Journal of Economic Development, Environment and People

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Foreword

Society today is in transition. We can see it. We live in it. Actually, the mankind's history is a transition: from simple to complex, from primitivism to civilization. There has been a permanent change in ideas, mentalities, knowledge, institutions and technologies.

Economics seem to have become the core field of the human social existence, as man is considered to be a *homo oeconomicus*. As such, he is open to change. Homo oeconomicus has developed the concepts of *utility*, *profit*, *self-interest* and *consumption*, which are now basic concepts of a society, deemed to optimize resource allocation to maximize satisfaction and/or wealth. Technologies' evolution made possible the idea of *progress*. Man is much more productive than he ever was in his history. The institutions of *democracy* are supposed to set the *individual*, the human *person* in the very center of society.

From the very moment of his birth man is generally taught to thrive, or at least to improve his living conditions. Homo oeconomicus is a rational being, i.e. he will always try to choose the most appropriate solutions to reach maximum of effect with minimum of effort. Along his whole life man tries to be efficient.

In itself, *efficiency* or *effectiveness* means more effect with less effort. Apparently a lazy person follows the same path. Therefore we got used to call "efficient" the person that offers something valuable to other people getting out maximum of satisfaction for him or her with minimum of costs. Of course, not all the people can be equally efficient. And this would be one of the fundamental causes of inequality among people. Unfortunately it is proved that the robots, man's creation, can be more efficient than many people. So, man created his own exclusion! Thus a question arises: "Should efficiency and satisfaction or wealth maximization remain the main goals of mankind?"

Economics is the discipline that helps us to find the efficient resource allocation leading to economic growth. During the last fifty years, economic growth has become the main target of public policies at all decision levels. Growth has been maximized within the competitive structure of efficient markets.

Free markets have been declared *a sine qua non* condition to minimize transaction and transformation costs. The importance of free market as the essential condition for economic growth got so huge, that David C. Corten arrived to an alerting statement: "In the quest for economic growth, free market ideology has been embraced around the world with the fervor of a fundamentalist religion faith."

We take as "given" the above mentioned concepts and many more. It has become "natural" to think in these terms.

But…, only a few human communities (regions, countries) , I.e. the *developed countries*, are really *efficient* within the modern institutional framework. A great number of people and regions of the world are not economically efficient, even if they have been striving for it. And, despite some higher development

rhythms, many less *developed countries* got even more backwards as against the developed ones. How is the accumulation of such development gaps possible?

Some scholars identified ineffective economic and political institutions as a main cause of backwardness (the *institutionalists*). Others consider state intervention in economic life and discretionary money creation as catastrophic (the *Austrian school of economics*).

That means economics is not unitary, and actually not even a "science"! It also means that all the mentioned concepts are not "given" for everybody, as mathematical theorems are. More than that, at-any-price economic growth has been heavily criticized for its negative externalities. Despite the effectiveness of rational decisions, the costs of economic growth high rhythms over the last two centuries appear to be daunting today.

The great challenge of economics today is rethinking not only its main and fundamental topics (such as: "Should profit and full satisfaction expressing selfishness (Adam Smith) remain the central goals of human action?" "Should economic growth be a permanent and absolutely necessary target of public policies or rather a natural effect of sustainable development?"), but also solving delicate macro economical issues (such as: gaps widening between development levels of highly industrialized countries as against the developing and less developed countries, etc.).

We don't have to forget that alongside the huge technological progresses, as a *rational being*, man has also become the greatest wastes and dump goods producer and a much more dangerous destroyer of the natural environment than Nature Itself.

Only economists could effectively size up the significance of economics, as well as that of the economy among the other numerous fields of human action. Man is not essentially *homo oeconomicus* and economy should stop being seen as the main people's concern. This is only a passing fashion or vogue period towards the perpetual rediscovery of humans' micro-cosmos.

The present Journal of Economic Development, Environment and People (JEDEP) volume approaches several actual stringent issues concerned, among others, with communication and mentalities' change in a digital world (V. Jelev), public debt analyses to aim at a sustainable development (Dascălu, Ungureanu), a different approach on tax evasion considering tax lottery receipts in Romania (Ungureanu, Dascălu), and the ethical quality of arbitration considering the power of the arbitral tribunal to disqualify unethical counsel in business litigations.

JEDEP welcomes any contribution suggesting practical solutions, empirical analyses and fundamental economical principles debates, and even more.

Assist. Prof. Eugen Ghiorghita, PhD

The Future of Education into a Digital World[1]

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Abstract. *The article investigate the role of communication in the digital age, between consumers and business and seeks to render highlighting changes within the Romanian society in the last 26 years, with the effects occurred in people's behavior, but also the changes of university education at the discipline I teach, Merchandising and International Marketing, with impact on the delivery of new information to the students of the Faculty of Economic Sciences, within Spiru Haret University. We live in an era where everything seems to change and evolve almost overnight. "The world economic order went through a tectonic transformation, accompanied by, and in part caused by, groundbreaking advances in science and technology and the rise of globalization" . New industries start to develop, while others are on their last legs or already extinct in a world of advanced, emerging, and developing countries. As a result, lots of jobs from years past aren't as relevant today as they once were, and many no longer exist. Therefore it's easy to predict that eventually, today's jobs will evolve into something completely different. And some will become obsolete. And it is those changes that lead to multiple consequences, affecting many other fields, one being education. We need a broad, flexible and motivating education that recognizes the different talents of all children and delivers excellence for everyone. Studying methods and curricula from the 20th century may no longer be relevant in the constantly evolving and changing world of the 21st century, in preparing you for your future job. And in order to maximize your chances of having a successful career in the field of your choice, you have to constantly adapt and evolve. Creative education involves a balance between teaching knowledge and skills, and encouraging innovation. New branches of industries will appear, and potential employers and employees will need to acquire new skills and abilities. And it is these new skills and abilities that should be taught and attained in schools, especially by those attending higher education, which is at an inflection point. It is this constant change, the need to permanently evolve and adapt, that has led to the development of various groups, organizations and networks, tasked with generating answers and solutions to present day problems, as well as predicting future trends in their respective fields of activity. Finally, I try to find the answer to the question "what is the future of humanity?" what typology of man must we form to save the future of the planet. The answer is "the beautiful man", as Dan Puric called in his book.*

Keywords: economy, net, Facebook, communism, marketing, social media, web 3.0, consumers

JEL Codes: M310, M370

1. Introduction

The article covers the issues of changes in the Romanian economy, after the revolution, in consumer behavior and use of the new generation, the so-called "Generation Z or F" or "Facebook", of changes in economic education theory, which we teachers must take into account, and try to answer the question how

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[1] The article was previous presented at International Conference on Economic Sciences and Business Administration 2015

the man of the new world, we created, be like, in order to save us from self- destruction. The problems addressed are of utmost importance for our adaptation as educators of the young generation, and changes in their behavior and changes we must make in our behavior in order to effectively respond to their demands of the education received. In order to answer the questions that I have asked myself in this article, I consulted the latest information published in specialized literature and have formulated solutions to the questions raised. I hope this article brings added information to the existing specialized literature.

2. Literature Review

The first work from which I have documented is of the famous professor Philip Kotler, "Marketing 3.0. From product to consumer and to the human spirit", Public Publishing, 2010, in which there is an overview of the evolution of marketing. In the last sixty years, marketing has moved from being centered on products (marketing 1.0) to focus on customers (marketing 2.0). And now marketing is transformed again, answering the new dynamics from social environment. Companies are expanding their area of focus from products to customers and then to problems of mankind. This is marketing 3.0, the stage where companies have a hum andocentric orientation and balance the profitability and corporate responsibility. Welfare, poverty, environmental concern pertaining to the human-centered approach brought by the new type of marketing, which not only proposes to sell some products or services, but also to participate with the rest of the partners (distributors, buyers, co-share holder) to change the world for the better. Radu Ghitulescu in the article "How the Web 2.0 era changes the customer-company interaction", published in the Journal Market Watch, 25/09/2011, connects with the subject of my investigation. What is Web 3.0. Next book studied is of the American professor, no less famous Seth Godin - "Tribes", Public Publishing, 2010, explaining consumption behavior of individuals. A tribe is a group of people who share a common interest, a way of communicating and a leader. For millions of years, people have sought to be part of a tribe or another, be religious, ethnic, political or musical. Now the Internet has removed geographical and financial limitations, and because of social networks and blogs, it's easier than ever for a tribe to gain more followers. In addition, due to them the number of new tribes grows. The Internet can provide many, but not leadership. Hence the importance of the question to which Seth Godin answers in Tribes: Who will lead us? The answer that he gives in this book helps us to understand what exactly is at stake and how each of us can create and lead a tribe. Next work studied belongs to the actor Dan Puric - About Beautiful Man, Ed Sophia & Super graph, 2009, in which the author explains that the world is in a continuous process of ugly. "In the new empire of ugly beauty is just a memory that barely flickers under the triumphant march of a crippled world in full offense". The beautiful man is the last cry of salvation, the last stronghold of humanity in its fight against the unhuman ocean that is to come. The beautiful man is the last sigh of Christ for a world in a definitive freefall.

- In an attempt to answer all questions that I have asked myself in the work, I looked for information on the behavior the new generation that will follow us and which will ensure our pensions. This is the so-called Generation Y, which Biszok Bogdan speaks in the study "90% of Generation Y members check their e-mail and profiles on social networks before rising from bed," appeared in the magazine Capital, from 14.12.2012. Other books are: Grown Up Digital -How the Net Generation is Changing the World - Don Tapscott, Rethinking Education in the Age of Technology. The Digital Revolution and Schooling in America- Allan Collins and Richard Halverson, Andra

Silvestru-Magazinele viitorului trebuie să țină pasul cu nevoile și cerințele consumatorilor-Revista retailului si industriei bunurilor de larg consum, Marketing direct - Wolf Hirschmann, Atentie la manipulare - Claudia Grozebach, Imaginea viitorului - Brad Dehaven, Ce doresc clientii nostri - Harry Beckwith, Jelev Viorica Marketingul serviciilor, vol. 1, Jelev Viorica- Generations and market economy, The 5th International Conference on Economics and Administration, Faculty of Business and Administration, University of Bucharest, Romania ICEA – FAA Bucharest, 7-8th June, 2013, Jelev Viorica, Merchandising, curs online, 2015, Oprea Dumitru http://blog.dumitruoprea.ro/tag/web-30/, http://www.realitatea.net/cine-este-generatia-z-si-ce-surprize-vor-avea-angajatorii_872467.html

3. New Approaches in Economic Science

I am teaching the discipline "Merchandising" and "International Marketing" at the Faculty of Economic Sciences, Spiru Haret University, and I'm required to constantly monitor changes taking place in these sciences, as a result of changes in the society. I cannot notice we are going through crisis and its effect on our behavior as customers or users of products and services. It's about change, customer 3.0, Web 3.0 and Sales 3.0. Therefore, marketing, as we know it and as defined many decades ago no longer works. In the last sixty years, marketing has moved from being centered on products (marketing 1.0) to focus on customers (marketing 2.0). And now marketing turns again, responding to the new dynamics of social environment. Companies are expanding their area of focus from products to customers and then to problems of mankind. This is marketing 3.0, the stage where companies have a human centric orientation and balance profitability and corporate responsibility. Welfare, poverty, environmental concern relate to a human centric approach brought by the new type of marketing, which not only proposes to sell some products or services, but also to participate with the rest of the partners (distributors, buyers, co-share holder) to changing the world for the better.

Marketers are faced with two major changes - the effects of the Internet as an environment for communication and the shift from consumer, as central character, toward groups and opinion leaders.

The Internet is a space with new rules and we just learn how to do all distribution on the shelves of this space, what price is put on things. Now, we talk about e-commerce, online sales. We learn that product promotion is not a monologue anymore, as was the televised communication of brands, but it is a dialogue between brand and consumer and social media (Facebook, Twitter, G+, LinkedIn, Pinterest ...) rise and fall any company. Things get complicated when it introduces into the equation the so called "influencers", the opinion leaders. It is here the beginning of the translation from the area of marketing centered on a single consumer toward what Seth Godin calls tribes, groups of people connected to one another, connected to a leader, who share one same idea. Perhaps the best example of a tribe are the fans Apple products, who are more than buyers, sharing passions and interacting with each other. The respective tribe allows the people from Apple to rely on certain sales figures, even increasing - see the iPhone, with increasing sales from one version to another.

People P (people) - thus become the fifth P in the formula launched some time ago by Philip Kotler for building brand, formula where we initially met only four, namely Product, Place, Price and Promotion. People, consumers, singular or plural, have changed. The consumer is better informed in the internet age and that of increased speed of movement of information. From an economic perspective, consumers have, despite the crisis, relatively speaking, and greatest willingness to purchase products and services, but have

become more selective and more demanding. Therefore, companies must adapt the reporting of consumer profiles as identified by the research company Anamnesis in April 2010. "Research has defined three categories of people based on lifestyle, their aspirations and motivations, the way they look and plan the future or attitude to money, it's about "hedonists", those who enjoy life as much as possible, spend more for immediate pleasures and are optimistic about the future, "calculated people" who have the financial resources, but are very calculated in their spending, and the "entrepreneurs", people who like to fend for themselves and engage in many projects at once.

Now, in 2015, we can talk about another online consumer profiles as identified by the INSCOP research company:

1. Experts (29%) - those who know the system best
2. Searchers discounts (18%) - all those watching discounts
3. Those checks the offers (16%) - which analyzes the most offers
4. Beginners (13%) - those who have just started to buy online these products
5. Casual shoppers (12%) - those who buy online occasionally
6. Adventurers (12%) - those open to try new experiences.

The same Seth Godin said somewhere that the basic idea of the marketing of the 4Ps, that someone can program one's consumption, is obsolete. Online promotion has eliminated the limitations of space imposed on television or radio or by location in the case of publications or outdoor advertising. But in the case of the Internet occurs a strong limitation that related to attention. It is questionable whether the front page of the newspaper or magazine can be replaced with the same success by a link received from a friend or suggested by Google. "In a world of surfers you need to create the best possible wave. The real revolution is creating the wave, not just ride it," says Godin.

The main environment to create waves at this moment is the world of social networking, towards which almost all marketers are focusing. "Social media is now on everyone's lips, but I have rarely seen good campaigns in which on Facebook and Twitter and more recently on Google plus. There are instances where the print is extremely effective, especially for corporate communication, just as there are campaigns in which Facebook can do a lot on marketing communication.

In the late '90s, an article in Business Journals (One unhappy customer CAN multiply to many) stipulated that an unhappy customer shares his negative experience to other 8-10 people and that only one in five discusses with more than 20 people.

In the era of Web 3.0, the statistics cited is totally obsolete. Currently, an unhappy customer can make their complaint known almost instantly towards tens, hundreds or even thousands of others through social networks, posting on forums, blogs or websites of micro-blogging.

And according to recent studies, Generation Z or "Facebook", born after 2001 after the Revolution is classified by sociologists as the generation of " Net", "pragmatic" or "Facebook". There are those who grew up in front of the computer surfing the internet, are not interested in politics and have no associative spirit. It is more intransigent than previous generations.

The trends related about that more than 60% of customers prefer non-verbal methods to interact with a company (online methods), they using e-mail, instant messaging or chat. Online interaction begins to have an increasingly larger share among customer preferences. Which obliges Call / Contact Center to

conform to these new trends to ensure optimal quality level customer interaction, so that a higher level of their satisfaction can be achieved.

Now, we need the innovative producers and the visionary agencies that integrate communication.

The innovation in communication is a big idea. It means achievement and efficiency. It is a strategic thinking. Performance of product should be judged both creative and technical: performance in marketing, programmatic in Cloud, behavioral data, predictive web.

"Doing good" becomes a must for producers and the message must be relevant for consumers.

Social media is the place where customers can learn about all other facets outside of the strictly commercial of a brand. It's where you get to differently communicate anything other than through promotions and discounts, is where brands can become real partners for conversation with their customers.

Nowadays the young people use technology in ways we could never imagine.

Instead of passively watching television, the "F Generation" are actively participating in the distribution of entertainment and information. For the first time in history, youth are the authorities on something really important. And they're changing every aspect of our society, says Don Tapscott in his book, „Grown Up Digital -How the Net Generation is Changing The World".

Marketing no longer means, as is well noted by the American journalist Michael Hyatt, to roar in a crowded market, but to reach out to travelers, or to generate transactions, but to build relationships.

Consumers are no longer looking for offers on the websites of companies, but on social networks. The decision to purchase a product comes much more from the experiences of other consumers. This means that things will look different in regards of marketing which is a science that takes various shades ingredients. And all these shades of a new type which occurred between the dialogue between company and customer have been adopted by marketing people and used as such as new marketing tools.

Therefore, what we consent somehow that has changed is that traditional, arrogant form, of monologue which brands, products, companies possessed with consumers. The consumer gets claimed in the dialogue between the product that addresses him, and him as a community.

We need to communicate relevant. It is a mission-critical information is an indispensable task in today's work environment as well as in our private lives. In marketing, the success is in part based on how much knowledge we have, which itself ultimately depends on how we communicate and how fast we process information in an innovate method.

In the past (this is history) few decades, for both our professional and private lives, we communicated using media such as paper and pen, typewriter, and the phone. Now who communicate with pen? In the business environment, the use of paper to communicate with companies outside caused vast quantities of paper to be transported over long routes, which resulted in long waiting times and inefficient flow of information. Introduction of the early phone system helped to greatly increase efficiency but was subject to the limited availability of the intermediate connector to the other party and allowed only audio data to be transferred. The inability to transfer other forms of data such as documents, screenshots, or other contextual information is a limitation when you are only able to communicate by audio.

This, however, does not mean that individuals or companies in the past were inefficient and unsuccessful because they were unable to communicate the way we are doing today. Being "successful" is a temporary condition, which once reached, does not automatically continue for a team or an individual. Success is the result of a consistent investment in the uniqueness of the company or of the individual, the use of performance-relevant core competencies, and the ability to learn faster than others and to change in

a broader sense. The right strategies, visions, mission statements, organizational structures, competent managers, and especially employees are important for success. But correct and relevant information to make sound and informed decisions helps the organization to be continually successful. Thus, the critical role is to look into ways employees, departments, offices, and business partners communicate and collaborate with one another.

We live in an era where everything seems to change and evolve almost overnight. The world economic order went through a tectonic transformation, accompanied by, and in part caused by, groundbreaking advances in science and technology and the rise of globalization. New industries start to develop, while others are on their last legs or already extinct in a world of advanced, emerging, and developing countries. As a result, lots of jobs from years past aren't as relevant today as they once were, and many no longer exist. Therefore it's easy to predict that eventually, today's jobs will evolve into something completely different. And some will become obsolete. And it is those changes that lead to multiple consequences, affecting many other fields, one being education. We need a broad, flexible and motivating education that recognizes the different talents of all children and delivers excellence for everyone. Studying methods and curricula from the 20th century may no longer be relevant in the constantly evolving and changing world of the 21st century, in preparing you for your future job. And in order to maximize your chances of having a successful career in the field of your choice, you have to constantly adapt and evolve. Creative education involves a balance between teaching knowledge and skills, and encouraging innovation. New branches of industries will appear, and potential employers and employees will need to acquire new skills and abilities. And it is these new skills and abilities that should be taught and attained in schools, especially by those attending higher education, which "is at an inflection point.

It is this constant change, the need to permanently evolve and adapt, that has led to the development of various groups, organizations and networks, tasked with generating answers and solutions to present day problems, as well as predicting future trends in their respective fields of activity

My duty as teacher is bringing to the student knowledge all these changes made to the marketing discipline and thus help to form specialists able to adapt to future requirements of a job, through abilities and practical skills acquired in the university environment. It's very important to put technology in my teaching, to use it to enhance course design, lesson planning, presentations, in class activities, assessments and student achievement and engagement.

Romania's future education depends on the development of a strong class of entrepreneurs, a community with innovative ideas to infuse the economy and that can change people's perception Romanian business. Because the future of education is digital.

Globalization, competition, old paradigms, new tools, information overload help us? We must refocus on what is important for us. We can't download development, but we can thing at new purpose, deeper learning, new relationships, ethics. Because it is time to evolve!

The pace around us is staggering. Innovation has become not only differentiated but essential ingredient for success in business. New technologies, different business processes, culture conducive to innovative ideas - all contribute to success in business.

In Media and Marketing, the fragmentation of media consumption and diversification of communication platforms open up new horizons in brands strategies communication. But we cannot discuss in online versus offline paradigm. No matter the communication medium, but the power of the stories may give brands. In the era of multitude platforms, channels and various influencers, the attention

can be captured only through the powerful messaging and personalized interaction degrees above we were used to in the past.

4. New Perspectives

The digital revolution has hit education, with more and more classrooms plugged into the whole wired world. But are schools making the most of new technologies? Are they tapping into the learning potential of today's Firefox/Facebook/cell phone generation? Have schools fallen through the crack of the digital divide? In Rethinking Education in the Age of Technology, Allan Collins and Richard Halverson argue that the knowledge revolution has transformed our jobs, our homes, our lives, and therefore must also transform our schools. Much like after the school-reform movement of the industrial revolution, our society is again poised at the edge of radical change. To keep pace with a globalized technological culture, we must rethink how we educate the next generation or Romania will be left behind.

Economics will change when man will change. Everyone is born with the ability to think with his mind creatively. Why do people get to think in time more after the minds of others? Why are they losing their meaning and original powers, with which were endowed by at birth and from their creation by the Universal Creator?

Maybe someone likes it that people are now just consumers.

But who can agree on that? Perhaps those who create, but want to be the only creators in the world, and sell as many consumer products and ideas to the others, thereby keeping to themselves the creative power. Perhaps to those who now create new legal laws and economic standards by which others cannot create anything except within the limits imposed by them. Perhaps to those who, deprived of the power to create a perfect world for all, a divine world, are satisfied with the idea of creating a world only by their limited strength, confining everyone to their ideas!

Since we were small we've been assaulted by our parents' ideas, who were raised in a particular system and were taught to educate their children to remain dependent on the same system. It's that system of limited ideas, where children are taught that almighty are the state, religion, economy, and other such things created by some of their predecessors. Because parents believe in certain things, small children learn that they are essential things for them too.

Thus children end up their parents little copies, with the same small ideals and with the same beliefs and ways of life. There is no progress from one generation to the next in terms of spiritual ideals. There is only spiritual stagnation. Technological progress does not meet the spiritual needs of man only makes him feel somewhat more refreshed and more dependent on technology, but without making him more alive, more real.

What is today's "modern" man ideal? To have a career, earn well and maybe also leave an inheritance to his children who could then just repeat the same ideal for them and their children. Others, scientists - would ensure to the world a technological progress, with which perhaps man could reach the stars, maybe colonizing them ... And while the small man feeds on this "ideal" perpetuated through education and advertising, propaganda and preaching, those who lead this petty mankind from the shadow of governments and banks, churches and armies, choose the destiny of all.

At the same time, there are those who know that man has a different destiny, which was intended since its inception. A much higher destiny, to create the world, and not to consume it. To know everything in order to create a better future for all. To build the future through everyone's contribution, not just at the

orders of a few greedy for power. They are not in power officially, but they are the ones who inspire mankind for truly useful solutions.

They are the ones who heal without having to sell drugs, inform without having to sell television, communicate without using expensive phones and build around the world without demanding tithes. They are the ones that no army can take prisoners, and that no bank can indebted. They are the ones that no church can make its congregants, and no political party can make its followers.

They are The Creative People, in the image and likeness of God the Creator. Some call them Grand Masters, Guru, angels of Shamballa, initiate of the White Brotherhood etc. Others call them crooks, false prophets, esotericisms and so on. But they are the ones who, without seeking fame and power, are transmitting to all, telepathic and wisely, their message. That message is received well by only those who are on their frequency.

Each man should ask himself if he wants to be a consumer or a Creator.

The consumer consumes what others produce, and therefore he gets addicted to the products, ideas, theories and systems created and conducted by others. The Creator is the one who creates new meanings and solutions through his creative thinking, first in his life, and then in the life of others, and does it for the good of all, not just for his sake, his family, the clique, his party or his religion so on . The Creator can even achieve immortality if he can offer it to others.

And if today we have come to being more consumers than creators, it is not necessarily the fault of consumer society. It is the fault of every person who, when he feels he can be more than just a consumer, prefers to remain so only because he likes it or it's convenient for him to live just like others want him to.

5. Conclusions and Implications

After this picture of the development of our society, we can say that we live in the era of market greed created by the market economy. And analysts must adapt to change.

I teach the discipline "International Marketing" at the Faculty of Marketing and International Business, Spiru Haret University, and am required to constantly monitor changes taking place in this science, as a result of changes in the society. It is impossible for me not to notice the crisis where going through and its effect on our behavior as customers or users of products and services. It's about change, about customer 2.0, Web 2.0 and Sales 2.0. Therefore, marketing itself has evolved, arriving in the 3.0 era.

The communication in the digital age has a universal recipe- Passion:

- people passion with we work,

- advertising agents who understand the manufacturer's brand to match its vision

- working with people to watch each brief as a challenge.

Young people today, to whom we are responsible for the economic education which they had taken from us, the so-called "Generation Z" or "Facebook", born after 2001, form the new mass of buyers of existing products and services. Sociologists classify them as the generation of "Net", or "FaceBook", who grew up in front of the computer, surfing the internal, uninterested in politics and, worse, lacking associative spirit. They are the ones that will replace us and ensure the country's GDP.

The alarm signal that emerges from the paper is the type of man who should save the future of this country. "The beautiful man", useful and effective.

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Arbitral Tribunal Power to Disqualify Unethical Counsel[1]

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Abstract. *In specific matters of conflicts of interest ethical issues in connection with the parties' legal representatives could occur in the course of arbitration proceedings. The purpose of this paper is to identify and investigate the current status of the arbitral tribunals and arbitral institutions power to sanction counsel's misconduct in the event of conflicts of interest. Parties have a fundamental right to choose the counsel and in the same time the right to an independent and impartial tribunal, therefore the source of the arbitral tribunal power to disqualify a counsel is a hot topic. There are no express provisions granting arbitrators such power, only soft law instruments, but which have no binding effect as long as the parties do not agree on them. For these reasons, two renowned cases where international arbitral tribunals have dealt with the subject are examined. Developing "truly transnational" ethical rules and their implementation by the arbitral institutions might be a solution. Arbitral tribunals are establishing this issue on the basis of the undertaken and applied international soft law (professional guidelines) which gained credibility and popularity and also became accepted international standards in the arbitration field.*

Keywords: international arbitration, arbitrator, counsel, party representative, guidelines, conflicts of interest

JEL classification: F53, K19, K22, K29, K33, K41, K49

1. Introduction

International commercial arbitration is developing rapidly and becomes one of the fastest alternative to litigation means of dispute resolution concerning business world without replacing litigation and ensuring an especial administration of justice.

The ethical quality of the arbitration depends and it is determined by the ethical quality of its arbitrators and also by the major participants on the arbitral proceedings. This being said, besides the arbitrators called to ensure the due process, effectiveness, efficiency and also to preserve and protect the arbitral process, the party representatives/ counsels are actors with significant role and functions to deter all the guerrilla tactics imported nowadays in arbitration from litigation [Rogers, 2014; Horvath & Wilske, 2013].

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As international arbitration becomes more widespread and accepted as not just an alternative dispute resolution but a more appropriate method, there has been a significant growth in the pool of arbitrators and a corresponding broadening of the cultural and legal traditions among them and the parties. In connection with this, law firms and corporations, group of companies and entities became larger and with a more complex and different structure, advancing new and more perceptive issues on conflict of interest and its meaning. This growth, increased complexity and diversification nurtured new and more challenges to the former agreement among arbitrators and parties about what is right with regard to arbitrator conduct [Rogers & Jeng, 2014, p. 175]. In the same time, there have been developments in the international arbitration practice, which tends to transparency and a more formalistic approach, which triggered more arbitrators' challenges and this conducted to a more need for standardization and codification on conflicts of interest issues.

Within the historical context of the development of international relations, the last years witnessed a record evolution of the ethical issues in international arbitration. During the last 20 years a lot of international law codification was realized and it contributed to the growth of the regulatory effect of international arbitration in new fields of business, economic, social, cultural and even political. As a result of the development and challenges in business reality, the international arbitration needs to be prepared for the increase in disputes and high-profile disputes that implies a multitude of participants (arbitrators, arbitral institutions, parties, their legal and contractual representatives, counsels, experts, witnesses etc.) and the ethical issues that arose between them. A participant to the arbitration proceedings may be an arbitrator in one case and counsel, expert or witness in another. Alleged conflicts of interest can arise from some actors alternating between different functions. This situation may lead to the possibility of several conflicts of interest among these actors, when prospective appointments and necessary disclosure is concerned, considering that sometimes a counsel may become an arbitrator, an expert or an witness or vice-versa and all these qualities may interchange in the light of the ever-growing importance of arbitration as means of dispute resolution and its pool of participants to the arbitral proceedings.

Thus, it is not unexpected that arbitrators and counsels' ethics have become the focus of more and more exhaustive and comprehensive rules and codes, which have been enhanced and developed by arbitral rules, the procedures for selection and challenge of arbitrators and other arbitration players, the standards that apply to review of final awards, as well as applicable national criminal laws, such as those prohibit money laundering and corruption [Rogers & Jeng, 2014, p. 178].

It is true that the arbitrators are those called to implement measures and also keep control and the police of the arbitration process, but responsibility should be borne by other actors in arbitration, such as parties and their representatives (counsels). The discussion here is not of other kind of players in arbitration proceedings, such as witnesses, experts or arbitral institutions. These should be called as well to keep the arbitration on the right track by a correct and ethical behaviour, but the most new rules are on counsels' misconduct and the arbitrators' power to sanction them in cases that amount such actions.

As truly pointed out by Prof. Emmanuel Gaillard in its Freshfield Lecture on 26 November 2014, when he looked at international arbitration he observed its structure to be more likely to a social construct, determined by the interactions of its main actors and their ritualised behaviour, and he opinionated that nowadays the solidaristic model of arbitration moved more to a polarised model. Prof. Gaillard refers also

to roles and functions different players could have in arbitration and how these ascertain certain subconscious ideas and conduct of arbitration proceedings that determine the balances to be more incline on one side than the other.

Another prominent scholar and arbitrators, David W. Rivkin, in its Annual Seoul Lecture 2014 on 9 December 2014 entitled Ethics in International Arbitration, mentioned that efficiency and ethics are foremost topics, recently the last one being extensively debated, but without significant success on finding answers. He departed from the observation that "many perceived to be a decline in ethical conduct by counsel in advocating their clients' cases". Certainly, the parties complain more and more about excessive judicialization but their counsels are those which import court alike features in arbitration trying to win at all costs for their clients. It seems unfair that parties and counsels complain about efficiency in time and costs and in the same time they are provoking delays and apply guerrilla tactics. As a consequence, the arbitration community is forced to put more pressure on arbitrators to exercise a more pro-active role and the institutions to issue and apply a stricter and formalistic procedure. Therefore, a much closer look should be paid to the counsels' behaviour and possible misconduct and the need of arbitrators to be vested with more powers to counterbalance this situation.

This paper focus more on the issue of the ethical appointment of a counsel in arbitration proceedings after their commencement in a manner that may disrupt the balance of independence and impartiality of the constituted tribunal due to potential conflicts of interest with the new appointed counsel. And what can be done in such a case, who is called to take sanctions against the counsel, if the arbitrators have or not inherent powers to disqualify/ exclude the counsel in such cases.

2. On Arbitrators and Counsels' Conflicts of Interest Codification

To achieve the goal in international arbitration of "providing a final binding resolution of the parties' dispute" [Born, 2009, International Commercial Arbitration, Austin: Wolters Kluwer, p. 2879, 2880] it is also vital to ensure and respect the ethics of all the participants in the arbitral proceedings. The successful and rapid practice of dispute settlement in various areas determined a major increase of the body of norms and soft law used. Simultaneously with international development some institutional changes also took place and the number of international organizations or institutions with competence in regulation of international arbitration expanded. ("value providers", as Prof. Gaillard named them). The discussion on ethics it seems to have shifted more towards questions of counsel ethics while codes of conduct for arbitrators focus mostly on the questions of impartiality and independence. The arbitrators are compel to their most important obligations of independency, impartiality, neutrality and disclosure in international arbitration. There are some guidelines in this respect issued by international organization which intended to regulate the conflicts of interest issues that may occur mostly when making decisions about prospective appointments and disclosures.

The most prominent and influential professional code of conduct, the American Bar Association/American Arbitration Association's Code of Ethics for Arbitrators in Commercial Disputes (AAA Code of Ethics), originally adopted in 1977 and revised in 2004, "recognizes the fundamental differences between arbitrators and judges". The drafters of the Code believe it is preferable that all arbitrators be

neutral and comply with the same ethical standards (particularly in arbitrations with international aspects). The Code prescribes that all arbitrators should disclose "any known direct or indirect financial or personal interest in the outcome of the arbitration", and "any known existing or past financial, business, professional or personal relationships which might reasonably affect impartiality or lack of independence in the eyes of any of the parties." The Code also prescribes in Canon II(B) that arbitrators have an ongoing duty to "make reasonable efforts to inform themselves of any interests or relationships" subject to disclosure [Brower, 2010].

Other such codifications are Arbitrators Ethics Guidelines provided by JAMS – The Resolution Experts (US), Guidelines of Good Practice and Code of Ethical Conduct of Arbitrators issued by The Chartered Institute of Arbitrators in London (CIArb), which provides also for the CIArb Practice Guideline: Interviewing Prospective Arbitrators., Guidelines for Arbitrators Conducting Complex Arbitrations International Institute for Conflict Prevention & Resolution (CPR). Nonetheless, the most renowned and used are the International Bar Association codifications, the IBA Guidelines on Conflicts of Interest in International Arbitration (adopted in 2004 and revised in 2014) and IBA Guidelines on Party Representation in International Arbitration (adopted in 2013).

Regarding the IBA Guidelines on Conflicts of Interest, parties and their counsel frequently consider the Guidelines in assessing the impartiality and independence of arbitrators and arbitral institutions and courts often consult the Guidelines in considering challenges to arbitrators. The goal of the IBA Guidelines on Conflicts of Interest stands to help parties, lawyers, arbitrators and arbitration institutions on such relevant issues as impartiality and independence and other ethical arbitration duties including disclosure, communication, diligence and confidentiality. The widespread acceptance of the IBA Guidelines has played a decisive role in bringing global arbitration into line [Fernández Rozas, 2010].

The IBA Guidelines on Party Representation focus on issues of counsel conduct and party representation in international arbitration that are subject to, or informed by, diverse and potentially conflicting rules and norms. They undertook to determine whether such differing norms and practices may undermine the fundamental fairness and integrity of international arbitral proceedings and whether international guidelines on party representation in international arbitration may assist parties, counsel and arbitrators (this is the declaration of the Guidelines themselves in the preamble).

These Guidelines are soft law instruments that provide directions for the regulation of arbitrators' and counsel's conduct, they are not legal norms and do not prevail over the applicable domestic legislations or over the parties' chosen rules of arbitral proceedings. Only their acceptance by the parties to be referred to in the course of their proceedings ensures the application of these standards. Usually the tribunal itself is proposing such reference during the drafting of the main documents in arbitration, such as the Terms of Reference, Procedural Order no. 1 or others.

The IBA Guidelines of 2013 and 2014 are useful steps along the way to a rigorous ethics regime. But with the arbitral institution lies the task to lead the way, their true role being to fill the gaps and support the legitimacy of their arbitration systems. It is difficult for the systems to self-regulate and adapt in due time to the practical issues of irregularities and deviances which are not standardized by the Guidelines, but which permanently transpired from the practice's evolution. Thus the arbitral institutions are more appropriate to provide guidance and authority. The institutions can achieved these by intervening and

accomplishing their regulatory role, as they are perceived neutral and can ask for the opinions of the practitioners and all specialists in the field.

These Guidelines are trying to maintain the fragile balance between disclosure of everything and the efficient disclosure of a potential independence and impartiality risk. Those Guidelines cannot be perfect and complete, as they are not able to comprise at a certain moment of their issuance (or adaptation) any possible practical circumstance, but they enlighten over possible situations from which may arise a potential conflict of interest.

Even the arbitrators' duty to disclose is subject to different standards, the general rule is that a prudent arbitrator when is in doubt should disclose that possible conflict, to avoid any risk of penalty, such as removal or setting aside of the award. It has been noted that "non-disclosure plants the seed of nullity" [Hunter & Paulsson, 1985]. In the view of the IBA Guidelines on Conflicts of Interest non-disclosure cannot lead to consider an arbitrator biased, only the facts or circumstances not disclosed can do so.

The notions of independence, impartiality and neutrality are vague and ambiguous enough, the domestic legislations approaches being different, especially the Europeans requirements being distinct from the US ones. In Europe the independence principle is broadly recognized, while American legislation (Federal Arbitration Act) states that an arbitral award may be annulled (set aside) only if evident and justified reasons of arbitrators' corruption existed.

The different sources of arbitrators and other arbitration players' obligations of independence and impartiality apply at different stages of the proceedings and are applied by different entities for different purposes [Rogers & Jeng, 2014, p. 178]. These could be ethical codes (such as above mentioned), institutional arbitration rules applied by the respective institution that organize arbitration, national laws, usually applied by national courts and in domestic arbitration if applicable arbitration rules are silent, international conventions, such as Convention on Recognition and Enforcement of Foreign Arbitral Awards (art. V(1)(d), V(1)(b), V(2)(b) - the most common ground being however the violation of the public policy of the enforcement jurisdiction by the alleged arbitrator misconduct). There are also national Bar Associations issuing ethical obligations for lawyers and the invocation of the professional or malpractice liability.

The Romanian Civil Procedure Code entered into force in 2013 ascertains in Article 562 the norms regarding the conflicts of interest, which are imported and inspired from the IBA Guidelines on Conflicts of Interest, in a succinct and concise manner, in order to cover as much as possible from the possible situations described in these Guidelines. They are trying to capture the legal and practical complications which may arise in the contemporary world of international trade and in several other fields where arbitration is utilized, being analysed for this the domestic laws and trade policies from several important jurisdictions. First paragraph of the Article 562 Romanian Civil Procedure Code stipulates that "the arbitrator may be challenged on the following grounds casting doubt upon his or her independence and impartiality:

a) The failure to satisfy the qualifications or other conditions concerning the arbitrators contained in the arbitration agreement;

b) When the arbitrator is an associate of, or serves in the management of, a legal person having an interest in the dispute;

c) If the arbitrator is employed in, works for, or has direct commercial relations with one of the parties, or with a company that is controlled by one of the parties or placed under the common control of the parties;

d) If the arbitrator worked as consultant for, assisted or represented one of the parties, or testified in one of the preceding phases of the dispute."

Also, Article 20 of the Arbitration Rules of the Court of International Commercial Arbitration attached to the Chamber of Commerce and Industry of Romania provide for the aarbitrators' incompatibility in the first paragraph in a similar way to the Article 562 cited above: "The arbitrators shall be incompatible for settling a certain dispute for the following reasons, questioning their independence and impartiality:

a) find themselves in one of the situations of incompatibility provided for judges in the Code of Civil Procedure;

b) do not meet the qualifications or other requirements regarding arbitrators provided in the arbitration agreement;

c) a legal person whose associate is the concerning arbitrator or in whose governing bodies the concerning arbitrator is part has an interest in the case;

d) the arbitrator has employment relationships or direct trade links with one of the parties, with a company controlled by one party or that is placed under common control with the same;

e) the arbitrator has provided consultancy to one of the parties, assisted or represented one of the parties or testified in one of the earlier stages of the case."

And in the following paragraph is adding other circumstances related to the counsels' role: "The arbitrator who is also an attorney-at-law, listed on the panel of compatible attorneys-at-law, may not be an arbitrator in a dispute in respect to which he/she carried out or is going to carry out attorney-specific activities; also, he/she may not represent or assist either of the parties in that dispute before the tribunals set up within the Court of Arbitration."

Onward it continues with the third paragraph which specifies that "The attorney-specific activities specified under paragraph 2 may not be performed by the attorney-at-law who is also an arbitrator in a certain dispute, either directly or by replacement by an attorney-at-law within the form of performing the attorney-at-law profession to which that arbitrator belongs."

These national provisions contributed to defining the ethical obligations of arbitrators and their possible or not double hat position when act as counsel in arbitration cases. These stipulations support the clarification of the arbitrator and counsel obligations with regard to the independence and impartiality and the level of proof expected to establish a possible misconduct or a violation.

Regarding the arbitrators' liability, Article 565 Romanian Civil Procedure Code states that "Arbitrators are liable, as prescribed by law, for the damage caused if they:

a) resign, without cause, after accepting the appointment;

b) fail, without cause, to participate in the resolution of the dispute or do not render the award within the term required by the arbitration agreement or the law;

c) do not observe the confidential character of the arbitration, by either publishing or disclosing information acquired in their capacity as arbitrators without the parties' approval; or

d) breach other duties in bad faith or gross negligence."

These provisions strengthen the requirements for a proper conduct and ethical behaviour in good faith of the arbitrators and especially the last duty to act in good faith and without negligence could be applicable as a general obligation to all the arbitration players, hence to counsels as well.

More recently, some arbitral institutions have taken up the challenge of creating codes of conduct for arbitrators acting under their auspices, most of them in Eastern Europe. Examples include the Court of Arbitration at the Polish Chamber of Commerce, the Permanent Court of Arbitration attached to the Chamber of Commerce and Industry of Slovenia or the Latvian Chamber of Commerce and Industry. While some of these codes are no more than general, moral guidelines, others go further and regulate specific situations which typically arise during an arbitration. Sometimes, these rules of ethics are enforced. For example, under the rules of the Permanent Court of Arbitration attached to the Chamber of Commerce and Industry of Slovenia, an arbitrator violating the code of ethics is explicitly considered to have failed to fulfil his or her duties. On the basis of this, the institution "may" terminate the arbitrator's mandate either upon request of a party or, in exceptional circumstances, on its own accord. This regime makes the code of ethics more than just a guideline, creating a mechanism to control an arbitrator's behaviour beyond just the adherence to fundamental principles [Peters, 2010].

It remains to be seen whether arbitral institutions will follow this path of regulating ethics in more depth. For the moment, the major institutions seem inclined to leave this issue to the international arbitral community which have been preoccupied to issue such standards. On an international level, there should be the desire (as the need is already revealed) to aim for an updated extensive and transparent consensus, except, maybe, for the difficulties typically associated with achieving such consensus. The consolidation of an international ethical standard for arbitrators, counsels and other participants in arbitration could be an important step on the way of ensuring the efficiency, integrity and fairness of the arbitral proceedings.

3. On Counsels and the Topic of Ethics - IBA Guidelines on Party Representation 2013

Regarding the counsel's conduct in arbitration, IBA Guidelines on Party Representations are issued to assist parties, counsel, or arbitrators when issues on counsel conduct and party representation in international arbitration as party representatives arise. This conduct may be subject to diverse and hypothetically conflicting bodies of domestic rules.

In the preamble of these Guidelines is expressly stated that the potential for confusion may be aggravated when individual counsel working collectively, either within a firm or through a co-counsel relationship, are they admitted to practice in multiple jurisdictions that have conflicting rules and norms. The general idea promoted by these Guidelines is that party representatives should act with integrity and honesty and should not engage in activities designed to produce unnecessary delay or expense, including tactics aimed at obstructing the arbitration proceedings.

The preamble of the Guidelines strengthen also that as with the International Principles on Conduct for the Legal Profession, adopted by the IBA on 28 May 2011, the Guidelines are not intended to displace otherwise applicable mandatory laws, professional or disciplinary rules, or agreed arbitration rules that may be relevant or applicable to matters of party representation. They are also not intended to vest arbitral tribunals with powers otherwise reserved to bars or other professional bodies. The use of the term guidelines rather than rules is intended to highlight their contractual nature. The parties may thus adopt the Guidelines or a portion thereof by agreement. Arbitral tribunals may also apply the Guidelines in their discretion, subject to any applicable mandatory rules, if they determine that they have the authority to do so. The Guidelines are not intended to limit the flexibility that is inherent in, and a considerable advantage of, international arbitration, and parties and arbitral tribunals may adapt them to the particular circumstances of each arbitration.

The Guidelines take into consideration several aspects related to the counsel's conduct, including communications with arbitrators, submissions to the arbitral tribunal, information exchange and disclosure, witnesses and experts, remedies for misconduct. In Guidelines 4-6 the issue of party representative is treated related to clear identification of the party representatives as soon as possible and if any change occurs, then it should be properly and promptly notified to the other party, the arbitral tribunal and also arbitral institutions (in case of institutional arbitration, which most of them are).

The hottest topic of possible exclusion of a counsel in case of a late appointment which could cause a conflict of interest and derailed the proceedings is tackled and it is stated:

"5. Once the Arbitral Tribunal has been constituted, a person should not accept representation of a Party in the arbitration when a relationship exists between the person and an Arbitrator that would create a conflict of interest, unless none of the Parties objects after proper disclosure.

6. The Arbitral Tribunal may, in case of breach of Guideline 5, take measures appropriate to safeguard the integrity of the proceedings, including the exclusion of the new Party Representative from participating in all or part of the arbitral proceedings."

In the comments dedicated to Guidelines 4–6 it is provided for the hypothesis of this situation: a newly-appointed counsel in the course of the commenced proceedings and a conflict of interest between this nomination and one of the arbitrators of the arbitral tribunal already constituted. In such cases, if the arbitral tribunal finds it has the authority and the circumstances are justified and allow it, then the exclusion of that counsel could be considered under the IBA Guidelines on Conflicts of Interest, partially or totally. Of course, the parties should be invited to express their opinion about the existence of a conflict, the extent of the Tribunal's authority to act in relation to such conflict, and the consequences of the measure that the Tribunal is contemplating [Comments of Guidelines 4-6].

One should not forget that these Guidelines are not norms, but soft law and the participants to the arbitral process should agree on their application and give the arbitral tribunal the power to act in this respect.

In the end the Guidelines is offering a part which articulate potential remedies to address misconduct of party representatives. The measures that could be taken by the arbitral tribunal should be assessed and balanced according to the particular situation analysed, without leaving aside the rights of the parties, relevant considerations of privilege and confidentiality, the good faith of the party representatives and the

effects of the measure to be proportionate to the respective misconduct sanctioned. The proposed measures are: admonishing the party representative, drawing appropriate inferences in assessing the evidence relied upon or the legal arguments advanced by the party representative, considering the misconduct in apportioning the costs of the arbitration or any measure that might be considered as appropriate to preserve the integrity and fairness of the proceedings.

Significantly to be remarked is that the proposed sanctions in this final part of the Guidelines makes no specific and express reference to the exclusion of a new counsel having a conflict of interest with one of the arbitrators. This can lead to the conclusion that such a sanction is considered an extreme measure that arbitral tribunal is encouraged to consider only in exceptional cases. As the wording "or any other appropriate measure in order to preserve the fairness and integrity of the proceedings" leaves room for any other sanction, including the counsel disqualification/ exclusion, this means that arbitral tribunal can also adapt and adopt other appropriate measures to the specific circumstances they might came across in an arbitral process, not only a conflict.

4. Relevant Alternative Measures to Codification

If these guidelines are not agreed upon, another solution for counsels who attempt to disrupt the arbitral proceedings is that arbitral institutions to include provisions authorizing a constituted arbitral tribunal to take appropriate measures to prevent and sanction the possible breaches of ethical rules in the exercise of his or her right of defense. These sanctions could be adjusted depending on the severity of the situation at hand: from a written warning and admonishment in minor cases, to the exclusion of the counsel from the arbitration (in whole or in part) in severe cases or cost sanctions. Article 18.6 of the Arbitration Rules of 2014 of the London Court of International Arbitration ("LCIA") consciously shifts in this sense.

Moreover, would be advisable for an arbitral tribunal to reveal these kind of circumstances in the award when it considers the conduct of such a counsel that delayed and damaged the proceedings or caused any harm to the party that appointed the counsel.

In case of counsel repeatedly challenge an arbitrator or the arbitral tribunal, then the arbitral institution should have the power to sanction the counsel rather than the arbitral tribunal, since the tribunal's attempt to sanction counsel in this instance may create the appearance of vengeance [Ziade, 2015, p. 220,221].

5. On Double Hat Issue in International Arbitration

Like other professionals living and working in the world, arbitrators as well as counsels or any other participant in arbitration have a variety of complex connections with all sorts of persons and institutions (Vivendi case). An arbitration specialist wrote a much wiser thought that "If arbitrators must be completely sanitized from all possible external influences on their decisions, only the most naïve or incompetent would be available." [Park, 2009].

Besides the guidelines offered by certain organization involved in such codification, codes of conduct and ethics should also be issued by arbitral institutions (as exemplified above) to establish necessary order on the system, especially concerning the relation between different participants in arbitration to preserve

the due process, integrity and efficiency of the arbitral proceedings. In the field of commercial arbitration, the appearance of the same person as counsel in one case and simultaneously as arbitrator in an different case that largely raise similar legal issues could be problematic in some situations.

The practice of allowing arbitrators to serve as counsels and vice-versa raises due process of law issues. Issue conflict or role confusion, seen as special form of pre-judging, can disqualify practitioners who serve simultaneously as counsel and arbitrators, as one quality can be influenced by the other professional commitments [Sands, 2011].

The arbitrators in the capacity of counsel have to choose which duty come first. The counsel attitude of advisor of a party is incompatible with the arbitrator's mission to be unbiased and open to all the merits of the case and also when examine the merits with other fellow arbitrators. Playing both these parts would cause the appearance of not being able to keep them strictly separated, to distance fully from the divergent interests. Usually the arbitrator is invited to choose between the role of an arbitrator or the work as a counsel.

The general idea is the need to maintain a perception of absolute independence of the arbitrator, this being perceived as most vital in the eyes of the arbitration users in order to keep them further to resort to arbitration. Counsels are bound to perceive the broader public perception as to the legitimacy of the international arbitration system as a whole.

Opinions advocating the separation of roles, especially in investment arbitration, contend that arbitrators should not be put into a position where they are tempted, either consciously or subconsciously, to take procedural orders or to draft awards in such a way as to advance their clients' position in a simultaneous case in which they are acting as counsel. The law issues from these two different qualities are in divergence and can create the lack of the due process.

Counterarguments in this respect are that diligent and ethical arbitrators decide their cases on the basis of the facts and law before them and they do not let themselves be manipulated or persuaded by external factors and that considerations are made on the merits of that specific case, not other unduly circumstances.

On the other hand, forcing such a person to choose between its quality of arbitrator or counsel (or others qualities) will deprive the arbitration community of some of its best talents, because usually they opt for the more lucrative role of counsel [Ziade, 2015, p. 218]. Consequently, a more feasible solution would be to let that person to choose its role based on the specific case, the moment of the proceedings and the possible conflicts that may arise, as long as the parties agree upon the proper disclosure of the person in case, to minimize the risk of challenges to arbitrators while enhancing transparency and trust [Ziade, 2015, p. 218, 219].

It is increasingly pointed out that arbitration practitioners wear several hats and that they take the lead in regulating their own activities, while arbitration institutions often refrain from even enacting basic guidelines on conduct [Ziade, 2015, p. 212]. Expanding the pool of arbitrators by the arbitral institutions could establish and ensure a more broad and representative system of the international community. It could also decrease the number of challenges based on repeat appointments of arbitrators and other alleged conflicts of interest, the number of such challenges having escalated manifestly in the last years.

It has been observed that most of the independence (better said the lack of independence) issues are due to the increased presence of the multinational entities/ groups and the development of size and number of the international law offices as participants to the international arbitration proceedings as factors which influence in a sensitive manner the possible bias of an arbitrator. These aspects could also be extended to counsel participation, especially when such a selection is made later in the proceedings, after the arbitral tribunal is constituted.

6. Caseload on Disqualifying Counsel

The best practices that have been issued and discussed in consideration of the issue whether an arbitral tribunal has the competence to disqualify a counsel is not just so recent [Paulsson, 1992, p. 214, 215], as the problem is if the competence lies with the arbitral tribunal, the arbitral institution administering the case or the state courts. But it obtained recent sensitivity in light of two investment arbitration decisions with different results, Hrvatska [Hrvatska Elektroprivreda, d.d. v. Republic of Slovenia, ICSID Case No. ARB/05/24 – Tribunals' Order concerning the participation of David Mildon QC in further stages of the proceedings, May 6, 2008] and Rompetrol [Rompetrol Group N.V. v. Romania, ICSID Case No. ARB/06/3 – Decision of the Tribunal on the participation of a counsel, January 14, 2010].

The International Commercial Arbitration Committee is currently continuing its project on "Inherent Powers of Arbitral Tribunal" (ILA 2014) which was presented at the 2012 Sofia Conference and where a draft report and recommendations were discussed at the ILA2014 Conference in Washington DC with the aim of finalizing the recommendations before the ILA2016 Conference in Johannesburg and final adoption of the recommendations at the ILA2016 Conference., p. 12 deals with the issue of arbitral tribunal's power to disqualify counsel.

The issues arose are related to the extent of the arbitral tribunal's power to disqualify counsel as special (what kind of?) circumstance only necessary to safeguard the essential integrity and fairness of the arbitral process. Therefore, guidelines became required to develop principles and remedies/ sanctions of tribunals' inherent power to protect proceedings, even in cases when is necessary to identify if the underlying dispute is characterized by bad faith conduct or infected with corruption or to punish contempt of a tribunal's decisions.

The natural basis of the arbitrator's inherent authority to sanction bad faith participation in the arbitration is given by the comprehensive arbitral authority expressly conferred on the arbitrators and the general power of any tribunal to control its own process, a power clearly recognized and established by all arbitration statutes [ILA, 2014]. The power of the arbitral tribunal derives from the traditional authority of a court to judicially supervise the local legal profession, from the need to secure the proper administration of justice, to ensure the police of the proceedings, the discipline for misconduct, along with the need to protect the parties from malpractice attended with fraud and corruption [Rau, 2014]. The parties entrusted to the arbitral tribunal an extensive power to determine the procedural roadmap and the case management of the dispute, as the arbitrators are identified as the real guardians of the due process.

The issue rose in these cases and subsequent ones related to counsel's conduct and party representations matters are now addressed by the IBA Guidelines on Party Representation in International Arbitration adopted by the IBA Council on May 22, 2013, which were presented above.

6.1 Hrvatska Case

In Hrvatska case, the ICSID arbitral tribunal based on the concept of inherent powers rendered the decision that a party's chosen counsel could not participate in arbitration proceedings. Although the case did not involve allegations of bad faith or professional misconduct, is considered the first international arbitral tribunal that invoked the supranational standards of counsel's conduct. The circumstances of the case were related to disclosure obligations of relations between the counsel and arbitrator and the possible consequences of counsel's emergence on the composition of the arbitral tribunal [Wilske, 2011].

The excluded counsel's attendance in the case was disclosed only shortly before the merits of the final hearing. That counsel was a member of the same London Chambers at which the tribunal's president was a "door tenant." [Tribunal's Order, 2008, para. 3] The opposing party, who was not familiar with the English legal system's "split profession" of solicitors and barristers, objected that the participation created an "appearance of impropriety." [Tribunal's Order, 2008, para. 7,21]. Also it has claimed that the circumstances of disclosure's tardiness could have been avoided if the respondent had disclosed the relationship at an earlier stage. The respondent's refusal to reveal the scope of Mr. Mildon's involvement when asked by the claimant had further complicated the issue and delayed its resolution.

Counsel for the claimant referred to ICSID Arbitration Rule 18(1) which obliges a party to notify the Secretary General of the identity of counsel; also Rule 19, which states that the "Tribunal shall make the order required for the conduct of the proceeding" and to Rule 39, which states that provisional measures could be made "for the preservation of (a party's) rights". Counsel for the respondent argued that it was not aware of any inherent jurisdiction or authority that would enable the tribunal to grant such relief [Olswang, 2009].

Even if the arbitral tribunal founded that the ICSID Convention does not grant the tribunal any explicit power to exclude counsel and there is a fundamental principle that parties may use the lawyers of their choice, this principle is subject to an overriding principle of the immutability of properly-constituted tribunals, created so as to prevent parties who wished to delay the proceedings from submitting claims that would compel an arbitrator to resign and so cause a tardy re-constitution of the tribunal. This means that a party cannot amend its legal team after the constitution of the tribunal "in such a fashion as to imperil the Tribunal's status or legitimacy", the cardinal principle of the immutability of the arbitration tribunal prevailing.

In determining that counsel's participation would be inappropriate, the tribunal cited its "inherent power to take measures to preserve the integrity of its proceedings." [Tribunal's Order, 2008, para. 33, 34]. It remarked that this power found "a textual foothold" in Article 44 of the ICSID Convention, which grants discretion on procedural issues, and observed that, more broadly, international courts possess an inherent power, independent of statutory reference, "to deal with any issues necessary for the conduct of matters falling within [their] jurisdiction." [Tribunal's Order, 2008, para. 33].

Strongly affected by the very late disclosure of the barrister's role in the case, the Tribunal disqualified the barrister from the case although specified that there is no "hard and fast rule" preventing barristers from the same Chambers from acting as arbitrator and counsel in the same case [Bishop, 2010] ("the lack of

clarity as to which ethical rules apply, the existence of conflicting rules and obligations, the non-transparency and the increased size of many proceedings, combined with greater public scrutiny, creates a certain instability in the system that could result in a future crisis of confidence"). Moreover, having learnt that the excluded counsel was held in relation to damages issue only, it bifurcated the proceedings and postponed all damages questions for later determination when substitute counsel could be used by the respondent.

A peculiarity of this case was that the challenge was not to the president continuing on the tribunal; the parties were agreed that the president should not recuse himself. Instead the claimant sought an order that the respondents refrain from using the counsel in question.

6.2 Rompetrol Case

Here the arbitral tribunal noted that its reasoning is not to be considered as a recast of Hrvatska decision, but that "the Hrvatska decision might better be seen as an ad-hoc sanction for the failure to make proper disclosure in good time than as a holding of more general scope" [Whitsitt, 2010; Rompetrol Decision, para 25].

The fact of this case concerns a challenge to the lead counsel for Rompetrol which during the proceedings passed the legal conduct of the case from a particular partner in a law firm which retired from the business with another one which proved to be employed by a firm in which one of the arbitrators was a partner. The respondent challenged the propriety of the new appointed counsel and applied for an order requiring the claimant to remove the counsel from the case and to prohibit its further participation in the proceedings. It is noteworthy that respondent expressly pointed out that it is not looking for an arbitrator challenge.

The tribunal differentiated the circumstances present in Hrvatska and asserted that the decision "might be better seen as an ad hoc sanction for the failure to make proper disclosure in good time than as a holding of more general scope." The tribunal examined also the application of IBA Guidelines on Conflicts of Interest, remarking that they are not binding, and considered the alleged irregularity does not compromise the essential integrity of the process to justify the counsel's exclusion, even observing the tribunals' inherent power to do so. The arbitrators which act in such cases and tribunals possess "high moral character and recognized competence" and are not considered as biased, even in such situation. The tribunal referred to the European Court of Human Rights (Article 6 – the right for a fair trial), where the jurisprudence indicated the objective test for arbitrator bias: "whether a fair-minded and informed observer having considered the facts, would conclude that there was a real possibility that the tribunal was biased".

Accordingly, the tribunal rejected the respondent's request and posed a question mark on the lack of the relevant legal text to expressly provide for such inherent power and commented that "absent express provision, the only justification for the tribunal to award itself the power by extrapolation would be an overriding and undeniable need to safeguard the essential integrity of the entire arbitral process." It postulated that such power would be rarely and only in compelling circumstances employed.

Analyzing the position in more detail, the tribunal noted that there was no requirement for legal representatives to be impartial or unbiased. On the contrary, parties were entitled to freedom of choice in

their legal representation. There was no necessary tension between the basic principles of the independence and impartiality of the tribunal on the one hand, and the freedom of representation on the other. In most cases, the tribunal should balance these two principles rather than assigning priority to one over the other.

The tribunal clearly wished to discourage challenges to legal representatives, noting that "to put the matter bluntly, there should be no room for any idea to gain ground that challenging counsel is a handy alternative to raising a challenge against the tribunal itself, with all the consequences that the latter implies". *Hrvatska* was carefully distinguished and analyzed as a case where the tribunal had imposed an "ad hoc sanction for the failure to make proper disclosure [of the late appointment of the barrister in question]", rather than as a "holding of more general scope".

The award represents a deliberate retreat from the decision in *Hrvatska,* in which a barrister was excluded from arbitration) and releases a contrary opinion, as a warning that parties should not pursue counsel challenge instead of arbitrator challenge as an alternative, considering that the circumstance of the case do not justify such a disqualification, as the evidence did not establish that there was a "real possibility" of bias and there was, therefore, no basis for the tribunal interfering in the claimant's choice of legal representation.

These cases involve ethical issues concerning the relationship between counsel and one of the arbitrators or cases when the same person fulfil the mission of arbitrator or counsel in different proceedings, but with similar legal matters at stake. Given the increased number of arbitrators and counsels in arbitration nowadays, these issues were about to happen anyway and it is important that certain measures to be taken in order to articulate and regulate such circumstances.

7. Conclusion

These motions for disqualification of unethical counsels appointed at a later stage in arbitral proceedings might be seen as the equivalent or surrogate of the challenge of the arbitrators themselves, but as a less burdensome alternative. The beaten track in cases when conflicts of interest occur between arbitrators and counsels, already standardized in IBA Guidelines on Conflicts of Interest, is to challenge the arbitrator, as the nomination of its own counsel is perceived as a party's right which until now has not been infringed. The disqualification of counsel should rest on the same basis that would justify the disqualification of an arbitrator, as raised the same doubts about the integrity of the decision-making process [Rau, 2014, p. 20]. Consequently is not the counsel sanctioned, but the effect of his conduct on the legitimacy of the tribunal. And for efficiency purpose, when the matter intervened, it is advisable to be taken into account the cost/ benefit analysis given the stage of the proceedings and weighing which challenge will be less disruptive. It seems that the general idea is to find feasible solutions by resourceful arbitrators on case by case approach.

Regarding of the arbitral tribunal to exclude counsel, this can be seen also from another view, as a right to withhold the approval of the new counsel to be appointed. This is a rule used in practice, the institution and the arbitral tribunal request to be informed during the proceedings of any change in the teams of the counsels representing parties. But once appointed, the counsel which fail to disclose in due time potential conflicts of interest with other colleagues or arbitrators nominated is sanctioned with its exclusion. The

counsel can use the late appointment as a tactical behavior recognized as a guerrilla tactic and could blur the arbitral tribunal's conscious or unconscious ability to judge fairly further in the process.

The basic source of the arbitral tribunal disqualifying counsel is to be found in the scope of the consent of the parties. This submission could be express or implicit, when parties voluntarily adopted the institutional rules. The parties entrusted the arbitral tribunal with a wide-ranging authority to determine how to proceed to settle the dispute. Nevertheless, the arbitral tribunal is compel to ensure the due process, an efficient conduct preserving the fundamental integrity, effectiveness and fairness of the arbitral proceedings, all of these under the parties' legitimate expectations aligned to respectable standards in the field.

It is then the arbitral institutions' mission to ensure sufficient codification addressing all potential issue related to ethics in international arbitration. Too much regulation is neither desirable nor advisable, but from practice and the fact that arbitration has become a big business (especially for the lawyers) lately emerged the necessity to increase the measure against the guerrilla tactics endangering the integrity and fairness of the arbitral proceedings and thus to ensure the public demands for transparency.

Ethical practices and transparency in the world of international arbitration persistently evolve, and there are raising constantly fresh trends and new-born issues to tackle. That it is why one should keep an open minded to the entire regulation/ codification and new situations arising from practice in order to find best solutions to the ethical issue, topic which will continuously develop and for which ingenious interpretations and clarifications are indispensable.

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Public Debts Trends in the Current Economic Context, from Both National and International Perspective[1]

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Abstract. *The article presents an analysis of the way public debt operates in Romania, in the context of states economies trends, of complex and topical financial environments.*
In the context of a functional market economy, the issues faced by certain states involving high public debt levels or potential budgetary pressure risks converge towards the idea that public finances sustainability needs to be a major challenge at the level of public policies.
Considering this situation, the adequate policies to tackle public finances sustainability need to have, as a launching base, the overall strategy of the European Union, focused on the three component parts, namely abatement of public debt, increasing productivity and employment and last but not least, reforming the pension and healthcare systems.
To ensure reasonably sustainable public debt levels, EU member states need to attain medium term strategic budgetary objectives, that would ensure a downward trend of public debt, a condition which can be fulfilled by compliance with budget policies rules, which ground development in the macroeconomic framework.

Keywords: public debt, state loan, public debt sustainability, vulnerability, budget deficit, gross domestic product (GDP), indebtedness, the European Accounts System, Maastricht Treaty etc.

JEL Codes: E60, E61, H60, H61

1. Current economic context of public debt

The financial crises at global level during the latest 25 years resulted in the negative impacting of governments' capacity to reimburse accumulated debt, which triggered both budget difficulties and economic disturbances.

At European and world level, financial stability is upset by the alarming increase of states' debts. Thus, as compared to 2007, the year of the previous world financial crisis, at the end of 2014, debts at global level

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increased by 57,000 billion dollars, reaching a level close to 200,000 billion dollars.[2] The debts increase rhythm exceeds that of the world economicic enhancement. Thus, in keeping with the information published by the Financial Times[3], debts exploded, in relation to global economy, from 270% of the GDP to 286% of the GDP, which means that, at world level, it is owed three times more than it is produced.

Public debt managers operate nowadays in sophisticated and complex financial environments, and a global capital market can generate numerous benefits (*for example, easier access to a larger capital portfolio at a lower cost, more effective internal capital markets and the possibility to better adapt risk through new financial instruments*). Nevertheless, public debt strategies may become dangerously vulnerable when confronted with unforeseen events, such as private sector balance deterioration, which can result in taxation, financial and economic crises.

Economic shocks may have, individually or cumulatively, an impact on external public debt of an economy, which leads to the vulnerability of the public debt strategy, which in turn may impact on global economy and, last but not least, may seriously deteriorate a state's financial situation. Recent examples taken from emerging economies showed that shocks may turn into financial crises, which can make public management difficult and have significant budgetary consequences.

In this context, states' needs are covered, to the greatest extent, from taxes, fees, contributions, take-offs, which the state collects from tax payers. In many instances, this kind of resources (*ordinary ones*) are insufficient and then, both the state and the local collectivities are made to approach a different type of financial resources, known as *extraordinary ones*, that is public loans.

In any economy, this type of loan is tackled to cover the so-called `cash deficit`, which appears in the operation of a tax system, respectively the failure to timely collect the income which was supposed to be cashed at the budget, as well as the need to make expenses falling due. In the instance of an operational market economy, the state uses this financing source to promote new investments, meant for modernisation, as well as for innovation of existing assets, a context in which the public debt notion emerges.

One of the basic principles of state budget establishment (as of any kind of budget, for that matter) is the budgetary balance, but this is not obtained, most of the times, automatically, by covering budget expenditures with budget revenues, in such situations we say the budget is established with a *financing deficit,[4]* called budgeting deficit.

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[2] *Ministry of Public Finances – Assessment of Public Debt Management, in the Period 2012 – 2014, at the* www.curteadeconturi.ro/

[3] Financial Times, http://www.ft.com/home/uk

[4] Gheorghe D. Bistriceanu, *Lexicon de finanţe-bănci-asigurări (Finances-banks-insurances Lexicon), Vol. II ,* Editura Economică, Bucharest, 2001

Both state budget deficit and public debt of the **state are established in a rather wide sense** and without considering all influence factors which can modify their size during budget execution[5].

In our country, the concept of public debt was reconsidered in relation to the new realities and transformations having emerged after the events of December 1989, which created the social and institutional framework required for the development of a market economy. Up to now, the public debt notion went through the following defining process[6]:

➢ **public debt** represents "the *overall pecuniary obligations, at a given moment, resulting from internal and external loans, on medium or long term, contracted by the state on its own behalf or guaranteed by the latter*[7]";

➢ **public debt** represents "*the overall state internal and external obligations, at a given moment, contracted by the Government, through the intermediary of the Ministry of Finances, on behalf of Romania*[8]";

➢ **public debt** represents "*the government public debt to which local public debt is added*[9]";

➢ **public debt** represents "the *overall obligations falling into the category of government and local public debt*[10]".

However, as different from the public debt notion established based on national legal provisions, in the European legislation[11] public debt is defined as being "*… the overall gross debts due at the end of the year, at their nominal value, in the public administration sector, except for the liabilities the financial assets of which are held by the public administration sector. Public debt is made of the central administration' liabilities and includes the following categories: cash and deposits, securities other than shares, except for derivatives and credits, as defined in ESA95*[12]".

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[5] Dascălu D., Ungureanu M.D., *Considerations regarding the analyses of public debt in the current economic context, both national and international level,* International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015

[6] *Assessment of public debt management*, www.curteadeconturi.ro

[7] Law no. 81/1999 on public debt, published in the Official Journal no. 215 of May 17, 1999;

[8] Law no. 91/1993 on public debt, published in the Official Journal no. 3 of January 10, 1994

[9] Law no. 313/2004 on public debt, published in the Official Journal no. 577 of June 29, 2004;

[10] Government Emergency Ordinance no. 64/2007 on public debt, published in the Official Journal, Part I no. 439, of June 29, 2007.

[11] Council Regulation (EC) No 479/2009 of 25 May 2009 on the application of the Protocol on the excessive deficit procedure appended to the Treaty establishing the European Community, re-issued;

[12] ESA is the acronym of European System of Accounts, according to EUROSTAT – The European Statistics Institute

The *state loan* is a defining element of public debt, as provided in the specialised literature and in the legal texts. as a conclusion, it can be said that the" state *loan*" notion **is considered to be** *the material result of an agreement made in writing, concluded by the state through its financial agent with a moral or legal entity, to mobilise from them money availabilities, for a definite period of time, under a priori provided reimbursement and interest conditions*.

It is important to mention that engaging public debt involves a series of risks, generated both by general and by specific factors[13]. Among **general factors** acting in the financial domain, the special regulations providing different conditions for certain loans are extremely important. Another series of general risk factors is that of the highly complex issues, which may emerge in the unfold of current processes.

Furthermore, the special conjunctures on international financial markets may negatively impact on state loans contracting conditions.

Structural factors may be, in certain instances, risk generators when the public debt management system component parts are not sufficiently regulated.

Specific risk factors in the field of public debt refer to the conditions in which a certain loan is contracted or to the decision that the state guarantees a certain loan. The decision to make a sub-loan involves recovery risks. The foreign exchange risk is another relevant issue, which needs to be considered when concluding a foreign currency loan, whether this is conducted on the domestic or the external capital market.

Inflationist phenomena, known as factors eroding public debt, also have a negative influence on budgets, especially in the instance of external public debt, since their effects impact stronger on non-convertible currency than on convertible ones.

2. Considerations on public debt sustainability

The current applicable Romanian legislation provides that[14]," … *the Ministry of Public Finances fulfils the strategy functions, providing for the establishment of the strategy in the field of public debt and the public debt management function"* and its main competences are contracting and reimbursing public debt and managing the risks pertaining to government public debt portfolio, establishing the documents on the state public debt annual general account, which they submit to the Government for information purposes, in view of tabling for adoption in the Parliament, *contracting and guaranteeing of state loans on the internal and external financial market, for the aim and within the competences provided by law, as* well as *the supervision of the compliance with the engagements concluded with international financial bodies in the field of public debt.*

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[13] Dascălu D., *Datoria publică, reglementări și administrare in România (Public Debt, Regulations and Management in Romania),* Editura Didactică și Pedagogică RA, Bucharest, 2008

[14] Government Decision no. 34/2009 on the Organisation and Operation of the Ministry of Public Finances, published in the Official Journal no. 52 of 28.01.2009, as subsequently modified and completed.

Furthermore, legal provisions[15] **established certain principles grounding the implementation** of an efficient management of public finances, respectively of the public debt which would serve long term public interest, of an economic prosperity, as well as to anchor fiscal-budgetary policies in a sustainable framework. In **this context, national institutions having competences in this field** are under the obligation to prudently conduct the fiscal-budgetary policy and to manage budgetary resources and liabilities, as well as the fiscal risks so as to grant the sustainability of the fiscal position, on medium and long term.

Public finances sustainability, from this perspective[16], involves Government being able to manage, in the medium and long run, risks or unforeseen situations, without being forced to operate significant adjustments of the expenditures, revenues or budgetary deficits, with destabilising effects from the economic and social point of view.

The concept of public finances is associated, in the specialised literature[17], with "the *state, the administrative and territorial units and with other public law institutions, in relation with the resources, expenditures, loans and the pertaining debt.*" Public finances[18] are defined as "the *public finances science dealing with the study of facts, principles, techniques and effects of acquiring and spending funds by government and public debt management bodies."*

Moreover, in keeping with studies in the field of public finances and taxation, "… public finances represent a research domain dealing with the issues concerning revenues and expenditures of governments (federal, state and local ones). In modern times, these issues are divided into four large categories: public revenue, public expenditure, public debt and certain issues of the taxation system as a whole, such as local administration and taxation policy[19]*".*
From the analysis of the above, there results that public debt sustainability is a concept inter-relating with public finances sustainability. Thus, it can be concluded that "… *public debt sustainability represents*

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[15] Law no. 69/2010 on Fiscal and Budgetary Accountability, published in the Official Journal no. 252 of April 20, 2010, updated in 2015.

[16] Dascălu D., Ungureanu M.D., *Considerations regarding the analyses of public debt in the current economic context, both national and international level,* International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015

[17] Iulian Văcărel et al, Finanţe publice (Public Finances), second edition, Editura Didactică şi Pedagogică – Bucharest, 2008

[18] William J. Shultz şi C. Lowell Harriss, American Public Finance, sixth edition, New York, 1954.

[19] Harold M. Groves, Financing Government, sixth edition, Holt, Rinehart and Winston, New York, Chicago, San Francisco, 1964.

the extent to which a government can maintain existing programmes and can fulfil creditors' requirements without increasing public debt burden on the economy[20]”.

The Romanian economy, as a component part of world economy, displays the same trends, respectively an increase of public debt in a rhythm superior to the economic growth one, so that public finances sustainability needs to be a major challenge at the level of public policies[21].

Adequate policies to tackle public finances sustainability challenges need to be grounded in the overall EU strategy (focussed on the three component parts, namely, abatement of public debt, increase of productivity and of employment and reform of pensions and healthcare systems) and the main causes of the problems relating to public finances sustainability confronting various member states. To ensure sustainable levels of public debt it is important that EU member states understand certain medium term budgetary objectives, which would result in a descending trend of public debt, through strict compliance with budgetary policy[22].

3. Analysis of public debt sustainability

The analysis of public debt sustainability is meant to offer answers and solutions relating to the capacity of a government to maintain the same direction of expenditures and revenues or, in case they have to make an adjustment, to turn government public debt constant as a proportion of the GDP.

Thus, the analysis of public debt **sustainability** is a complex exercise, with multiple implications and which needs to consider the following[23]:

– the trend of the public debt indicator in relation to the gross domestic product (GDP);

– the indicator public debt related to GDP, which is consolidated at a high level, but with an acceptable re-financing risk and with the preservation of the economic growth tendency;

– the structure of public debt which may increase the probability that negative circumstances emerge relating to it.

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[20] ISSAI [The International Standards of Supreme Audit Institutions] 5410 ”Guidance for Planninng and Conducting an Audit of Internal Controls of Public Debt”.

[21] *Assessment of public debt management in the period 2012 - 2014 at the Ministry of Public Finances”* www.curteadeconturi.ro/

[22] *Assessment of public debt management in the period 2012 - 2014 at the Ministry of Public Finances* www.curteadeconturi.ro/

[23] Dascălu D., Ungureanu M.D., *Considerations regarding the analyses of public debt in the current economic context, both national and international level,* International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015

The following chart is an illustration of the public debt level evolution, of the Romanian GDP, in the period 31.12.1990 – 31.12.2014[24]:
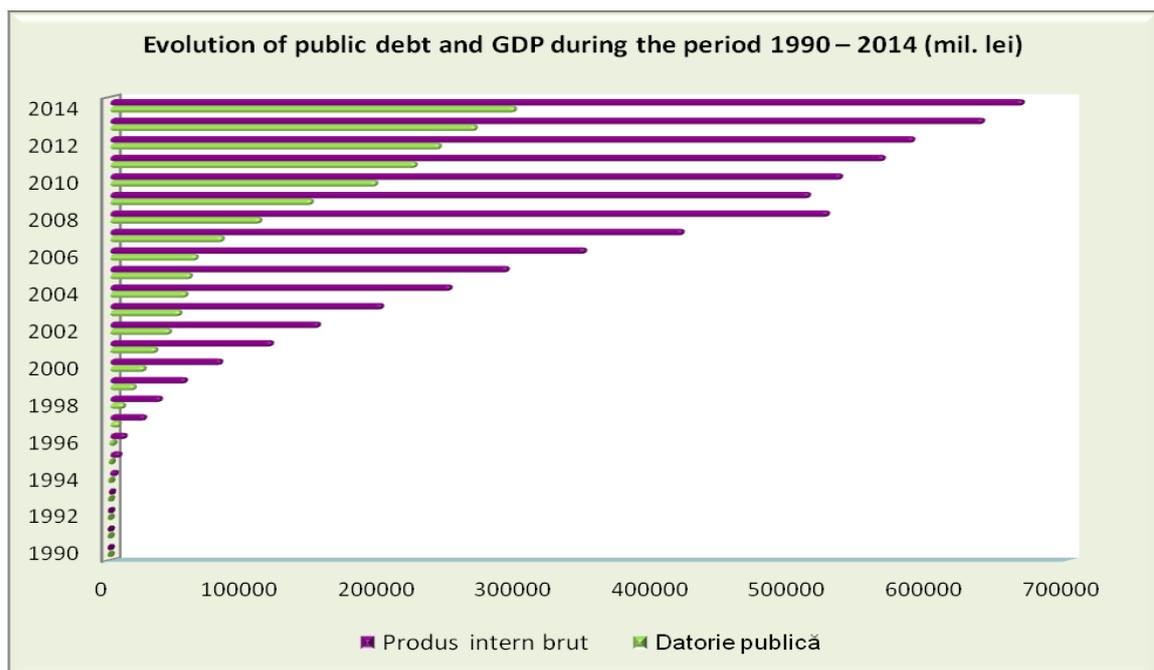
Figure 1: public debt and GDP evolution, in the period 1990 – 2014 (in million lei)
Source: data published by the National Statistics Institute, www.insse.ro

The analysis of this data shows that in 2014, as compared to 1990, public debt went up in a rhythm superior to the economic growth one, a situation in which public finances sustainability needs to be a major challenge at the level of public policies.

The public debt/GDP indicator is the most used one and measures the indebtedness level in relation with the economic activity of the country, being acknowledged as *the most important one in measuring indebtedness*, as it highlights the country's credit-worthiness.

The ratio between state public debt and GDP, one of the convergence criteria established based on the Protocol on the excessive deficit procedure appended to the Maastricht Treaty[25], shows that this has been significantly lower than the value of **60%** of the GDP.

The evolution of public debt percent of the GDP indicator for the period 1990 – 2014[26] is shown in the following chart, as follows:

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[24] Source: data published by the National Statistics Institute, www.insse.ro

[25] Treaty of the European Union, published in the Official Journal C191 of July 29, 1992

[26] Source: data published by the National Statistics Institute, www.insse.ro

Figure 2: The evolution of public debt percent of the GDP indicator for the period 1990 – 2014,
Source: data published by the National Statistics Institute, www.insse.ro

The National Bank of Romania (the Directorate for Financial Stability) highlights that for sustainability reasons within the emerging economies group, as well as to moderate expenditure involved by interest and their impact on the primary deficit, **the taxation consolidation process should limit the public debt level at values under 40% of the GDP**[27].

Even if the ratio between public debt and the gross domestic product is under the **60%** warning threshold, it is considered that, given that public debt increase rhythm is higher than the economic growth rhythm, there is a possibility that the credit-worthiness risk undergoes an increase which may negatively impact the macro-economic ensemble.

Furthermore, it can be seen that certain significant increases of this indicator were also recorded in 1996, respectively 30.1% and in 1999 – 33.2%, after which a downward trend emerged until 2006, when it

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[27] According to the *Report on Financial Stability 2012,* drafted by the National Bank of Romania - the Directorate for Financial Stability

reached the level of 18.4%. After 2007, *the weight of the public debt in the GDP had an upward trend, reaching the maximum 44.4% in 2014*.

The evolution of the indebtedness at UE member states level[28], for the period 2012-2014 is further presented, in order to offer an overall image and to be in a position to assess the stage reached by Romania, as follows:
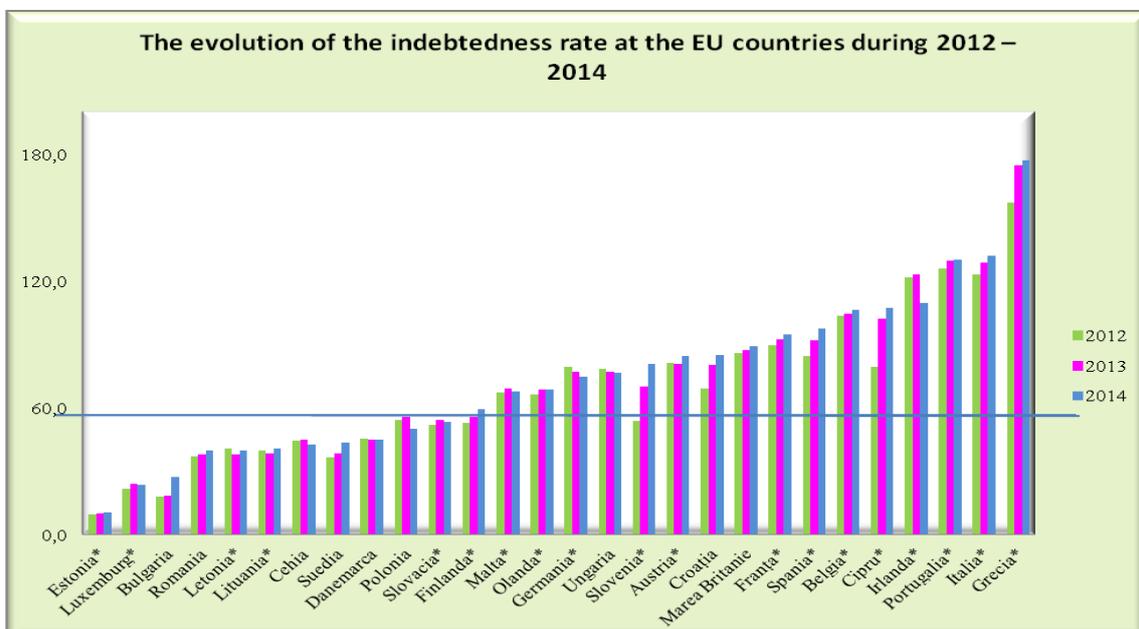
Figure 3: The evolution of indebtedness of EU member states, in the period 2012 – 2014
Source: http://ec.europa.eu/eurostat/documents
*member states which adopted euro as a national currency

The analysis of the above-mentioned data shows that, even if the indebtedness of Romania continues to be lower than the indebtedness of other European national economies, its tendency to accelerate is worrying, which makes it necessary to analyse sustainability of public debt and of budget deficits.

As of its accession to the European Union, Romania had one of the lowest public debt level within the EU (**19.9%** of the GDP in 2007 and **21.8%** in 2008). The period 2009-2011, characterised by higher budgetary deficits, practically lead to the doubling of the public debt.

Public debt, as results from the calculation made based on the EUROSTAT methodology stabilised only after 2014, reaching a **39.8** level, which positions it much below the European average and within the ceilings accepted according to nominal convergence criteria.

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[28] http://ec.europa.eu/eurostat/documents

According to the data listed by EUROSTAT[29], in the period 2012 – 2014, the average level of public debt within EU28[30] had an upward trend, from **11,227,119 million euro** to **12,094,614 million euro**, respectively an increase by **7.73%.** The level of the GDP within the EU28 had a similar, but less abrupt tendency, which only went up by **3.81%**, from **13,420,148 million euro** to **13,931,719 million euro.**

Thus, the public debt increase rhythm, at the level of the EU28, exceeded the economic growth rhythm. The average ratio between the public debt and the GDP increased within the EU28 from **83.7%** in 2012 to **86.8%** in 2014, a level exceeding by much the limit of **60%** of the GDP provided in the Maastricht Treaty[31].

As it can be seen, in the analysed period, 16 of the 28 member states of the EU28 exceeded the reference value of public debt - 60% of the GDP, set by the Maastricht Treaty, respectively *Greece, Italy, Portugal, Ireland, Cyprus, Belgium, Spain, France, Great Britain, Croatia, Austria, Slovenia, Hungary, Germany, the Netherlands, Malta.*

The relation between the GDP and budgetary deficit highlights to what extent economic development is sustainable, from the perspective of resources and debts.

The evolution of the ratio between the deficit and the GDP, in keeping with the data taken over from EUROSTAT[32], for the period 2012 – 2014, in the European member states is shown graphically, as follows:

The data in figure 4 show that the highest deficits in relation to the GDP were recorded in 2013 by Slovenia and Greece. The countries with the highest budget excedents were Denmark (in 2014) and Luxembourg (in 2013). Furthermore, two member states had budget excedents on the overall analysed period, respectively Germany (with a peak in 2014) and Luxembourg (with a peak in 2013). In the period 2012 – 2014, Germany had budget excedents when at the same time its indebtedness exceeded the threshold of **60%** of the GDP (**79.3%**, **77.1%** and respectively **74.7%** of the GDP).

In 2014, the deficit exceeded **-3.0 %** of the GDP in **12** EU member states, respectively: the highest public deficits (as percent of the GDP) were found in Cyprus, Spain, Croatia and the United Kingdom, while Italy was at the ceiling of -3.0% of the GDP. Among these, **10** states had deficits exceeding **3.0%** during each of the three previous years, that is for the overall analysed period.

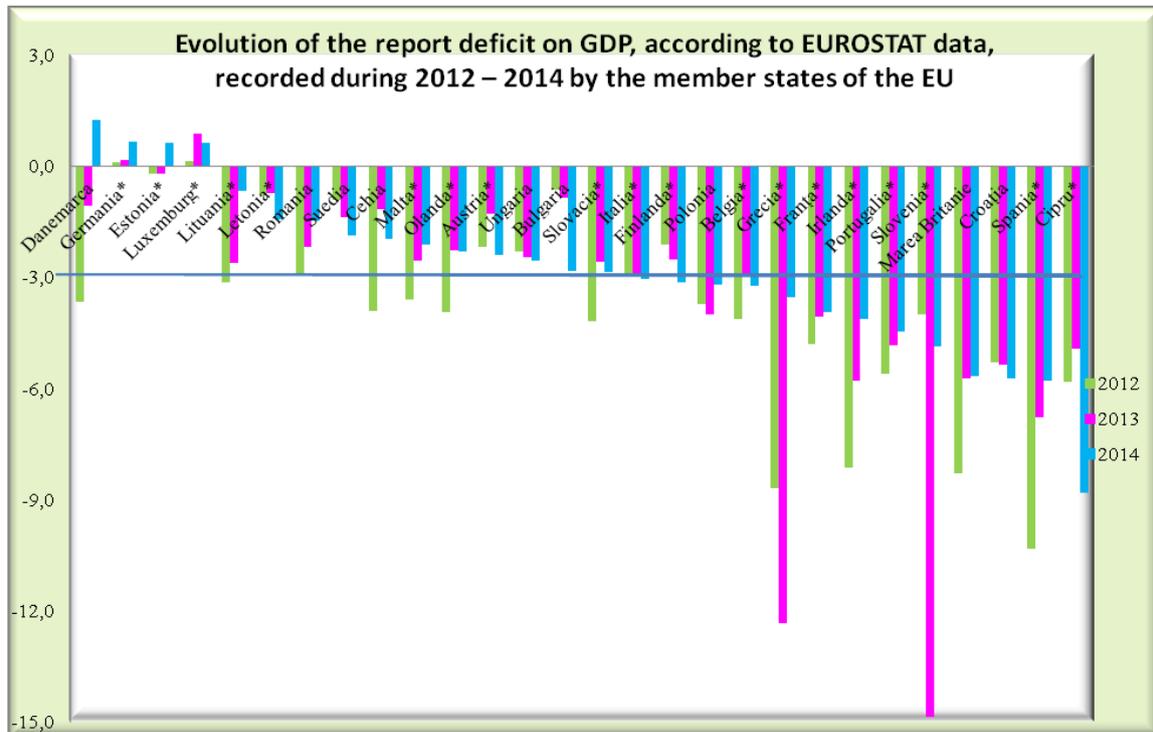[29] EUROSTAT – the European Union institution for statistics - Publication "The Euro area and EU 28 government deficit at 2.4% and 2.9% of GDP respectively, Government debt at 91.9% and 86.8%" of April 21, 2015

[30] EU28 = The European Union made of the 28 member states.

[31] Maastricht Treaty on the European Union, http://eur-lex.europa.eu/

[32] EUROSTAT – The European Statistics Institute

Figure 4: Evolution of the ratio between the deficit and the GDP in EU member states, in the period 2012 – 2014
Source: EUROSTAT, http://eur-lex.europa.eu/

As compared to 2013, public deficit in relation to the GDP decreased in 2014 in 10 member states, the Netherlands and the United Kingdom had the same deficits in 2014 as in 2013, Estonia and Denmark switched from a deficit in 2013 to an excedent in 2014, Germany recorded a little higher excedent in 2014 than in 2013, while the excedent of Luxembourg had slightly decreased from 2013 until 2014. The other 12 EU member states had higher deficits in 2014 as compared to 2013.

Considering the above-mentioned analyses, it can be concluded that *the public deficit indicator related to the gross domestic product of our country*, having a level of 1.5%, calculated according to the ESA 2010[33], sets us **on the 7th place among the 28 member states**, respectively on the 3rd place among the 24 countries which recorded a deficit.

The analysis of the extent to which the criteria set by the Maastricht Treaty relating to sustainability have been complied with is dependent on reaching a high actual convergence level, the level of the GDP/inhabitant being the most synthetic indicator in this respect.

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[33] ESA 2010 – The European System of Accounts, the 2010 issue, established by EUROSTAT

The evolution of public debt in Romania/inhabitant and of the GDP/inhabitant, in the period 1990-2014 is as follows:

Year	Public Debt (mil. lei)	Public Debt (mil. euro*)	GDP (mil. lei)	GDP (mil. euro*)	Population of Romania (mil. inhabitants)	Public Debt lei/ inhabitant	Public Debt euro/ inhabitant	GDP lei/ inhabitant	GDP euro/ inhabitant
0	1	3	2	3	4	5=1/4	6=3/4	5=1/4	6=3/4
1990	0.7	x	85.8	x	23.21	0.03	x	3.7	x
1991	19.0	x	220.4	x	23.19	0.82	x	9.5	x
1992	123.3	x	602.9	x	22.79	5.41	x	26.5	x
1993	439.8	x	2,003.6	x	22.76	19.33	x	88.0	x
1994	873.3	x	4,979.5	x	22.73	38.42	x	219.1	x
1995	1,654.9	x	7,656.7	x	22.68	72.96	x	337.6	x
1996	3,294.2	x	11,463.5	x	22.61	145.71	x	507.1	x
1997	7,027.4	x	25,689.1	x	22.55	311.69	x	1,139.4	x
1998	10,324.5	x	37,257.9	x	22.50	458.81	x	1,655.7	x
1999	18,125.5	x	55,479.4	x	22.46	807.08	x	2,470.4	x
2000	25,288.8	10,485.5	81,275.3	33,699.0	22.44	1,127.19	467.37	3,622.7	1,502.1
2001	33,817.8	12,129.3	118,327.2	42,440.1	22.41	1,509.16	541.28	5,280.5	1,893.9
2002	43,867.4	12,562.6	152,630.0	43,709.7	21.68	2,023.80	579.57	7,041.5	2,016.5
2003	51,363.2	12,492.0	198,761.1	48,340.4	21.57	2,380.75	579.02	9,212.8	2,240.6
2004	55,819.7	14,073.5	248,747.6	62,715.3	21.45	2,602.09	656.05	11,595.6	2,923.5
2005	59,010.9	16,048.2	290,488.8	78,999.4	21.32	2,767.91	752.74	13,625.4	3,705.5
2006	63,340.8	18,730.5	347,004.3	102,612.4	21.19	2,988.65	883.77	16,373.0	4,841.6
2007	82,324.3	22,803.3	418,257.9	115,854.5	20.88	3,942.17	1,091.96	20,028.7	5,547.8
2008	109,795.1	27,545.2	524,388.7	131,557.6	20.54	5,345.99	1,341.19	25,532.8	6,405.6
2009	147,329.1	34,832.9	510,522.8	120,702.4	20.37	7,233.56	1,710.23	25,065.6	5,926.2
2010	194,459.2	43,383.5	533,881.1	124,598.8	20.25	9,604.44	2,142.73	26,368.7	6,154.0
2011	223,268.0	51,686.0	565,097.2	130,818.6	20.15	11,081.59	2,565.36	28,047.8	6,493.0
2012	240,842.6	54,382.2	586,681.5	132,472.6	20.06	12,006.00	2,710.95	29,246.1	6,603.8
2013	267,150.9	59,569.4	637,583.1	142,168.5	19.99	13,367.03	2,980.58	31,901.8	7,113.5
2014	295,655.5	65,963.6	666,637.3	148,733.3	19.91	14,850.66	3,313.33	33,484.9	7,470.8

*the euro currency was officially adopted on December 16th,1995, while the currency itself penetrated on international markets as of January 1st, 1999, replacing the so-called European monetary unit

From this perspective, the evolution of public debt/inhabitant, in Romania, in the period 1990 – 2014, is shown in the chart below, as follows[34]:

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[34] Dascălu D., Ungureanu M.D., *Considerations regarding the analyses of public debt in the current economic context, both national and international level,* International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015

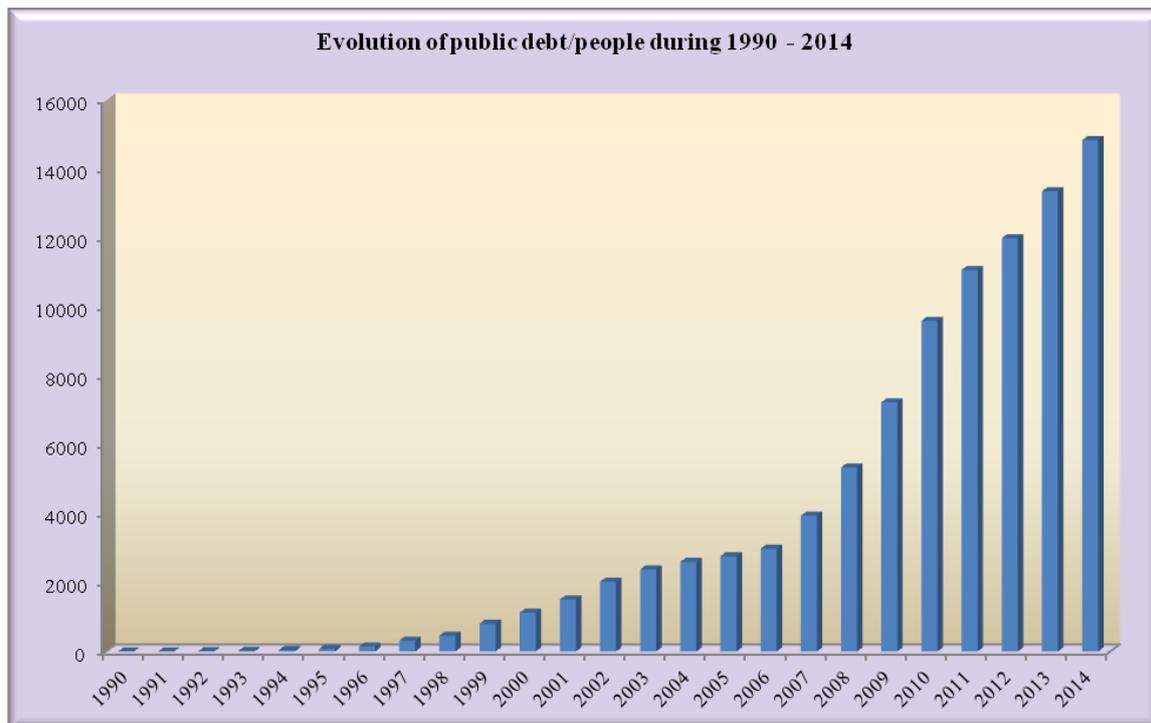**Figure 5:** Evolution of public debt/inhabitant, in the period 1990 – 2014
Source: EUROSTAT, http://eur-lex.europa.eu/, the National Statistics Institute of Romania, http://www.insse.ro/cms/

As it can be noted on the overall analysed period, the population of Romania had a downward trend, so that at the end of 2014 there were 19.19 million inhabitants, by **17.3%** less than the 23.21 million inhabitants recorded in 1990.

In this context, with the Romanian population permanently decreasing, while the volume of the country's public debt increased on a continual, there follows that the population indebtedness had an alert rhythm, reaching at the end of 2014 the value of **14,850.66 lei/inhabitant**, which represents an increase by **495,022 times** as compared to the level of **0.03 lei/inhabitant** recorded in 1990.

The above chart, an analysis of public debt in euro/inhabitant in the period 2000-2014 (the euro penetrated international markets on 01.01.1999), shows that, by the end of 2014, it had a higher level as compared to 2000, while the one expressed in lei/inhabitant increased by **13.17 times**, from **1,127.2 lei/inhabitant** in 2000 to **14,850.66 lei/inhabitant** in 2014.

The indicator GDP/inhabitant, in the period 2000-2014, had the same ascendant trend too, and at the end of 2014 was **7,470.8 euro/inhabitant, respectively 5.0 times more as compared to the level of 1,502.1 euro/inhabitant in 2000.**

The conclusion of the above is that the indicator public debt/inhabitant had an accentuated growth as compared to the indicator GDP/inhabitant, Romania having major gaps in relation to the average level of

EU member states (the most edifying one in this respect being the GDP/inhabitant, assessed at the purchase power parity)[35].

In the instance of the GDP/inhabitant, an indicator measuring economic activity, there are significant gaps among member states. In 2014, the GDP/inhabitant, expressed in the purchase power standard, varied between **45%** of the EU average, in the instance of Bulgaria and **263%** in Luxembourg, Romania being on the last but one place in the EU, with a **54%** of the EU average[36].

4. Conclusions

In order to maintain public debt at an acceptable level, it is necessary that the economy of Romania focuses efforts and financial resources to *enhance the gross domestic product*, by developing both the industrial sector through investment in intelligent technologies, which would generate added value, and through the agricultural sector (ecological agriculture), but also by developing constructions and services for population.

Even though from the point of view of public debt and of the deficit weight in the GDP, Romania is under the limits provided in the Maastricht Treaty and among the first countries in EU as to the standard of living, a significant gap is found in relation to other EU member states, our country holding the last but one place.

The increase of gross domestic product may be reached by *abating taxation pressure over economy*, especially *over the productive sector of all economic branches*, as well as by *increasing the collection degree of taxes and fees*, which can generate financial resources, *funds* which need to be *oriented* with priority *towards investment making* in the production sector of the Romanian economy.

From this perspective, the openness of Romanian economy shall be influenced in its evolution only by the exports volume, which, in turn, shall depend on the variations of the demand and offer on international markets and on the gross domestic product dynamics.

Economic openness is one of the actual convergence criteria, while actual convergence is obtained by sustained macro-economic policies. The statute as a member state of a monetary union triggers the opening degree of the economy by 10-26 percents, which in turn influences the dynamics of the GDP[37].

In this respect, we consider that the moment Romania fulfils the economic growth conditions, *it will benefit from acquiring the statute of a member state of the European Monetary Union*, which will result in

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[35] Financial Audit Report on the Public Debt Annual General Account for the year 2014 at the Ministry of Public Finances, www.curteadeconturi.ro/

[36] Financial Audit Report on the Public Debt Annual General Account for the year 2014 at the Ministry of Public Finances, www.curteadeconturi.ro/

[37] The Theory *"Optimum currency areas (OCA)" – (McKinnon, 1963),* in which the economy openness degree is mentioned as an important convergence criteria

an enhancement of the country's economic opening degree and which will influence the gross domestic product dynamics.

Furthermore, the GDP growth, the increase of exports volume and the diminishing of imports shall result both in the *increase of the international (foreign currency) reserve* of the country and in the *enhancement of the capacity to reimburse external funds* borrowed on the capital markets and from international financial and banking and non-banking institutions (IMF, EIB, the World Bank, the Bank of Japan) as well as the diminishing *of the economy need to borrow funds.*

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Improving VAT Compliance in Romania by Implementing a New Tool – Tax Lottery Receipts[1]

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Abstract: This paper aims to present and explain the newly implemented measure of organizing a Tax Lottery Receipts in Romania, in orderto combat tax evasion by raising awareness among consumers and make them responsible when purchasing any goods.The lottery proposes an approach to strengthen the fiscal voluntary conformation by stimulating financially those who promote respecting the law – asking for the fiscal receipt, and helpthe fiscal authorities this way in the fight against tax evasion, contrasting at the same time with punishing those who do not respect it – not issuing fiscal receipts.

Keywords: fiscal receipt, tax evasion, fiscal voluntary conformation.

JEL classification: E60, E62, H20, H26

1. The Concept of a Tax Receipt Lottery

To fight and cut down tax evasion is a concern for all economies around the world. The lower the rate of evasion, the more and attractive the economy gets for foreign investors and the management of taxes and duties becomes more efficient. The classic mechanisms used to reach this aim are mostly coercive measures based on punishment, usually financial.

The concept of a tax receipts lottery is based on the idea that a consumer purchase is much easier to record in the official economy, where it can be taxed by the authorities, if sellers issue a fiscal receipt to the customer. In some countries, if an advanced cash register system is in place which directly communicate transactions to the tax authorities, all transactions for which a receipt is issued will be taxed. In any case, once a receipt is issued it becomes more difficult for sellers to evade VAT, independent of the cash register system of a country.

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[1] The article was previous presented at International Conference on Economic Sciences and Business Administration 2015

The tax lottery involves an approach based on motivating and rewarding those who are part in the efforts to fight tax evasion; people who abide by the law (they ask for the receipt) are awarded, in opposition to those who evade the law (do not give the receipt) and are punished. The tax lottery might help to prevent and fight tax evasion, given that the buyer, when asking for a supportive document (which they will use to join the game), cuts down significantly the chance of the seller to avoid declaring the transaction. Thus, the tax lottery becomes an additional means to force economic agents to record in their accounting all the transactions carried out.

The usefulness of a receipt is significantly higher for the tax authority rather than the buyer of a product as the latter hardly ever enjoys the benefits arising from such document (e.g.: evidence of the ownership over the bought service or product). The idea of introducing such a lottery is to make the receipt (even if only psychologically) valuable to the consumer. If the receipt serves as a lottery ticket, consumers might have a reason to request it.

Tax receipts lotteries are designed to increase the issuance of receipts in business-to-consumer-transactions. This way, transactions are more likely to be part of the official (not the shadow) economy and VAT can be collected. The idea of lottery schemes is to provide consumers with an incentive to ask for a receipt. The incentive is that the receipt is not just a piece of paper documenting the transaction made, but serves as a (potential) lottery ticket, giving consumers eligibility to participate in a tax lottery. The lottery in turn gives the chance to win a prize if for a randomly drawn receipt. Hence, while obtaining the receipt is (for any legal transaction) of no extra cost to the consumer, it becomes valuable, as it serves as a lottery ticket. For the tax authority the cost of paying prizes (and administering the lottery) should be, in turn, outweighed by the extra revenue of an increased tax base, and by a citizen-policing effect of detecting VAT-dodging businesses[2].

In terms of tax management, the tax lottery comes to partially replace the efforts of the tax inspectors regarding the enforcement of compliance with the law, namely the issuance of receipts for transactions. In terms of the cost-benefit ratio, this facility proves a very good one as all buyers become potential tax inspectors and the costs are limited to the rewards given and the management of the receipts submitted for lottery[3].

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[3] Ungureanu M.D., Dascălu D., *Tax Lottery Receipts in Romania, a Different Approach to Fight Against Tax Evasion, International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015*

2. Tax Lottery Receipts Abroad

The use of receipt-based tax lotteries to increase (VAT) tax compliance has been of growing interest amongst EU Member States. Some countries have introduced such lottery schemes, namely Malta, Slovakia and Portugal. Others have been intrigued about the possibility of introducing a lottery. The use of tax lotteries also has a history outside of Europe, notably in Taiwan since the 1950s.

Malta

Malta has been the first European country to introduce a tax receipts lottery, as early as 1997, and consequently has a long history and experience with running the lottery. To give the audience a better idea, first the lottery was put into the scope of Malta, as some particularities of Malta as an island-state have to be taken into account when contemplating to extrapolate the Maltese lottery scheme to another (and necessarily larger) European country. That is, it was outlined that Malta is the EU's smallest Member State, with a population of about 400 000living in a geographically small area. Furthermore, the role of VAT in the government budget was outlined, with EUR 587million. VAT revenues being responsible for raising 22 %of government income. It was also outlined that the issuing of receipts for business-to-consumer purchases is important for the tax authority to know the tax base. For this reason it is also a legal obligation (though it cannot be legally sanctioned) for customers to retain receipts from purchases for 24hours after the purchase has been made. This obligation was introduced into the legislation to facilitate field audits. A similar motivation as for this legal obligation to get a fiscal receipt in purchases is the reason for the existence of the Maltese tax receipts lottery. Hence, the lottery is seen to provide consumers with an incentive to ask for the receipt and keep it, which in turn makes it easier for tax authorities to control VAT compliance.

Lottery winners are paid 100 times the fiscal receipt, within a range of EUR 233 - EUR 11 647 respectively. So gains for receipts under EURO 233 and above EURO 116.47 are brought to the minimum ceiling or maximum fixed to fit in amounts required by law. The monthly budget allocated tax lottery amounts to EURO 50,000, thereby allowing a greater number of winners. There is no limit on the number of receipts that a person can participate in the lottery with.

Practically, the lottery is done by mixing all participating fiscal receipts in a large drum, organised by the Department of Lotto. The draw is public, conducted in a public place and supervised by an ad-hoc board. There are representatives from the Notary to Government, VAT department, the Lotto department, the National Audit Office, the public present at the drawing, so to become more transparent.

While no major data analysis takes place in the course of the lottery, some figures have been recorded. It has been observed that the lottery is becoming more popular with a tendency of a rising number of receipts submitted for the lottery, with 32.5million in 2007up to 35.7million in 2013. While this is an indicator of the sustained popularity of the lottery, no scientific or quantitative evaluation of the success of the lottery has been conducted. Hence, it is not known whether the lottery has increased VAT compliance in the short or long term.

The Maltese lottery system has flaws, as shown in the case where several withdrawals in 2002 and 2003 were schemed, involving 11 people, 3 of the organizers.

We can identify some of the characteristics of Maltese tax lottery[4]: receipts are centralized in a physical format for each withdrawal, it takes time to complete the personal data on each ticket and prize value is capped at Euros 11.647. We conclude that participation in the lottery is not free, because sending bills involves costs; the management of unsuccessful receipts also presumes costs for their destruction and the system is not sufficiently transparent as there is no certainty that the receipts are the box.

Slovakia

The tax lottery scheme in Slovakia has been introduced in the second half of 2013[5], receiving widespread media attention and causing a large increase in interest regarding the use of such lottery schemes across Europe.

While the effective tax rate (the share of VAT revenues in the tax base) had been rising in Slovakia prior to joining the European Union (EU), since Slovakia's membership in the EU in 2005 it had been significantly falling, reaching levels that were much worse than EU average and also clearly lower than during the pre-EU era. Also the VAT gap (the difference between collected VAT and the VAT that should be collected if all transactions were legal) had been one of the highest in Europe and almost twice the EU average in 2011. Furthermore, the VAT gap had been increasing from its low point of 18.2 % in 2003 to a high point of 40.1%in 2012. Hence, tax evasion, and VAT evasion in particular, was a pressing issue for government revenues. For this reason, concerted efforts to reduce tax evasion were launched in 2012, and the tax receipts lottery was part of these efforts.

In order to understand the sources of the tax gap, authorities took several steps. One included the identification of problematic candidates, that is, sectors in which VAT evasion is more prevalent. This identified some usual suspects in agriculture, construction, wholesale and retail trade, hotels and restaurants, as well as (surprisingly) also in the

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[4] Ungureanu M.D., Dascălu D., *Tax Lottery Receipts in Romania, a Different Approach to Fight Against Tax Evasion, International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015*
[5] Cunningham B. – *Slovakia Fights Corruption with Sales Tax Lottery,* Spiegel Online, 2013

professional services industry. As a result an action plan was introduced to combat tax evasion. Most of the plan included typical control measures, which made the monitoring and detection of tax evaders easier from the side of the authorities. Furthermore, it was decided to introduce the tax receipts lottery, which has a much stronger behavioural component and involves participation and support by third parties, namely normal citizens involved in consumer transactions. The lottery in this context had namely the aims of being a tool for communicating the importance of VAT compliance to citizens, to increase surveillance by the citizens, and ultimately to improve the ability to collect taxes more effectively. As for the case of Malta, the logic behind the introduction of the lottery was to motivate consumers to ask for a receipt and to get them involved in – comparatively mild – citizen policing in daily transactions.

The rules for the lottery were that all receipts with value of EUR 1or higher were eligible to participate. Furthermore, receipts were only valid to be registered in the lottery for two months after the purchase. In order for a consumer to participate in the lottery, receipts had to be registered using any of four alternative channels: online via the internet, via a SMS text message, through the National Lottery Company which served as the operator of the lottery, or through automatic registration by the retailer issuing the receipt. In order to be registered in the lottery draw, the registration had to include the unique identification number of the cash register issuing the receipt, the date and time of the transaction, and the amount of the transaction.

The lottery was operated by the National Lottery Company and implemented similar to a regular lottery. Prizes were awarded with equal chance for every receipt, independent of the value of the purchase. Each submitted receipt had a chance of winning via three difference channels, named the first, second and third chance. The first chance included a draw every two weeks in which ten prizes valued from EUR 100 to EUR 10 000 were awarded. This represents a significant amount and corresponds to 0.12 to 12 times the average monthly wage. The second chance in turn is drawn once per month and is based on regional characteristics. More specifically, in this draw there was one winner each from the 8 administrative regions of Slovakia. The winner in this monthly draw was one particular cash register, and a second lottery amongst all receipts submitted using this register was drawn. In this lottery both financial and non-financial (a car) prizes were drawn, and under the current framework each winner of this lottery receives a EUR 5 000 cash prize. Finally,a third chance was used over all submitted receipts, in which the winner became eligible in a TV show ('The prize is right').

Since the introduction of the lottery scheme, it has proven to be popular, with 7million receipts registered in the first run of the lottery, and still a relatively stable number of around 3 million submitted every two weeks. In total about 10% of the population registered to participate in the lottery at least once.The number of individuals

participating in the lottery has declined before becoming more stable around 80 000 (total population is 5.4 million inhabitants). Most players come from the Bratislava region.Non-surprisingly, the by far largest share of receipts is sourced from the retail sector, again here with a concentration on big retail chains. This also hinted to a short coming of the lottery, as these chains tend to issue receipts for purchases or at least formally register the transaction anyway; hence, the extra gain through policing due to the lottery is minimal. On the contrary, the more problematic service industry (in terms of tax evasion) is only responsible for 2%of submitted receipts. Hence, from the big shot of the lottery only a small hit is reaching the main target of these problematic candidates.

There was also some first analysis on the impact of the lottery in fiscal terms. The analysis of success factors focussed on small companies, as those are suspected to be those more likely to engage in tax evasion. For similar reasons there was also a focus on service industries. However, first analysis did not show a significant increase of revenue from particular firms from whom also more receipts had been issued. There was, however, a higher rate of sales increases from the pre- to the post-lottery period in small retail compared to the sales increase in larger retailers. However, the attribution of this increase is not identifiable to the lottery alone, mainly due to the multiple channels with which improved tax compliance was promoted. It was also discussed that the policing of sellers not issuing receipts has been increased, however, the impact of this measure (and the cost-effectiveness compared to other measures) has not yet been assessed. The fiscal impact of the lottery is estimated to be modest, leading to extra revenue of about EUR 8 million annually when extrapolating from the experience in the last quarter of 2013 and when basing the effect from a focus on restaurants and retailers (who are, however, arguably the most critical sectors; i.e.most of the effect should accrue in these sectors). This compares to initial costs of EUR 1.6 million, which included marketing. Total cost in 2014 is in turn estimated to be another EUR 1.6 million. While this indicates that the lottery would break-even, it is generally judged to be of modest impact compared to other available measures in fighting tax evasion.

The Slovak tax lottery does not enjoy great popularity as registration is cumbersome[6]. Sending or dictating to the vendor whole ranks of codes involves patience and can be easily mistaken, which invalidates the gain.

Portugal

A tax invoice and receipts lottery on all VAT relevant transactions was implemented in Portugal too, called 'Lucky Invoice Lottery'[7]. This lottery is again similar to the tax receipts

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[6] Ungureanu M.D., Dascălu D., *Tax Lottery Receipts in Romania, a Different Approach to Fight Against Tax Evasion, International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015*

[7]Wise P. – *Portugal tries its luck with tax lottery*, Financial Times Online, 2014

lotteries described by other countries before. More particularly, there is one random draw per week (on Thursday, starting from April 2014) selecting winning receipts that have been submitted to the lottery. Furthermore, there are two semi-annual draws, in June and December, for an 'extraordinary lottery'. All draws are publicly broadcasted on TV to gain widespread attention. The weekly draw of the regular lottery works on the basis of so-called coupons. Individuals can get coupons to the lottery by registering invoices or having them registered by sellers. The number of coupons an individual receives is dependent on the value of the receipt that is registered for the lottery. The higher the amount of the purchase, the higher the number of coupons, as one coupon is assigned to each multiple of EUR 10 in the receipt. If the lowest fraction is below EUR 10, a coupon is assigned (an invoice of EUR 10.20would for example get two coupons assigned). There is no limit on the number of coupons per individual in each draw. Every coupon has an equal chance of winning a prize in the lottery, whereas the prize is to win an Audi A4 each draw. The biannual draw again provides a second chance to win with the same coupons, whereas in this draw the lottery runs over three Audi A6per draw.

Winners are informed about their winnings using the online platform. Winners can then decide if they would like to claim the prize themselves or if they would like to donate the prize. They can also decide to receive the prize with or without public attention. Finally, also the issuer of the receipt is informed about the fact that one of its receipts has won in the lottery.

The experience with the lottery scheme so far is relatively limited. The first draw was on April 17, 2014 over 207million coupons and with 7.9million buyers and 171000 issuer companies involved. Given the size of Portugal, this can be seen as significant participation. The draw was broadcasted live on television, attracting 600,000 viewers.

While no evaluation of the lottery scheme exists, it can be considered a success and further steps are currently in planning, including an App to the platform to be usable for mobile phones.

The Portuguese tax lottery system is overly bureaucratic[8] lottery in order to provide equal opportunities to everyone. Also offering prizes in goods is a disadvantage and that's why there are stipulated mechanisms to donate the prize.

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[8] Ungureanu M.D., Dascălu D., *Tax Lottery Receipts in Romania, a Different Approach to Fight Against Tax Evasion, International Conference on Economic Sciences and Business Administration, 20-21 noiembrie 2015*

3. Tax Lottery Receipts in Romania

In Romania, tax lottery was implemented in January 2015[9], in order to fight tax evasion. A mechanism was created to stimulate citizens to ask for a receipt for every purchase. Thus, the aim was to increase taxation on the traders' income.

The drawings are held monthly on the first Sunday after the 15th of each month, taking into account tax receipts issued in the previous month. Receipts participating in the lottery must meet a number of conditions such as: have been issued by a fiscal electronic cash register, the mandatory information must be readable, have a value between 1.00 and 999.99 lei and to be issued for the period indicated for each edition. From all participating receipts, only the receipts with the winning amount can enter the competition, being issued on the day of the drawing.

The mechanism of random selection of winners is made by extracting the date and winning value. For the amount, the drawn numbers are in the range 1-999, representing the total amount of the tax receipt, without subdivisions. Also, a calendar date is drawn for the month or period when the receipts were issued. The withdrawal of the winning day and amount is made by the National Lottery, in a transparent manner.

In the lottery, prizes may be claimed at any territorial unit of the National Agency for Fiscal Administration (ANAF), by submitting the original fiscal receipt winner and a copy of the identity document of the holder, accompanied by a statement. Claiming prizes is made within 30 days of the drawing, and if the number of receipts exceeds 100, an additional withdrawal is organized and 100 winning tickets are drawn.

The study of tax lotteries organized in other states led to two different ways of organization: tax receipts are gathered in one place from which a random withdrawal is performed; respectively tax receipts are recorded in a database from which lucky ones are drawn. The disadvantage of the first way is that the holder of the tax receipt must bear the costs of sending the receipt or a copy of it (there was considered to keep the original with the buyer to be able to continue to enjoy the guarantee of goods and to prove the licit ownership of assets) and the tax authority, after the withdrawal, was left with piles of receipts. The disadvantage of the second method was that the receipt holder should have had access to an infrastructure to send the information on the receipt (internet, mobile, etc.). Even if mobile telephony is widespread in Romania, the transmission of more than 50 characters for each voucher (tax code, cash register code, tax receipt number, buyer data etc.) required time and there is the possibility of errors that could invalidate registration. In addition, the tax authority, even seeing that the same receipt had been

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[9] OG 10/2015 privind organizarea Loteriei bonurilor fiscale

recorded several times, could not invalidate the additional records, not knowing who really had the tax receipts.

The solution identified to avoid the disadvantages mentioned above and to ensure maximum transparency in the organization of the tax lottery has been to extract specific elements identifiable on any tax receipt, following for the tax authority to manage and keep only fewer tax receipts. After several tests, the elements subject to random extraction have been set as the date and amount of the tax receipt (both readily identifiable on any tax receipt). In this way, the number of receipts that are submitted to the fiscal unit is reduced from about 300 million per month to a maximum of tens of thousands.

4. Conclusions

While the general idea of a tax lottery is relatively straightforward, the specifics of how best to design and introduce the lottery are often less clear. Also the positive fiscal effect (the cost of the lottery being outweighed by the reduction of VAT evasion) is an empirical question. Furthermore, the political economy (i.e., considerations of how to get such a scheme into the political process) of a tax lottery require consideration in advance. Additionally, the tax lottery can also serve other purposes, such as serving as a communication vehicle to the citizens to stress the importance of tax payments. They may also trigger a public discussion about the two-way character of taxes (them being more than just a tribute, but something from which citizens expect something in return).

In order to maximize the effectiveness of this tool in fighting tax evasion, the mechanism of the operation of tax lottery has been designed to respond to principles of equity, efficiency and simplicity.

The main advantages are related to reduced costs for both participants and organizers and unhindered participation of all socio-professional categories is ensured. The withdrawal of the date and amount of receipts, as implemented in tax lottery in Romania, carries other advantages, among which the most important are shown as follows.

All tax receipts issued in period of reference participate in the tax lottery. Thus, there is no discrimination between receipts from any point of view. They have equal chances, regardless of the nature of the goods or services purchased, on the quality of VAT payer of the vendor, applied VAT rate, method of payment etc.

Waiving the principle "more receipts – more chances"[10] does not make the participants in the tax lottery to ask for more receipts of low value when they make purchases, but to want to have receipts of various amounts.

The possibility of each person to claim more prizes at the same withdrawal of the tax lottery encourages people to keep receipts and to ask for them from vendors. It is true that it can encourage sellers to keep the receipts refused by buyers, but this supports both the lottery and the tax evasion. We have to say that it avoids the organization of a market of winning receipts given that each holder is interested in claiming the prize for themselves.

The withdrawal system is transparent and fair with all receipt holders. There is a fair chance for all participants having the date and amount equal to the winning ones. The 100 winners (if there are more than 100 unclaimed receipts) are also made randomly, following the same rules. Considering that the withdrawals are broadcast on TV and the results are published in the mass-media both nationally and regionally, the transparency principles are strictly promoted and observed.

The amount of the tax lottery prizes is motivating and this is shown by the recent rule that caps the number of winners to 100 for each edition. Following the studies conducted, individual prizes are usually higher than the double of the prizes offered for the third category of the most popular lottery game from Romania.

The payment of the prizes is made only in a bank account and this also helps the efforts made to encourage using money through banks and not cash.

The tax lottery from Romania is meant to become a modern tool to support the fight against tax evasion and follows the trend from other EU countries. The implementation strategy is unique, completely different from other systems. The main advantage concerns the low management costs, which sets the premises for using the money for prizes and not for administrative costs. However, the tax impact of this project and its direct benefits against tax evasion in Romania are yet to be seen and assesed.

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[**9**] OG 10/2015 privind organizarea Loteriei bonurilor fiscale

Functional Programming Using the New C++ Standard

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Abstract. *In our article we demonstrate that the new C++ standard is the one preferred by economists and big software companies to implement AI and decision making algorithms. Today software technology evolves very quickly, to an old paradigm, called functional programming. This paradigm uses lambda functions ready to be used where declared instead of function pointers. The long term target is to let compilers evaluate rather than execute a program/function. The new C++14 standard allows lambda calculus as we demonstrate in the applicative section of implementing conditionals, booleans and numbers.*

Keywords: lambda, combinator, predicate, stochastic neoclassical growth model.

JEL Codes: M15

1. Introduction

As Phil Johnson stated, *economists have to write code in order to run and evaluate their complex mathematical models and simulations*. They want to improve their functional skills by understanding lambda calculus and improve de efficiency of programs by making them semantically transparent. A common approach to improve semantics of a programming language involves a translation of a given language into a language that represents labels and jumps as functions [Komendantsky, 2009]. Semantics gives meaning to a language, by assigning mathematical objects as values to its terms, that might be easily done using the new C++14 standard.

Extending functionality using callback functions is one of the goals of functional programming.[Pouliasis, 2014] After a literature review, in articles and archives available on international databases, such as Web of Science, EBSCOhost, IS journals and IS conference proceedings we found out that in near future might be possible to let compiler evaluate rather than execute a program. The evaluation may involve making calls to external resources and eventually receiving answers from such calls, so that the internal evaluation can proceed [AlTurki, 2015]. In our article we demonstrate how the newly C++14 standard can be used in functional programming by implementing conditionals, booleans and numbers.

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Implementing the stochastic neoclassical growth model, the workhorse of modern macroeconomics in C++11, results that *C++ compilers have advanced enough that, contrary to the situation in the 1990s and some folk wisdom, C++ code runs slightly faster (5-7 percent) than Fortran code.* [Borağan, 2014]

After [Hughes, 1990], using higher-order functions and lazy evaluation one can modularize programs in new and useful ways, gluing functions together, gluing programs together, and thus making functional programming languages appropriate for building AI applications.

D.Syme found that functional programming is simple, efficient and fun to work with, making worth by Microsoft to invest in F#, a programming language influenced by C# and OCAML, having orthogonal & unified constructs [Syme, 2008]

2. Research methodology:

The research methodology consists of the literature study with the focus on the C++14 standard that allow implementation of lambda calculus. Our study has 3 steps:

1. Choosing databases to search articles, archives and scratch. In this respect we have chosen Web of Science, EBSCOhost, IS journals and IS conference proceedings;

2. Screening papers and extracting information that might be transformed in knowledge. There have been chosen especially new articles. For the selection we asked several keywords, such as: *lambda calculus, functional programming*, etc.;

3. Using C++14 standard we made small implementations of lambda calculus, such as combinators, conditionals, booleans and numbers.

3. Literature review

In the nineteen century we assist at the reborn of logic at such magnitude that no one had seen it before for 2000 years. First steps where done by G. Boole (1815-1864) that define a new branch of mathematics based on a couple of truth functions (future operators) defined on a set made by only two values: true and false (0 and 1). [Rojas, 1998]

Further on, important steps were made in formal logic starting with G.Frege (1848-1925) proposing predicate logic to reveal underneath layers of propositional logic through analytic methods, continuing with B.Russel (1872-1970) and A.N.Whitehead (1861-1947) trying to set mathematics on logical based ground (Principia Mathematica).

Another valuable direction in logic is combinatory logic with the contributions of M.I. Schönfinkel (1889-1942) that introduced logical combinators (e.g. I, K, S) that could be used to represent any logical expression and H.Curry (1900-1982) credited for the currying method used for the transformation of logical expressions.

G. Boole (1815-1864)   M.I. Schönfinkel (1889-1942)   A.Church(1903-1995)

After the cold shower provided by the Russel Paradox and K.Gödel(1906-1978) Incompleteness Theorem, A.Church(1903-1995) proposed lambda calculus as an alternative computing model for A.Turing (1912-1954) Automata, that served as base for the next generation of functional programming languages.

4. Lambda calculus

Lambda calculus is a theory of computable functions that focuses on evaluation of expressions resulted from applying functions to other expressions. An expression could be made from another function (abstraction), bound/unbound variables and it is evaluated from left to right. Not everything that looks like a function fits obviously into the λ-calculus; examples include metavariables, capturing substitution, and functions depending on intensional properties like free variables [Gabbay, 2009]. There are only two operators: λ that precedes an abstraction and. (dot) operator that precedes any expressions the function is applied to. Round parentheses are used for grouping terms but they have no meaning. There is typed and un-typed lambda calculus but we prefer the first for the sake of simplicity.

One example of lambda expression is the following:

$λx.λy.λz.x\ y\ z$ (1)

, and using curried notation, we obtain:

$λxyz.x\ y\ z$ (2)

4.1. Combinators

There are few combinators that help us write more concise lambda expressions:

1.   Identity combinator:

$I = λx.x → x$ (3)

2.   Constant combinator:

$K = λx.k → k$ (4)

3.   The substitution combinator:

$S = λxyz.xz(zy)$ (5)

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4.2   Conditionals

For introducing a condition we introduce the pair structure which takes two false/true expressions and one predicate function that says what value to return: the first, or the second [Kieras, 2015]:

$$λx.λy.λf(f\ x\ y) \tag{6}$$

, where

$$TRUE ← λx.λy.x \tag{7}$$

, and

$$FALSE ← λx.λy.y \tag{8}$$

One possible C++ implementation of lambda conditional function will be:

$$auto\ IF = []\ (auto\ f,\ int\ a,\ int\ b)\ \{return\ f(a,b);\}; \tag{9}$$

, where the predicate function may be:

$$auto\ TRUE= []\ (int\ x,int\ y)\ \{return\ x;\}; \tag{10}$$

, and

$$auto\ FALSE= []\ (int\ x,int\ y)\ \{return\ y;\}; \tag{11}$$

In C++11, lambda function parameters need to be declared with concrete types. C++14 relaxes this requirement, allowing lambda function parameters to be declared with the auto type specifier.

For example, the line:

$$std::cout<<IF(TRUE,2,1); \tag{12}$$

, will output 2, and the line:

$$std::cout<<IF(FALSE,2,1); \tag{13}$$

, will output 1.

C++14 allows captured members to be initialized with arbitrary expressions. This allows both capture by value-move and declaring arbitrary members of the lambda, without having a correspondingly named variable in an outer scope [Sutter, 2013].

4.3   Booleans

Pair structure could be employed to represent logical operators like NOT, AND, OR: [Eberl, 2011]

$$NOT ← λx.(IF\ FALSE\ \ TRUE\ x)$$
$$AND ← λx.λy.(IF\ y\ FALSE\ x) \tag{14}$$
$$OR ← λx.λy.(IF\ TRUE\ y\ x)$$

One implementation of these basic logical functions will be:

$$auto\ OR = [\&]\ (int\ x,\ int\ y)\ \{if\ (TRUE(x,y)==0)\ return\ FALSE(x,y);\ else\ return\ TRUE(x,y);\};$$
$$auto\ AND = [\&]\ (int\ x,\ int\ y)\ \{if\ (TRUE(x,y)==0)\ return\ TRUE(x,y);\ else\ return\ FALSE(x,y);\};$$
$$auto\ NOT = [\&]\ (auto\ f,\ int\ x,\ int\ y)\ \{if(f(x,\ y)==1)\ return\ FALSE(x,y);\ else\ return\ TRUE(x,y);\}; \tag{15}$$

Reference all (&) option allows using predicate named functions, and turns the expressions in more readable form.

The result of calling OR lambda function is:

$$std::cout<<OR(1,0);\ //\ 1 \tag{16}$$

, calling AND lambda function is:

$$std::cout<<AND(1,0);//0 \tag{17}$$

,and calling NOT lambda function is:

$$std::cout<<NOT(TRUE,2,1);//1 \tag{18}$$

4.4 Numbers

There is no explicit value for numbers in lambda calculus. The value of a number equals the number of times a function applies to itself, like f ○ f ○ f ○ f … or simply put: *f(f(f(f(…))))*[Goldberg, 2014]

The Y combinator allows infinite recursion by applying to itself an indefinite number of times:

Y ← λf.(λx.f(x x))(λx.f(x x)) (18)

Y f ← f (Y f) ≡ f (f (Y f)) ≡ f (f (f(Y f))) ≡...

One way to use recursion finding the nth prime number in C++ using lambda functions is the following:

auto fact = [] (auto f, int n) {if (n==1) return 1; else return n*f(f,n-1);}; (19)

The result of calling the line

std::cout<<fact(fact,3); (20)

, will output 6, the (n-1) argument could be replaced by predecessor function PRED (n), like in the next example:

auto PRED = [] (int x) {if (x>0) return x-1; else return 0;}; (21)

, and the final form of fact expression will be:

auto fact = [&] (auto f, int n) {if (n==1) return 1; else return n*f(f,PRED(n));}; (22)

6. Conclusions

The C++14 standard gets lambda calculus to new expressive power, namely a lambda expressions will work with any suitable type, implicitly deducing the return type. The new lambda easily captures by move and allows defining arbitrary new local variables in the lambda object [Vandevoorde, 2013].

Although there is quite a long road to make compiler evaluate rather than execute a program/function, now is the time to discover that C++ is not anymore just C with classes but it has changed dramatically, as [Feathers, 2010] had stated: *Object oriented programs makes code understandable by encapsulating moving parts, functional programming makes code understandable by minimizing moving parts*.

7. Acknowledgement

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Estimating the Outdoor Recreational Value of Chitgar Forestial Park of Tehran with the Use of Contingent Valuation Method (CV)

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Abstract. *Among issues related to the environment, one of the most important issues is pricing the environment. In the present study, the outdoor recreational value of Chitgar Jungle Park of Tehran and its visitors' willingness to pay per visit (WTP) were estimated by using Contingent Valuation method (CV) and 140 questionnaires based on dichotomous choice. The results revealed that 30 percent of the surveyed people were willing to pay an entrance fee and the mean willingness to pay for each visitor was estimated at 3076 Rials and its total annual recreational value was estimated at 5 billion Rials. Among the effective variables on individuals' visit of this park, recommendation, income, per-visit cost, family size, and visits during a year were 1% significant; park facilities and quality were 5% significant; and the visitors' use of personal vehicles, education, type of house, as well as job were 10% significant.*

Keywords: Environment, Contingent Valuation (CV), Willingness to pay, Logit model

JEL Codes: Q51, C25, Q29

1. Introduction

Jungle ecosystems have a number of tangible and intangible economic benefits for human beings, which can be classified into four groups, namely, direct values, indirect values, select values, and existence values. Direct values are referred to direct use of resources which, in the case of jungles, include not only timber trade but also resin, sap and aliments such as walnuts, hazelnuts and Recreational and tourist incomes are also direct values. Indirect values are referred to the benefits which people can gain indirectly. Environmental and ecological benefits such as absorption of carbon dioxide, preventing soil erosion, controlling floods, modifying the weather and biodiversity are examples of indirect values. Select values include all direct and indirect values which are realizable in future or the values attributed to the ability to use the products and services in future such as future medical and agricultural discoveries concerning plants and new ecological resources. Existence values include the intrinsic value of a resource such as jungle and the value which people consider solely for the existence of that resource and its environmental activities. Therefore, recreational and tourist values are direct values of jungles and parks and include recreation, spending leisure time, walking and aesthetics (Hamid Amir Nejad, 1385 (2006)).

2. Statement of the Problem

Contributions Capitals related to nature and environments are very important in sustainable development and so far many attempts have been made to estimate and appraise the financial value of ecosystems' services. On a micro level, researches regarding valuation will lead us to the data related to the ecosystem's function and its pivotal role in human welfare; moreover on a macro level, ecosystem valuation can participate in creating and modifying the indices of welfare and sustainable development (Howarth & Farber, 2002).

Most of environmental products and services can be placed in public goods category because they frequently have no price tag and there are doubts about their actual price (Karimzadegan, 1372 (1993)).

Valuation can be defined as the process of evaluating a particular object or function. The valuation of non-market functions and services of environment is of great importance due to many reasons such as exploring environmental and ecological benefits by humans, presenting the environmental issues to authorities, making connection between economical policies and natural incomes, measuring the role and importance of environmental resources in human welfare and sustainable development, modifying national accounts such as GDP, as well as preventing the destruction and overuse of natural resources (Vaze 1998, Ashim 2000, Guo et al. 2001).

In this study, we attempt to estimate the outdoor recreational value of Chitgar Jungle Park of Tehran by using contingent valuation method. We will determine the factors influencing the payers' willingness to visit as well.

3. Theoretical Pricing Model

The value of natural resources in environmental economics includes use value and non-use value. The use value is the value gained from using products and services and is related to consumer's surplus in recreational use of natural resources. The use value includes the following: 1) Current use value, which is gained from the present use; 2) Expected use value, which is related to the use value in near future; 3) Probable use value, which is employed for use value in far future. The non-use value is the utility gained while we have not actually used any products. It includes existence value, friendship value, heritage value, and preservation value. In addition, urban parks and green areas have several more functions as well. Nature always attracts people with its beauties. Green vegetation with fountains, resorts and purlieu is a proper means to lower stress and is a good opportunity for exchanging ideas among families. Now the main question is that how valuable the environment is for people and how much they are willing to pay to enter parks. Although natural attractions have remarkable benefits, they have limited financial resources. Charging entrance fee can be the best method to raise funds and there are two views regarding this issue:

1. Public-good View: In this view, income taxes are the only valid resource for raising funds because they are national and belong to every individual and maximize the welfare of all society; therefore, they should be free for everyone.

2. Users' payments View: The supporters of this view believe that profits belong to those who use the environment because a small population of general public constantly visits these areas. Therefore, charging entrance fee is a suitable policy and can be a way of making money from international tourists because they pay taxes where they come from. It is stated that this policy may be detrimental to the low-income

parts of the society and may decrease their use, but the answer is that with various entrance fees, this problem can be resolved to some extent.

Evaluating environmental goods is highly difficult because they have some of the public goods features such as being indivisible and not possess-able; therefore, they have no market and it is difficult to price them because when there is no market, allocations are not effective..

Demand function: In consumers' preferences is one of the basics of economics and the most usual method is demand function. The demand function shows the amount of commodity which a person with a certain income and by considering a certain range of prices demands. In fact, demand graph is one of the methods to summarize the importance of a product for a person; moreover by summarizing a person's preferences for a product, we can calculate its total consumption via demand curve. There are a number of problems in calculating demand function of environmental goods, and the main problem is lack of market for environmental goods. However, we know that people value environmental goods and are ready to pay some money to preserve them. Therefore, we use the indirect method to calculate the demand function.

4. Indirect Methods for Calculating Environmental Goods Demand:

There are two simple methods: 1) Revealed preference method; 2) Expressed preference method.

1. Revealed preference method: This method is based on people's actual preferences in the market and extracting the demand through exchanging money and goods.

2. Expressed preference method: It refers to expressing the use value or non-use value of environmental goods by people. In this method, no goods is exchanged and choices are hypothetical and it includes asking people questions.

Revealed preference includes two methods:

1. Hedonic method: In case of lack of market, the value of an environmental phenomenon is calculated according to the market value of similar goods. Any difference between prices is the result of environmental conditions difference which affects the quality of products. For example, if other conditions are identical, it is expected that a property in an area with good weather has a higher price compared to a property in an area with polluted weather.

2. Household production method: Consumers combine private goods with environmental goods and use them so that they can obtain other desired goods. For example, if a house is located near a street and noise pollution annoys the households, it can be reduced by double-glazing the windows; in other words, we can obtain environmental goods (peace and quiet) by spending money on a private goods. Therefore, the expense that the family undergoes is equal to the value of environmental goods.

The approach of expressed preference is dominant method of contingent valuation, that is, if there was a market, how much a person would pay for environmental goods. In other words, the consumer is asked how much he is willing to pay to obtain environmental goods, or how much he is willing to receive to decide not to use environmental goods. In fact, this method is based on a hypothetical market which is used as an indirect method of demand estimation for environmental valuations.

5. Methods for Estimating Outdoor Recreational Value of Jungle Parks and Choosing Contingent Valuation Method

Travel cost method: This method is based on the evaluation of environmental sceneries and transportation projects, that is, if an individual goes to a recreational location with the entrance fee of zero, the minimum cost for that place equals to his access cost and we must add other costs to it as well. Since it varies from one person to another, we can find a demand function for that recreational place and by using that function we can calculate the consumer surplus as well. This method has some flaws as well; for instance: 1) It can only be used for certain locations (recreational attractions). 2) If an individual intends to visit several recreational places, it will be difficult to separate them. 3) The use of some places is seasonal and this method is not a short-term method and the valuation may become biased. 4) Since the distance between the place and people's houses varies, the value estimation may become unreal.

Considering these limitations, contingent valuation method is frequently used. The contingent valuation method was primarily proposed in theory by S.V. Ciriacy-Wantrup (1947) and the first practical application of the method was applied in 1963 by Davis. This method includes surveying people directly regarding how much they value recreational or relaxing utilities. In fact, the researcher's goal is to influence the degree of people's willingness to pay by explaining market conditions in a hypothetical market so that he can inform people why financial resources are necessary and in what parts, they will be spent. This method can be applied via two approaches:

1. Experimental approach based on simulation

2. Collecting data through questionnaires or survey techniques.

Willingness to pay: The willingness to pay is a criterion for measuring a consumer's benefits from a change in price or amount of a merchandisewhich most of it is related to outdoor recreational utilities and natural attractions since a natural attraction with free access is a non-market goods. The willingness to pay (WTP) is the amount a person would be willing to pay in order to obtain an increase in his welfare or to avoid a decrease in his welfare. Estimation of WTP for natural attractions is the basis of social cost-benefit analysis which is based on Kaldor-Hicks criterion. In general, when there is no market, the ultimate willingness to pay for a goods or service is considered as its shadow price, which depends on distribution of income, wealth and resource allocation in the entire economy and society.

6. Effective Factors on Willingness to Pay

The value that people consider for visiting and using recreational areas belongs to these places and people can show that by the amount of money they are willing to pay. The difference in people's willingness to pay comes from demographical, economical, social, and other related factors.

According to Ajzen Model (1966), behavioral variables such as willingness to pay are a function of attitudes influenced by individuals' behavioral experiences. The findings of Manfredo and Ker (1991) indicate that people's past behavior is effective in willingness to pay. Knetsch (1984) showed that the demand for natural attractions with unique sceneries and remarkable recreational facilities is inelastic to price.

Variables such as income, visitor's overall satisfaction, using a guide while visiting, group tour, and economic-political stability have positive influence and the number of previous visits has negative influence on willingness to pay (Reynisdottir & Song & Ayrusa, 2008).

6.1. Advantages and Ddisadvantages of this Method

Criticism: The results of surveys are based on hypothetical assumptions; therefore, they are biased (Hausman, 1993), which can be as a result of choosing incorrect samples, low ratio of answers, and other related factors.

According to Arrow (1993), the identified bias in this method is: Design bias, which includes the subjectivity for setting the asking price with payment tools. Operational bias is referred to lack of knowledge concerning the goods which we will evaluate. Hypothetical bias suggests that the force to pay may not really happen in near future. Strategic bias recommends that people's willingness does not reveal their actual preference, that is, general public tend to influence the future pay by overstating or understating their real willingness to pay. In fact, the aforementioned bias is categorized in four main categories.

Hypothetical bias: The main reason for hypothetical bias, according to researchers, is that respondents are asked to express their willingness to pay for changes. Moreover, they are frequently hypothetical and the responses may be unreliable. The best studies are those closer to reality.

Information bias: It originates from the information provided to the respondents in such a way that the primary prices offered to people are effective in forming their paying. In payment vehicle bias, it is stated that reasonable behavior can explain the reason for the relation between willingness to pay and payment tools. Evidence suggests that the amount of asking price can be sensitive to payment method.

Strategic bias: it is caused by respondent's personal tendency to influence the results of the study. This bias is one of the clear examples of hitchhiking phenomenon in which the respondent, while answering the question, considers if he will really be asked to pay the asking price in the future; subsequently, he expresses the amount of his willingness to pay based on that problem.

Although bias cannot be completely eliminated, careful design of the questionnaire and statistical process of survey can control the bias of respondents and minimize them.

This method has several advantages such as widespread use, reliable valuation of travels without considering if the aforementioned place is the first destination or the second, ability to estimate both use value and non-use value and the possibility to study the surveys which lack market data. These have made this technique a highly practical tool in economic analyses.

Payment vehicle: It is very important to choose an appropriate payment vehicle because the type of payment vehicle can greatly affect the results. In general, the common vehicle for recreational values charges an entrance fee and other vehicles pertaining to preservation and security are usually in the forms of taxes, entrance fees, or cash donations.

The most important ways of collecting data are: Direct interviews, questionnaires and telephone surveys. The direct interviews for being expensive, surveying via letters for the low number of received responses, and telephone surveys for limiting the information are not usually used. In most surveys pertaining to contingent, valuation questionnaires are used. According to aforementioned points, in order

to let respondents know about the hypothetical market, a DDC questionnaire was designed for interviews and finding out visitors' WTP for estimating the outdoor recreational value of Chitgar jungle park of Tehran. This questionnaire consists of two parts. The first part includes the socio-economic status of respondents in a way that it surveys regarding their education, number of family members, income and other characteristics. The second part is related to their willingness to pay. In this part, three offers of 3000 Rials, 5000 Rials and 7000 Rials, which were obtained by using Gauss software, were prepared in the form of three related questions. In the first question, we asked about the average price (5000 Rials) which by this means: Chitgar Park has provided an opportunity of recreation and relaxation for you; are you willing to pay 5000 Rials as an entrance fee to use them? In case of negative answers, the lower price (3000 Rials) was asked and in case of positive answer, the higher price (7000 Rials) was asked. The respondents could respond either positive or negative answer and if they were not willing to pay anything, they were able to give no answer. To estimate the adequate number of samples, Cochran Formula and simple random sampling were used in this study. The adequate number of samples was obtained based on analysis of mean and variance of the statistical population resulted from filling 30 questionnaires. At the end, 145 questionnaires were filled and 19 of them were placed aside because they were incomplete or the questions were not understood by respondents. The other 126 questionnaires were analyzed. Questionnaires were completed in two weeks in summer 1391 (summer 2012).

7. Methodology

In our methodology for estimating the willingness to pay, we assume that the person accepts the offered entrance fee provided that he maximizes his utility (John Asafu, 2008). The utility that a person gains by using environmental resources is more than the time that they do not use environmental resources.

U(1,Y-A;S)+ε_(1)≥U(0,Y;S)+ε_0

The difference of utility because of using environmental resources is calculated as follows (John Asafu, 2008):

U=U(1,Y-A;S)-U(0,Y;S)+(ε_1-ε_0)∆

1 represents acceptance of paying entrance fee, 0 is designated as refusal of paying entrance fee. A is assigned as the offered entrance fee, Y stands for the person's income and S is other characteristics. ε_1 〖and ε〗_0 are random variables with the mean of zero which have been distributed equally and independently.

(P_i), the possibility that the person will accept the price A, is as follows (based on logit model). It is an indirect utility that the visitor gains.

$$P_i = F_\eta(\Delta U) = \frac{1}{1 + \exp(-\Delta U)} = \frac{1}{1 + exp\{-(\alpha - \beta A + \gamma Y + \theta S)\}}$$

$F_\eta(\Delta U)I$ represents a cumulative distribution function with a standard logistic difference.

Y stands for the person's income, A is the offered price and S is other characteristics.

7.1.   Introducing Chitgar Park

Chitgar Park, with an area of 950 hectares, has always been an attractive resort for Tehran's residents to spend their leisure time. However, due to different problems including lack of appropriate recreational services and security, its permanent use has not been possible. Geographically, the park is located between Tehran and Karaj and it is surrounded by small towns. From south, it is limited to Tehran-Karaj highway and railway and from north, it is limited to Resalat highway and from west, it is limited to Peykan Shahr town and the Botanical Garden. It is predicted that the foresight of a central lake in the reorganization plan of Zone 22 of Tehran, with an area of about 355 hectares (the lake basin is less than 100 hectares) and capacity of 35 million m2 of water, located adjacent to Chitgar Jungle Park can make it the largest recreational facility in Tehran. The land of park has many ups and downs; therefore, it has many steep slopes ranging from 0 % to 80%.The park is mainly stretched from east to west and the ups and downs are mostly formed by small hills. Chitgar water course divides the park into western and eastern parts. The eastern part has an area of about 253 hectares and the western parts covers an area of nearly 658 hectares. The lowest and highest altitudes of the park are respectively 1225 and 1313 meters (the difference between highest and lowest points is 88 meters). The trees covering the park include an area of about 734 hectares. Approximately, 53 percent of these trees are acicular-leaved trees. In total, acicular-leaved trees cover about 390 hectares of the park (about 48% of the park's total area). Broad-leaved trees cover 47 percent of the park.

The current facilities of Chitgar Park include cultural-sports complex, playgrounds, conference hall, storehouse, bicycle station and cycling track, fire station, restaurants and cafes, office buildings, parking, gazebos and tents.

Most of these facilities are located in the eastern part of the park and the western part has fewer facilities and is remained intact and wild.

8.   Review of Literature

Many efforts have been made to estimate the amount of benefits gained from recreational forest and national parks. Such activities are an important part of benefit-cost analysis for management plans of jungle parks. In addition, a number of researches have been made regarding environmental preservation using contingent valuation method. The outdoor recreational value of Madagascar Jungles was estimated $360 to $468 using travel cost method (Maille& Menderlsohn 1991). The value of jungles of Montana State of America, according to contingent valuation method, was $108 for each travel and for eastern jungles of America, this amount was $10.43 a year for each household (Krieger, 2001). The outdoor recreational value for five Korean national parks using CV method was an average of $10.45 a year for each household (Lee Shan, 2002). Echeverria, et al. (1995) estimated the existence value of Costa Rican jungles $238 per hectare a year. Tomas, et al. (1997), using CV method, found out that people were willing to pay between $5 to $325 a year in the United States of America in order to protect groundwater from chemical pollutants. Pajiola (2001), using CV method, estimated that locals and tourists were willing to pay $170 and $70, respectively in order to repair the Roman Palace in the ancient city of Split, Croatia. Togrido, et al. (2006) estimated visitors' WTP for Alonnisos Marine Park, Greece 120 and 30 BWP for locals and tourists, respectively. Costanza, et al. (1997) studied the total value of environmental and ecological services of 17 different ecosystems around the world and reported the outdoor recreational value of $112 for tropical

jungles   as well as $36 per hectare for temperate jungles. The outdoor recreational value of Malaysian jungles, using CV method, was estimated at $740 per hectare. Amigues, et al. (2002) estimated the preservation value of Garonne river bank ecosystem in France, using CV method with Tobit linear model, semi-logarithmic model and Heckman two-stage model respectively at 67 FF, 66.13 FF and 133 FF. Whitehead and Finney (2003) valued the North CarolinaCoast, US, using CV method. The mean WTP for each visitor was $36 and the annual benefit gained from historical shipwreck park was estimated at 1.75 million dollars (this coast has about 5000 shipwrecks).

Several studies in Iran that have used CV method are as follows: For the first time, the outdoor recreational value of Sisangan park was studied in 1353 (1974) using TC method and was estimated at 8960 Rials (Bakh shaei, 1353(1974)).

The value of Northern jungles of Iran is $2.51 for each household and the annual value is $30.13 (Amir Nejad, Khalilian, Osareh and Ahmadian, 2006). Asgari and Mehregan (1380 (2001)) estimated the WTP for historical Ganj Nameh in Hamedan, Iran, 1560 Rials per visit, using CV method. Mowlayi et al. (1380 (2001)), using CV method, showed that the WTP for preservation of Arasbaran jungle ecosystem was 112.52 Rials for each household a year. Dashti and Sohrabi (1387 (2008)) estimated the WTP for Nabovat Park in Karaj, Iran, at 3300 Rials for each visit, using CV method. The mean WTP for tourist value of Golestan national park was estimated at 3520 Rials per visit. The annual tourist value of this park was estimated at 1.96 million Rials per hectare and its total tourist value at 18 billion Rials (Amir Nejad, 1384(2005)).
Emami and Ghazi (1386 (2006)) estimated the mean WTP for Saeei Park of Tehran at 1840 Rials per visit, its monthly recreational value at 220 million Rials and its total annual recreational value at 2.7 billion Rials.

Zahra Tavakoli in her Master's thesis at Tehran University estimated the mean WTP for Chitgar Park 419.7 Rials per visit, using CV method. The independent variables of age, family size, number of previous visits, the offered price, income, gender and visitors' satisfaction were significant and the independent variable of education was negatively significant in this study, which is against economic theories. In the present study, using a different questionnaire, we found out that the independent variables of using personal vehicles, cost of visit, education, number of family members, park facilities, owning a house, income, visitors' opinion about park quality, average annual visits of park, job, and the offered price are significant.

9. Results and Discussion

To estimate the value of park, those visitors were surveyed who were financially independent; therefore, at the beginning of the questionnaire, we mentioned that we needed those who had independent income and free will.

Various questions were asked in this questionnaire. The variables are as follows: age, gender, education, membership in environmentalist organizations, marital status, number of family members, income, using personal vehicle, estimating the cost of visit, travel duration, time spent in the park, number of annual visits, environmental quality of park (choosing from 0 to 100), current park facilities (choosing from 0 to 100), and type of housing.

Table 1: Distribution of visitors' jobs

	employee	teacher	Self-employed	student	Housewife/husband	worker	retired	total
number	37	6	33	27	13	7	3	126
percentage	29.37	4.76	26.19	21.43	10.32	5.56	2.38	100

Table 2: Distribution of visitors' education

	Doctorate	Master's	Bachelor's	Associate's	Diploma and under	Total
number	0	12	43	26	45	126
percentage	0	9.52	34.13	20.63	35.71	100

Seventy of respondents (55.56 %) were men and 56 of them (44.44 %) were women. Eighty eight people (69.84 %) were not willing to pay an entrance fee and 38 people (30.16 %) were willing to pay an entrance fee.

Twenty five of respondents accepted the 5000-Rial entrance fee. Six people were willing to pay the 7000-Rial entrance fee after they had accepted the 5000-Rial entrance fee. Seven individuals did not accept the 5000-Rial entrance fee but were willing to pay 3000 Rials as an entrance fee. The logit model results, after elimination of insignificant variables, are shown in table 4.

Table 3: The logit model results for Chitgar Park, after elimination of insignificant variables

variable	coefficient	t-statistic	Significance
Constant factor	-9.881973	-2.322780	0.0202
Vehicle	2.480777	1.740382	0.0818
Cost	-0.141554	-2.608796	0.0091
Education	-0.939745	-1.710225	0.0872
Number of family members	-1.522711	-3.001174	0.0027
Facilities	0.084020	2.544638	0.0109
Housing	2.302760	1.849446	0.0644
Income	0.008193	2.863980	0.0042

URL: http://jedep.spiruharet.ro
e-mail: office_jedep@spiruharet.ro

Quality	0.071872	2.384186	0.0171
Visits	0.271852	2.855010	0.0043
Job	-0.563401	-1.911998	0.0559
Offer	-0.0021376	-3.234544	0.0012
Mc Fadden R-squared=0.679329			
LR statistic:93.31836 prob(LRstatistic)=0.000000			
Log likelihood=-22.02508			

Reviewing the coefficients shows that the most important explanatory variable, which is entrance fee offer, is at 1% significance level and it is minus which means the more the entrance fee increases, the less its WTP will be. The coefficient of income variable is at 1% significance level and it is positive, which means the more the income, the more the possibility of willingness to pay of an entrance fee. The cost variable is at 1% significance level, which means the more the travel cost, the less they are willing to pay an entrance fee.

The number of visits during a year is at 1% significance level and has a positive effect. The number of family members is at 1% significance level and has a negative effect. The park facilities and quality have a positive effect at 5% significance level. The type of housing is at 10% significance level, which means those who own a house are willing to pay a higher entrance fee. The vehicle variable is at 10% significance level and has a positive effect. Job has a negative effect and shows that the retired and workers are willing to pay a lower entrance fee and it is at 10 % significance level. All these are in compliance with the theory.

The education variable is at 10 % significance level and has a negative effect which is due to the way of entering the variables into the software, because we attributed 1 to doctorate, 2 to Master's and so on. That is, as the education decreases, the WTP also decreases, and this is in agreement with economic theories.

9.1. Calculating the WTP and the total annual outdoor recreational value of the park

There are three ways for calculating the amount of WTP: 1) the mean WTP, in which the numerical integration over the domain of zero to infinity is used in order to calculate E (WTP). 2.) The mean of total WTP, which they use the integration over the domain of -∞ to+∞ for calculating E (WTP). 3) The mean of approximate WTP, in which the numerical integration over the domain of zero and maximum offer (A)is used in order to calculate E (WTP). Among these approaches, the third one is the best because it retains the consistency and agreement of limitations with the theory, statistical efficiency, as well as integrability.

$$E(WTP)=\int_0^{MAX.A} F_\eta\,(\Delta U)dA = \int_0^{MAX.A}(\frac{1}{1+exp\{-(\alpha^*+\beta A)\}})dA$$

E (WTP) is the expected amount of WTP and$\alpha^*$is the adjusted y-intercept that other effective factors have been added toα^*.

$$E(WTP)=\int_0^{7000} 1/(1+\exp\{-(6.459-0.0021A)\})\, dA=3076.334$$

An amount of 3076.334 is obtained for each visit of the park.

Based on the interviews with officials concerning the number of visits to the park, the following statistics was received. The average number of visits on weekdays was 5500; on Thursdays, it was 9000 people; on Fridays, it was 12000 people and on national Nature Day (April 2nd), it was 250,000 people. Therefore, the number of total annual visits is 1,654,500 individuals and the total outdoor recreational value is calculated through the following equation:

Total value of park= the mean WTP * the number of total annual visits

Total value of park= 3076.334 * 1654500= 5089794600

Thus the total outdoor recreational value of the park is 507,327,442.05.

10. Conclusion

In this research, we studied the outdoor recreational value of Chitgar Park and determined whether people were willing to pay an entrance fee. We used the CV method and dichotomous-choice questionnaires because people can choose their criteria based on monetary measures. Given that Iran is a developing country, only 30 % of people are willing to pay an entrance fee. In this study, the mean WTP was 3076.334 Rials and its maximum amount was 7000 Rials. The total outdoor recreational value of the park was estimated at 5,089,794,600 Rials, which shows the value users allocate for the environment. The results reveal that the amount of entrance fee, income, number of visits during a year, number of family members and cost are the most influential factors on willingness to pay and they are at 1 % significance level and park facilities and quality are the variables which are at 5 % significance level. Using a personal vehicle, education, owning a house and job are the variables that are at 10 % significance level. Since park quality and facilities are variables influential on accepting an entrance fee, we can attract more people to parks by creating suitable places for families and improving the facilities including public restrooms and playgrounds. Considering the air-pollution in Tehran, attracting more people to parks can be an effective step to increase users' psychological comfort and peace.

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Book review (Peet, R., Hartwick E. – Theories of development: Contentions, Arguments, Alternatives)

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Abstract. This book review aims to discuss the new perspectives on theories of development provided by two outstanding scholars: Richard Peet and Elaine Hartwick in their recent published book "Theories of development: Contestations, Arguments, Alternatives". An interesting point a view is presented from the beginning: development means a better life for everyone but economic growth can occur without touching problems like inequalities, poverty etc. The introductory chapter explains the differences between Growth and Development, and it is followed by a part I Conventional Theories of Development, part II Nonconventional Critical Theories of Development, part III Critical Modernism. Readers will find this book review intriguing and interesting enough to stimulate their curiosity to explore this fascinating book.

Keywords: one, two, three, etc.

JEL Codes: B12, B13, B14, E12, O1, O4, P16,

1. Introduction

Richard Peet is Professor of Economics, Technologies and Environment and Professor of Geography at Clark University USA where he was the founding member of a radical geography movement and a long time editor of the "*Antipode: A Radical Journal of Geography*". Peet's reseacht interests gravitates around development, global policy regimes, power theory and philosophy , political ecology and finance capitalism.Elaine Hartwick is Professor at Framingham State University where she teaches courses in political, cultural and regional geography and global development.

Those two scholars have reunited their knowledge to write a book on theories of development, in an objective manner, presenting the most important theories, accepted or criticised. Their purpose was to provide readers arguments or alternatives and helping them to find their own research orientation.

The book clarifies the basic ideas of contemporary controversies and debates surrounding economic growth, environmental crisis, and global inequality. It emphasizes the points of contention among the various theories, and their relationship with historical and current world events, and works toward envisioning a form of development that makes life better for all. New to This Edition reflects the latest data and global development trends, such as the effects on economies of extreme weather events and climate

change. New discussions throughout the chapters, including the work of Thomas Piketty, Richard Florida, William Easterly, Niall Ferguson, and Arturo Escobar. The authors discuss the current crises, including the global financial meltdown and its consequences and the rise of finance capitalism.

Introductory chapter: "Growth versus Development" start by defining the concept of development which means a better life for everyone. But, in today's world a better life means meting the basic needs such as sufficient food, a safe healthy place to live, affordable services available for everyone, and being treated with dignity and respect. These needs are the basics for human survival, after meeting them, development can be seen in a broader perspective: in term of material and cultural vision of different societies.

Development understood as a better life is a powerful emotional ideal, more a discourse that has the power to move people, to affect us immediately or to change us forever.

Instead, economic growth, in authors' vision , means achieving a more massive economy able to produce more goods or services reflected in GDP(gross domestic product) and to generate a larger total income in the GNI (gross national income) . But economic growth can occur without touching problems like inequality and poverty when all the increase of income goes to a few people.

Authors are seen economic growth as a mean to channel money and power to the already rich and famous, but for the developmentalists consider this a travesty of ethics and a tragedy of modern economic theory and practice. So, development is interested not so much in growth of an economy but rather in how production occurs and how the results are dived among society members. Economic growth damage the environment but development pay attention to the environment affected by the economic activities.

The introductory chapter illustrates the differences and commonalities between the two concepts: development and economic growth.

Being human geographers, authors seem to embrace the analysis of the relation between humans and nature and how environment was dramatically changed by the economic growth.

2. Part. I Conventional Theories of Development

To understand the value of this book you just need to follow closely the authors' journey from the classical economics theories to the newest ones. In first part, authors present the conventional theories of development starting with Classical and Neoclassical Economics, from Keynesian Economics to Neoliberalism, Development as Modernization. As been the third edition, the book caught attention of various readers, from eminent scholars, as Piers Blaikie, to undergraduate/graduate students in Geography, Political Economy or International Development.

´Theories of Development, Third Edition, is as far reaching, widely referenced, and penetrating as its predecessors. The book has been updated with the work of Piketty, Ferguson, Escobar, and others, as well as strengthened argumentation throughout. Perhaps it is ironic to say this book has kept pace with global crisis. This is an ideal text for upper-level undergraduate and graduate programs in geography, international and development studies, and other social sciences focusing on social change. Beginning doctoral students

will find the book useful for situating their own research in a wider context of social theory." — says Piers Blaikie, PhD, Professor Emeritus, School of International Development, University of East Anglia, United Kingdom.
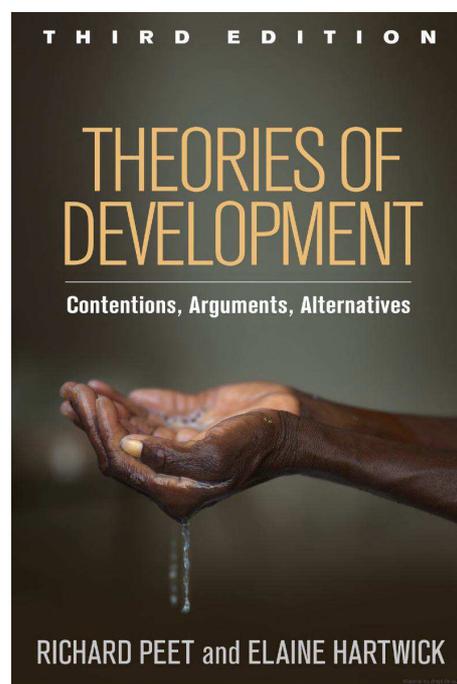

Fig. 1: The book's cover

It is interesting to discover that there a lot of theories on development, old or recent ones, and authors ask themselves rhetorically: Could scholars agreed upon one development theory? Is it possible to find the arguments to support all of them that "best" theory and concentrate their efforts to show what policies to pursue? The answers cannot be simple ones just because each theory reflects the diverse political positions of their adherents. Some of the theories can be categorised as been "conventional" who accept the existing basic capitalism structure as being the best society structure that could ever be. These theories tend to emphasize the economic growth over development or, in other words, to see development as economic growth.

Conventional theories are focused on Economics or synthesised the mainstream of Keynesianism and growth theory onto a classical and neoclassical framework.

Chapter 3 Modernisation theory – the chapter explain us that the theory derives from sociology and began as a mild criticism of neoclassical economics. The criticism vanishes into a accomplice positioning and this evolution is subject of the chapter 4 Mainstream economics. Development is seen as a "stage-type" process, uniform lead by the historical rise of Western economies over the years. In this view, the rest of the world is continuously trying the catch –up with Westerns.

Authors' work is considerable and the ways in which they extract what is relevant for each of the mainstream policies that derive from these development theories are extremely beneficial for readers being in their early stage professional career. Comparisons can be and should be developed most of all because it is a big need to understand which policy is more beneficial or not on long term.

Part two – Nonconventional, critical theories of development is dedicated to Marxism, Socialism and their link to Development. Apart from the descriptive presentation of Marxism, production as transformation of nature and Development as Social Transformation, authors are equidistant in their presentation because they include Criticism of Marxism and Ne-Marxist Theories. To better illustrate their arguments, authors took some cases: Socialist Development in USSR, Cuba, Venezuela and formulated their own conclusions. Chapter 6 Poststructuralism, Postcolonialism and Postdevelopmentalism is dedicated to Enlightenment and its criticism and Post –enlightenment criticisms that cannot be forgotten. An interesting description can be discovered when readers turn pages at Intellectually Dependency Theory. Feminist Theories and there links to Development is one of the themes largely discussed in chapter 7, most of all, the position of "Women in Development" or "Women and Development" were described in a easy to understand manner which allow readers to develop their own point of view on Feminist theories. It should be clear for anyone, gender cannot be ignored in development studies.

The last part of the book – Part III Critical modernism is dedicated to alternatives, as much viable they can be. A significant overview on ethical issues of development studies is provided and social movement and radical democracy are equally represented and discussion themes.

Nevertheless, readers with less knowledge in this field are welcome too, just because authors have employed a easy to understand linguistic style at the same time with comprehensive sample or description that help readers to connect information and to develop their own critical thinking patterns.

3. Acknowledgements