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Stimulating economic and financial performance - base of increasing the firms’ competitiveness

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Abstract

Rapid and efficient integration of a company in a particular economic space involves essentially economic competitiveness. Referring to Romania, a country which is in the process of catching-up, in comparison with the EU and the US, the issue raises complex challenges of increasing economic competitiveness on determining the nature, level and structure of representative indicators. In this context, the paper proposes a system of indicators to encourage, recognize and reward the economic competitiveness in the companies and in its basic structures-plant, department, team and place of work. Since increasing competitiveness must be accompanied by the establishment, maintenance and increasing welfare, within the performance indicators a special attention is given to physical indicators, a fundamental condition to overcome the economic and financial crisis. However, given the place and role of the four agents-employee, employer local community and State-the paper discusses how the distribution of gross and net value added help to boost performance.

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1. Introduction

Competitiveness and economic performance are known and appreciated by a number of specialized institutions, like rating firms, the banking system, stock and educational and research institutes. It is natural and normal, like

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hundreds and thousands of indicators constructed and used usually for economic areas (EU, ASEAN, BRIC, Eurasia, etc.), regions or countries, to be highlighted and analyzed at a microeconomic level (company, department workshop, brigade, team, workplace). Only then, the useful results of sustainable human development will be distributed and consumed in relation to economic performance. Accordingly, no management contracts can be concluded in which the wages and profit sharing (Herr and Ruoff, 2014) should not contain indicators on the effectiveness of (Boling et al., 2014) using each classical production factor, namely, work and labor productivity indicators expressed, primarily, in physical units, working capital and the indicators of the degree of exploitation, expressed in physical units, fixed capital and the indicators of utilization of the production capacity.

2. The interaction between competitiveness and economic performance - an established relationship of cause and effect

No doubt that from the system performance indicators there cannot miss the maximum synthesis indicators of economic efficiency (Hoen, 2014) expressed by rates of profitability expressed by traditional reports between profit ratios and net added value, gross value added, turnover, capital and cost of production. The interaction between competitiveness and economic performance (Sum and Chorlian, 2014) - an established relationship of cause and effect. World Economic Forum published, in early September 2014, the long awaited "Top of Competitiveness", in which Romania is ranked 59th of 144 countries, marking a substantial increase over the previous years, respectively the 78th place in 2012 from 144 countries and 76th place in 2013 from 148 countries. In top "Doing Business" by the World Bank, Romania has climbed two positions, respectively from the 50th position to the 48th position of 189 countries.

Without proposing to detail the level and evolution of the main groups of indicators that are staying at the basis of the overall score and place in the overall ranking, compiled by the World Economic Forum, which has the widest recognition, we need to emphasize the overall score which increased from 4.1 in 2011-2013 to 4.3 for 2014-2015.

Table 1. The indicators level and the rank in the Global Competitiveness Index of Romania in 2014-2015

The category of indicators	Rank (of 144)	Score (1 minimum - 7maximum)
Global Competitiveness Index 2014-2015 (GCI)	59	4,3
Basic requirements (40.0%)	77	4,5
Institutions	88	3,6
Infrastructure	85	3,7
Macroeconomic environment	46	5,2
Health and primary education	88	5,5
Promoters of efficiency (50.0%)	50	4,3
Higher education and training	58	4,6
Goods market efficiency	89	4,2
Labor market efficiency	90	4,0
Financial market development	64	4,1
Technology availability	47	4,5
Innovation and sophistication factors (10.0%)	78	3,5
Business sophistication	90	3,8
Innovation	66	3,3

Source: 2014 World Economic Forum, The Global Competitiveness Report 2014-2015 page 318.

From the table above, we can say that Romania has, unfortunately, as a basis for competitiveness, elements that have been developed in an excessively centralized economy - health and primary education (5.5 points), macroeconomic environment (5.2 points), education and training (4.6 points), technological availability (4.5 points) and market size (4.4 points) - will focus their attention on areas which determine the existence of a modern economy. We mainly refer to infrastructure, the effects of taxation, the effectiveness of antitrust policy, collaboration between employees, employers and state institutions, the correlation between resource, degree of satisfaction of needs, access and degree of implementation of new technologies, public and private spending for scientific research, work motivation for performance, etc. The fact that the imperatives presented above represent fundamental restrictions which influence the fast and effective convergence of Romania with the EU area is also illustrated by their presence in nature and hierarchy of urgent issues, which the business environment is facing, as

shown in Table 2, sizes established by surveys among various power structures involved.

Table 2. The most problematic factors for business in Romania in 2012 and 2014

Name of problems	Score and rank occupied in 2012		Score and rank occupied in 2014-2015	
	Score	Rank	Score	Rank
1. Access to finance	10,8	4	16,6	1
2. The taxes level	15,0	1	15,6	2
3. Inadequate infrastructure	8,9	6	12,8	3
4. Corruption	9,7	5	11,0	4
5. Poor governance	13,0	2	9,9	5
6. Regulations in taxes	8,7	7	9,4	6
7. restrictive regulations in the field of employment	2,8	10	4,9	7
8. Political instability	11,9	3	4,7	9

Source: World Economic Forum in 2012 and 2014 and own researches

From the table, it is clear that the business has experienced, in the last 3 years, almost the same difficulties, practically from the first 5 issues 4 are the same, namely the level of fees, access to finance, poor governance and corruption. Given the need to increase competitiveness, taking into account the content of the difficulties raised, it can be appreciated that in Romania they are related, in particular, with the nature and degree of state intervention in the economy. Furthermore, the intervention is not dictated by the satisfying priority of the national interest - we have small service fees, negative trade balance (agriculture, tourism, etc.), external debts increases, sales from the national wealth, etc. – but by the unbalanced condition and inefficiency of economic activity, generally the one in which the state is the owner. Accordingly, the place of Romania has significant oscillations in the competitiveness rankings, expressions of the difficulties that accompanied the establishment of a functioning and competitive market economy, the exit from the CMEA and the Warsaw Pact and the entry into NATO and the EU. Thus, in 2007, the year of the entry into the EU, we ranked 44th, and 57th in 2008, 54th in 2009, for the past 3 years, we ranked 78th in 2012, instead of 76th in 2013 and 59th in 2014.

Romania, in order to raise its competitiveness, it must modernize its production structures in the sense of the increasing of the share of products with high added value, gross and net, at the level of developed countries. Obviously, this will require investment, due to the crisis (Nica, 2014), it must be primarily within the country. From this perspective, the difficulties are extremely high, even if we consider the external debt service (1.5 of GDP) in complying with the budget deficit (up 3%), the structural deficit (1% of GDP) and the need to increase the share of GDP for the military (2%). Unfortunately, the external support is no longer at the pre-crisis levels, although Romania will benefit from structural funds in the period 2014-2020 (40 billion Euros) and may, by the end of 2015 attract additional 4 billion from the period 2007-2013, because the foreign direct investment and remittances from abroad recorded in the period 2009-2013 have a relative downward trend.

Table 3. The level and evolution of GDP, remittances of Romanians working abroad and foreign direct investment, in Romania during 2004-2013

Period	GDP (billions of Euros)	Remittances of the Romanians working abroad		Foreign Direct Investment	
		Billions of Euros	% from GDP	Billions of Euros	% from GDP
2004-2008	504	28,5	5,65	36,2	7,18
2009-2013	648	26,4	4,07	12,3	1,90

Source: NIS, NBR and own researches

From the table above it appears that **the remittances of Romanians working abroad and the foreign direct investment recorded, in the period 2004-2013, both absolute declines and also declines in the share of GDP**, state of affairs that substantially reduces the place and role of external resources in supporting the convergence competitiveness of the EU. The situation worsens if we take into account the fact that, potential investors in securities, have not yet aimed the Bucharest Stock Exchange, even if it is very cheap and has higher returns (the dividend yield is 6.3% in Romania, in Czech Republic is 5.8%, 5.3% in Hungary, 5% in Russia, 4.1% in Poland) and the share of profit tax in the state budget is in a relative decline (15% in 2010, 13% in 2011 and about 12% in the first 10 months of 2014).

In the presented context, increasing internal sources for investment is linked not to the tax rate (higher than the EU average), but to the growth in tax contribution to GDP, which in recent years was in Romania (30%) much lower

than in 28 EU average (40%), state of affairs that can be explained by tax evasion, inadequate degree of tax collection and not least, the tax base.

The issue of reducing tax evasion and increasing collection of taxes is found in virtually all States government strategies, with results more or less remarkable, leaving room for various generalizations, usually positive. However, as regarding the tax base, there is **great diversity, because in this field we meet the need to respect the exchange equivalence relations and equal status of partners, and the differentiation in relation to performance. It cannot enhance competitiveness if economic agents involved** - employee, entrepreneur, local authority and national state - **do not act on equal terms, there are not charted in relation to performance.** Moreover, the competition does not show a decisive role in improving the welfare, only if it is based on a real competitiveness.

It is known that the results of the economic activity are involved in intense processes of distribution and redistribution, in order to harmonize the interests of the four forces involved: employers, employees, local community and state. Each agent must be involved in increasing the physical production, the newly created value and therefore "we must find ways to take care of ourselves, because we can not rely on large institutions in this regard. Public policy must shift the focus of interest from redistributing wealth to encouraging its creation. Instead of providing economic subsidies to firms (Mccahery and Vermeulen, 2014) , the government should rather create conditions in order to guide companies towards innovation and the workers towards greater efficiency in the global economy.(Giddens, 2001; p.12)".

From the perspective of the tax base, we consider that any "exceptions" are incompatible with the requirements of functioning and competitive market economy; at least in the sphere of production (any balance needed in consumption can be achieved by redistribution within the end-use GDP). **Once accepted the taxing of all income, the most important issue is related to when and how to set taxes.** Specifically, we can think of **taxing production factors which underlie the income taxation for each participant** in a production activity.

Regarding taxation of inputs, given the positive experience of agricultural tax - calculated per hectare, according to the nature of use and fertility category - it should be extended to resources such as oil, natural gas, wood, etc. Basically, this type of tax may be fixed in any physical activity and involves any factor of production. For example, in the sphere of restaurants, it can be introduced tax per square meter in different services involved or the number of seats, in which case we will have a contribution to central and local budgets. Taxation of the production factors would revive the place and role of physical indicators and enhance the role and place of the taxes, compared to the current situation, in which, through various "financial engineering", you get to have no profits and therefore no tax.

During the transition to a functioning and competitive market economy, through multiple acts more or less legal, some of the factors of production are owned and used by non-competitive businesses, at least in terms of opportunity costs, fundamental indicators of economic efficiency: labor productivity, leverage of material resources, utility leverage of production capacities, rates of profitability. Because resources are becoming more restrictive - **are limited, difficult to access, have low content of useful substances, are non-renewable and have passed the point of recovery by themselves** – it should be a **regressive taxation**. Without going into details of regressive taxation, it bears in mind the size of the tax rate decreases, as the size of involved results increases in assessing competitiveness, which requires that the net results for the uncompetitive to decline, a situation that will require the surrender of the use of respective production factors, by lease or sale.

Given the fact that, **for the competitiveness indicators taken into by various institutions concerned in establishing different hierarchies (rankings) there is some consensus, the issue is nuanced when correspondents are established at the microeconomic level.** In these circumstances there is the possibility of increasing the economic performance indicators by option for those indicators which require the highest possible levels corresponding to those recorded in the world. For example, the harness of comparative and competitive advantages of Romania's **agriculture**, should require no increase in exports of wheat, corn, sunflower or livestock, but exports of meat and meat products made from 100 ha agricultural area, as in **petrochemical**, attention must focus on tons of polyethylene, dyes, cosmetics, drugs, food additives, etc., which belong to the tons of crude oil being processed and not tons of gasoline, diesel or fuel oil.

Economic and financial performance is a condition for the competitiveness of companies with sustainable human development (Rao, 2014) is reflected in the increase of employment and GDP per capita. At the same time, the size and evolution of these indicators are in close interdependence with the distribution of GDP between the four forces involved in its production, namely: employee, entrepreneur, local community and state.

The redistribution of the part from the added value must include local collectivities, both by extending "cooperative system", as a form of property, and the custody of all taxes to several local councils. Furthermore,

firms can recognize and reward performance of individuals or groups by developing, at the level of local collectivities, the classic "nonfinancial actions", respectively the firm's day, profession's day, school day or city's day, the place where we were born, we live and work. Significant in this regard is the following assessment: "a local economy needs also changes in the entrepreneurial organization and a new order of hierarchy. The force of the shareholding, oversized in the era of so called shareholder values, should be reduced to a reasonable size. Instead, the consumers and producers must be getting closer to each other. And for that there is already a known and verified form of organization: the cooperative." (Vontobel, 2013; p.19).

Table 4 The level of indicators that are involved in assessing the overall index of competitiveness in the EU-28

Name of the country	Human Development Index 2013	employment rate (20-64 years) 2012	The share of wages in GDP in 2013	Global Competitiveness Index 2014-2015
Belgium	0,881	67,2	52,6	5,18
Bulgaria	0,777	63,0	40,7	4,37
Czech Republic	0,861	71,5	42,5	4,53
Denmark	0,900	75,4	55,1	5,29
Germany	0,911	76,7	51,7	5,49
Estonia	0,840	72,1	46,8	4,71
Ireland	0,899	63,7	41,9	4,98
Greece	0,853	55,3	31,5	4,04
Spain	0,869	59,3	45,5	4,55
France	0,884	69,3	53,3	5,08
Italy	0,872	61,0	42,7	4,42
Cyprus	0,845	70,2	42,3	4,31
Latvia	0,810	68,2	41,3	4,50
Lithuania	0,834	68,7	39,7	4,51
Luxemburg	0,881	71,4	47,8	5,17
Hungary	8,818	62,1	45,5	4,28
Malta	0,829	63,1	44,5	4,45
Netherlands	0,915	77,2	51,5	5,45
Austria	0,881	75,6	50,7	5,16
Poland	0,834	64,7	36,1*	4,48
Portugal	0,822	66,5	48,2	4,54
Romania	0,785	63,8	33,2	4,30
Slovenia	0,874	68,3	51,3	4,22
Slovakia	0,830	65,1	37,4	4,15
Finland	0,879	74,0	52,1	5,50
Sweden	0,898	79,4	53,8	5,41
Great Britain	0,892	74,2	53,7	5,41

*2012

Source: Eurostat, 2014 World Economic Forum

As shown in table 4, most developed countries have high rates of employment and high levels of human development indicators, high percentages of wages in GDP. It should be noted that in some developed countries, the growth, in the last decade, of the share of wages in GDP is the result of substantial declines in the past.

Table 5 The evolution of the level and structure of Gross capital gains (GVA) in German companies in 1991 and 2010

Indicator	1991		2010	
	billions euros	%	billions euros	%
The added value in business sector, of which:	890	100	1465	100
Wages	601	67,5	875	59,7
Taxes	46,8	5,3	61,4	4,2
Investments	208,1	23,4	240	16,4
Net financial balance (net undistributed profit or surplus)	- 56	-6,3	99,8	6,8
Other (dividend, interest on capital)	90,1	10,1	188,8	12,9

Source: Philipp Lopfe, Werner Vontobel: Rich multinationals. Poor Citizens. Exorbitant profits-immoral solution of large companies, GLOBO Publishing, Bucharest, 2013 page 136 and 144 and own researches.

As shown in the table, the wage share in gross value, decreased from 67.5% in 1991 to 59.7% in 2010, the corresponding increase in profit and other indicators related to its associates. Marginalization of the profit and other

parts of the newly created value, at least in the structure of the table cannot abandon logic in relation to the profit maximizing all interests, unless it is established and shall be distributed among the four forces involved - employee (producer) employers (entrepreneurs), local community (region) and state (nation) – in the extent to which it *ensures each person demands of "moral economy" whose foundations are linked to survival*. Otherwise, **each person's moral capital (social recognition of the value of each person) and membership in a particular expression of the community is attacked**.

The failed of maintaining the "moral economy" with the diminishing until extinction of the peasant society, it determines significant changes in the management, or in its entry, after the **ages of "execution" and "expertise"** in which, as shown in its name, the actions will be characterized by, *cooperation, sympathy, tolerance*. In synthesis, in the current era of the management efforts there are focused on creating the conditions in which work *not only creates new value, profit, but also imbued with feelings, emotions*. Only so, the companies will exceed the current state in which they **"promotes inequality, seeking only to profit at the expense of employees and customers and being run for the benefit of the owners of capital rather than to provide benefits to a broader set of public or groups, who are involved in the conduct of that business, or whose interests are affected in one way or another, in that business."**(McGrath:, 2014; p.67).

Given the fact that, between competitiveness and performance is a dedicated interaction of cause and effect, the performance indicators should be weighted in relation to their role in achieving the objectives (Popescu Ljungholm, 2014), available resources and attract, not least, the contribution of collective (team squad) and individual interests of each carrier. The absence of this requirement is accompanied by deliberate presentation of indicators that have only positive developments, such as, for example, the increases of the profit but are not found in the increasing of the profitability, labor productivity, which is not found in the adding value net or the degree of exploitation of the resources of raw materials and energy, which are not found in the reducing of the specific related consumption. The compliance of the technical correlations between nature and level of training, the labor factor, the technical potential, and not least the location in territorial plan of the carriers supply and demand, it represents, in this **transition to competitiveness**, a way to increase the performance, easy to achieve through the re-industrialization based on the compliance of the upgraded active circular process.

Examples of violations of those correlations are found in all spheres of activity, but **violent expressive are those in agriculture**. In many individual households, any existing machine do not form "aggregates imposed by economic and financial performance" (physical production yields, specific consumption, degree of use of machinery), and is not reached the optimal area required by the systems cars (about 1000 ha arable land in Bărăgan).

The low level of economic and financial performance is because there is no real competition in many industries, because various civil servants, notaries, judges, insurers, tax consultants, architects, appraisers, etc., managed, with the help of malicious politicians (compared to the national interest), or poorly trained, to introduce in the legislation provisions that are not included in the EU Acquis, but they ensure the satisfaction of their own interests. The main forms, in which these interest groups have created a strong bargaining and intervention power, is not so much the law, because in this area there comparisons with the developed countries, but the classical *instructions and exceptions of law enforcement*.

Without going into details of the implications of "financial engineering in law enforcement", it is enough to think of the restitution in the field of farmland, forest and, not the least, houses or various assets in the economy. Referring only to the economic activity through various instructions and exceptions from the economic rationale - in many cases, if they are written, they have more pages than the law – it reached to the situation that many activities of production - drawn from the massive multiple properties of the industrial platform based on active circular process – they became, to put it in the language of the day, true fortress of multinationals, in which different parts brought from import at higher prices, are summary processed then exported, in "compensation", in their home countries at lower prices. From these economic circuits result stock transfers, not always accompanied by corresponding physical transfers and finally, some foreign companies registered in Romania losses, and therefore do not pay tax or not grant employees the sharing of the profit. Accordingly, national participation is limited to labor, employed in the routine activities. Therefore, although we have many Romanian Olympic medalists in various inventions competitions, the transnational activities in our country do not harness their performance, and if the latter happens, it only occurs abroad.

Achieving and maintaining the competitiveness in the current era can not take place unless we accomplish "the transition from efficiency to effectiveness", a process that is conducted by "the worker based on knowledge, because he produces knowledge, ideas, information. Someone else, another man who has knowledge, must take and turn

them into products in order for them to become reality... . The worker based on knowledge must therefore do what a manual worker does not need to do. He **needs to ensure effectiveness**. The knowledge worker is the "factor of production" due to which highly developed societies and economies... become competitive." Drucker, 2010; p.24). Lately, there is a growing interest related to the construction of some work cells in order to use talents in our country. Significant in this respect is the appreciation of Bernadette Andrietti, vice president of marketing and sales for Europe, Middle East and Africa, of the US company Intel – the largest manufacturer of microprocessors in the world, and which increased its staff in Romania in 10 years from 4 the 400 people - who motivated the increase as follow: "Romania has a strong expertise in software, a strong talent base in engineering, in general. There are good reasons to continue to invest here ... For us the most important thing is people's expertise, and nothing else, no matter the cost."(Andrietti, 11/18/14).

3. Physical indicators – phrases of maximum synthesis of competitiveness and economic performance

Physical indicators, due to their realism and expressiveness, are increasingly used in the assessment activities in the field of **welfare, happiness, prosperity**. Without proposing an "inventory" of them, they are increasingly used in **life satisfaction** (40% compared to 79% in Romania in the EU in 2014), **financial satisfaction** (36% in Romania and 64% in the EU in 2014) **prosperity** (Romania ranked 60th in 2014 to 55th in 2013). Obviously, the list of indicators that reflect **the welfare, happiness, prosperity**, also contains the *number of cars per 1000 inhabitants, number of computers, televisions, telephones per 100 inhabitants, working hours, average life expectancy, etc.*

Physical indicators cannot be distorted, because they are expressed in physical units, and these measures in the same way the assets or economic phenomenon process, regardless of the size and structure of the territory, time or level of development, the nature and structure of economic interests, ownership, and so on. Not the same thing we meet at the value indicators, where the structure or their dynamics depend, among other things, inflation, exchange location, nature and structure of power and, not least, the economic interests involved (Williams, 2014).

Even tax evasion, known as developing "financial engineering", has at the base at least the marginalization of physical indicators, respectively fictional exported goods without excise or VAT, there is "black" labor, not to enter in the sphere of semi-products, where there are multiple and various combinations based not on technology, but on "supporting documents". Under these conditions, it changes both the structure of net value added (wages, profit, VAT) and relations between components in order to increase profits.

Using physical indicators it should be involved in setting indicators involving the main interests of the four forces of modern production: employee, employer, local community and state. Without going into detailing the concerned indicators, it is sufficient to think of the expression of nominal wages in the *physically basket* of consumer goods that provides decent living, or the conversion of taxes in **the number of remunerated posts in education or health** (Popescu, 2014). Unfortunately, the monthly minimum consumption basket (MMCB), which has a structure of physical goods and was established by the National Commission of Indexing (NCI), since 2004, is no longer counted in calculating the minimum wage. Given the importance of expression in physical units, the appreciation of consumption is made at a European level, by the actual **individual consumption** which includes goods and services consumed by humans, regardless of payment source involved in financial or personal income of the family or government institutions, indicator that Romania occupies, in the period 2010-2013, in the 28 EU, # 27, being exceeded only by Bulgaria. Likewise, UNICEF ranks in 2013, Romania on the 35th position (35 countries participated) in terms of **child poverty rates**. Also on the last position, the European Commission puts us, in terms of **the limit income where poverty starts** or 1.71 euro / day per person in 2013.

In the context of the above, we must move from the pursuit of physical indicators from the industrialization era (early twentieth century), to those specific for automation. Specifically, for **industry** we must associate the per capita production of steel, petrol, electricity, cement, etc., with the production of computers, robots, cars, airplanes, drugs, food additives, cosmetics, etc., per capita. Referring to **agriculture**, we must move from the following of average yields per hectare of wheat, corn, sunflower, etc., to the production of livestock, meat, and canned meat to 100 hectares agricultural area. There is no justification, in terms of economic and financial performance, for the existence in Romania of a poor foreign agricultural trade balance, given the fact that we have a total land area and arable land per capita, twice the EU average and a land of fertility more than 1.5 times than the EU average.

The necessity of extending the physical indicators is urged by the restoration of the production decisive role, together with that of circulation and consumption. In the years preceding the last crisis, the earnings as a source of entrepreneurs, had mainly pressure on the exchanges and markets, and diversification and multiplication of forms

of distribution and redistribution of gross value added between different power centers. In this context, the place and role of production stage was marginalized, including the costs of supply and sale. *Through the central location of physical indicators in all stages of economic activity, gross value added distribution will be based on reality and effectiveness of efforts*, marginalizing the place and role of various "financial engineering". As an illustration of entrepreneurs' interest in the physical production of goods and services, it is sufficient to observe the labor market demands for technical staff, leading to a situation where the companies obtain permits to qualify people in trades and professions for which they found no properly trained people.

Obviously, the performance measured in physical indicators is greatly reduced due to the heterogeneity of both the resources (human and material) used and the results of production. However, given the irreplaceable neutrality and their expressiveness realism - accentuated by the permanent inflation and generalization of "financial engineering" –it is necessary to build information systems based on physical indicators, starting with basic structures of firms levels or job, team, brigade, workshop, station, factory, etc. In this context we consider, in particular, the **specific consumption of resources of labor, raw materials, fuels, electricity and water**. In this context, it is necessary to have rules and technical normative, which should reflect the specific consumption, at least at the level of technical sheets of equipment, facilities provided, etc.. That requirement should be reflected in a system of appropriate indicators and correlated, both physically and value. Without forcing things, it is necessary, for determining the size of each indicator, physical or value, irrespective of its place in the composition of indicators, rooted in **specific consumption based on standards and technical regulations**.

The widespread recognition of the importance of physical indicators is illustrated by the construction of **integrated physical indicators**, like tons of conventional fuels or different octane gasoline, for various economic activities. And because the nature should not be missed in any human action, we show the content and use in agriculture, of the **grain unit** indicator, namely:

- **"total physical production of plants** expressed in conventional units, namely the grain equivalent on the base of energy content of different products;
- **total livestock production** in cereal equivalent;
- **total production of fruits and grapes** expressed in units cereals;
- **total agricultural production** expressed in conventional units - equivalent grain and its structure. "(Iancu, 2008; p.31).

The insistence on building and operating a system of physical indicators is justified by the need to reduce economic disparities. It is known that the gaps are absolute and relative. Referring to the analyzing the evolution of disparities, it is necessary that the forces involved will not be discouraged by the development of expressing them, because, naturally, in a time interval which can be determined, despite the higher rates of growth compared indicators, the absolute differences are increased for the first year (subsequently will reduce), while relative gaps are reduced permanently. Referring to the number of years that will take place for the convergence of gross national income (GNI) per capita at purchasing power parity in Romania with that recorded by the EU 28, using the relation:

$$t = \frac{\log Y_{OE} - \log Y_{OR}}{\log(1 + \bar{r}_{OR}) - \log(1 + \bar{r}_{OE})}$$

where t = time in which the GNI per capita in Romania will equal that of the EU 28 GNI per capita Y_{OE} = GNI per capita in EU 28, Y_{OR} = GNI per capita in Romania, \bar{r}_{OE} = average annual growth of GNI per capita in the EU 28, \bar{r}_{OR} = annual average GNI per capita growth in the EU 28.(Iancu, 2008, p.31).

Table 6 The evolution of growth rates of gross national income (GNI) per capita at purchasing power parity and the number of years in which there is convergence between Romania and the EU28

No.	Gross national income(GNI) per capita at purchasing power parity in 2011		Average annual rate of growth of per capita GNI (proposed)		Number of years in which there is convergence
	UE 28	Romania	UE 28	Romania	
1	25200	11046	2	3	77,99
2	25200	11046	2	4	43,92
3	25200	11046	2	5	32,37
4	25200	11046	2	6	26,48
5	25200	11046	2	7	22,88

Source: Eurostat and own calculations

From the table, it appears for Romania, that achieving convergence with the EU average level of generation (20-

25 years), it imposes the need to increase the economic performance levels in order to ensure average annual growth rates of gross national income per capita, which are multiples of at least 2.5 times the average annual rates of growth of gross national product per capita in the EU 28 average. Undoubtedly this state, quite exceptional, it will be a reality unless we **realize, first, at higher rates of traditional comparative advantages** (employment continuity in the same territory, agriculture, construction, tourism, etc.) **and developing the relatives, and the advantages of modern competitive activities** (mechanical engineering, IT, mining and processing of oil and gas deposits, etc.). The harness of the advantages mentioned above is dependent on the achievement imposed by the convergence at the requirements of the European Economic Area, whose essence is related to the growth of competitiveness.

4. Instead of conclusions

Competitiveness is achieved and maintained with the attraction and direct involvement of each employee, therefore everyone's wages are subject to the performance indicators established in the management contract. In the economies in transition to competitiveness, in which UE 28 is to the US and Romania is to the EU 28, both elites and those who do not meet the indicators, must be sanctioned. There is, among employers (20-25%), the practice not to reduce wages accordingly to the performance indicators set, citing various *financial engineering* from the collective agreements or maintaining a relative stability of social dialogue and solidarity between employees and employers (Nica and Potcovaru, 2014) in the fight against the State. The practice devoted, in recent decades, **the participatory management, found in the stimulation and retention of employees, including company management and through actions**. For the **top of management** (CEOs), their income came to be mainly determined by the general evolution of stock prices, the state of things about which, the legendary former chairman of the US Federal Reserve, Alan Greenspan, emphasize: "In my experience, another significant factor for excessive remuneration of the General Managers is the result of a general increase in share prices, on which the General Manager has no power on control. The stock price of a company and therefore, the value of options are strongly influenced by forces which act at the level of the whole economy - changes in interest rates, inflation and a myriad of other factors without any relation to success or failure of a namely corporate strategy." (Greenspan, 2008, p.428). Normally, it can not be excluded or marginalized the developments in stock prices, but their place and role in economic motivation should be subordinated to the increasing of physical production.

The world economy, including the EU, lately faced with the emergence and amplification (Naert, 2014) of four *contradictory bubbles* or unused resources (unemployment and under-utilized production capacity), low profitability (very large number of companies in insolvency or imminent insolvency), bad loans and putting the money in deposits and securities and not in investments. Vigilance, sometimes exaggerated in the name of profit growth and the interests of big capital, determines that any reasonable solutions be marginalized or deferred, state of affairs which emphasizes crisis. Government intervention in supporting the private banking system should be continued at the microeconomic level by generalizing, based on competition competitiveness, income growth and differentiation conditioning performance report. This imperative corresponds to the national objective, fast and effective convergence in the EU, reducing disparities and inequalities (Gatzia and Woods, 2014) in the distribution and consumption, reducing social tensions created by poverty and loneliness expansion and acceptance of coexistence with evil.

The relations in the areas of competitiveness and financial and economic performance are a *cause and effect* type, which is reflected in **the existence of higher motivation which generates a higher performance**, which will be the basis for multiplication, diversification and higher motivations growth. In this context, the management should combine awards, bonuses, shares, profit or other material means of actions and processes in order to ensure full satisfaction of needs. Maslow pyramid of needs built by Alfredo Maslow (Huitt, 2004) and relatively updated by the contribution of Amitai Etzioni, especially in the sphere of "voluntary simplicity" (Etzioni, 2002), constitutes a constant concern. In this context, we need to emphasize the contribution of the scholar Andrei Pleșu, who by the 7 types "... **subsistence, consumption, self expectation, pragmatism, the search for self and inner construction, research and reflexivity and dedication**" (Plesu, 2011) represent "the pass through life "of the man and must be found in any human action. Since we insist on for **a transition to the competitiveness of the EU 28**, we should overcome, in the monetary space, the conception which "explains that the devaluation is a factor that stimulates exports, that cheapens and hinder imports, because they make it more expensive. Such a theory means **applying the policy of selling more cheaply and buy more expensive ... such an economic policy emphasizes the decreasing**

comparative yields for Romania, it shatters and cancels any cultural strategy thinking."(Ciutacu, 2001; p.140)

Without detailing the nature and sources that we will support the increased efforts in order to *enhance performance, competitiveness - the main way to reduce the economic gaps* - theory and practice emphasizes that, in addition to the increasing profitability by reducing costs and renewal of production (Patrick, 2014), the upgrading fees (Romania has the level of charges several times lower than the European and world level), it is necessary to strengthen the role of civil society (Jørgensen and Rutgers, 2014) in the process of *marginalization of the social dependence systems*. Achieving this strategic objective involves mainly, the restoration of trust capital by introducing meritocracy. Also, on behalf of the common destiny, "words like liberty and justice for all even mean what they appear to mean, in which we take very seriously the Universal Declaration of Human Rights - where the emphasis is not only on the importance of civil rights, but also on the economic rights, and not only on the property rights but also on the economic rights of ordinary citizens." (Stiglitz, 2013; p.463).

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