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THE ANALYSIS OF FLUCTUATIONS AND CAUSALITY OF CURRENT DEFICIT - ECONOMIC GROWTH AND SHORT TERM CAPITAL FLOWS: THE CASE OF ORGANIZATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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Abstract:

In this study, Wald tests are carried out based on the method of Panel Granger and GMM to determine whether the causal relationship between economic growth and current budget deficit, short-term capital flows in 20 OECD countries for the period 1990-2010. Also SURADF and CADF testing was performed with the CD_{LM} to test the stationary for these three variables. As a result of the panel causality tests, it has been determined a causal relationship from the current account deficit and short-term capital flows towards economic growth and from the current account deficit towards the short-term capital.

Keywords: current deficit, economic growth, short-term capital flow, CADF, SURADF, panel causality tests.

JEL Classification: C23, C33, F21, F32, F43.

1. Introduction

Short-term capital flows and current account deficit are extremely important issues for all economies. Current account deficit is adverse event because of the damaging country's economic balance, but it takes place in many of the developing economies. In this context, the problem is not having the current account deficit. The problem is how to finance the current budget deficit or whether economic growth will be sustainable with the deficit. Capital account balance is an extremely important matter for the balance of payments imbalances in the economies which have mostly the high current account deficit. The deficit that accrued in balance of payments on current account could fix with increasing of capital transaction. Exchange rates are determined according to exchange supply and demand, and intervention the central bank in balance of payments makes the official reserve account trivial under a flexible exchange rate regime. Therefore, capital flows is extremely important for economies that do not want to have problems in balance of payments and other macro-economic variables in an economy experiencing with current account deficit. One of the tools that can be used as a solution for current account deficit is the short-term capital flows. Short-term capital flows, also referred as hot money usually tend to flow into the markets with high interest and profitability rates. Short-term capital flows which are financed the current account deficit and although it has the positive effect on economic growth by strengthen the financial structure of companies in stock market, this effect is still subject of discussion because of it's the sustainability. Short-term capital flows is capable of suddenly input-output to an economy. Interest rate differentials between countries and co integrating the countries because of globalization cause that short-term capital flows suddenly lead to another country.

Therefore it could have negative effect on economies. Therefore some measures should be taken to prevent short term capital flows make sudden input-output into the markets. The purpose of this study is determining the relationship among the economic growth and short-term capital flows and the current account deficit in recent years in OECD countries. Portions of the study are organized as follows: The second section covers the literature review. The third section introduces the data and methods. The fourth section covers the empirical results obtained in the study as a result of econometric methods. Finally, the fifth section covers the results and evaluation of the study.

Conclusion

In this study, economic growth and dependence on short-term capital flows and deficit in 20 OECD countries were examined for the years of 1990-2010, CDLM tests were used to analyse the cross-section dependency. As a result of these tests it is concluded that there is a cross-section dependency at the series. Therefore, taking into account cross-section dependency SURADF and CADF, panel unit root tests were used in order to analyse if there are unit root series. As a result of SURADF and CADF panel unit root tests it has been found that there is a degree of stability in the different countries of panel. Finally, in order to analyse the causal relationship between variables whether the panel Granger causality test and GMM Arellano-Bond test is based on the method used. Panel Granger causality test of short-term capital flows and economic growth in the current account deficit as a result of unidirectional causality has been determined.

In addition, the short-term capital flows one-way causal relationship has been found towards economic growth. According to GMM Arellano-Bond test method based on two-way causality relationship between economic growth and the current account deficit has been determined. However, the causality positively to economic growth in the current account deficit is selected. The causality from economic growth towards a positive current account deficit is selected. Arellano-Bond test, the other is a causal relationship between the variables determined to economic growth in the short-term capital flows realized. This causal relationship is positive. Finally, the current account deficit and a positive short-term capital flows marked with unidirectional causal relationship have been determined.

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“THE MORAL CAPITALISM” A SOLUTION FOR THE INTERNATIONAL ECONOMIC AND SOCIAL CRISIS?

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The world will be led by the people able to
learn, to break of learn, and learn again.

Alvin Tófler

Abstract:

In an European and international economy, seized by the perpetual globalization fever, with an appetite for consumption, a culture was born, one of “the adolescentism” that stimulates greed, where the contemporary man is determined by the will of possession, not ideals, a culture that has contaminated the whole world.

Greed is responsible for the economic power excesses; the immoral actions of Enron and WorldCom, other abuses from the speculative investments area and also the increased poverty in important areas of Africa, Asia and Latin America are sources of powerful social agitations.

This has led to the need of changing the governmental principles of the “wild capitalism” theorized by Andrew Carnegie, and Erbert Spencer, with principles of a moral capitalism, based on the Caux Round Table governmental principles, that remained since its publication, nine years ago, the only set of standards of corporation social responsibility, proposed by leaders from the entire spectrum of business leaders.

Keywords: adolescentism, rebel without reason, social Darwinism, wild capitalism, popular capitalism, principles of the Caux Round Table.

JEL Classification: M15

Introduction

In the European and world economy, the globalization promotes a culture that discourages the individual and collective options to the “own interest taken into consideration from the perspective of the whole”.

The appetite for consumption has developed a global culture of the “adolescentism” that stimulates greed.¹The development of the production capacity makes the contemporary man determined by his will to possess as many fortunes as possible, for his comfort and material safety. He’s not led by ideals anymore.

As a result, “the adolescentism” has appeared a phenomenon that characterizes the middle class category, marked by the impetuous consumption, the lack of responsibility, the indifference to our own kind; the culture that has contaminated the whole world. The “rebel without a cause” type, like James Dean, Elvis Presley, The Beatles, has conquered the world through American radio and TV channels. The parental authority reduces its authority, with the exception of the Muslim, Protestant and Judaic religious communities.

The adolescentism, specific to an age between childhood and adulthood, is characterized by the temptation to overspend in order to satisfy the identity need, by avoiding the responsibility of adulthood.

¹ Cashmann, K. 2001. *Leadership from the Inside Out*, Provo,Utah, Executive Excellence Publishing, pp.18

The Americans from the adolescentism era are old aged by now; their children, born after the fifties, maintain these attitudes and create around them the cultural space, looking for the material resources needed to avoid the adulthood responsibilities.

In business, they use their careers exclusively to their personal purposes, being oriented towards their own identity deficiencies.

Greed is responsible for the economic power excesses; the immoral actions of Enron and WorldCom, other abuses from the speculative investments area and also the increased poverty in important areas of Africa, Asia and Latin America are sources of powerful social agitations.

Conclusions

It is remarkable that, in the nine years since its publication, “The Caux Round Table Principles” have remained the only set of standards of social corporation responsibility, proposed by business leaders, the most complete decision instrument built on principles of business social responsibility.

In the transition economies case, the development of a moral capitalism, instead of a “godfather ship” or wild one is a proper solution in order to apply these principles.

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EFFECTS OF SINGLE MONETARY POLICY ON THE SELECTED ECONOMIC AND MONETARY UNION COUNTRIES. CASE OF SO-CALLED “PIIGS” COUNTRIES

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Abstract:

Monetary policy represents one of the most important policies of each country's policy mix. Understanding how monetary policy works and affects real economy is essential in understanding how changes in the settings of monetary instruments such as interest rate increase or decrease will affect the real economy and which variables will react. In this paper we analyse the implications of monetary policy shocks in countries of monetary union in Europe. The focus is on the estimation of the response of economic variables such as a gross domestic product, exchange rate and price level. The model used is based on the vector autoregression approach that enables to estimate the extent and the persistence of monetary policy shocks for tested variables in case of selected European economies.

Keywords: interest rate, monetary transmission mechanism, VAR, Cholesky decomposition, impulse-response function.

JEL Classification: F36, F41, E53

Introduction

Monetary policy represents one of the most important policies of each country's policy mix. Its main focus nowadays is on achieving price stability with base interest rates serving as the primary monetary instrument. In literature we can find many studies analysing the speed and the extent of transmission of monetary measures to real economic variables. For central bankers, it is essential to know how and when the changes in the settings of their monetary instruments will affect the real economy and which variables will react. They must be equally aware of possible time lags with which the various effects will manifest themselves. Thus policy makers face uncertainty about the extent of the changes in the settings of their monetary tools.

In case of monetary union, such as European Economic and Monetary Union (EMU), this uncertainty is increased by the fact that the EMU economies can be considered similar only to some extent. EMU main asymmetries arise from the fact that EMU is a monetary union without common fiscal policy framework. As a result, national governments are allowed to issue debt in a currency over which they exert no control, increasing even more existing divergences in macroeconomic development. (De Grauwe 2012) This can subsequently create contradictory pressures on the common currency and threaten its stability.

This paper will focus on analysis of the transmission process of monetary policy in euro area in general as well as for the selected EMU countries. Considering recent debt crisis in EMU we have selected five highly indebted EMU countries, often called “PIIGS” countries², in order to verify their similarity in responses to monetary policy shocks. The results will be compared with general results computed for average euro area variables. In our case the transmission process of EMU's monetary policy, carried out by European Central Bank (ECB), is represented by the changes in short-term interest rates. Subsequently, these changes are transmitted by various channels to real economy and affect macroeconomic variables, namely gross domestic product, exchange rate and price level. We estimated vector autoregression (VAR) model using the Cholesky decomposition of innovations in order to identify the effect of the monetary shocks on selected variables. This analysis allows

² The term PIIGS (or PIGS) is an acronym used in reference to the southern European countries of Portugal, Italy, Greece and Spain with Ireland equally included. The use of this acronym has become well known with regards to the European sovereign - debt crisis in 2009 and nowadays it is used as a name for a group of European most heavily - indebted economies.

computing impulse-response functions for estimation of interest rate pass-through to macroeconomic variables.

The paper is structured as follows. Firstly, an overview of the literature is presented. The next, third section explains and presents the VAR model which is followed by the section 4, Data and results. The last part offers conclusions of presented analysis.

Conclusions

In this paper we analysed the transmission process of monetary policy in case of selected EMU countries. Firstly we analysed these processes at the level of overall EMU, using the EMU average values for selected variables of gross domestic product, inflation level and the nominal effective exchange rate. These results were compared to those computed for several selected countries. For this analysis we have decided to look closely at the highly indebted EMU countries, often called as “PIIGS” countries: Portugal, Italy, Ireland, Greece and Spain. So - called “PIIGS” countries do share some common characteristics especially in the domain of fiscal indicators, such as high indebtedness and the general doubts about their ability to pay these national debts as well as high unemployment rate. These indicators mirror mainly the decisions of the national government that determines the level of national governmental expenses as well as revenues. Countries having the negative fiscal balances for longer periods of time are bound to experience economic problems.

On the other hand these countries are part of the European Economic and monetary union, EMU, with one single monetary authority regulating the conduct of the monetary policy in each member country. That is why it was interesting to verify whether similar fiscal conditions and economic situation of these countries may influence the ways “PIIGS” countries react to common monetary policy. We aimed to find out whether their reaction corresponds to the EMU average. The comparison to other EMU countries would be more accurate; however we did not test it for this paper. It will be subject to further testing.

In our model we used a VAR approach which enables the testing of the responses in case of sudden monetary shocks. We compared the results of VAR testing for three periods of time (2002 - 2007, 2002 - 2009, and 2002 - 2011) or for three models respectively (models A, B and C). Based on the results of the tests we can conclude that a monetary policy shock caused a response as expected from economic theory for a period 2002 - 2007. GDP and exchange rate responded immediately. In case of a price response, the results indicated certain time lags and in some cases the atypical behaviour (so - called “price puzzle”) appeared. As for the models B and C where the VAR approach was applied to longer periods of time in order to verify whether the crisis would affect the reactions, the tests results show a modified behaviour of tested variables. The intended responses of variables after a monetary tightening appeared but only after several quarters for all tested variable and countries. These results may be considered consistent with our initial supposition that crisis would cause only partial transmission of interest rates to economic variables or it will create time lags in transmission process. As for the fact that we used highly indebted EMU countries for our analysis, results show that the worsened economic situation does not play an important role in monetary transmission process. These countries do not differ significantly from the EMU average reactions.

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PUBLIC RELATIONS IN SPORTS MANAGEMENT

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Abstract:

One of the main features of the communication process is effective coordination of them. Information available should be: complete, exact, timely. Successful response to each message depends on the precision of the original message, its interpretation and understanding by the receiver and by reverse connection.

Misinterpretation of the message in sports can seriously affect a team's performance, creating tension and distracting athletes from the main objective.

The paper tackles the issue of public relations and communication inside sports organizations as well as the importance of proper managerial communication.

Keywords: managerial communication, public relations, sports organizations.

JEL Classification: L83, M12, J53.

Introduction

In the course of historical phases of society's evolution, of the exchange of international values, public relation became an asset of common interest the information conveyance including fields from economy, administration, finances to sports. In each area, domain or field public relations served various and often complex goals and found the most sophisticated ways of manifestation.

The concept of public relations defines a range of activities an institution or organization makes use of in the course of the relations it develops with both its employees and partners from outside the structure.

Public relations pursue that, by the activities of an organized group, a civilized communication be establish between the members of the group as well as between the group and other organizations belonging to social, administrative, sporting sectors. As public opinion must become aware of the importance of organization, public relation specialists should help organizations build a plan for public image.

Things are far from being simple if we consider linguistic, cultural, legal differences, which necessitates diplomacy to be solved so as not to impede upon the image of the company or organization and to avoid potential conflicts or incompatibilities.

Conclusions

Public relations found the most sophisticated ways of manifestation, from the strategies of preserving and improving communication with various governmental and professional agencies, to the image campaigns, public relations cover a huge range of activities.

As a human interrelation communication - is represented as the relationship where interlocutors understand and influence one another through the instrumentality of continuous information. The managerial process requires knowledge from various fields and more, in sport managers need sound communication skills to make themselves understood by the different types of people or athletes who are intellectually and emotionally different. In sports communication means a continuous circulation of information with the purpose in view to keep dynamic a certain activity. In the field of public relations, communication is highly practical, a lack of activity being unconceivable.

Interpersonal relationship is represented, in sports management, by communication between two or more persons - the sender and the receiver of information. One of the main features of the communication process is effective coordination of them.

Information available should be: full, exact, timely, a successful response to each message depending on the precision of the original message, the interpretation and understanding by the receiver and by reverse connection.

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THE REAL IMPACT OF PROJECTS FINANCED THROUGH EUROPEAN SOCIAL FUND – SECTORAL OPERATIONAL PROGRAMME FOR HUMAN RESOURCES DEVELOPMENT - OVER TARGET AUDIENCE

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Abstract:

Considering the European Union objectives to increase the economic competitiveness through innovative actions, but also the funds used within the European Social Fund (ESF) - financed projects, measuring beneficiary's satisfaction shall be taken as a priority. In such context, this paper aims to measure, through a marketing quantitative research, using the survey research method (based on an evaluation questionnaire applied on services provided to beneficiaries), the level of impact of a project financed through ESF- Sectoral Operational Programme for Human Resources Development (SOPHRD) over the target audience.

Keywords: consumer satisfaction, European fund, quantitative marketing research.

JEL classification: J58, M31

Introduction

In the contemporary context marked by a continuously growing competition on market, satisfaction of certain products/services customers or beneficiaries is an extremely important aspect for companies' existence. They should meet customers' needs and requests as promptly as possible. In this respect, their satisfaction follow up is necessary in order to provide better, faster and more various services. Understanding satisfaction management way of use for companies and services general improvement represents the main issue of this paper. Customer satisfaction understanding and measurement represent a central concern. Satisfaction is a wide concept accepted despite real difficulties of measurement and interpretation faced by typical approaches of its assessment. The most common approach is by using general satisfaction surveys, performed from time to time and created in order to detect changes that take place in time. The final step within the evolution towards general satisfaction management is customer's involvement within the phase of assessment. The fact that companies currently try to assess the results of demarches in respect of quality is very encouraging; they do not consider objective data of performance only, but also service user perceptions.

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CONSULTANCY SERVICES IN MARKETING AND MANAGEMENT - GROWTH FACTOR OF COMPETITIVENESS FOR SMALL AND MEDIUM ENTERPRISES

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Abstract:

Small and medium enterprises have played and still play a vital role in any national economy, representing an important factor of economic growth. European Union attached and still attaches a great importance to entrepreneurial spirit development and puts a considerable accent on innovative practices development for the purpose of enterprises establishment and development. Given these considerations, the paper proposes that through a qualitative marketing research, focus-group, to highlight the need for consulting services in marketing to Small and Medium Enterprises.

Keywords: Small and Medium Enterprises, European Union fund, consultancy services, entrepreneurship, competitiveness.

JEL Classification: L26, M13, M31

Introduction

Small and medium enterprises have played and still play a vital role in any national economy, representing an important factor of economic growth. Both in EU and the rest of the world SMEs are defined considering a series of criteria such as: number of employees and turnover / net assets. Thus, Article 2 of the annex of Recommendation 361/2003/EC stipulates that "The category of micro, small and medium-sized enterprises (SMEs) is made up of enterprises which employ fewer than 250 persons and which have a net annual turnover not exceeding 50 million euro and/or hold assets not exceeding 43 million euro in total".

The reference literature defines several categories of SMEs: micro enterprises, with less than 10 employees and an annual turnover or a registered capital not exceeding 2 million Euro, small enterprises – with 10 to 49 employees and an annual turnover or a registered capital not exceeding 10 million Euro and medium-sized enterprises with 50 to 249 employees and an annual turnover not exceeding 50 million Euro (or a registered capital not exceeding 43 million Euro).

Research data analysis and conclusions

After the participants' presentation and the initial discussions launched to make the introduction to the research topic, in order to identify the way in which subjects perceive the idea of new business, within this research it was used the technique of word spontaneous association. In this respect, subjects were asked to mention the first word or expression that came to their minds when they heard the notions of "entrepreneur" and "new business". The answers analysis revealed the fact that, although the image associated with the entrepreneur and new business was, in general, a positive one, the presence of some concerns, fears towards such a beginning was felt. Subjects consider the potential entrepreneurs as people with strong personality, full of energy, who can easily adapt to new situations, intuitive and open-minded, individuals motivated by success and willing to invest both time and money in order to achieve their objectives. The notion of "entrepreneur" was most frequently associated with the following words: own business, success, courage, decisions, business plan, and "new business" expression was associated with the following words: courage - intuition, a new beginning.

The technique of word spontaneous association was also used for determining the way in which subjects perceive financing programmes provided by the European Union through words "European Union", "Financing programmes" and SOPHRD (Sectoral Operational Programme For Human

Resources Development). Thus, focus group participants associated “European Union” with: accident, funds, support, new opportunities, collaboration, crisis; focus group participants associated “Financing programmes” with: help, money, solutions, eligibility, work/energy, and “SOPHRD” was associated with: chance, for people and training. At the end of exercise, participants were stimulated to try an explanation for their answers. Interpreting the results, we may state that the participants to these debates find European Union a support for development with the aid of financial resources made available for entrepreneurs through structural funds. In the same time, they note difficulties and financial blockages from the European Union faced by the entrepreneurs existing on the Romanian market within the current context of economic crisis. These aspects/facts determine subjects to become reserved as related to their actual chances to obtain financial support from the European Union for their businesses.

In order to identify the reasons or the needs that determined the subjects to start their own businesses it was used the technique of story continuation. It has been concluded that persons who in a certain moment of life face difficulties on the labour market identify the opportunity to become entrepreneurs as a new beginning, with much more chances of success than the possibility to be simple employees. Among the reasons that determined them to decide to start a business we noticed: wish to be their own boss, wish to be independent, disappointments related to previous jobs, hope to be able to select their own collaborators, to have the opportunity to put in practice their ideas, to have a place of work. As a leitmotiv, it thrillingly and repeatedly appeared the idea according to which subjects decided to become entrepreneurs because they did not have any other solution. The fear of rejection at job interviews on reasons of advanced age or lack of professional expertise in case of youths transform a state that should have been temporary into a no-way-out situation. The discussion reached very high emotional dimensions when one of the participants stated: “After around 100 interviews I said to myself: Why am I trying to convince other people that I’m intelligent, full of energy and skilful in order to get a job or another despite the age that some consider too advanced? Then I made an irreversible decision that I should stop looking for a job but an opportunity to start a business. From that moment the only person I had to prove something was me.” (This participant is currently one of the two associates within a construction company which currently has 6 employees. Later on, within the same debate, he declared: In order to employ 6 people I held 50 interviews. The only criteria that we were interested in were candidates’ skills and professionalism. We wanted to have the best people, no matter their age, years of service or ethnicity.)

In order to emphasize subjects feelings towards their business, it was used the technique of Chinese portrait through the business association with a colour, animal and personality.

The business specificity influenced the subjects associations. Regarding the first type of association, we notice the occurrence of warm colours, colours of hope: red, pink, yellow, orange, green that make the link with nature, but also grey and brown that signal the wish for stability, need for roots and membership, insecurity or the fact of being in a situation difficult to manage, powerful need for getting over an unpleasant situation which causes extreme discomfort both physically and emotionally.

The association with an animal brought forward the sensation of protection which participants feel as a result of their business existence. Business is most often associated with a dog, man’s oldest and most loyal friend. There are also mentioned animals like cat and canary, close to man but with needs for care, love and caress.

Regarding the association with a personality, we notice that in only few cases the associations were made to show power, security, durability (associations with personalities such as Leonardo da Vinci or Ion Țiriac). The most of associations reveal the fact that business is perceived as a beautiful, bold, successful person but who always wants to be the others’ center of attention and concern (Madonna, Mihaela Rădulescu, Angelina Jolie, Demi Moore, Monica Bellucci, Jennifer Lopez, etc.)

Another aspect analysed was the image over the subject business future. They were asked to tell in meteorological terms what will happen to the company in the next 6 months, and with the technique of filling in phrases emphasizing certain aspects related to business evolution during a period of 3 to 5 years was thus possible. From the weather forecast we conclude that participants know their business very well. When they think of the future, they consider aspects such as seasonality or potential favourable contexts generated by culture or habits of acquisition around holidays.

In order to identify the difficulties they faced when started their business, but also the specific needs of small enterprisers and in order to emphasize the entities that could support them, the moderator conducted free discussions through specific questions.

Thus, from the free discussions, the following main ideas were extracted:

Among difficulties faced by small enterprisers in starting their business we mention: precarious knowledge about applicable laws, commercial law, but also marketing tools that could be used in order to create a good business image, difficulties caused by banks and potential partners lack of trust in small, new companies. For instance, it was underlined the fact that leasing acquisition of devices is impossible without a history on the market. There were also mentioned the extremely few financing possibilities, including European Union financing programmes, excessive taxation, the feeling that small enterpriser is chased for possible breaches and regarded by authorities as a criminal.

Thus, following the analysis, we may conclude that the main problems are caused by the poor system and bureaucracy existent in our country, which instead of stimulating the initiatives to start an own business, they demoralize those who want to become entrepreneurs right from the very beginning.

According to participants opinions, an ideal situation would be represented by an European Union financed project that provides consultancy regarding business start (support in choosing the right CAEN code for the activity they wish to perform, intermediation in the process of obtaining the company name, the certificate of fiscal record, documentation check, fiscal consultancy for company incorporation, drawing up estimations regarding company's incomes and costs); financial and accounting consultancy services and an accounting program adapted to small companies and registered sole traders; designing and hosting a website for business promotion, including web promotion services (on search engines such as Google and launching a promotion campaign on the Internet), marketing consultancy (set of market studies – focus groups organization for beneficiaries, customer satisfaction surveys, consultancy for drawing up business plans and documentation in order to obtain financing, beneficiaries information about special exhibitions), legal consultancy regarding agreement drawing up procedure (collaboration agreement, commission agreement, employment agreement, etc.), support when negotiating agreements with potential collaborators, support for acquisitions when needed, and access to a package of laws (with periodical information regarding the legal effective changes), a full package of promotion services for those who want to start their own business (drawing up a promotion plan: website, catalogues, posters, flyers, etc. and recommendations regarding their distribution).

It was also mentioned the need of drawing up an “Entrepreneur’s guide from A to Z” which should contain the steps to be followed when starting a new business (necessary documents, to what institutions they shall be submitted, taxes and authorizations that need to be paid for each case and where, definitions for new terms, etc.); possibility to have internships near experienced managers in the field of the new business; possibility to contact specialists for a periodical analysis which should provide entrepreneurs with a general view over the new company (strengths, weaknesses, opportunities and threats identification and analysis), periodical focus group meetings with small entrepreneurs in order to share expertise.

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INTRADAY PRICE DISCOVERY IN EMERGING EQUITY MARKET: ANALYSIS OF SET50 INDEX, SET50 INDEX FUTURES AND THAIDEX SET50 (TDEX)

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Abstract

This study employs Vector Error Correction Model (VECM), information share and conditional information share methods to investigate price discovery in SET50 Index (cash index), SET50 Index Futures (futures index) and ThaiDex SET50 (exchange traded fund). Our findings indicate that there exists a long run relationship among three markets and a multi-market trading of derivatives markets and its underlying asset helps improve price efficiency. With respect to the degree of price formation process, SET50 Index Futures contributes most in price discovery process, followed by SET50 Index and ThaiDex SET50.

Keywords: Price discovery; cointegration; common factor; error correction model; Information share; conditional information share.

JEL Classification: G3, G5, G14

Introduction

Price discovery is a central function of the efficient financial markets. It serves as a crucial tool in driving price toward equilibrium by increasing the speed of price adjustment to fundamental value. Prior research suggests that multi-market trading of similar underlying asset and its derivatives improve price discovery by reducing the variability of the underlying asset. In frictionless market, prices can reach the equilibrium by simultaneously impounding new information into the asset price. In reality, however, the presence of market frictions such as illiquidity, transaction costs and market restrictions impedes the process of price formation which results in delay of price adjustment or mispricing.

In this paper, we examine the joint dynamic of price discovery process in SET50 Index (*cash index*), SET50 Index Futures (*futures index*) and ThaiDex SET50 (*exchange traded fund*) using high frequency intraday data from the Stock Exchange of Thailand. We examine whether (i) there is the long run relationship between SET50 Index Futures, ThaiDex SET50 and SET50 Index, (ii) the introduction of ThaiDex SET50 contributes to price efficiency of index markets, (iii) SET50 Index Futures and ThaiDex SET50 have the critical role in the production of efficient price. We adopt Vector Error Correction Model (VECM) to test the lead lag relationship, information share model of Hasbrouck (1995), and conditional information share of Grammig, Melvin, and Schlag (2005) to examine the extent to which derivative markets contribute to price discovery.

Conclusion

This study investigates the price discovery during the overlapping trading hours of SET50 Index (*cash index*), SET50 Index Futures (*futures index*) and ThaiDex SET50 (*exchange traded fund*). We employ three methods to document dynamic price discovery; Vector Error Correction Model (VECM), information share and conditional information share. Our results indicate that there exists the long run relationship among three markets.

While price may deviate from equilibrium in short run, it will eventually move toward the long run equilibrium. More importantly, the empirical evidence supports the notion that SET50 Index Futures contributes the most in price discovery, followed by SET50 Index and least in TDEX. In sum,

the results suggest that multi-market trading of derivatives markets and its underlying help to improve price efficiency.

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THE NECESSITY OF MARKETING STRATEGIES IN HIGHER EDUCATION INSTITUTIONS

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Abstract:

This paper is about a research conducted in order to find the students' intentions after the graduation of the 1st cycle of study. The main aim was to find their future priorities in order to support the decision process concerning the best marketing strategies that the university can put in practice. The research started from the general hypothesis that a large part of students do not want to continue the studies with the master studies. The outcomes revealed that the respondents give a high priority to continue the studies without to find a job, but there are students that want to find a job and to leave the school. A low priority is given to finding a job and continuing studies concomitant. In this context, the university should focus its marketing strategies on retaining the students for the master programs, such a situation being in the advantage of both parties.

Keywords: marketing research, educational marketing, marketing strategies, principal component analysis.

JEL Classification: C81, C82, M31

Introduction

For every higher education institution it is very important to know the intentions of students from the last year of the 1st study cycle in order to forecast the inputs in the 2nd cycle, especially in this recession period when a lot of students are determined to find a job as soon as possible in order to assure their living wages. In this respect we conducted a survey among the students of Transilvania University of Brasov regarding their intentions after graduation. The hypotheses of our research were the following: a small number of students intend to continue their studies with master programs; the highest priority after graduation is to find a job; there is no difference between students groups formed according to their gender and field of study.

The information collected with the help of this research will be useful for decision makers in order to design the most effective strategies. The reiteration of such surveys for every generation could provide useful information regarding the patterns of students' intentions.

Conclusions

The main conclusion of our research is that the last year students from the 1st cycle of higher education have to be stimulated in order to continue their studies with master programs. These ones should be convinced that their education will be completed only after the graduation of the 2nd cycle. This communication process should be based on proper marketing strategies in order to be effective. An important role in establishing such marketing strategies is played by marketing research, which is meant to provide the necessary information to decision system.

In this respect, we conducted a survey among the students of Transilvania University of Brasov that study in economics and engineering. The main objectives were to find their future intentions and the relationships between these ones and the students characteristics (gender and study field). The hypotheses were partially rejected as far as we stated that only a small part of students intend to continue the studies with master program. The research outcomes revealed that about 65% of students want to continue the studies and the highest priority is given to continue studies without to find a job. There are also students that give a priority higher than average to find jobs or to go abroad for studies or to find a job. We also found that females and students from economics give a higher importance to continue their studies in comparison with males and students from engineering.

Taking into consideration the above mentioned findings, we consider that the university has to stimulate its students to remain at school and to fulfil their education and competences according to the spirit of Bologna process. In this respect some facilities could be offered to the students in the 2nd cycle such as the possibility to work in parallel with the study process. Even if this activity has the lowest priority in the students' opinions, this one is a strong alternative that can persuade the ones that

are interested only by jobs to continue their studies. Other marketing strategies could be also designed for specific groups of students taking into account the above results.

Further research directions should deepen the above analysis and evaluate various strategic alternatives of educational marketing. It is also necessary to find the reasons that cause the students' future intentions in order to design persuasion strategies meant to convince them to continue their studies.

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ENGLISH INFLUENCE UPON ROMANIAN IN THE ERA OF GLOBALIZATION

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Abstract:

From the economic field to the technical, scientific, financial and cultural ones, not to mention everyday life, the highly disputed phenomenon of globalization impacted on all domains, the linguistic one being the less important by far. Linguistic globalization, more conspicuous nowadays than ever in Romania due to the political, social and cultural circumstances, meant the coming into use of words of English origin that either illustrate untranslatable notions or are mark of pseudo culture.

Besides mentioning the reasons of this state of facts the paper brings on both these categories of English loans.

Introduction

The events that characterised the past two decades of Romania's history, the transitional period to democracy with implications on all levels brought about profound transformations as well, transformations that left their mark on language particularly the vocabulary - the less stable compartment of a language.

As a living body undergoing sustained development Romanian reflects, by its increased dynamism especially in its lexical compartment, the current realities and transformations and, as the last few decades knew the extensive use of English turned into a world lingua franca - status acquired due to globalization - English became for Romanians, too a *contact language* between persons who share neither a common native tongue nor a common (national) culture (Seidlhofer 2005:1).

Conclusions:

Linguistic globalization - consequence of economic globalisation - manifested itself by the coming into the use of all national languages of a large number of English loans.

Due to their international character Anglicisms and Americanisms are well preserved in Romanian and the fact that they continue to be used is a clear indication that some of them were needed or became necessary through semantic specialization in comparison with the Romanian synonyms which they duplicated. Although an old phenomenon in the history of the Romanian language, loans of English origin are widely and sometimes inexcusably used by native speakers instead of Romanian words. It can be asserted that the use of Anglicisms and Americanisms - regardless of the causes - was generally an inner urge of Romanians and not necessarily something imposed from outside, the media having an important role in the process of linguistic globalisation.

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UNDER-REACTION OF S&P 500 IMPLIED VOLATILITY TO RELEVANT INFORMATION

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Abstract:

The main goal of this study is to analyse the ability of the implied volatility index (VIX) to incorporate current stock market information that is relevant for the volatility forecasts. Employing historical market volatility, market trading volume and significant stock market returns as examples of market factors positively correlated with future market volatility, I document that VIX, though being positively correlated with these relevant market factors, does not manage to account for them fully and immediately, or in other words, under-reacts to relevant market information. I suggest that this finding may be explained by investors' tendency to be "anchored" towards (or over-affected by) the recent implied volatility measures, causing VIX to be relatively sticky and relatively less affected by the market factors, than the future realized volatility is.

Keywords: anchoring, historical volatility, implied volatility, under-reaction, volatility forecasts; VIX.

JEL Classifications: D80, D84, G12, G14, G17.

Introduction

Volatility is a fundamental characteristic of financial markets. Although a derived number, describing the propensity of prices to fluctuate, it plays an important role in options pricing and in any simple characterization of market dynamics. Therefore, much effort has been invested in forecasting stock market volatility. The two sources of information most widely employed in future volatility forecasts are the historical (realized) volatility measures and implied volatility measures.

The most commonly used measure of implied volatility is the Volatility Index (VIX) introduced by Whaley (1993) and launched by the Chicago Board Options Exchange (CBOE) in 1993. VIX is based on the prices of S&P 500 index options, providing thereby a benchmark for the expected future market volatility over the next month. The index is calculated in real-time and is continuously disseminated throughout each trading day. VIX is widely followed and has been cited in hundreds of news articles in leading financial publications. Since VIX represents an implied measure of expected future volatility, it has been labelled the investors' 'fear gauge' (see Whaley 2000, 2008). According to this interpretation, though there are other factors affecting this index, in most cases, high VIX reflects increased investors' fear and low VIX suggests complacency. Whaley (2008) documents negative correlation between daily S&P 500 index returns and VIX changes, and interprets it as indicating that changes in the VIX are partially driven by investors demanding portfolio insurance in times of high current market volatility.

Previous financial literature tends to conclude that implied volatility measures tend to outperform realized volatility measures in forecasting future volatility. Latane, and Rendleman (1976), Chiras, and Manaster (1978), and Beckers (1981) provide early assessments of implied volatility forecast quality. They find that implied volatilities offer better estimates of future return volatility than ex-post standard deviations calculated from historical returns data. More recently, Jorion (1995) finds that implied volatilities from currency options outperform volatility forecasts from historical price data. Christensen, and Prabhala (1998), Christensen, and Strunk-Hansen (2002), and Fleming (1998) find that implied volatility forecasts dominate historical volatility in terms of ex-ante forecasting power. Blair *et al.* (2001) show that historical prices (even intraday prices) do not provide much incremental information compared to the information given by VIX; moreover, VIX provides the best out-of-sample forecasts of realized volatility. Jiang, and Tian (2005) deem the information content of the VIX volatility forecast superior to alternative implied volatility measures as well as forecasts based on historical volatility.

Another related issue discussed in previous literature is the "absolute" accuracy of implied volatility measures in predicting future stock market volatility. Chernov (2001) notes that implied volatilities are generally higher than realized ones. Christensen, and Prabhala (1998), Christensen, and

Strunk - Hansen (2002), and Fleming (1998) document that implied volatility forecasts are upwardly biased. Carr, and Wu (2009), and Bollerslev *et al.* (2009) conclude that typically the spot VIX computed from option prices embeds volatility risk premium and exceeds realized volatility.

Yet, a question that has not been raised in previous literature is whether implied volatility measures, and VIX, in particular, fully and immediately incorporate current stock market information that is relevant for volatility forecasts. Present study makes an attempt to fill this gap by examining effect of historical market volatility, market trading volume and significant stock market returns on the *ratio* of VIX and the subsequently realized market volatility. In this context, I document that VIX, though correctly reacts to these relevant factors, does not manage to fully forecast their effects on future market volatility. This kind of under-reaction demonstrated by VIX may be possibly attributed to investors' general tendency to be "anchored"³ towards current variable or index values, which may cause the expectations with respect to a given variable or index to be relatively sticky and not to account completely for all relevant information.

The rest of the paper is structured as follows: In Section 2, I describe the data sample and the volatility estimation procedure. Section 3 comprises the research hypothesis and the results. Section 4 concludes.

Concluding remarks

Present paper explored the ability of the implied volatility index (VIX) to incorporate current stock market information that is relevant for the volatility forecasts. Employing daily stock market data, I documented that VIX, though being positively correlated with the relevant market factors, did not manage to account for them fully and immediately, or in other words, under-reacted to relevant market information. I suggested that this finding may be explained by investors' tendency to be "anchored" towards (or over-affected by) the recent implied volatility measures, causing VIX to be relatively sticky and relatively less affected by the market factors, than the future realized volatility is.

This study's results may prove to have important practical implications. Since implied volatility plays a crucial role in option pricing, the fact that it systematically under - reacts to relevant contemporaneous information suggests that the options may be systematically mispriced. Awareness of this fact may, therefore, open new profit opportunities for stock market investors, and in the end, help to eliminate this mispricing and make stock markets more efficient.

Potential directions for further research may include analysing other factors that may affect both the implied and the subsequently realized volatility, and also performing similar studies with intraday data.

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³ Anchoring (anchoring bias) (Tversky, and Kahneman, 1974) refers to people's tendency to form their estimates for different categories, starting from a particular available, and often irrelevant, value and insufficiently adjusting their final judgments from this starting value.

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ON PRE-SELECTION OF ALTERNATIVES IN THE ANALYTIC HIERARCHY PROCESS

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Abstract:

The aim of the article is to propose and demonstrate a new approach to multi-criteria decision making with high number of alternatives in the analytic hierarchy process framework. The basis of the proposed method is division of alternatives into predefined sets based on expert's knowledge, which precedes pair-wise comparisons of alternatives with regard to given criteria. The method significantly reduces the number of pair-wise comparisons necessary to find the best alternative, it is computationally simple and intuitive, so it can enhance managerial decision making in many real-world situations. The use of the method is illustrated by an example, a comparison with standard AHP procedure is provided as well.

Keywords: AHP, MCDM, pair-wise comparisons, pre-selection of alternatives

JEL Classification: C02, C44.

Introduction

Multi-criteria decision making (MCDM) is an important part of management decision making in many areas of business and entrepreneurship, commerce and business. One powerful tool of MCDM is the analytic network process (AHP) proposed by (Saaty 1980). The fundamental part of AHP procedure form pair-wise comparisons of elements of one hierarchical level with regard to elements of immediately higher hierarchical level on Saaty's fundamental scale from 1 to 9. However, when the number of alternatives is high, the number of pair-wise comparisons is too large even for experts. To overcome this AHP shortcoming several approaches were proposed; see e.g. (Harker 1987), (Shen *et al.* 1992), (Zopounidis, Doumpos 2002), (Hotman 2005), (Islam, Abdullah 2006), (Ishizaka *et al.* 2012) or (Ishizaka 2012). But these methods are ad-hoc in nature, computationally complex and also time demanding; therefore they do not provide efficient way for managerial decision-making in real-world situations with high number of alternatives.

The aim of the article is to propose a pre-selection of alternatives in AHP, which can significantly reduce the number of pair-wise comparisons necessary for the selection of the best alternative. The proposed approach is intuitive, efficient and easy to apply. Its use is demonstrated on an example, and it is compared with the standard AHP as well.

Conclusions

The proposed pre-selective AHP method is intuitive, natural and most importantly, it is computationally simple and not so time demanding as non-selective AHP, because it significantly reduces the number of pair-wise comparisons necessary for a selection of the best alternative. The method can be used in a large variety of multi-criteria decision making problems involving higher numbers (up to 20-25) of alternatives, so it can facilitate decision making in many real-world situations. However, for problems with number of alternatives exceeding 25, some other methods have to be developed.

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APPENDIX A

The proof of Proposition 1:

i): From formulas (1) and (2) we obtain:

$$\binom{k}{2} + k \binom{n}{2} > \binom{k}{2} + k \left[\binom{n_1}{2} + \binom{n_2}{2} + 1 \right]$$

$$\binom{n}{2} > \left[\binom{n_1}{2} + \binom{n_2}{2} + 1 \right]$$

$$n(n-1) > n_1(n_1-1) + n_2(n_2-1) + 1$$

$$(n_1 + n_2 + n_3)(n_1 + n_2 + n_3 - 1) > n_1(n_1-1) + n_2(n_2-1) + 1$$

$$2(n_1n_2 + n_1n_3 + n_2n_3) + n_3^2 > n_3 + 1$$

Because $n_3^2 \geq n_3$ and $2(n_1n_2 + n_1n_3 + n_2n_3) \geq 2n_1n_2 \geq 8 > 1$, the inequality is proved.

ii): From (1) and (3) we obtain:

$$\binom{k}{2} + k \binom{n}{2} > \binom{k}{2} + k \binom{n_1}{2}$$

$$\binom{n}{2} > \binom{n_1}{2} \text{ which is true because } n_1 < n \text{ (it is assumed the set } N \text{ is non-empty, so } n_3 \geq 1).$$

The proof for the relation (3') is analogous.

APPENDIX B

In this Appendix information on applicants from the illustrative example in Section 4 is provided. Applicants were evaluated on the ordinal scale *excellent* \succ *good* \succ *average* \succ *poor* with regard to FLS and IN criteria, see below. This information provides better understanding of the division of applicants into sets *Y*, *M* and *N* in Section 4.2 and also their evaluation in pair-wise comparisons.

Applicant	ED (degree)	EX (years)	FLS	IN
A	M.Sc.	5	excellent	excellent
B	M.Sc.	2	good	average
C	Ph.D.	7	excellent	good
D	Bc.	3	excellent	good
E	M.Sc.	12	good	average
F	Bc.	9	average	average
G	M.Sc.	0	excellent	excellent
H	M.Sc.	8	good	good

INTEREST RATES DETERMINATION AND CRISIS PUZZLE (EMPIRICAL EVIDENCE FROM THE EUROPEAN TRANSITION ECONOMIES)

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Abstract:

Economic theory provides clear suggestions in fixed versus flexible exchange rates dilemma in fighting high inflation pressures. However, relative diversity in exchange rate regimes in the European transition economies revealed uncertain and spurious conclusions about the exchange rate regime choice during last two decades. Moreover, Eurozone membership perspective (de jure pegging to euro) realizes uncertain consequences of exchange rate regime switching especially in the group of large floaters. Successful anti-inflationary policy associated with stabilization of inflation expectations in the European transition economies at the end of 1990s significantly increased the role of short-term interest rates in the monetary policy strategies. At the same time, so called qualitative approach to the monetary policy decision-making performed in the low inflation environment, gradually enhanced the role of real interest rates expectations in the process of nominal interest rates determination. However, economic crisis increased uncertainty on the markets and thus worsen expectations of agents.

In the paper we analyse sources of nominal interest rates volatility in ten European transition by estimating the structural vector autoregression (SVAR) model. Variance decomposition and impulse-response functions are computed to estimate the relative contribution of inflation expectations and expected real exchange rates to the conditional variability of short-term money market interest rates as well as responses of nominal interest rates to one standard deviation inflation expectations and expected real interest rates shocks. Effects of economic crisis are considered by estimation of two models for every single economy from the group of the European transition economies using data for time periods 2000-2007 and 2000-2011.

Keywords: interest rates, inflation expectations, expected real interest rates, SVAR, variance decomposition, impulse-response function.

JEL Classification: C32, E31, E43

Introduction

Macroeconomic stability, fast recovery from deep and sudden transition shock and real output growth stimulation represents one of the most challenging objectives for the European transition economies in the early 1990s. Consistent choice as well as flexible adjustments of monetary policy framework and exchange rate regime accompanied key crucial economic policy decisions in this process. Associated changes in monetary-policy strategy reflected wide range of macroeconomic aspects underlying sustainability of appropriate exchange rate regime choice.

Among key determinants of the exchange rate regime choice in the European transition economies at the beginning of the 1990s we may consider an effort to regain macroeconomic stability, foreign exchange reserves requirements and availability, overall external economic (trade and financial) openness, etc. At the later stages of transition process we emphasize the role of massive foreign capital inflows, sustainability of real economic growth, institutional adjustments according to perspectives of ERM2 entry.

Initial transition shock followed by the sharp real output decline associated with intensive inflation pressures (caused by rapid exchange rate devaluations, price liberalization and deregulation, tax reforms, fiscal imbalances, etc.) emphasized a crucial importance of strong nominal anchor for monetary authorities in restoring a macroeconomic stability and confidence as well as positive expectations of economic agents. However immediate exchange rate based stabilization became an appropriate strategy only for countries with adequate foreign exchange reserves while being able to significantly reduce inflation pressures in adequate (short) time period to prevent undesired rapid overvaluation. As a result it seems to be convenient to divide the European transition economies in two groups (so called “peggers” and “floaters”) considering initial exchange rate regime framework.

Economic theory provides clear suggestions in fixed versus flexible exchange rates dilemma in fighting high inflation pressures. However, relative diversity in exchange rate regimes in the European transition economies revealed uncertain and spurious conclusions about the exchange rate regime choice during last two decades. Moreover, Eurozone membership perspective (de jure pegging to euro) realizes uncertain consequences of exchange rate regime switching especially in the group of large floaters.

Successful anti - inflationary policy associated with stabilization of inflation expectations in the European transition economies at the end of 1990s significantly increased the role of short-term interest rates in the monetary policy strategies. At the same time, so called qualitative approach to the monetary policy decision-making performed in the low inflation environment, gradually enhanced the role of real interest rates expectations in the process of nominal interest rates determination. However, economic crisis increased uncertainty on the markets and thus worsen expectations (inflation expectations including) of agents.

Eurozone member countries as well as global economy are currently exposed to the negative effects of the financial and economy crisis. To alleviate recession and support economic recovery, monetary authorities dramatically reduced key interest rates. Low interest rates together with quantitative easing, however, should not necessarily increase supply of loans due to prudential credit policy of commercial banks reflecting increased uncertainty on the markets. As a result, policy of low interest rates seems to be inefficient.

In the paper we analyse sources of nominal interest rates volatility in ten European transition economies to identify the impact of inflation expectations and expected real interest rates on the nominal interest rates volatility by estimating the structural vector autoregression (SVAR) model. From constructed model we estimate the relative contribution of both determinants to the conditional variability (variance decomposition) of short - term money market interest rates. At the same time we estimate responses (impulse-response functions) of short - term nominal money market interest rates to one standard deviation inflation expectations and expected real interest rates shocks. Effects of economic crisis on our results are considered by estimating two models for every single economy from the group of the European transition economies employing monthly data for two different time periods 2000-2007 and 2000-2011. Comparison of results for both models is crucial for analysis the economic crisis contribution to the nominal interest rates volatility in ten European transition economies.

Conclusion

Exchange rate regime choice in the European transition economies affected corresponding monetary policy strategy framework. Countries (peggers) with exchange rate as nominal anchor (hard pegs or soft pegs with narrow horizontal bands) successfully implemented exchange rate targeting. Countries (floaters) with soft pegs (pegs with wide horizontal bands or crawling pegs) and floating regimes employed monetary targets as intermediate criteria of monetary policy (monetary targeting) later (continuously since the end of the 1990 in respective countries) followed by adoption of direct (explicit) inflation targeting.

Regular monetary policy anchors operates well as stabilizing pillars under turbulent conditions in domestic (open) economy considering relative stability on the markets of main trading partners as well as of the country providing nominal anchor (i.e. exchange rate). Following our results in the model with time series for pre-crisis period it seems that exchange rate as the nominal anchor contributed to the stability of inflation expectations in the group of countries, so called “peggers” (especially in the short-run). Exchange rate targeting thus provided a suitable vehicle for reduction of short-term effects of inflation expectations on the price mechanism on the money market. Higher contribution of expected real interest rates to the nominal interest rates conditional variance also reduced distorting effects of money markets imperfections resulting from false price signals related to sudden inflation shifts.

Despite the absence of an apparent nominal anchor, explicit inflation targeting delivered similarly successful results in disinflation process in the group of countries, so called “floaters”. Substantially higher role of the inflation expectations in this group of countries seemed to be reasonable. The overall impact of inflation expectations on nominal interest rates in the long-run mostly rose.

Overall effects of the crisis period related to the respective responses of nominal interest rates to the inflation expectations and expected real interest rates shocks seem to be puzzled. Redistributive impacts followed by increased asynchronous effects of local crisis are obviously associated with selective and irregular changes in expectations of agents though still well anchored by credible indicator. Economic crisis, as a typical exogenous shock and global phenomenon, affected economies especially through the external trade or/and financial flows channel, quickly spreading across a region of neighboring and interconnected economies. It seems to be convenient to expect that a relative importance of external nominal anchors during the crisis period became less successful in stabilizing inflation expectations, providing distorting effects of the crisis on the economy of anchoring country. However, our results indicates that a relative importance of inflation expectations in determining nominal interest rates generally decreased in the group of countries, so called “peggers”. Even the price effects of economic crisis seem to be spurious and hardly predictable, a credible nominal anchor provided a crucial vehicle for stabilization of inflation expectations of agents, causing a relative drop in the role of inflation expectations in determining nominal interest rates during the crisis period.

Despite overall success of inflation targeting during the most of the 2000s we suggest that inflation expectations tend to suffer from low level of self-persistence and become quite vulnerable to sudden changes caused by unexpected exogenous shocks in the group of countries, so called “floaters”. Related nominal interest rates volatility and associated real interest rates instability reflected relatively low success of monetary authority to regain price stability proving the absence of a credible nominal anchor.

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ITALIAN MEDIUM-SIZED ENTERPRISES AND THE FOURTH CAPITALISM

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Abstract:

The work addresses the issue of Italian medium-sized enterprises of the fourth capitalism. The question is whether this business model is going to last and actually represent a new model for global competition. This contribution examines the features of the model of the medium industrial enterprise. It also investigates the performance of the Italian medium-sized enterprises, comparing with large companies. The analysis of the data, albeit at a descriptive level using data published by Mediobanca-Unioncamere, allows taking some significant features of these enterprises.

The analysis of the business model of medium Italian enterprises highlights the low use of capital, the local roots, the importance of product innovation, the differentiation of products, the customer service, flexibility, specialization of production and internationalization. An important aspect stressed in the work is that the processes of innovation and internationalization that underlie the strategies of medium-sized companies require a strong collaboration with the institutions. Therefore, medium-sized enterprises need institutions, especially institutions that work. Lastly, medium Italian enterprises suffer from high taxation compared to their competitors.

Keywords: medium-sized enterprises, fourth capitalism, knowledge, innovation, internationalization.

JEL Classification: D8, L10, L11, L16, O3

Introduction

The present contribution addresses the issue of Italian medium-sized enterprises of the fourth capitalism. The question is whether this business model is going to last and actually represent a new model for global competition.

This work examines the features of the medium industrial enterprises. It also investigates the performance of the Italian medium-sized enterprises, comparing with large companies; in particular, it shows the sectors in which the medium-sized enterprises distributed their total sales and their exports and the weight of the *Made in Italy*, but also the different technological intensity of the sectors (high - tech, medium - high tech, low tech, etc.) in which the medium - sized enterprises are involved to a greater or lesser extent. Moreover, indicators of exports, value added and employees are provided. Lastly, indices of profitability are shown to get the ability of Italian medium - sized enterprises to compete and grow and at the same time the resilience these companies during the crisis years (2008-2009). The analysis of the data, albeit at a descriptive level using data published by Mediobanca - Unioncamere, allows taking some significant features of these enterprises.

The analysis of the business model of medium Italian enterprises highlights the low use of capital, the local roots, the importance of product innovation, the differentiation of products, the customer service, flexibility, specialization of production and internationalization. A major aspect stressed in the present work is that the processes of innovation and internationalization that underlie the strategies of medium - sized companies require a strong collaboration with the institutions. Thus, medium - sized enterprises need institutions, especially institutions that work. Unfortunately institutionalization is very difficult in Italy, because the aversion to institutions that do not work is such that, at the end, companies think that they not need them.

So the institutional setting is essential for the working of the enterprises of the fourth capitalism and for the development, especially in the current global economy driven by knowledge and learning (Schilirò 2005, 2009, 2012). However, a serious problem that the medium Italian enterprises have to face regards their future ability to withstand the global economic crisis, if it continues to make the horizon darker. As a result some necessary policies must be implemented to make the economic environment more favourable for these companies, in particular with regard to the relationship with the public authorities and other institutions, but especially, regarding the regulatory environment and,

in particular, with regard to taxation, which disadvantages Italian companies compared to European competitors.

Conclusions

The Italian medium - sized enterprises play an important role in the context of the economic system, even if they are, in fact, a still limited core compared to the total firms of the Italian system of production.

This work has examined the business model of the medium Italian enterprises, in which flexibility, specialization of production, product innovation, differentiation of products, internationalization, low use of capital, a strong relationship with the territory are among the major features. The analysis of their performance shows that it is a model of enterprise destined to last and, actually, to represent a model of some effectiveness to deal with global competition.

However, a crucial issue that derive from the analysis developed in the preceding sections concerns the problem that the medium Italian enterprises, despite their ability to withstand the global economic crisis, as was the case in recent years, may be in great difficulty with a lasting crisis that is getting worse. It is, therefore, necessary to work on the fiscal front, on the R&D activity, but especially in the relationship with the institutions, so that the difficult conditions of the Italian enterprises of the fourth capitalism are made less problematic and their future will be brighter.

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