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**INVESTMENTS IN THE CONTEXT OF THE ACTUAL  
ECONOMIC CRISES**

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**Abstract**

*Investments represent the material support system of any sort of economic growth, they contribute greatly to ensuring a normal development of an economy, the key factor in the development of production infrastructure and the material basis for all the socio-cultural activities undertaken, as well as a boost in the quality of life in any kind of economy, regardless of the structure and stage of development studied. Investments are easily affected by different factors or phenomena which can jeopardise the project implementation and the targeted results partially or even entirely. The article is trying to summarize what happens with the investments when the economy goes down. The greatest risk nowadays is the volatility of prices. In a period when the demand for products and services is dramatically reduced, the investors have no perspectives available regarding the evolution of markets. When economic recession is present, all investors wait for the investment decision of the other investors. So, the question is whether to invest or not? Which is the best decision? What are the others doing? We are trying to find an answer in this paper.*

**Keywords:** Investments, Risk, Efficiency, Economic environment, Economic recession, Economic crises

**JEL Classification:** E22, E32, F21, F23, F44

**1. Investments today**

The importance and decisive role played by investments in the social and economic contemporary development (at a local, regional or national level) is no news for anyone.

However, it is quite necessary to pinpoint a few notions and aspects where the importance and need for investments are vital as a stimulus of economic growth, as well as an essential requirement that must be fulfilled in order to warrant a rise in economic competitiveness at a company level and at a national economy level.

In an economic environment subject to continuous change, particularly in one which is quite strongly influenced by the negative evolution of the present global economy, the dwindling suffered by the rate of growth in investments or even the nullification of those actions in certain branches of activity often generate amplifying effects on the negative influence factors in the business environment.

We are all sharply aware of the complex role that new technologies and the spread of knowledge-based economy play in all sectors of our daily life. The

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assimilation of novelty aiming towards the growth of competitiveness in companies and active premise management aimed at stabilizing, consolidating and increasing the company position on the market are stoutly based on the successful investment processes whether they are carried out internally or they refer to investment flows which are attracted from environments external to the companies, nationally or from abroad.

The positive evolution of organisational performances in our contemporary economy is vitally linked to the spread, the quality, the structure and dynamics of investment flows. Also, we must keep in mind the necessity of creating a favourable climate for investment, while also taking into account the propagated effects of the present economic crisis at a global level will make this endeavour much more daunting than ever before.

Investment processes are always risky in character taking into account the need for the allocation and usage of resources available, the effective spending, respectively (oftentimes the costs are quite important) aiming to obtain future advantages which are usually uncertain.

The more unstable the business environment becomes, the greater the level of uncertainty in reaping sufficiently consistent benefits to ensure the recuperation of costs generated by the investments themselves, as well as an making an additional profit that would compensate the investor for taking on the significant risks and the efforts made by said investor.

Also, given the present economic crisis situation, it is much more difficult to anticipate the real cost of an investment, even if this investment is made on a short term basis. Consequently, the risk source factors are multiplied. Last but not least, the process of evaluating the efficiency of investments presupposes certain forecasts of the economic and financial fluxes according to a specific set of variables.

But, we have to mention that the simple process of choosing the influence variables is risky too because of incomplete information, errors in estimating trends of economic environment, etc.

The inertial character of investment flows must not be disregarded as well. These cannot be instantaneously stopped or slowed down to a halt over very short time spans when economic and financial conditions take a turn for the worst, as is the case of measures taken to stop labour market flows, commercial flows etc.

On a short term, investments take place even after the initial warning signs of the deterioration of environmental factors, following their projected evolution according to the tendencies read before the crisis. Only after this cycle is complete do the investment flows start rapidly diminishing or grinding down to a halt.

The same inertial evolution of investments takes place in post-crisis periods, but take the opposite course of action, as one of the most difficult problems faced by any government in those periods is trying to re-establish a level of trust in the business environment, both at the level of potential investors and that of companies or firms, as well as individuals.

The aforementioned elements merely paint an extremely schematised picture of the present status of the investment domain in our present day economy, as well as the internal and international context challenging it.

## **2. About the economic crises**

In all informational environments, without any exceptions, heated discussions about the current global economic crises and its impact on individual, organizational, national, regional decisions are the norm.

At the same time, the triggering factors and the very accelerated pace of the spread of its impact at a global level are subject to very heated debates in the academic circles, in scientific research media and not only.

### **2.1. Review - the most significant moments**

In general, a forthcoming economic recession is signalled by a decline in the GDP (Gross Domestic Product) over two consecutive trimesters and the growth of the unemployment rate with at least 1.5% percent over a twelve-month time span [Sarwade, (2010)].

From a historic point of view, three main moments can be pinpointed in what concerns the manifestation of major economic crises. The first one happened before the outbreak of the First World War from 1907 to 1908.

The next significant crisis occurred from 1929 to 1933 and it pre-dated the outbreak of the Second World War.

The third such turning point is the actual economic crisis which was first signalled in the second half of 2007 and is still in force as we speak.

A lot of publications try to approach these three events from the perspective of their similarities and differences, or their effects, or the level of mechanisms which have underlined the occurrence and progress of the crises. We shall take a look at the similarities and differences which we shall analyze some of those summarily in [Directorate General of E.C., (2009)]. As far as similarities go it should be duly noted that before any major crisis the economy has had these following characteristics:

- A prolonged boom period;
- A significant prolific credit activity;
- An increase in monetary mass issued;
- A rise in the value of actives at increasingly higher levels;
- An exacerbated optimism (in some situations it was even unconscious in character) of the investors in taking investments risks concerning strategically plans and even current activity.

Another similarity of note is the fact that the collapse of the financial sector, with its more and more widespread interconnections at a global level has contributed as the triggering factor of the disturbance of the real economic state, carrying dramatic consequences over national economies, organizations, families and individuals.

The widespread geographical proliferation of the crisis, on an increasingly larger scale, from one crisis to another must be mentioned once again. In the end, we cannot ignore the fact that each of these crises was followed by the emergence of a dramatic recession state in the economy, characterized by drastic unemployment, the reduction of commercial activity, a blockage of investment activities, a decrease in standards of living etc.

As far as differences are concerned, the short time span of the recession in 1907-1908, as well as 2007(8)-2009 as opposed to the Great Depression in 1929-1933 which has led to a recession spanning over 4 years can be noted.

Another difference is the evolution of the general index of prices throughout the first two crises as opposed to the current one. Nowadays there are no significant discrepancies in the evolution of prices: neither towards an increase nor towards a decrease of those and the very dramatic deflationist phenomena - important traits of the first two economically difficult situations in modern economic history - have posed highly uncomfortable conundrums to decision factors at a macro and microeconomic level.

Yet another element worth noting is the fact that in the present economic crisis the most dramatic negative effects have not been experienced by the regions where the crisis has started, but at the level of economic systems in a less developed state as opposed to previous crises when the US was the first area to be seriously affected by these imbalances. If the evolution of unemployment is analyzed, it can be concluded that certain very high rates have been experienced, around 30% and over 40%, during 1929-1933 as opposed to the present rates situated as a general rule around the value of under 10%.

The flow of the unemployment rate is not so remarkable in the present economic crisis if we are to remark that in 2009 compared to 2007 and 2008 its growth decreased by 5 percent including the rate in the US with some exceptions, for instance Lithuania (+8.2 percentage points in 2009 compared to 2008 and +9.7 compared to 2007).

The last point of difference in the three economic world crises that we shall mention in this paper, which is in fact one of the most important points of contention, is the spark which triggered the starting mechanism of the crisis.

During the first half of 1930, the first sector to suffer from a collapse was the banking sector, in the US as well as in Europe and one of the most notable reactions of the governments was to increase the protectionist measures taken to stop the capital from flowing across borders. In this present crisis the „guilty” sector was the real estate sector more precisely the American real estate and housing sector.

The eventuality of protectionist measures taken against the free flow of capital is not worth mentioning in this study as it is impossible to impose such measures in our contemporary economy.

## 2.2. Brief description – the mechanism of the present economic crisis

The American housing market has had an almost explosive development and evolution throughout 2002 because of the diminishing rates of interest for mortgage credits.

This evolution has generated a veritable boom of the demand in housing. Consequently, an extremely large number of mortgage credits were contracted (mortgages which did not specify a fixed mortgage rate, as a safety measure), taken out by persons including a very high number of those with modest incomes who represented very dramatic risks when the payback costs of credits were to rise [Todt, (2009)].

The entire process has been frenetically prolific and the market prices were on a constant rise because of lower standards for minimal conditions needed to contract credit until 2007 when the mortgage rate rose. From that moment on, owing to the fact that the mortgage rate written down in the contract was variable in nature and the banks were free to grow the rates without asking for permission of the person paying the credit, more and more people started having trouble paying their mortgages, until gradually, a lot of those were rendered fiscally insolvent.

Unfortunately, the housing supply continued its ascending evolution for a while, but the prices of homes had gone on a downward trend. This was the point when the effervescent evolution, incredibly optimistic too, on the housing market came to a sudden halt and the whole collapse started, which had to do with a succession of decisions with more than negative consequential effects ending with entering a vicious circle.

The first effective step towards the initiation of the crisis was taken when mortgages were taken out on the financial market without the degree of risk of procuring them and investing available capital in them being mentioned, as they seemed rather alluring at the time.

Unfortunately, instead of simmering down, the funds thus obtained by the banks were used to attract more mortgage credits and the process went on indefinitely. Another worsening factor was that a lot of banks, investment funds, insurance companies, individuals from all over the world were involved in the activity of buying such stocks which caused the propagation of the negative effects on a global scale with the speed of lightning.

The transmission of such disturbances from the housing market to the banking sector and then towards the real economy happened instantaneously and in an almost natural fashion because all types of credit activities were affected by it.

The level of trust in the business environment dropped dramatically and the exaggerated caution of companies where their activity and strategic planning were concerned, including their investment programs, has decisively contributed to the globalization of this economic crisis in less than a year. The elements previously mentioned paint a schematized and simplified picture of the triggering mechanism of the present economic crisis. We wish to additionally refer to one single aspect.

The direct triggering factor is, in fact, obscuring the truth through masking certain risk factors and a lack of communication. We conclude time and time again

that, in our society, deficiencies in the informational flows profoundly influence global economy especially in more trying times. Unfortunately, the positive outcomes of promoting a globalize economy are slower to be propagated than we are all envisaging it.

### **3. The impact on investments**

The current economic crisis is considered by many specialists as more damaging than the Great Depression in 1929-1933 in terms of its complexity, geographic spread, speed of dissemination and the effects suffered by the real economy.

It is quite intriguing to take a closer look to what happened in the investment sector keeping in mind its importance with regard to the development of modern economy.

#### **3.1. Investments in 2006-2009**

In order to have a clearer picture of the evolution of investments as impacted by the crisis, this calls for an analysis of the state of investments during the previous periods, for instance between 2006-2007.

For each zone or type of economic development, a few representative countries have been chosen, whether for the fast pace of evolution of Foreign Direct Investments – FDI or the slower pace of growth, or diminution of those factors [UNCTAD, (2008)].

It is obvious, from the data presented (Table 1) that the most efficient dynamics (+40.8%) were registered in countries from South - East Europe + CIS. In decreasing order of the rate of growth we would like to mention: The Russian Federation (+70.3%) and Kazakhstan (+34.4%).

In all of the developing areas certain economies exhibited a much accentuated trend of growth, as well as countries where the fluxes of FDI have registered significant diminutions.

The year 2008 is considered the first economic crisis year. Subsequently, owing to a rise in restrictions in the crediting sector and the decrease of trust of companies in the business environment and a rise in the risk factors, the global investment process underwent a contraction period.

The data in the official statistics register the fact that on a global level the FDI decline with more than 20% [UNCTAD, (2009)].

The stronger companies and the large transnational companies (TNCs) respectively had the fastest reactions, calling for the rethinking of the expansion strategies at a global level in the cross-border mergers and acquisitions (M&As), as well as the Greenfield sector (the development of production spaces in areas previously devoid of industrial activity, that is investments starting from zero, all over the world).

In 2008 the largest negative impact was registered in the developed countries of the world, such as Germany, The United Kingdom etc., because the pace of FDI diminution was situated around 33% as compared to the previous year.

Table 1 FDI inflows, 2006-2007

Host region or economy	$\Delta$ FDI ( $\pm$ ) Billions USD	Growth rate (%)
<b>World</b>	<b>+232.0</b>	<b>17.8</b>
<b>Developed economies</b>	<b>+143.5</b>	<b>16.8</b>
<b>USA</b>	<b>+17.5</b>	<b>10.0</b>
<b>EU</b>	<b>+79.0</b>	<b>14.9</b>
Netherlands	+99.8	2,285.1
France	+42.2	52.1
United Kingdom	+31.6	22.6
Italy	-11.1	-28.1
<b>Romania</b>	<b>-2.4</b>	<b>-21.3</b>
<b>Developing economies</b>	<b>+59.3</b>	<b>15.7</b>
Brazil	+18.6	99.3
Mexico	+17.7	92.9
Chile	+7.3	92.2
Lebanon (West Asia)	-0.7	-25.5
Argentina	-1.9	-39.6
Tunisia	-2.3	-69.1
<b>South-East Europe+CIS</b>	<b>+28.3</b>	<b>40.8</b>
Russian Federation	+20.2	70.3
Kazakhstan	+2.2	34.4

Source: UNCTAD

The EUROSTAT statistics show that all through 2008 the external EU27 investments dwindled by 30% in the rest of the world, and the internal ones have decreased by 60%, which are extremely high paces of diminution for a single year.

In 2009 the situation kept worsening, the flows of FDI suffering a reduction of close to 39% in contrast with 2008 on a global scale [UNCTAD, (2010)].

Taking into account this evolution it is necessary to pinpoint a few important elements of the year 2009 (Table 2) in contrast to 2008, for instance:

➤ The reduction of investment flows is situated around 1,000 billion USD in real terms;

➤ The negative evolution has been present at the level of all components of the FDI;

➤ The most dramatic decrease happened at a cross-border M&As level, approximately 66%;

➤ The FDI diminution in the Greenfield component was relatively „less troublesome”, around 23%;

➤ The industries with the biggest investments done in 2009 were Biological products (except diagnostic substances), Electric Services, Banks, Combination Utilities, NEC and Investment Advice.

**Table 2 FDI inflows, 2008-2009**

Host region or economy	$\Delta$ FDI ( $\pm$ ) Billions USD	Growth rate (%)
<b>World</b>	<b>-656.7</b>	<b>-38.7</b>
<b>Developed economies</b>	<b>-396.7</b>	<b>-41.2</b>
<b>USA</b>	<b>-180.2</b>	<b>-57.0</b>
<b>EU</b>	<b>-146.8</b>	<b>-29.2</b>
Hungary	-10.7	-165.2
United Kingdom	-89.9	-92.7
Sweden	-28.2	-64.4
Czech Republic	-6.7	-63.0
Spain	-39.7	-60.6
<b>Romania</b>	<b>-7.2</b>	<b>-54.4</b>
<b>Developing economies</b>	<b>+59.3</b>	<b>-34.7</b>
Malaysia	-5.4	-66.6
Morocco	-1.4	-56.6
Turkey	-10.3	-56.3
Thailand	-5.5	-54.3
Brazil	-18.7	-49.5
Hong-Kong China	-27	-42.8
Argentina	-3.8	-42.7
<b>South-East Europe+CIS</b>	<b>+28.3</b>	<b>-39.4</b>
Ukraine	-5.9	-55.2
Russian Federation	-28.9	-41.1

*Source:* UNCTAD

It can be noted that the devolution of cross-border M&A in 2009 recorded at a world level has been constant in all the development areas, around -66.6% for the South-Eastern European countries and CIS and -64% for the emerging economies (Table 3).

It is obvious that the fastest pace of diminution of the M&A levels in 2008-2009 has been recorded in Japan: -163.5%. Relative to the average of the EU member states (-56.4%), Romania is situated in the pole position as far as the dwindling M&A activity is concerned, as it has registered a fall by -97.7%. At the same time, there is a number of countries with a positive evolution, for instance in Belgium there was a growth of 385.3%, Austria with a +35.4% appreciation and Hungary with +18.7%.

However, in terms of absolute values, not just a relative scheme of evolution, the US is on the first place as far as M&A reduction rate is concerned, a -187.5 Billion USD loss was registered there. The US is closely followed by the EU with a loss of 141.6 Billions USD. The UK can be dissociated from the rest of the EU member states as its losses were around - 122.8 Billions USD.

Taking into account the fact that one of the driving factors in sustainable development and economic growth is actually the investment process, the current

evolution of investment fluxes is a very worrying one especially of import to the countries with developing economies.

It is most challenging to take a look at the Energy sector which, owing to the decrease of activity in the real economy has registered the first decrease in consumption (-3.5%) since the Second World War [IEA, (2009)]. The observations enunciated for May 2009 projected the following decrease of investment in this domain:

➤ 38% in renewable-based projects (the reduction of the first trimester of 2009 in contrast with the fourth trimester of 2008 is around 42%), after a rise of 85% in investments in 2007.

➤ 40% in the coal mining sector, even though throughout 2007 and even 2008, this industry proved to be highly profitable.

**Table 3 Cross-border M&A, 2008-2009**

Host region or economy	$\Delta$ M&A ( $\pm$ ) Billions USD	Growth rate (%)
<b>World</b>	<b>-466.6</b>	<b>-66.0</b>
<b>Developed economies</b>	<b>-386.0</b>	<b>-66.4</b>
<b>USA</b>	<b>-187.5</b>	<b>-82.5</b>
<b>Japan</b>	<b>-15.2</b>	<b>-163.5</b>
<b>EU</b>	<b>-141.6</b>	<b>-56.4</b>
<b>Romania</b>	<b>-1.0</b>	<b>-97.7</b>
Sweden	-17.8	-94.5
Germany	-29.5	-92.6
United Kingdom	-122.8	-83.2
Denmark	-4.5	-74.3
France	-3.3	-72.4
Belgium	+9.6	+385.3
Austria	+0.5	+35.4
Hungary	+0.3	+18.7
<b>Developing economies</b>	<b>-67.1</b>	<b>-64.0</b>
Brazil	-9.0	-118.8
Mexico	-2.2	-95.6
Malaysia	-2.6	-93.0
Egypt	-14.3	-90.2
Turkey	-11.6	-87.7
Peru	-0.3	-86.9
Thailand	+0.2	+142.4
China	+5.8	+108.2
<b>South-East Europe+CIS</b>	<b>-13.5</b>	<b>-66.6</b>
Ukraine	-5.7	-97.0
Russian Federation	-8.5	-62.5

Source: UNCTAD

### 3.2. The case of investments in Romania

At the beginning of 2010, at an international level, certain mild signals of an eventual crisis end appeared (at least where the economically developed countries were concerned, the United Kingdom for instance, or even the USA).

However, the same thing cannot be applied to economies with a lesser level of economic development than aforementioned countries, like Spain, Greece, Italy, etc. or about the developing economies such as Romania.

At the same time, we cannot ignore the negative effects of the austerity measures proposed by the governments aiming to eliminate the budget deficits created at a social and political level, which led to a more dramatic disturbance of the economy of countries which were already drastically affected by the fast paced evolution and spread of the crisis around the world.

According to official sources, the level of Foreign Direct Investments during 2003-2009 has had an oscillating evolution, as it can be ascertained from the data presented in Table 4.

It is clear that two moments in the dwindling rate of FDI over the timespan should be held under scrutiny. The first moment happened in 2007 (-19.97% a value close to the UNCTAD statistical data mentioned in Table 1) when the growth rate of the real GDP has slowed down compared to 2006, and the second happened in 2009 (-52.02%) when most economies have faced similar problems.

Examples of positive evolutions can be seen in 2004, 2006 and 2008 in decreasing sequence of the fluxes of FDI attracted by the Romanian economy.

**Table 4 Foreign direct investments attracted by Romania (2003-2009)**

Year	FDI value (Million Euro)	Growth rate reported to previous year (%)
2003	1,946	-
2004	5,183	+166.34
2005	5,213	+0.58
2006	9,059	+73.78
2007	7,250	-19.97
2008	9,496	+30.98
2009	4,556	-52.02

*Source:* National Bank of Romania, Balance of Payments

The most interesting value is the one recorded in 2004, when a growth indicator of 266.34% was registered, which means a growth of over 2.6 times in the number of FDI, at the highest level of real GDP in the 2003-2009 time frame, the dramatic decrease in the rate of inflation and unemployment compared with 2003 and a business environment which proved more than appealing to foreign investors.

To sum up, a few additional remarks about the evolution of Romanian investments under the influence of the economic crisis in 2009 are worth making [NBR, (2009)]:

- The stagnation of investments in the industrial sector in: Mining and Quarrying, Wood Manufacture, Transport Equipment and Motor Vehicle Manufacture, Chemicals and Chemical Products Manufacture, Rubber and Plastic Products Manufacture, Printing and Reproduction of Record Media;
- The reduction of investment in the following sectors: Construction Materials, Refined Petroleum Products Manufacture, Coke Manufacture, Nuclear Fuel Manufacture, Computer and Radio-TV Equipment Manufacture.
- The reduction of investments in the Construction Work domain.

The registered data for 2009 are a little bit more optimistic in contrast to those of 2008 taking into account the fact that over the previous year investments in the industry sector decreased by 29% and the construction work investments dwindled by 37% [NBR, (2008)].

As far as 2010 is concerned, the FDI attracted by Romania represent 466 Million Euro in the first two months, respectively 302 in January and 164 in February (*Source*: National Bank of Romania, Balance of Payments). The value registered in the first half of 2010 is very low taking into account that the monthly average of FDI in the previous year was around 379.67 Million Euros.

Consequently, if the rhythm of FDI attraction in Romania remains at a constant level until the end of the year, this means that at the end of 2010 we will witness a new decrease in the volume of FDI, just like in 2009.

#### 4. New trends for investments

Recent evolutions at an international level show that there is a rather dramatic tendency for the diversification of the risks companies are affected by when an investment venture is set at a decisional level. Starting from the triggering mechanism of the present crisis we can assess that as long as no changes are made in the evaluation of the various opportunities available on the market, the temporary capital deposits available in non-corporeal active accounts is more risky than the option of undertaking direct investments aiming to create and develop certain production capabilities.

The more advanced models of company evaluation can be adapted, extended and applied in the same manner for the assessment of the financial stocks emitted by those companies. Using this system a number of future and present or potential risks, both external and internal could be taken into account [Bircea & Bircea, (2010)]. In this manner, the investment division could be elaborated on a much more rigorous base and the risk of not attaining the predicted results will be considerably lower.

A modern approach to elaborating investment strategies under liability conditions, especially if considerable investment funds are concerned, could lead to the growth of the degree of confidence in the economic environment of all interested parts, individuals, companies, governments respectively.

In the periods when the economy is declining, all the deficiencies generated by the faulty „government” of business in the previous periods, those at a

microeconomic level or at a macroeconomic one, are coming up. Since we have broached the topic of faulty administration of resources we will mention a few examples in the following scheme:

➤ The lack of parsimony and rationality in the administration of the resources available, including those allocated for investment during the periods of economic development could have negative consequences of such a dramatic nature that they can accentuate the negative effects of an economic crisis even if this crisis is not a great one and has a short term impact;

➤ Awarding salary bonuses without a solid base in the labour productivity will cause an unjustifiable growth of spending, a reduction in profit, and through this a decrease in the level of funds allocated for investment, a decrease in the efficient development of the economic activity or impact negatively the quality of human capital and the competitiveness of the products and companies involved;

➤ Excessive bureaucracy, the overcrowding of personnel in public institutions, disregarding the real needs of the economic and social environment will foment corruption, legislative grey areas, political instability and the lack of transparency of the authorities in terms of public expenditure. And all of these have a major negative impact on the attractiveness of the Romanian business environment for foreign investors, etc.

The aforementioned elements are present at the level of all national economies, with a smaller or bigger impact in relation to the administrative structure, the level of development, the political system etc. In times of economic crisis the level of trust of investors is significantly dwindled anyhow and their cautiousness is sometimes needlessly exaggerated, but such behaviour is quite normal. Therefore, the decisions taken in order to re-establish a more favourable climate for investment cannot simply target the economic sector.

Additional efforts need to be made for a rise in efficiency and administrative quality.

## **5. Conclusion**

At an international level, the more developed economies of the world present certain symptoms of redress and crisis emergence. As far as the US economy is concerned, for instance, some growth is predicted in the first half of 2011 up to a value of 0.75% in relation to the historical one recorded in 2008 [Rusek, (2009)].

The more developed countries in Europe are announcing that the recession is coming to a close, even if they have presented quite severe austerity measures on their current agenda. As far as Romania is concerned, it can be noted that it is just now entering the most severe part of the economic crisis as an effect of the very late elaboration of a realist plan of redressal.

In terms of investment, as was the case in the rest of the world, Romania has experienced the full negative impact of the current economic crisis. According to the

recent evolutions in this domain, the objectives of the government are directed towards protecting our national economy and stimulating economic growth.

A few priorities of the national decisional factors in terms of revigorating the economy and a minimisation of the effects of the economic crisis over the investment process need be enumerated [Leucuta, (2010)]:

➤ An increase in funds allocated for infrastructure (transport, health, education, environmental infrastructure, tourism, rural development and heat rehabilitation of old houses);

➤ Promotion of activities destined to create a favourable business environment, social protection, budgetary consolidation and creating new jobs in addition to maintaining existing ones, etc.

We must stress this again that Romania is dealing with a dangerous economic contraction. The budgetary deficit has been continually amplified from the onset of the economic crises onwards. Romanian exports have been constantly dwindling, production activity is slowly trying to pull through, and constantly attempting to cut its losses, the number of companies who cease activity completely and declare bankruptcy or become insolvent is growing without precedent.

Even if the inflation remains at a low level, the unemployment rate is still growing from one month to the next. Consequently, even if some institutions predicted that at the end of 2010, Romania will emerge from the crisis [Constantinescu et al., (2010)], it seems that this moment will be delayed to later date which is uncertain at the moment.

However, the key issue is the fact that, for now, from official papers too few effective measures targeted towards providing effective support for companies in order for them to better cope with the difficulties they are experiencing right now can be construed. In our modern day economy, especially in turbulent times, the key word at the root of economic policy making is flexibility.

But this flexibility can only be attained through an increase in the capacity of fast reaction targeted at abrupt changes of situation, the promotion of an increase in value of all domains and the high quality of labour resources.

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