth stage of demographic transition, but in the early years the effects were less visible due to the beneficial effects of low fertility and mortality, as average life expectancy was growing and population was quite stable, at least according to the official estimations prior to the 2011 census. Therefore, until now, the population has been on a decreasing slope, but the impact on the budget was small due to the Romanian Baby Boomers who kept working.

In the future, the effects of demographic changes will increase as the "missing generation" reaches fertile age and the generations between 1966 and 1989 reach retirement age. The expected result is an even steeper fertility decrease leading to

even lower child birth ratios, less people in labor prone age groups, while more people reach the retirement age.

In order to find solutions for the future economic issues, modeling should include migration and factors affecting fertility and death rates to find the levers that can help rehabilitate the demographic.

„This work was supported by the project "Post-Doctoral Studies in Economics: training program for elite researchers - SPODE" co-funded from the European Social Fund through the Development of Human Resources Operațional Programme 2007-2013, contract no. POSDRU/89/1.5/S/61755"

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