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FOREIGN LANGUAGE COURSES FOR A BETTER INCLUSION IN THE LABOUR MARKET – PROFESSORS' PERCEPTIONS

Gyongyver Măduța*

Abstract

The purpose of the study was to identify the perceptions of university professors regarding how universities respond to students' expectations and needs, for a better inclusion of such graduates in the labor market. In-depth interviews with representatives of the relevant stakeholders (teaching staff from the main fields of study analyzed (Letters, Foreign languages, Social Sciences etc.) were performed, based on a semi-structured interview guide.

The results identify the main changes in the evolution of students as a result of digitization, as well as means of adapting to changes in the labor market employed by teachers. The directions outlined as a result of the content analysis represent satisfactory elements in the employed research approach, and can also represent starting points for future studies, of either qualitative or quantitative nature.

Keywords: *consumer behaviour, qualitative research, semi-structured interview, language learning*

JEL Classification: D83, P36, P46, Z11

1. Introduction

The present qualitative research involves an interpretive but also naturalistic approach to a current issue, respectively the proper inclusion of university graduates in the labour market. So we want to understand, but also to interpret the phenomena as they are viewed by individuals [Smith, Denzin and Lincoln, (1994: p. 2)], in this case, college professors, who possess hands-on experience regarding the strengths and weaknesses of the university landscape in Romania. This type of research is based on the idea that people assign meanings, which are different from one person to another, to the world around them [Rogers et al., (2005)]. Based on the hypotheses already formulated (regarding the consequences of the involvement of people in the given situation), an interview guide was developed (in which the issues that will be addressed in the conversation focused on the subjective experience [Keshavarzi et al., (2019)] of the subjects' involvement in the given situation are fixed) which is to be applied to the same subjects. What is important, in the case of this type of interview, is that the researcher has previously studied the experience lived by the subjects [Llopert et al., (2018)], selecting the aspects discussed, namely the identification of professors' perceptions regarding the

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way in which the universities respond to the expectations and needs of students through language courses, for their better inclusion in the labor market.

The semi-structured approach will be used, in which the moderator leads the discussion through a set of open-ended questions to direct the conversation towards achieving the pursued objectives.

From a national point of view, ARACIS (the Romanian Agency for Quality Assurance in Higher Education) carries out the institutional accreditation of universities, as well as of the study programs carried out, emphasizing the communication between the academic and the economic (beneficiary) environment in order to harmonize the skills developed on the duration of studies with those required by the labor market. That is why, in order to facilitate communication between all involved members, educational institutions have implemented CEPS (Study Program Evaluation Committees) which include: teaching staff, students and representatives of the economic environment. They have the role of keeping the study programs as close as possible to the needs of the market and to intuit its future development directions and to introduce them in time in the didactic process. Employer surveys are also organized annually for the level of satisfaction with regard to the training of young graduates [Mazerolle et al., (2015)] and proposals for improving the didactic process. At the end of their studies, the degree of satisfaction of the graduates with regard to the content of the study programs is measured, and the universities take this aspect into account in future accreditations.

Due to the fact that all sectors of activity are developing at an alert pace and due to the negative challenges that appear year after year (eg: economic crises, cyber or terrorist attacks, the COVID19 pandemic, etc.), the implementation of a flexible educational system must be considered, one that is visionary, adapted to new challenges and synchronized with the economic environment and technological advances.

2. Methods

The purpose of the study is to identify the perceptions of foreign language teachers in universities regarding how universities respond to the expectations and needs of students, for a better inclusion of them in the labor market.

2.1. Objectives

The specific objectives of the current study were stated as follows:

- Identifying language teachers' perceptions regarding the changes occurring on the labor market in Romania in 2022.
- Identifying the teachers' perception regarding the need to adapt the subjects taught in order to facilitate employment opportunities for students.
- Identifying the main changes in the evolution of students as a result of digitization.
- Identifying ways to adapt to changes in the labor market adopted by professors.

2.2. Research method

In-depth interviews with representatives of the relevant stakeholders (teaching staff from the main fields of study analyzed (Letters, Foreign languages, Social Sciences, Economic Sciences, etc.)

The discussions are based on a semi-structured interview guide. Number of participants: minimum 10 language professors, and the time needed to generate data: approx. 30-50 minutes. The sampling method used was the snowball method, through recommendations from other specialists.

The participants in the research are employed within the large university centers that offer study programs with specializations in researched fields, but not limited to them. For a more thorough analysis of the factors that influence the academic course of students and a better coverage of research needs, the participants are academics with more than 5 years of experience in higher education.

A short recruitment questionnaire was used for the selection of research participants, through which we ensure compliance with the conditions imposed by this methodology.

Due to the pandemic context, the interviews were conducted by phone and email, the respondents being asked to answer in as much detail as possible to the topics under discussion. The interviewers interacted with the respondents by phone before and after the transmission of the interview guide in order to clarify any misunderstandings in the guide and to discuss the answers. The recruitment questionnaire and the interview guide were pre-tested by administering them in order to identify possible misunderstandings of the text or redundant topics.

The data collection period was: April-July 2022. The data analysis was carried out by means of content analysis.

3. Results

Following the application of the interview guide in the months of February-April 2021, 21 in-depth interviews were collected, in which teaching staff from the University of Bucharest, the Faculty of Foreign Languages and Literatures (2 respondents), Babes Bolyai University (1 respondent) participated, the University of Oradea (3 respondents), the Academy of Economic Studies in Bucharest (5 respondents), the University of Iasi (5 respondents), the Romanian-American University (4 respondents) and the University of Bucharest, Faculty of Sociology and Social Work (1 respondent).

To the question "Can you briefly describe to us how the subject(s) you teach prepare students to find a job more easily!" the majority of responses focused on the ideas that the subjects taught develop their "strategic thinking and analytical thinking skills", "the logical/structured thinking they will need in whatever type of job they will enter after graduation", "expanding their perspective" on the real needs on the market, or help them in "solving practical situations" or "the taught disciplines bring a considerable contribution to the preparation of students to find a job more easily, as the acquired knowledge is extremely useful in fields of activity frequently requested on the labor market", developing skills and competences specific to each specialization. "Both the theoretical notions taught and the practical ones aim at" the development of specific skills that are consistent with the European or international norms related to each specialization. The majority of respondents mentioned the importance of "skills acquired during studies, they are part of the essential skills that must be fulfilled today on the labor market: communication ability, adaptability to change, adaptability in inter-human relations, continuous improvement etc." There were also respondents who

went into detail on how the subjects help students gain easier access to the labor market, "Research, as it has a very high applicability and finds its place in any company or institution. Moreover, this discipline opens their eyes to making decisions based on clear information, not instinct.", but the essence is the same as presented by the other respondents, critical, structured thinking and opening perspectives would be the most important benefits for students. The importance of developing "analytical skills that are necessary for a wide range of jobs" was also mentioned.

As a conclusion, although from various humanities fields, the respondents aim, through the subjects taught, to develop skills and abilities that will help students find a job more easily in accordance with the specifics of the studies followed.

To the question about how "the analytical curriculum in the program you teach is adapted for students to find employment in their field of study?" the answers have as their central idea the fact that the Universities offer students "the theoretical foundation that they can then develop by developing practical skills in the labor market", "the analytical program is consistent with the requirements of the European labor market and the curricula of the other universities in Europe. It is annually adapted to the changes that occur in the field of specialization." or "taught disciplines are corroborated with the expectations of representatives of the epistemic community, professional associations and representative employers in the field". The grades are positive from all respondents regardless of the university they come from. The programs are "adapted for the students to obtain the necessary knowledge for employment in the field" of studies, or are personalized in such a way as to convey to the students not only theoretical notions but also "the appropriate language for presentations, the language of conferences and meetings, description of tables and graphs. Students assimilate not only structures, expressions and vocabulary in specific business situations, but also improve their intercultural understanding". More specifically, the program includes a large number of laboratory hours in which students learn practical skills specific to the field. The ease of searching for digital information gives a false sense of security to students when solving problems or exercises", or "the topics addressed in the discipline sheet follow the topics imposed by international conventions, without which the graduates cannot participate in the translator certification exam." Respondents from the Bucharest University believe that "The programs/course sheets are developed in line with the objectives of EU higher education institutions and recognized internationally. Statistically speaking, all graduates have the chance of an immediate job, according to their training" and the respondents from the Babes Bolyai have a similar view, "What the students learn in our class gives them the theoretical foundation that they can then develop through developing practical skills in the labor market. Beyond giving them tools, very restrictive applications, rather it creates for them a theoretical foundation on which they can explore the practice of the subject in areas of interest to them." However, a perspective worth taking into account, and analyzed in detail, is offered by the respondent from the University of Iasi, who believes that "The times when a college degree was enough for a successful career are long gone. For employment today, as important as the theoretical knowledge are the interest, the degree of involvement of the graduates and the experience they bring with them to the potential employer." Thus, in order to be successful on the labor market, it is no longer enough to attend a university's courses, no matter how adapted the curriculum is to the

requirements of the labor market, the degree of involvement of the graduates and the experience they bring is also of major importance. Therefore, at the program level, the strategy approached by the respondents is an adaptive one in such a way as to successfully meet the ever-evolving demands of the labor market.

A question referring to technological development "Referring strictly to your subject, with the increasing importance of the digital environment in our lives, what are the most important behavioral changes you have observed in your students, in the interaction with the theoretical notions and the materials offered!" receives very varied answers, determined by the nature of the subjects taught. Thus, from the respondents coming from philological fields, the unanimous answer is that "we did not notice any important changes in behavior" but one of the respondents also mentions the fact that students "if they do not show enough interest and do not work extra to overcome the shortcomings of the study through online meetings and they will not have an individual program of sustained training, they will, I think, have a more difficult career start, justified by the accumulated shortages". From the answers received from ASE teaching staff, the perception is a little different, "they are better informed with concrete situations in the market, working skills on different simulation platforms, much more practical thinking", the difference being made by the nature of the subjects taught, but and their approach, "teachers must adapt their way of working, to make the courses and seminars much more interactive, which also makes the student much more connected, because he knows that he is not listening to a monologue, but it will be a dialogue. In this period of online courses, the questions addressed to the students are much more frequent, to ask their opinion on a certain subject", apart from the way of approaching the subjects, a change in the actual behavior of the students is also observed, two respondents mentioning that "the students they don't learn the way I used to, maybe, learn when I was like them, but they are much more open to learning using devices, connecting with people in the practical world, being interested and curious to learn a lot many on his own about the subjects they are passionate about. The changes in their way of learning represent our challenge to speak to them "in their language" but also that there is a "decrease in concentration and an increase in individualism".

The vast majority of respondents highlight the positive effects on the learning process, since "the digital environment is the second home of today's student. In the interaction with the theoretical notions and the materials offered, the students concentrated better, became more motivated and curious", or "the attendance at the lectures and seminars, the punctuality of the students, the acquisition of knowledge and the ability to translate it into projects practice has improved considerably since education is also carried out online, through specialized educational software tools. The main change in students' behavior that we found as a result of the interaction with the theoretical notions and materials offered is related to their increased interest in teaching and research activity, highlighted by participation in specialized student scientific events, by publishing articles scientific journals in the university's specialized magazines", to perceptions that also surprise small shortcomings such as "students generally showed a positive behavior, realizing that technology should also be used for study, not just for fun. It was noted, however, a significant need for the development of digital skills" or "the opening of students in the didactic process, in the case of subjects where IT

equipment is used. Attention and the degree of absorption of the concepts taught in this case are higher, at the expense of those in which such facilities are not used."

Some of the respondents see and highlight the negative effects of the digital environment, which lead to the "refusal to read theoretical materials and preference for increasing the application part. They get tired faster, they become more vocal due to working on the computer, which affects their attention and behavior to some extent". But the same person also points out positive effects of digital interaction "to develop digital skills, to be more attentive, to read more, continuous improvement is more emphasized". Other opinions, with more negative implications, come from the Faculty of Foreign Languages and Literatures, which observes that the "availability of methods of photo-copying materials with the help of mobile phones decreases the availability of students to take notes in class, reducing their ability to understanding and retention of information." or from the Romanian-American University which surprises the lack of interest of students in studying physical materials "students have given up storing information on paper, they mainly focus on taking notes in digital format - students prefer going through video tutorials to the detriment of reading books".

The overall perception is a positive one, although there is an increase in the degree of fatigue, or difficulties in concentration, due to the interaction strictly through video platforms, or learning platforms, the influence of the digital environment in university life is a positive one, which has increased students' interest in the academia, as well as their involvement in carrying out specific projects and activities.

Respondents gave answers that varied according to the specialization of the study program in which the teachers teach. In the specializations, which emphasize practical teaching activities, the teachers answered that, due to the pandemic and the transition to online courses, the quality of education has decreased. In purely theoretical specializations, no significant changes in behavior are observed. Teachers are forced to adapt their teaching style and use the benefits of digitization in creating interactive teaching materials. Those who have succeeded in doing so are confident in the future of education under the influence of digitization. As a result of using the digital environment, students have developed new skills, they are in step with digitization and they are excited about it. There is also the other side of the coin, students' attention and concentration are low due to the bombardment of information from all fields. Sometimes it is desired to return to classical teaching, but with the preservation of the lessons learned during the online classes. The digital environment has generated visible behavioral changes, both good and bad. Students increasingly use the digital environment in the didactic process, but also for self-improvement; they use more and more "smart" equipment to achieve tasks and learning objectives.

These behavioral changes are due to: technological advancement, interaction with the digital environment from an early age, students' attraction to the digital environment and its applications. Noticed changes in the way homework is prepared - "students prefer to access information directly from the Internet, without passing it through their own filter. The reason would be convenience, and the fact that this is how they were taught to do throughout middle school/high school". Students are aware that checking their activities and results is made difficult by the online teaching system and take advantage of this aspect.

Behavioral changes on students' future employability are perceived by all respondents as having an important influence. The majority answered that the influence would be negative, but there were teachers who said that these changes led to the desire of students to become entrepreneurs or freelancers. Digitization will transform the way of working, so more and more home or remote jobs will appear, which is a good thing for the new generation, which wants to have as much flexibility as possible in its schedule and can work in or with other countries, because they speak several languages.

An important change that will help students easily find a new job throughout their life is that students have a flexible mindset, adaptable and looking for new challenges, they are willing to learn things quickly and continuously us to get/keep a job. Students have every chance to succeed as long as they are motivated and engaged. There were also respondents who were reserved in drawing a conclusion, as there are too many variables to take into account for predicting the chances of employment.

To the question "To what extent do you use up-to-the-minute information from the market, from potential jobs, in your courses/information?" a difference in approach can be seen between the professors from the faculties with a philological profile and those from other profiles. Respondents from the economic field, on the other hand, "use market information to show students what they use the theoretical elements discussed", in proportions varying between 40% and 70% and also "where they can make the connection between companies and a student who is looking for a place of practice/work in the field, I will do it". But there are also answers according to which "The subject sheet is updated annually, taking into account the news in the field" or "Annual accreditation requires us to update our subject sheets according to the requirements imposed by the ministry". However, there is an increased interest of the respondents, regardless of the field of specialization, in harmonizing the information provided to students with the latest information from the market. The central idea is that "students are aware of what is happening in the business environment, become proactive and familiarize themselves with terminology specific to various contexts, therefore the course plan includes cutting-edge information to achieve and maintain a quality university education". There is a high interest in "the development of new methods and results in the fields of interest, the identification of new research directions, based on the dynamics of the evolution of the field".

The question "How often do you update the materials offered to students?" What are the innovative teaching/learning methods you apply in the classroom to be able to increase students' receptivity to the importance of the theoretical concepts taught?" the reasons for updating the materials consisting of "changing the research examples as well as the reading texts, depending on how they worked" or "for the attractiveness of the course and the responsiveness of the students, I try to provide real-life examples, concrete cases from companies, examples of good practices", such as educational videos, role-playing games, debates and translations based on topical content that evokes, for example, the effect of the economic crisis on many companies, business communication, education, etc." Two of the respondents referred to international norms that regulate this activity. As for the innovative teaching methods, they are customized according to the specifics of the studies from "the most important textbooks used in the most prestigious universities", "modern examples of practical applications have been introduced", "as innovative methods I always rely on dialogue,

exchange of roles (role-play) on topics of general interest, but also on specialized topics.", "modern methods give priority to training / put student training before training; , on the development of capacities and skills.", "the use of the video projector, the problematization method, the expository method" or "the use of various teaching - learning - assessment strategies, such as conversation, explanation, exposition, directed observation, assessment during the semester, such as and modern methods of presentation." "Practical-methodical films" were also exemplified. Feedback and inter-relationship', 'techniques, exercises in the training area to actively involve students in our discussions' or 'stimulating thinking and guiding students to choose the themes they want to develop in the projects'. As can be seen, there is an increased interest in practicing innovative methods of teaching and capturing students' attention.

"What do you think should be done in the near future to increase the chances of students engaging in the field of study?" From the answers of the interviewees, the following directions of action were taken to help fulfill the requirement, such as adapting study plans to the new socio-economic conditions and raising standards and requirements, the permanent involvement of students in daily educational activities that develop their skills practical, permanent relationship between the business environment and universities, the understanding and adaptation of teaching staff to the new generations and their expectations. The importance of emphasizing relations through joint activities of universities with companies from various fields, viable and long-lasting partnerships, the complete readjustment of the high school curriculum, so that students enter the university with a much more useful body of knowledge, the increase in demand to the specific subjects, counseling and permanent motivation of students or emphasizing relations through joint activities of universities with companies in various fields, viable and long-lasting partnerships.

Regarding the realization of the structure and requirements of the discipline sheet, if we discuss with representatives of the business environment and/or public institutions, from the answers received, we deduce that the realization of the discipline sheet is done only through a limited consultation of the business environment. The realization of the discipline sheet is corroborated with the expectations of professional associations and representative employers in the field, through a permanent dialogue and various joint projects, as well as by making available software products, tutorials and up-to-date teaching materials.

Regarding the "future skills and abilities that students must develop, especially in order to increase their chances of employment in the studied field" the respondents had similar visions, the ideas going on the development of soft skills, creativity and communication being a point of convergence in the answers analyzed "creativity, dedication, personal example - everything for personal physical performance and for those around us" or "seriousness in approaching work and knowing how to communicate", "assertive communication, time management, leadership, emotional intelligence", "communication skills, decision-making and relevant analysis of a situation", "strategic thinking, communication skills, analytical thinking", one respondent mentioned, in addition to the above, "computer skills to use the calculation technique ". There were respondents who, however, emphasized the importance of developing the student's technical capabilities by increasing the "ability to collect and critically analyze information, to effectively communicate results, by developing skills

in the use of computing technologies, those related to of fundamental and specialized notions". The conclusion was drawn by one of the respondents who stated that "employers mainly focus on 3 basic criteria: professional skills, previous experience and attitude. In the university training of students, in the didactic and research process, the first criterion (professional skills) is improved, practical activities contribute to the second criterion (previous experience), and successes in the two previous criteria lead to the adoption of to the graduate of a positive, open, fair attitude towards work, colleagues and employers".

The last question in the study is one related to internships, "And in conclusion, how important are internships in university curricula for increasing the employability of students upon completion of their studies?" Have you ever supported this discipline? How does it relate to what you teach? If it were up to you, how would you see this activity carried out to bring maximum benefit to the students?" through this we wanted to find out the respondents' perception of the importance and way of organizing student internships. Their importance is unanimously recognized as follows: "I believe that internships are extremely important for the subsequent employment process of students, because they give them a first idea of what is required in the market and what awaits them in the labor market.", "For a vocational faculty, internships are a priority", "They are essential and their coordination by a teacher, together with a person from the company, is the effective option for a practice that ensures the learning of practical things, not the performance of meaningless actions for the student. " or "Yes it is very important, it is mandatory that the practical activities carried out are in accordance with the student's specialization". Along with the answers to this question came suggestions regarding their organization and/or improvement "Increasing business-university collaborations; Ensuring practice places for all students; Grades awarded to students based on demonstrating mastery of the concrete practical aspects they faced during the internships.". Another suggestion worth taking into account is stated by one of the respondents who come from the economic field and who believes that the practice "should be carried out annually, at the end of the semester to check the level of practical, not just theoretical, knowledge of the students".

4. Conclusion

The pandemic context had an impact on the implementation of internships, and two of the respondents noticed this aspect, "Internships "without practice", i.e. only "watching", have, in my opinion, almost zero effect. Practice, I think, is important especially if it was "performed", individually, by the student, doing, not just watching" or "In the conditions of an online education it is difficult to address the issue." An idea that summarizes the ideas circulated is that "Internships form students' skills and abilities, but they are important because they prepare future employees for an easier integration into the labor market. It is important to support and guide students in practical research activities that give them an idea of what it means to have a job that requires scientific, not just applied, research activity".

On whether the respondents conduct research/feedback data collection among students with the aim of identifying the extent to which they covered their needs and expectations, regarding the subject/subjects taught, a general conclusion is that feedback data collection is done among students, through periodic evaluations and

quizzes, through the organization of sessions and conferences; based on this data, the teaching system and the content of the courses organized later are adapted.

In conclusion, the qualitative study highlights a multitude of perspectives, which bring clarifications regarding the issues addressed. The ideas expressed within each theme addressed reflect the concerns of the educational system, concerns marked by the sudden transition to online teaching, evaluation, and communication activities between all parties involved. The directions outlined as a result of the content analysis represent satisfactory elements of the approach to the research objectives, at the same time they can also represent starting points for future studies, of a qualitative and quantitative nature.

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GLOBALIZATION VS. DEGLOBALIZATION

Vlad Cârstea*

Abstract

The concept of globalization is fairly new, as it has been launched a few decades ago. However the process itself goes way back, during the times of the first explorers. As time passed by, people began to benefit more from the international economic relations that were established throughout the world. But as the negative effects, such as economic crises, international crime, became more and more present in the everyday life of the global citizen, the concept of deglobalization started to be more and more present in people's speech but more importantly in the politicians' speech. Deglobalization, for many, is the solution for all their problems, whether it's the ever-growing general prices, the illegal immigrants and more recently, the pandemic. But in reality, deglobalization is not the answer to the problems that are "created" by the globalization. Or at least not on the long run.

Keywords: globalization, deglobalization, international trade

JEL Classification: F00.

Introduction

When thinking about globalization, the first thing that comes to mind is trading goods and/or services. For the majority of people, the free movement of goods and services are probably globalization's the biggest benefits of all. But for the experts, the other fundamental freedoms, like the free movement of people and capital, are equally as important as the others, due to the fact that these flows ensure the development of the national economies.

There have always been critics of globalization who mentioned that, in general, the developed countries are the main beneficiary of globalization, as the developing countries have recorded low development rates compared to the predictions and that these economies are mainly used for their resources. This is not entirely false, as the majority of multinational corporations choose to invest in developing countries for the cheap labor, or the access to different resources. But recently the critics of globalization have got more reasons to fight even more against this phenomenon. The outbreak of COVID-19, that led to the pandemic, the supply chain crisis that resulted from the pandemic and lastly the war in Ukraine are the most powerful arguments in arguing against globalization and favoring the opposite trend which is deglobalization.

Analyzing globalization

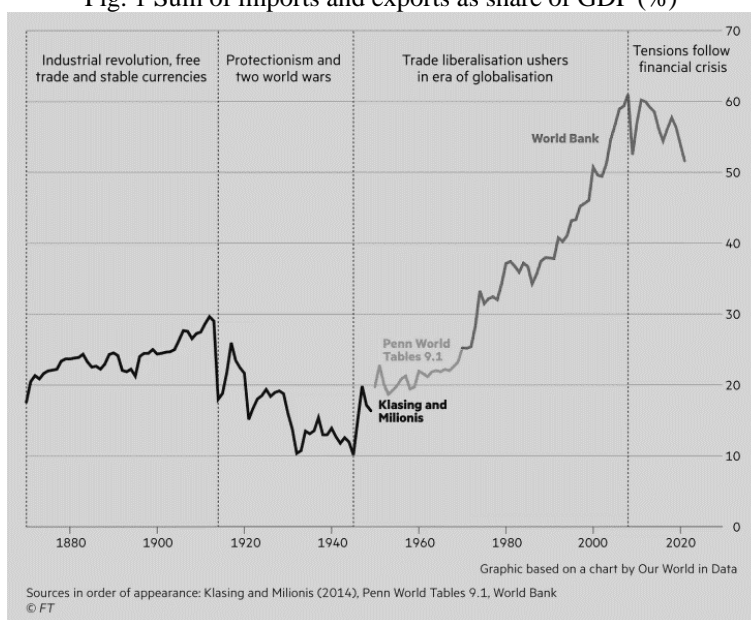
The experts from the International Monetary Fund, consider that globalization, as a process, started somewhere around the 13th century, while the concept was launched around the 1960s, and it is considered that term had been more frequently

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used starting with the 1980s. Although the process and the concept itself have been present for quite some time, there is no universally accepted definition of globalization. Basically, all the experts came up with their own version and every single one of them is accepted. But the IMF has launched a more comprehensive variant. According to their study on globalization¹, the term is used to describe “the increasing integration of economies around the world, particularly through the movement of goods, services, and capital across borders. The term sometimes also refers to the movement of people (labor) and knowledge (technology) across international borders”.

When talking about globalization and its benefits or drawbacks the majority of people refer mainly to economic globalization, but in fact there are more aspects of globalization: a social one, a political one and an environmental one.

Fig. 1 Sum of imports and exports as share of GDP (%)²



In general when talking about the benefits of globalization usually that refers to an increased flow of capital (that usually is in the form of foreign direct investments), a wider variety of products to choose from (products that have better quality, better prices or both), transfers of technologies and know-how, higher revenues for individuals, businesses and states.

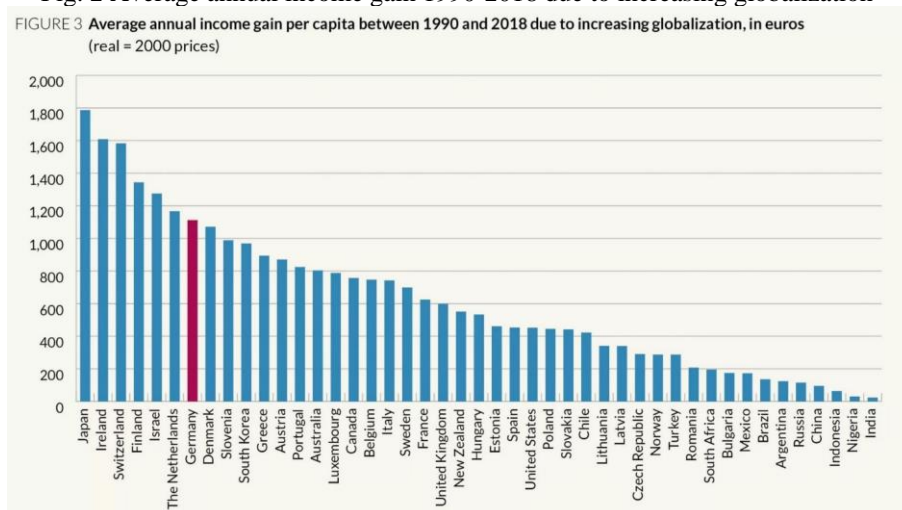
The benefits of globalization and the benefits for a country, as a global player, have been fiercely discussed as many consider that the process favors economic development for all the involved countries, through international trade, free movement of capital and the multinational corporations' activity. It is easily observable the fact

¹ International Monetary Fund – “Globalization: A brief overview”.

² Source: Financial Times – “Deglobalisation: will backlash against Russia lead to downturn in open trade?”.

that due to globalization and mainly international trade, the GDP growth rate has increased exponentially.

Fig. 2 Average annual income gain 1990-2018 due to increasing globalization³



But, globalization is not all good news, since the world economy has encountered a number of periods that challenged even the fiercest supporters of globalization. During the recent years, the rate of economic integration and globalization itself had slow down making way for a lot of theories launched especially by the critics of globalization. The recent pandemic, the shortages in supply chains and of course, the war in Ukraine are the main topics that critics of globalization base their current arguments on.

Deglobalization: a viable solution?

Deglobalization, as a process, is the exact opposite of globalization and it consists of reducing the interdependencies of national economies as the states adopt more independent policies that favor their own economic development.

As the world economy is suffering from these crises, the advocates of deglobalization bring to the table arguments that globalization has failed, that only the developed countries benefit from globalization, while the developing ones are left behind and it is time for a shift in paradigm and deglobalization is the answer for the future. The thing that globalization's critics do not mention is the fact that not globalization was to blame for the loss of jobs inside the developed countries in favor of those from the developing countries. It's the advances in technology that led to more efficient production process.

Although some arguments in favor of deglobalization are partially true, due to the fact that they are based on the shortcomings of globalization, it is impossible to address successfully, as a country, all the challenges posed by the world economy, as some matters require a common effort. For instance, it is true that the recent semi-

³ Global Europe – “Globalization Report 2020”.

conductor crisis, could have been avoided if the supply-chains were a little shorter and not so concentrated in one area. In the same time, there are issues that need to be addressed in a global manner, which in the case of deglobalization would be impossible. Such an issue could be environmental protection and environmental related policies. It is no secret, that such matters are efficiently addressed only in a global manner, with integrative solutions. It is impossible to offer efficient and sustainable resolutions one country at a time, as countries do not have the necessary resources, especially the developing ones and in this area the effects cannot be contained to one area.

Conclusions

It is clear that globalization has lost steam, due to the pandemic, the supply chain havoc that resulted from it and the war in Ukraine. This is not the first time, that globalization is questioned, as a similar context was created more than a decade ago, during the financial crisis in 2007. At that time, as well as today, there were a lot of voices that considered that a failure of globalization, a failure in delivering the promised benefits for the implicated parties and that it was time to try something new, in the shape of deglobalization.

Globalization has offered the developing economies the chance to leave the poverty circle due to the investments done in those countries and attracting them into the world economy, which in the end helped reduce the rates of extreme poverty with almost 75% over a period of 20 years. Deglobalization, on the other hand, and its advocates do not offer any real solutions to the problems they have had identified with globalization and are overseeing real problems that a deglobalized world would have to face. The most important one would be the rise in prices for traded goods and services. Due to the reinstating of trade barriers, the costs will be on an upward trend which, of course, will be reflected in the final prices that the end consumers have to pay.

Another key aspect of globalization is the increased levels of competition, which in case of deglobalization will no longer be present. As a result, the companies' efficiency will be affected, and furthermore, the premises for a monopolies can set more easily. In an isolated economy it is difficult to fight monopolies, especially if it's set by a multinational corporation.

Experts consider that deglobalization is not the future, because globalization represents the future. However, the current process will suffer important changes, based on the current data and on passed experiences, like the financial crises, from 2007.

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HOW FEASIBLE IS A US \$100 TRILLION TRANSITION TO A GREEN ECONOMY UNTIL 2030/2050?

Florin Bonciu*

Abstract

The paper analyzes from various angles the feasibility of the transition to a green economy which has been evolving from a concept to an action plan with key targets and deadlines. The cost of the transition has been estimated and many implications have been assessed. But a planned global transition from classic fuels to renewable energy, involving 8 billion people, is a very large project that may encounter many challenges in its implementation. The analysis attempts to identify some of these challenges and to propose clarifications and solutions. The conclusions suggest a gradual approach and a permanent adaptation to the possibilities and limits encountered by the peoples and economies of the Earth. This adaptation is the more so recommended as the historical responsibilities to the current climate change situation are different, while the impact of climate change is often more oriented towards developing countries.

Keywords: *green economy, net zero economy, renewable energy, feasibility of transition to green economy*

JEL classification: Q40, Q50.

1. Overview of the international context of the transition to a green economy

Irrespective of the scale or significance of a project, be it personal or professional, small, or large, two conditions are to be met before anything else: 1) **the possibility of materialization of the project** from the point of view of the availability of specific technical, scientific, financial and knowledge inputs; 2) **the existence of a will/determination** in favor of supporting and implementing the project until its completion, despite the manifestation of shortcomings and unfavorable economic and social implications.

The second condition could be heavily influenced by politics and politicians, but the wide social acceptance is still very important, particularly because large scale projects or transitions require both **some efforts and sacrifices** from the part of the population at large or from the part of certain segments of population and **a relatively long time**. In case of large scale and comprehensive transitions it is an objective characteristic that not all parties involved will benefit, there will be some winners and some losers, and therefore all these aspects should be factored in before initiating such a process or before evaluating its feasibility.

In this context, the transition to a green or net zero economy can be defined as the transformation at global scale of society and economy from the extensive use of

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fossil fuels and the pollution and degradation of environment to the extensive use of renewable resources which are not polluting the environment and are not conducive to climate change.

The support of such a transition has been manifested, at least in a declarative way, since many decades, starting with the establishment of the Intergovernmental Panel on Climate Change (IPCC) by the United Nations Environment Programme and World Meteorological Organization (IPCC, 2022) in 1988.

Key moments in raising awareness on the objective need for such a transition have been the Kyoto Protocol (1997) and the Paris Agreement (2015). The 6th Assessment Report of the Intergovernmental Panel on Climate Change that consist of several thousand pages and was published as reports of three working groups during 2021-2022 period have put even more stress on the urgency of implementing such a transition and provided huge amount of data in support of the findings presented (IPCC, 2021, 2022). The most updated perspective (in relation to the date of preparing this paper) on the objective need for the transition to a green economy and on the responsibilities of the humankind for climate change has been presented at the COP27 conference on climate change that took place in Sharm El-Sheikh, Egypt, between 6-20 November, 2022 (UN, 2022a).

This research starts from the assumption that there is an (almost) unanimous decision in favor of the transition to a green economy that will allow for the control and even reversal of climate changes and, by this, will allow for a sustainable and survivable Earth for the coming generations. The fact that at COP27 were present representatives from about 200 countries and economies, more than 100 heads of state and over 35,000 participants represents a solid proof for the assumption above (UN, 2022b).

Given the fact that climate and habitable conditions know no borders it is obvious that nobody would accept the transformation of planet Earth into a place not favorable to the continuation of biological life. At the same time, given the fact that pollution of environment in different ways (which are more numerous than air pollution) is a phenomenon with global impact, the solution/solutions require multilateral participation in order to obtain measurable/significant results. Partial actions and partial results provide very little to no result for such a global problem.

Despite the (quasi) unanimity of this rational position, the implementation of the transition to a green economy at a global scale raises numerous practical challenges of different natures: ethical and historical, technological, financial, managerial, etc. In the following we will attempt to assess the feasibility of the transition to a green economy from these points of view and propose some pragmatic solutions that may constitute useful advice for the macroeconomic decision makers.

2. Challenges to the green transition

2.1. Ethical and historical challenges

As mentioned above, the Earth population is confronted in different degrees with the consequences of climate change and some immediate and practical solutions are urgently needed. Beyond technical and scientific details, there is a sensitive issue related to the historical responsibility for the current situation.

In tackling the climate change crisis, **one approach** is to start from the assumption that nowadays the Earth population has a problem (irrespective of its roots and nature) and that something should be done. According to this approach the problem (climate change) is for everybody on planet Earth and the solution is the responsibility of everybody.

Another approach, which includes the historical responsibility dimension, starts from the different responsibilities of countries / economies in generating the current situation: it is obvious that developed countries that started the industrial revolution by the end of 18th century have a much more substantial responsibility for the accumulated effects of pollution.

Choosing one approach or another may lead to different solutions and different degrees of approval from the part of countries and peoples of the planet Earth. While developed countries are much more comfortable with the first approach as it puts all the peoples and all economies in the same category, the developing countries are much more inclined to support the second one, because their contribution to accumulated pollution is much lower than that of developed countries.

The approach that starts the analysis from the present-day situation consider that peoples and countries are responsible for the pollution that happens at present on planet Earth in direct proportion to the quantity of emissions of today or of recent periods such as the last 5 to 10 years. Such an approach ignores the pollution that happened already in other historical periods, especially after the beginning of the 1st Industrial Revolution (we can place this period before 1850 as a relative historical date. The 1850 date is also taken into account when present day increase of global temperature is measured.). Therefore, this approach could have been correct only if peoples and countries of the Earth would have started the polluting emissions that influence and determine climate change in recent times, from the same conventionally considered date.

In case of such an approach we can analyze the contribution of different economies to the overall pollution of the environment based on the most recent data. The result of this approach is presented in Figure 1. If we judge the issue of present times CO₂ emissions that contribute to climate change, the conclusion is obvious: the largest polluters should do something to reduce and eliminate their pollution. In this scenario the largest polluters of today bear the largest responsibilities.

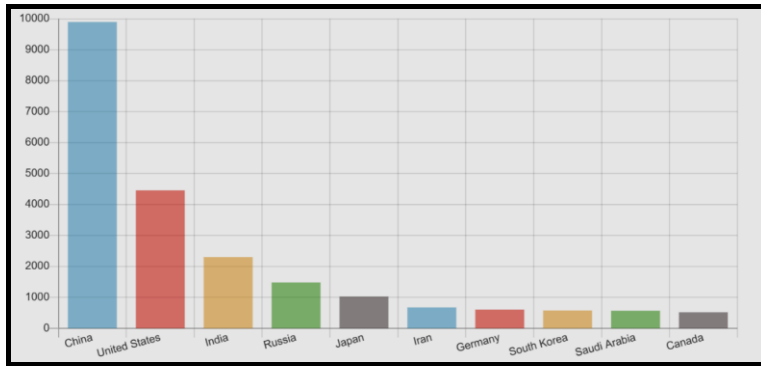
Even if one accepts this approach, the analysis is complicated by the characteristics of globalization that implies a huge role played by foreign direct investment which generated the delocalization of many activities from developed countries to developing ones. In order to have an objective analysis regarding responsibilities, a differentiation is necessary between the pollution generated in a country by local/domestic companies and the pollution generated in the same country by affiliates of transnational corporations.

From the same perspective of the most recent data regarding CO₂ emissions, if instead of the ranking the largest polluters based on total quantities of CO₂ emissions expressed in million tons CO₂, we look at the top most polluting countries per capita expressed in tons CO₂ we obtain a different picture – Figure 2.

From an economic point of view some comments are important. In case of measuring the level of development of a country, the Gross Domestic Product (GDP)

per habitant is more relevant because it allows for comparing countries with different numbers of population and also because the higher the GDP per habitant, the more developed the country is, meaning the value added per person is higher when the level of development of a country is higher.

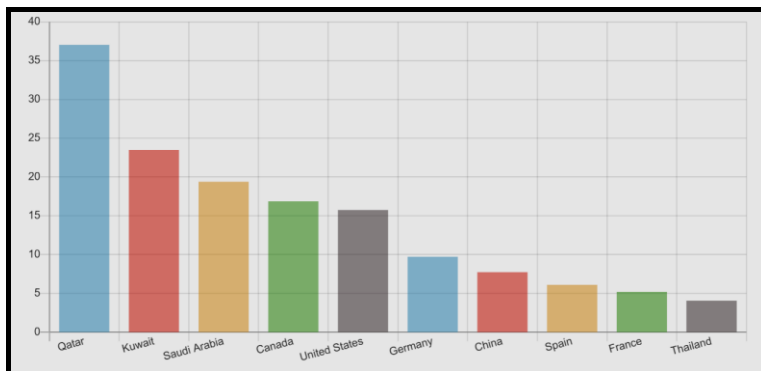
Figure 1. Top 10 countries as CO₂ emissions in 2020 (million tons CO₂)



Source: Climate Consulting - Most polluted countries in the world: 2022 ranking, based on data from BP *Statistical Review of World Energy 2021*, at page <https://climate.selectra.com/en/carbon-footprint/most-polluting-countries>

The same line of thinking is not valid in case of determining the responsibility for pollution because the largest impact on the environment is determined by the largest quantity of CO₂ emissions. The reason for presenting the data in Figures 1 and 2 was to demonstrate that even if we refer to the same historical period, the line of arguing can be different, and the responsible parties (countries and economies) could be different depending on the representation of data.

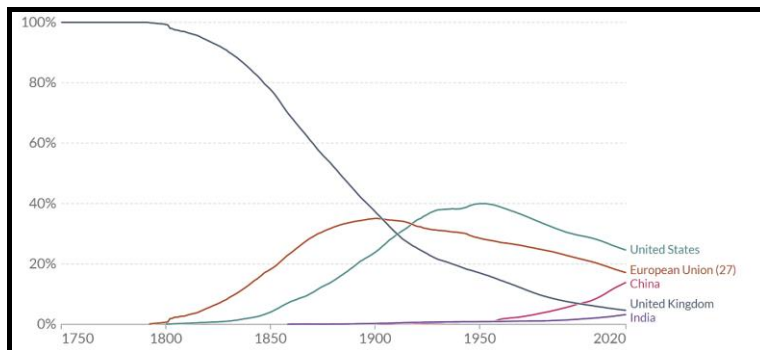
Figure 2. Top 10 most polluting countries per capita (tons of CO₂) in 2017



Source: Climate Consulting - Most polluted countries in the world: 2022 ranking, based on data from BP *Statistical Review of World Energy 2021*, at page <https://climate.selectra.com/en/carbon-footprint/most-polluting-countries>

The second approach put things in perspective and measure **the cumulative emissions** of CO₂ since the beginning of the 1st Industrial Revolution. In this case, if we try to identify the peoples and countries that generated the largest quantities of CO₂ emissions between 1750 and 2020 the ranking is different – Figure 3.

Figure 3. Contribution of most polluting countries measured by cumulative CO₂ emissions between 1750 – 2020 – in percentage of total quantities of CO₂ as of 2020



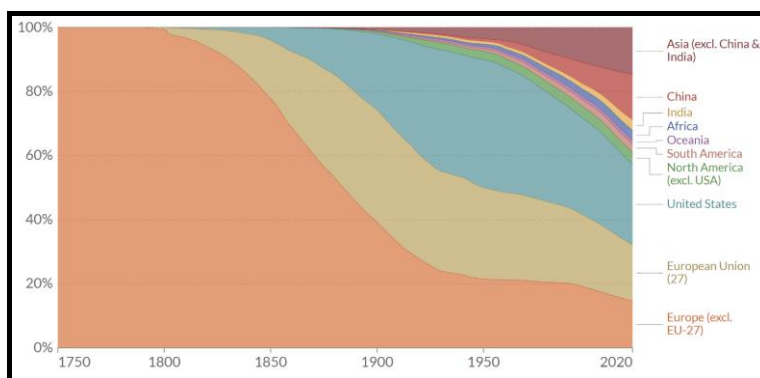
Source: Our World in Data based on the Global Carbon Project, at page <https://ourworldindata.org/contributed-most-global-co2> **Note:** The European Union (27) group refers to the CO₂ emissions of the current member countries for the periods before the existence of European Union.

In our view, **the ethical approach** (that include the historical perspective) is that which takes into account the whole contribution to pollution in general and CO₂ emissions in particular because the consequences that manifest in our time are the result of the whole pollution since the beginning of the 1st Industrial Revolution and not only the pollution from the past 10, 20 or 40 years.

In Figure 3 one can note the significant contribution to CO₂ emissions of Great Britain during the period 1750-1900 in its capacity as the country where the 1st Industrial Revolution originated. Nowadays Great Britain is a country very advanced in using environment friendly technologies and emitting very little CO₂. But the present situation cannot eliminate the responsibility for past emissions.

A representation of cumulative CO₂ emissions for the period 1750 -2020 that include all continents and large countries is presented in Figure 4.

Figure 4. Cumulative CO₂ emissions for the period 1750-2020 that include all continents and large countries – in percentage of total quantities of CO₂ s of 2020



Source: Our World in Data based on the Global Carbon Project, at page <https://ourworldindata.org/contributed-most-global-co2> **Note:** The European Union (27) group refers to the CO₂ emissions of current member countries for the periods before the existence of European Union.

The analysis of Figures 3 and 4 leads to the conclusion that the responsibility for the current situation regarding climate change should be proportional to the cumulative contribution to CO₂ emissions. Such an approach is also in line with the internationally accepted principle: “The polluter pays” that has been adopted by the OECD since 1972 (OECD, 1992).

The ethical issues related to the responsibility for CO₂ emissions refer not only to the historical heritage but also to **the present days global supply chains**. Many developed countries have delocalized their production and multinational corporations established affiliates in developing countries. In some cases the contribution of these affiliates to the economic output of the host economies is significant and present numerous benefits for the development of the host countries. But, at the same time, these affiliates contribute to a large proportion of the CO₂ emissions of the respective countries where they operate.

2.2. Technological challenges

The technological challenges related to the transition to a green economy are related to several aspects, among which the following two are predominant:

- **the availability and maturity of technologies that may allow for a significant or complete transition** to new, environmentally friendly, sources of energy and of technologies related to production, distribution and use of goods and services. We stress at this point that the transition to a green economy is not only about energy but also about the production, distribution and use of goods and services.

- **the duration of implementation necessary for materializing the transition.** This duration is of objective nature, determined by engineering aspects and cannot be reduced beyond a certain limit. That means there is an objective necessary duration of implementation even if there are all necessary financial resources, all the equipment and human expertise and agreement for implementation among all participants.

The analysis of these two aspects can be based on previous experiences starting with the 1st Industrial Revolution. As one author pointed out, socioeconomic and political factors may determine long implementation time, way beyond what different strategies and policies consider (Söderholm, P., 2020). In this context, while history is not repeating itself, it is worth mentioning that the use of electricity in economic activities was discovered in the last quarter of the 19th century, but it took almost 50 years until it was fully used in the United States economy. This fact is relevant because United States has had since the very beginning a very pragmatic, efficient and fast modernizing economy. If it took so much time for United States, chances are that other economies might take even longer.

As regards the availability of technologies related to the transition to green economy we need to differentiate between two aspects:

- **The general idea of availability**, meaning the humankind has access and possibility to use a certain technology, or, in other words, somewhere on planet Earth, in some laboratories or in some countries there are certain technologies;

- **The availability of a technology for one country or another.** Previous and current situations point out to the fact that the availability on planet Earth and the accessibility in a given country of a certain technology are two different things. As feasible and significant results in the transition to a green economy cannot be

obtained if the necessary technologies are not available and accessible to most of the humankind, then the question of making available of green technologies to developing countries becomes a sensitive and fundamental issue.

The technological challenges can be better understood if one takes into account the magnitude of the envisaged transition to a green economy. According to a report issued by the International Energy Agency in 2021, in 2050 renewable sources of energy will represent 90% of production, out of which around 70% will be represented by photovoltaic and wind energy (IEA, 2021).

From a practical point of view, in order to reach the net zero emissions in 2050 in the energy sector there will be a need of annual supplementary photovoltaic and wind generation equipment representing 630 GW for photovoltaic and 390 GW for wind. These figures represent 4 times the level of photovoltaic and wind generation equipment that was put into operation in 2020. In case of photovoltaic equipment, the annual supplementary 630 GW to be installed in order to reach the net zero carbon emissions target represent the equivalent of installing one of the largest photovoltaic parks in the world every day, meaning the addition of 1.7 GW every day. To put things in perspective, according to a ranking from September 2021 of the top 12 largest photovoltaic parks in the world, 8 of these had a capacity between 0.97-1.65 GW (that is comparable with the example above) and only 4 had a capacity between 2.05 GW to 2,8 GW (Sasibhooshan. G., 2021)

Another technological challenge is represented by the fact that renewable sources of energy require large power storage capacity because they have a variable output depending on the weather conditions. According to International Energy Agency estimates, this will mean a 40 times increase in battery installation from 2021 to 2030 and a 80 times increase if we consider the whole period of time between 2021 to 2050 (Carlin, D., 2021).

The projections for reaching net zero in 2050 also include among the hypothesis the annual increase by 4% of energy efficiency, a figure which is 3 times higher than the average of the last 20 years (IEA, 2021).

Without implying any answer, the question is if such achievements are really possible from a practical point of view. In our opinion, one necessary step before starting the implementation of various strategies and programs for transition to a green economy would be to check these figures that result from arithmetical operations with engineers and managers with expertise in large scale projects in order to determine the feasibility of implementation.

2.3. Financial challenges

Many discussions regarding climate change are centered around the importance of the transition to a green economy or around the responsibility of politicians and people in general for the wellbeing of the Earth and of the future generations. **This fact may lead to the perception that the problem consists in the lack of sufficient determination to make the decision in favor of transition.** The implication of such an assumption is that if the politicians and the people have the determination, the rest is just a matter of time and effort.

But the transition to a green economy is also a matter of money. The title of this article comes from a report issued in 2021 by the International Energy Agency that

took the first serious attempt in determining how much would cost to achieve the net zero carbon emissions in 2050 (IEA, 2021).

According to the estimates from this report, the annual investments in green energy between 2021 and 2030 will need to triple the current amount to over 4 trillion \$, while from 2021 to 2050 **the amount could be more than 100 trillion \$**. Anyway, this figure is not the only estimate available.

Another report from McKinsey & Company, issued in 2022, point to a much higher figure for attaining the zero emission goals in 2050, namely 275 trillion \$ between 2021 and 2050 (McKinsey & Company, 2022). The impact on economies, companies and individuals are expected to be substantial: only the annual increase of spending for physical assets is estimated at 3.5 trillion \$ for the next 30 years and would represent 50% of the global corporate profits, 25% of global tax revenues and 7% of household spending.

What is even more challenging is the fact that these expenses will not be distributed evenly over the next 30 years period. Like in case of any investment project, the majority of money is necessary in the initial stages that are envisaged between 2026 and 2030.

At the level of individuals the financial challenges will be reflected in an increase of the electricity bills by 25% between 2020 and 2040, and by 20% in 2050. The consumers will also need to replace most of their household appliances with new ones, more frugal as consumption of electricity but also more expensive.

In industry the cost of producing steel will be 30% higher than today and that of producing cement 45% higher. By 2050 it is expected that coal production will be completely ended, while production of oil and gas will be reduced to 50% of today's level.

The good news is represented by the fact that the above-mentioned reports and similar ones offer a pathway towards the net zero emissions goal. The not so good news is that it is not clear how such amounts will be available over a 30 year period of time, how the investments will be carried out in a global coordinated manner, how the population will face the increase of the cost of living and the loss of a global amount of 185 million jobs.

It is true that according to the same estimates the implementation of the transition to a green economy might create 200 million jobs but there are many probabilities: the 200 million jobs will be created if the 100 trillion \$ to 275 trillion \$ are available and invested in green technologies; the jobs created will not replace exactly the jobs lost, meaning there is no guaranteed correlation that the individuals that lost their jobs will be the ones to get the new jobs created; some jobs will disappear in certain countries and regions and other jobs will be created in another countries and regions.

2.4. Managerial challenges

In management it is generally accepted that one of the most difficult albeit unavoidable situations is represented by **the management of change**. Advice and best practices are available for management of change in organizations, small or large, but it is unavailable for global scale projects such as the transition to a net zero carbon emissions economy and society. The fact that such experience for planetary wide transitions is not available can be explained by the lack of any previous transitions of the same magnitude.

Transitions have happened before, for instance from steam engines and industrial equipment to internal combustion engines and electrical engines, from wired based telephony to cellular phones, from radio communications to television, etc. But the essential difference is that the transitions mentioned in the previous paragraph took place in a natural way, based on market mechanisms. Some technological inventions emerged, new products and services were created and they penetrated the market and disseminated gradually, depending on economies of scale, price signals, changes in the consumer behavior, etc. Such transitions were not imposed by administrative or political decisions and therefore **their implementation involved management of change but at the organizational level.**

In case of the transition to a green economy **the main challenge seems to be the “Earth organization”**: the planet Earth or the global economy consist of around 200 countries and entities, which are very different among themselves and very different even within themselves. In many of these entities there are in place market economy mechanisms and democratic decision-making systems which do not allow for imposing certain decisions without public consultations.

Under these circumstances, it is easy to agree on some general and humanistic goals (such as “Save the planet” or “Save the wellbeing of future generations”) but it is much more difficult to accept sacrifices when existing standard of living is low, and expectations are high in many if not all countries. And particularly when the costs of transition are not evenly distribution among countries and populations.

The success of a global project such as the transition to a green economy requires coordination and consistence in action over a 30 to 80 years period (2050 to 2100). The historical responsibilities of the largest polluters have to be accepted and adequate measures have to be implemented. The developing countries have to be assisted in achieving transition but also, they have to be compensated for losses already incurred due to climate change (the so-called “loss and damage” clause). Without these concrete steps the whole project lacks credibility and ethical support.

The recent Conference of Parties on climate change (COP27) that took place between 6-18 November, 2022 in Sharm-el-Sheikh, Egypt, offered a first hand experience on the level of cooperation that can be achieved (Harvey, F., 2022). In synthesis the results can be expressed as: general support for the goal (net zero carbon emissions), partial agreement on concrete steps towards the goal (agreement on phasing out coal, no full agreement on phasing out all fossil fuels), no clear mechanism for “loss and damage” compensation for developing countries affected by climate change. Many important decisions have been delegated to the COP28 conference of 2023. In synthesis, COP27 conference on climate change was not a failure, but at the same time was not a success: it was a step forward.

Conclusions

The transition to a green economy is a necessary, planet wide process but its implementation raises numerous challenges and necessary clarifications. The contentious points refer to the responsibilities for the current situation of the climate change, the sharing of costs of transition, the existence of necessary technologies and the supportability of the costs by different countries and populations.

It is easy to agree on a logical goal (the preservation of climate status on planet Earth) which is to be attained in 30 to 80 years' time (that is in 2050 or 2100). It is much more difficult to convince the population of developed countries that they should reduce their standard of living or the population of developing countries that they should give up their expectation for improvement of their existing low or medium level condition.

Getting back to the title of this paper, the perspective on the transition to a green economy is very important. If we start from the assumption that the funds necessary for the transition is available, then everything is an opportunity to spend them. If, on the other hand, we only know how much the transition to a green economy would cost, but we do not know yet where the money is coming from and how the funds will be converted into real equipment and sources of energy, it is another matter.

Beyond these historical and ethical aspects, as well as beyond the economic and social implications, there are also technological and engineering aspects that should be taken into account. There are limits related to the speed of implementation of the transition to a green energy, even if all the other conditions are met (technological, financial, political will and social acceptance). Photovoltaic and wind energy can be implemented only with a certain speed and current targets may be beyond that level. Nuclear reactors can be built and put into operation in a number of years and this cannot be accelerated. These arguments are not for giving up the transition to a green economy, but for securing all engineering data in order to succeed. In our opinion, the "less is more" approach is valid also in this case.

One particular aspect to be taken into account is related to the management of change to a green economy. More emphasis is needed in our view on explaining the situation to the population of each country, in coordinating actions among the regions of the same country and among countries, in being consistent over long periods of time and, especially, in sharing the costs among the countries of the planet Earth in an ethical manner.

A last thought is that the "best effort" approach should be advocated at all levels and in all countries as regards the transition to a green economy. Every entity (organization and corporation) as well as any country should strive for their best in the transition to a green economy and in their fight against climate change. Sometimes the best efforts are less than ideal results. But they are still very important because humankind will move forward and improvements in stabilizing climate could be obtained.

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INTERNATIONAL FUNDING PREMISES, OPTIONS AND MOTIVATIONS RELATING TO GLOBAL FINANCING BODIES: A CRITIQUE

*Angel-Cristian Oltețeanu**

Abstract

This paper aims to analyze and critique the economic and impacts of international financing bodies (such as the World Bank, The International Monetary Fund, The European Union) on societies, economies and small and medium enterprises. It starts from the motivations of financing, explores how this can be done and later relates to how international financing bodies impact it and the wider economy and society.

Keywords: *European Union financing, World Bank, International Funding, Central and Western Europe business start-ups, intergovernmental intervention*

JEL classification: F00, F02, F19, F21, H00.

Introduction

There are schools of thinking in Economics which believe that governmental intervention in the economy through the use of direct stimulants, whether done by national or supranational government institutions are detrimental to the economy, through the misallocation of resources, from productive entities to entities which are not productive or have not yet been able to prove their economic adaptation, the focus being on the free market¹ (Henderson David R, retrieved 2022). On the other hand, there are schools that believe that government intervention is crucial for the economy² (Jagan Sarwat et al, 2014), or the possibility of government intervention can create national champions³ (Sørgard Lars, 2007). I personally believe that intergovernmental funding when done through international institutions such as the World Bank, the IMF and the European Union, covers gaps in economics, which are necessary for the society, for which private investors are not equipped, and have no incentive to do. European Union institutions especially can encourage regional, community member

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¹ Henderson David R., Econlib, Friedrich August Hayek, <https://www.econlib.org/library/Enc/bios/Hayek.html>, latest acces in 2022.

² Jahan Sarwat et al, What is Keunesian Economics, 2014, published in FINANCE & Development, vol.51., no. 3, <https://www.imf.org/external/pubs/ft/fandd/2014/09/basics.htm#:~:text=Keynes%20further%20asserted%20that%20free,full%20employment%20and%20price%20stability>

³ Sørgard Lars, *The Economics of National Champions*, first published in 2007, in the European Competition journal, volume 2, issue 1, online source: <https://www.tandfonline.com/doi/abs/10.1080/17441056.2007.11428450?journalCode=recj20>

specialization and collaboration between regions based on comparative advantage. Comparative advantage between member states can be seen in terms of costs⁴ (Landsburg Lauren, retrieved 2022) but also in terms of what resources, different types of personnel with different experience and education can bring to the economic table as well as can conduct concentrations of personnel from certain regions such as larger cities to offset demographic or knowledge shortages in other areas.

The European Union, not only provides a common market and economic integration for its members but also finances various areas of activities through programs such as COSME⁵ (European Commission, retrieved 2021), HORIZON and others⁶ (European Commission, retrieved 2021). Specifically for the group of countries loosely grouped as the Central and Eastern-European member states, a worthwhile evaluation can be postulated to see whether funding specifically to improve economic activities can be done. Narrowing this down, the lense can be set on available, non-reimbursable funding for small and medium enterprises. One such pertinent example is the Start-up Nation program in Romania⁷ (Start-up nation, retrieved 2022).

How can businesses be funded

In order to have a clear analysis, the fundamentals of how businesses can be funded need to be established.

Private businesses have historically appeared as economic actors funded by the financial contribution of the owner, a group of owners or owners being assisted in financing by family and friends. This remains today the most simple and accessible form of starting a business⁸ (World Bank, retrieved 2022).

Concerning private funding, however, there are a number of other facilities available. An individual can create a business through the use of debt (for example bonds or other creative, legally binding contracts), or through equity. Equity means in the fundamental sense that another individual, bank, company, institution or other actor outside of the owner and activity of the business purchases a right of participation in the company, (usually through shares), with the right to benefit from the company's profits (such as dividends) or through the financial gain obtained through the sale of the shares at a profit. Any type of investment carries risk. First of all, there is the default risk, when a business can go bankrupt or otherwise cease its for profit activities. Secondly, there is the risk of the shares losing the initial value for the private investor.

Since the end of the World War and the Bretton Woods Treaty, a number of international institutions have been founded, with the objective of providing capital to

⁴ Landsburg, Lauren F, *Comparative Advantage*, Econlib, online source: <https://www.econlib.org/library/Topics/Details/comparativeadvantage.html>, lasts access in 2022.

⁵ European Commission (retrieved 2021), *COSME. Europe's programme for small and medium-sized enterprises*, retrieved from: https://ec.europa.eu/growth/smes/cosme_en

⁶ European Commission (retrieved 2021), *Funding programmes and open calls*, retrieved from: https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls_en.

⁷ Start-up nation, *Start up nation România*, <https://start-upnation.ro/>, lates access in 2022.

⁸ WorldBank, *Small and Medium Enterprises (SMEs) Finance*, accesat 2022, <https://www.worldbank.org/en/topic/smefinance>

businesses, where this would otherwise not be available, especially for developing states or countries considered to be poorer. The twin institutions that can offer direct loans and thus assistance for international business financing are The World Bank and the International Monetary Fund. A third institution was later added to the group, in 1947, the General Agreement on Tariffs and Trade. It later evolved into the World Trade Organization. While the World Trade Organization does not directly handle loans, it oversees much of what businesses can and cannot do directly since it regulates international trade and settles international disputes⁹ (Careerlauncher, retrieved 2022).

Some critics argue that these international institutions have surpassed their intended historical use which was to reconstruct Europe after the Second World War and to liberalize trade, in case of the World Trade Organization, which is also being liberalized through many other actors such as businesses, governments, international institutions such as the European Union and other factors¹⁰ (Tupy Marian, 2016). Moreover, some critics point that these institutions have become politicized and self-serving or serving the interests of a specific groups of firms and countries against the rest, such as: those of large international corporations versus the interests of family farmers and small business owners; the interests of developed countries versus developing ones; the interest of industrial countries versus countries which do not have an industry, or as not sufficiently industrialized or lack by difference, certain industrial activities; the interests of large agricultural countries versus small agricultural producers; or the interests of rich countries versus poor countries.

A pragmatic approach with regards to international sources of funding from the private sphere is that, in the 21st century, due to the opening of markets, easier financial flows, harmonization of legislation, there are also other means available to obtain funds. Some examples of private sources of funding are angel investors, investment funds, international bank and even smaller firms which do not fall into a very broad category of financing actors, but can do this for specific cases due to the possibilities of international transactions through the Internet.

Finally, the private sphere and international institutions are not the only ones which can provide aid to firms. The government or specific national institutions, divisions of government or other specially designated groups can also provide funding. This can happen through local specific legislation that can designate a specific funding activity, such is the case in Romanian with Emergency Ordinances and can happen in other states through fundamentally similar means. Another means of doing this kind of funding can be through the public buying of company bonds through state institutions.

Historically, as was the case of the Soviet Bloc, the government was a large shareholder in mostly state owned enterprises. In the European Union, the government continues to be a large shareholder such as in key infrastructure or other types of firms which are important for the national interest. A similar situation also happens in the United States for some industries which are considered strategic such as steel or weapons production.

⁹ Careerlauncher, *International Economic Institutions*, accesat 2022, <https://www.careerlauncher.com/rbi-grade-b/international-economic-institutions/>

¹⁰ Tupy. Marian L., *The European Union: A Critical Assessment*, 2016, <https://www.cato.org/economic-development-bulletin/european-union-critical-assessment#notes>

A special and unique case can be made when it comes to the European Union funds which are allocated through cohesion funds¹¹ (European Commission, retrieved 2022), specifically targeted sectorial programs such as COSME¹² (European Commission, retrieved 2022); Horizon, or the Romania Start-up Nation project. These financing programs are unique because, unlike private investment, they do not require any fund reimbursement. And unlike some forms of public investment, they do not grant the European Union Institution any shareholding power. As such, it is relatively novel and unique that supranational institutions are so generous with funds allocation and shareholding, but this is done in order to achieve certain policy objectives of the European Union, so there is an element of political motivation for steering the course of businesses as well as probably prestige of leaders of specialists in institutions, as well as leaders of parties and international families of parties in the European Union.

The motivation of investment

Private entities, when investing into other firms (excluding charity donations), do it overwhelmingly to seek a profit, in the majority of cases. Other reasons can include the elimination of competition, the acquisition of a valuable, strategic or technologically interesting business which would otherwise not collaborate with them and with which, the diffusion of technology is impossible in a society due to laws; or competitive, diverging or opposing interests.

There are adherents who believe in the almost saintly role of private investment as the natural, good, and healthy role of an economy. An argument on the opposing side of this thinking is that, on the contrary, private investment is selfish, it can ruin competition and it can cause imbalances, unnecessary changes in supply lines or bankruptcies which are against the interest of the society. This was the case for many of the state owned firms that were too quickly, forcefully or unintelligently privatized (with regards to the interests of society, not a small number of individuals) in the former socialist bloc states.

Recent approaches on the right-wing, capitalist or laissez-faire camps of the economic spectrum, including the Austria School of Economics (later in collaboration with American capitalist groups of thinkers for economics), believe that private investors, usually small ones are the best in place to make decisions. The reasoning behind this idea is that prices form a very important signaling mechanism¹³ (Mises, L., 1953). As such it can be argued that when a price is formed, it can contain many of the crucial, fundamental aspects of the economy which has happened before the purchase was made (such as land, labor, capital, rent), and a price contains all or most of the important economic factors necessary to tell the truth of that price and a consumer is in the best measure to assess the price, product and health of the economy by this price. Furthermore, according to this train of thinking, if it is extended, can mean sometimes

¹¹ European Commission, “Funding programmes and open calls”, online source: https://ec.europa.eu/info/research-and-innovation/funding/funding-opportunities/funding-programmes-and-open-calls_en, latest access 2022.

¹² European Commission, “COSME. Europe’s programme for small and medium-sized enterprises”, online source: https://ec.europa.eu/growth/smes/cosme_en, latest 2022.

¹³ Mises, Ludwig von (1953), *Theory of Money and Credit*, Yale University Press p 38-47.

that subsidies of no matter what other origin and type than public investment, have a distorting effect on the price and the information that is signaled through the price with regards to the scarcity of the product, distribution, health of the economy and other factors. I personally believe that while this latest type of thinking is appealing, it should not be fetishized since, it does not contain the whole truth.

For example, subsidies can also happen for example earlier in the price chain, so the price that consumers see is rarely the real price. For example, in the 1980's, European Union institutions financed agricultural firms through the Common Agricultural Policy and locked prices (Parker, Ceri, 2017). Not only did this mechanism create a great amount of waste, it also encourages moral hazard, bad management and excessive risk taking, but the price is also affected by other reasons than strictly capitalist ones. Continuing this line of thinking, consumers in most countries of Europe also pay value added taxes and other direct or indirect (hidden taxes) due to certain ideologies or blockages in ways of doing business. For example, while the European Commission argues that it raises the standards of quality of products, this means that some products will never see the light of the consumer market. Others will experience delays, price increases, quantity reductions and other problems which can lead to eventual higher prices if the prices are free to fluctuate. In this case, the consumer is paying hidden taxes due to the way regulators organize the rules. There are also other types of hidden costs which the private sector can predict and include in the price such as scarcity, delays, skilled work, certain techniques, etc.

Another reason why I believe that private investment is not a bulletproof solution for all situations is that there are also situations when private sector firms engage in politics of their own such as collusion, price setting, etc. As strong as the government is or the private sector, I believe that the economy always deals with human beings seeking primarily their own interests and fighting for them through the means available to them; so I believe that neither side should be seen as perfect and economic decisions should be taken on a case by case situation, after concrete analysis is done. Since human behavior is changeable, I believe that, in certain cases, it will be normal that government bodies will seek more efficiency, and firms will seek to politicize, switching these places as necessary and thus requiring a concrete, case by case analysis.

The motivations for government investment is traditionally different than that of firms. Sometimes, this motivation can go into opposite directions. While firms, especially small ones seek efficiency through cost cuts, a government investment may rely on another element and thus seek the opposite of this objective (for example, in the case of promoting job creation or, seen from another side, reducing unemployment indicators).

The motivation for government investment is traditionally linked with more politicization and more decision makers involved in the process. Indeed, the later has many times prompted the idea that government investment is inept, out of touch, too cumbersome, too bureaucratic or too slow. In any case, I believe that there should be a coexistence of government finance and private finance since only government investing can cover different areas where private capital will be scarce. As argued above, since private capital goes usually in the direction of private profit, it will necessarily include some areas such as: the environment, companies which are not very

competitive, companies which do not innovate, elderly workers, less skilled workers. However, all these elements are part of society and economics and their ignoring leads to a high degree of polarization in society as well as in economics through huge discrepancies in buying power, training opportunities, or geographical concentration of enterprises, which can be very harmful to the environment and leads to other areas being economically barren.

Government investment, as opposed to private investment, is done with a broader range of objectives in mind, usually trying to achieve socially beneficial targets or targets motivated by a certain ideology (such is the case of the environmentally friendly-initiatives, for example). In this regard, national government institutions, international or supranational institutions have more flexibility in target choice as well as, in many cases, more access to financing.

The possibility of public or institutional actors to choose a variety of targets for their objectives is very beneficial economically speaking. With lesser pressure, more time to think, and more access to finance, objectives that others would never tackle are possible through institutional investment. Such of these and for which a majority of citizens would probably believe possible are: the provision of education to citizens who require it, the provision of worker retraining for the acquisition of new skills, better quality of air, water, food; more inclusive societies regardless of background, sex, or economic possibilities; the research into directions which private actors do not find financially profitable, especially in the short term.

Some of the key goals of public or institutional investments include a mix of unemployment reduction, integration, poverty reduction or alleviation; or more specifically targeted goals such as compliance with an international judicial ruling.

The fact of having more access to finance than private actors has also led to the belief that public institutions can be more susceptible to moral hazard, taking more and unnecessary risks when investing, especially when these investments are done into private companies. Also, I can argue that companies receiving financing can be more risk taking, especially if there is knowledge of further payments. Even in the absence of this, in the case of inexperienced firms, the risk that firms take after they have received international funding can be excessive, leading to losses not only in their balance sheets but also, arguably, in the public resources and public balance sheets.

Risk taking in itself is not a factor completely cured by not doing public investments. A similar phenomenon of too much risk taking can happen, for example, in the cases of shareholder pressure on the price of shares in small or large companies alike. There is fortunately an accounting safeguard implemented against this since, after a share has been sold, the shareholders do not directly control the company and, in case they are not satisfied, they can sell their shares. However, on a very specific examination, this depends on the value of the share and if, in the long-term, the same specific firms hopes to issue more shares to attract the same shareholders as future investors as well. The problem with private shareholding is that it always creates a zero-sum game of limited capital or too reduced capital and the asymmetry, that probably, companies in which shares price increases are more large or frequent, take all the investment away from all the rest of the normal firms.

As such, having mentioned the previous problem of capital allocation towards the most profitable venture (whether socially beneficial or not), leaves much of the rest

of society without investment. If average companies can struggle to find funding, it is clear that other groups of activities such as those seeking the resolution of social but non-financial problems are left with very little areas to go to, except public sources. This goes back eventually to the main problem of funding activities through own means, loans, or support from family, friends and acquaintances.

There is also another important distinction between public and private financing. Public financing is usually more on the macroeconomic level and with macroeconomic premises and considerations (such as unemployment, growth, poverty reduction) than the private investment. Indeed, private investment by contrast, seeks the best niche and tries to get one of the best slices of some pie available somewhere in society, which it very carefully researches and monitors, eliminating everything else and focusing on profit, or at least focusing on the main aspects of the business which lead to profit, if the company is to thrive in the long term in competitive markets.

Also, public investment is done by a range of one or more specialists, from diverse backgrounds and with diverse skillsets, who many times need to seek a vote, approval, or consensus. While this process, especially seen from the outside can be seen as cronny, corrupt, or too distanced, in reality, every situation is specifically unique and much progress can be done by public investment, especially in areas where the private investment does not trudge.

Finally, there is the question of accountability of businesses to the originator of the funds in case they have received them, either from public or private sources. It can argued that private businesses are more accountable when they are receiving money from other private shareholders or loan granters since there is always a need to refund the money or be productive and raise share prices in the long term. In case of public funding, I believe that business is more accountable when the public investor buys a share in the company, than in the case of grants or non-reimbursable funding. This problem can also be seen from an inversion of positions. When thinking from the position of the investor to check the well being of the business, this can be done for personal profit reasons or for reasons of investment into a public cause. I argue that both of these create strong incentives for attention investment from the investment.

However, there is the issue of size. I argue that in the concrete reality, private investors, will be more careful to watch their investments. Private investors tend to generally be smaller organizations than public bodies. As such, leading from the idea that a single private investor, will have the self interest (at least, if not also some other motivations) to watch the well-being of his or her investment; this phenomenon then is spread to the private investment group; but I argue that it will be more important in smaller groups, rather than in large ones. Public bodies, on the other hand, tend to be larger organizations of specialists where funds are allocated through a defined process and the granter is rather faceless, an impersonal transaction which leads to an impersonal relationship. Moreover, the key here is the size, and not the origin (public or private), since a large private bureaucracy can become as irresponsible or even more (depending on the concrete situation) than a public one of the same size; and probably a small, public team with clear and enforceable goals will still do a better job than a large investment body which is chaotically organized. The nuance here, though is that, usually, private entities, if they can be accused of many shortcomings, are, at least, generally very focused on profit as a key mission since it affects the employees and the

decision makers in the long-run as well for their employment, even when discussing sub-contracting or distantly contracting enterprise to check the realizing of profits. Although, this focus clearly diminishes as organizations get bigger, with more goals, chaotic organization and vision.

On the World Bank Group

The World Bank Group is probably the best known and biggest lender on the world stage. It was created, along with the IMF, following the end of World War II and afterwards, in 1947, a third institution, The General Agreement of Tariffs and Trade, was added to the group¹⁴ (Suman, Sanket 2022).

World Bank international funding has a reimbursable character and is made up of loans to national and local government institutions on the long term (usually at least several years). At the moment of writing this paper, a recent and well publicized event in which the World Bank was involved in regards to the world economy and international funding is the Russian-Ukrainian war, beginning in the first part of 2022. Thus, the World Bank committed to over 4 billion US dollars in aid towards the war-affected situation in Ukraine. Through funds which can help turn around the economic situation left in the aftermath of the war aimed at government employee salaries of the Ukrainian nation, the aim was that this will provide better access to public services to the general population such as healthcare, education, social protection, easing a deteriorated economic and social situation. It was not the first time that the World Bank Group has intervened in assistance in Ukraine.

Previous projects between the 2 entities have included funds to assist the population at large to access water, heating, hygiene; achieve a higher degree of energetic efficiency as well as improve infrastructure. In total, Ukraine and the World Bank Group have been together through a total investment of 16 billion US dollars, over the span of 90 programs¹⁵ (World Bank, retrieved 2022).

The World Bank is an international organization which collaborates with the United Nations, being created with the official objective of financing projects which can lead to economic development in member states of the World Bank Group. The World Bank Group has its headquarters in Washington DC, the United States of America, and claims to be the largest and most important source of financing for developing nations. Besides financial assistance, the Bank offers technical assistance and consultations for public policies, which it supervises, with the objective of creating reforms for the free market. Together with the International Monetary Fund and the World Trade Organization, the World Bank supervises the economic policies of a nation, attempts to reform public institutions from developing member states¹⁶ (Choussudovsky. Michael, 2022).

¹⁴ Suman, Sanket, *List of 3 Major Economic Institutions*, latest access 2022 <https://www.economicsdiscussion.net/economic-institutions/list-of-3-major-international-economic-institutions/12977>

¹⁵ Worldbank, *World Bank Announces Additional \$1.49 Billion Financing Support for Ukraine*, <https://www.worldbank.org/en/news/press-release/2022/06/07/-world-bank-announces-additional-1-49-billion-financing-support-for-ukraine> latest access 2022

¹⁶ Choussudovsky Micael, *World Bank*, latest access 2022 <https://www.britannica.com/topic/World-Bank>

Having that the World Bank channels funds from developed nations (mostly Western) to developing states (usually having a different culture, way or organizing, legal system), the World Bank can also be argued to manifest elements of political and ideological changes.

The World Bank Group is formed of 5 institutions. For the purpose of this paper, I will focus on those that are specifically involved in lending (funding) operations. The Bank for Reconstruction and Development grants loans at interest rates which propose to be at fair market rates, to developing countries with small incomes, but also to smaller countries but which own diverse assets and are thought to be credit-worthy. The International Development Association, created in the year 1960, grants interest-free loans for the long term, as well as technical and organizational assistance for small developing states which have small incomes, for themes such as health, education, development for the rural environment. An important distinction between the 2 institutions in the way they function is that the Bank for Reconstruction and Development gains its fund from international capital markets, while the International Development Association funds its loans through individual contributions of the developed member countries¹⁷ (*Idem*).

The World Bank obtains funds from member state contributions, fluctuations of bonds on international capital markets; as well as profit from interest owed by developing countries to the International Bank for Reconstruction and Development or the International Finance Corporation. Around 10% of the money is paid directly to the World Bank. The World Bank employes over 10,000 people, of which 25% work in developing countries and also advising national ministries of finance. The Bank owns over 100 branches in member states. It has consulting as well as informal ties with international finance markets as well as other types of institutions in developed or developing member states¹⁸ (*Idem*).

The World Bank Group has a key objective in the increase of micro, small and medium enterprise access to finance and aims to find new solutions of financing in order to find capital source. The Group offers crediting services as well as consultancy for clients for the increase of the contributions which the SMEs can make in local economies, especially when it comes to less served sectors¹⁹ (World Bank, retrieved 2022).

Criticism of the World Bank

Joseph Stiglitz, a former chief economist of the World Bank, who resigned his position in 1999 is one of the Bank's most clear critics. He argued that the way in which the World Bank worked was fundamentalist way of promoting free markets in developing countries. He also affirmed that the reforms imposed by the IMF and World Bank can require measures of fiscal austerity, exaggerated interest rates, unwanted trade liberalization, privatisations and unwanted openings of capital markets. These measures are usually counterproductive to the targeted nations and potentially devastating for their citizens. Connections were also drawn between the ideological

¹⁷ *Idem*

¹⁸ *Idem*

¹⁹ WorldBank, *Small and Medium Enterprises (SMEs) Finance*, latest access 2022, <https://www.worldbank.org/en/topic/sme/finance>

and standard, unindividualized measures imposed by the World Bank to crises such as the Asian Crisis of 1997 and the Argentinian Crisis of 1999²⁰ (Council on Foreign Relations, retrieved 2022).

Max Lee has stated that the World Bank Group is not as altruistic as it pretends to be. Its objective to reduce poverty is influenced by an imbalance of power, weighing towards the United States of America, as well as other sources of external bureaucracy which lead to other reasons for political association, since the economic and political motivations are in reality usually closely linked²¹ (Lee, Max, 2020).

United States President Ronald Reagan stated that, on the long term, the economic policies of the World Bank are consistent with those of the United States. Robert McNamara, a former Defense Secretary of the United States, who later became the President of the World Bank during the Cold War has stated that the purpose of aid is also in order to maintain developing countries in the Western political area of influence, at a time of competition with the Soviet Union for economic and political influence over developing countries²² (Idem).

The World Bank can be accused that in the financing model and conditions that it requires, an ideology of private aid first is created, requiring the unwanted opening to foreign business²³ (Eurodad, 2019). The idea of auditing the World Bank by an external auditor who should be independent was also proposed, especially for the issue of financing the poorest states versus the financing of states which have good policies and stronger institutions²⁴ (Pablo, H., 2006).

IMF

The IMF was created in 1944, following the Bretton Woods conference, with the official goal of assuring international monetary stability, stabilize currency exchange rates and extend the international currency reserve access to currencies which do not depreciate easily. Following the Great Depression of the 20th century, and the 2nd World War, which had severe economic effects on Europe, Asia and the United States, a new idea came about to create an international monetary system which stabilizes currency exchange rate without the necessity to keep pegging currencies to gold, reducing balance of payment deficits²⁵ (McQuillan Lawrence, retrieved 2022).

This type of deficit was previously identified in the mercantilist systems and they continue to exist as a phenomenon, which has the possibility to recur. Thus, these

²⁰ Council on Foreign Relations, *The World Bank Group's Role in the Global Development*, latest access 2022, <https://www.cfr.org/backgrounder/world-bank-groups-role-global-development>

²¹ Lee, Max, *Domination by Capital: A Critique of the World Bank*, 2020, https://www.researchgate.net/publication/338868451_Domination_by_Capital_A_Critique_of_the_World_Bank

²² *Idem*.

²³ Eurodad, *Flawed Conditions: the impact of the World Bank's conditionality on developing countries*, 2019 <https://www.eurodad.org/flawed-conditions>

²⁴ Pablo H. *Praise and criticism of the World Bank*, 2006 <https://blogs.worldbank.org/psd/praise-and-criticism-for-the-world-bank>

²⁵ McQuillan Lawrence, *International Monetary Fund*, latest access 2022, <https://www.britannica.com/topic/International-Monetary-Fund>

crises tended to happen in the XXth century when more currency exited the economy of a state than it entered.

In order to eliminate the mercantilist commercial policies, such as reductions of the value of the national currency in order to compete; or restrictions in the currency exchange rates, the IMF was founded. The Monetary and Financial Conference of 1944, New Hampshire, United States, saw the participation of representatives from 44 countries, who created the Articles of Agreement for an International Monetary Fund that would supervise the new international monetary system. The background to this development resided in world trade, investment, economic growth, by holding convertible reserve currencies in other currencies at established exchange rates. The nations that had temporary shortages in their balance of payments, had to finance these deficits through the borrowing of international funds in the form of foreign currency from the International Monetary Fund, and not through the forcing of exchange rate controls, devaluations or deflationary policies which could start the spread of economic problems to other countries (Idem).

Following the ratifying by 29 member states, the Articles of Agreement came into force on the 27th of December 1945. The first meeting of the council of governors was done the next year in Savannah, Georgia, United States of America, in order to adopt the regulations and choose the executive directors. The governors then decided to move the headquarters of the organization in Washington DC, where the first executive directors first meet in 1946, and the financial activities of the international monetary fund started in 1947 (Idem).

An interesting peculiarity of both the World Bank and the International Monetary fund is that, despite being international organizations, their management structure is similar to that of American companies, including the presence of executive directors and some of the way decisions are made. Another common feature of both the International Monetary Fund and the World Bank is that, based on economic power, some of the larger (especially Western) economies have permanent voices and more powers, while the rest of the states are grouped into groups representing regions and, as such, they cannot express individual interest, but must express their interests through groups.

The IMF is able to grant loans through payments done by member states. Thus, each member state pays into the IMF a yearly sum, similar to a subscription. The quotas needed to pay are remade every 5 years, based on the economic performance of the country, with the richest paying more. The money which is gathered then forms a fund for lending and determines what voting power a specific member will have. For example, the United States, being the largest contributor, receives the most votes, in relation to its subscription amount, both in the Governors Council as well as in the Executive Council. The group of G8 countries (Canada, France, Germany, Italy, Japan, Russia, The United Kingdom and the United States) together control an important share of the votes.

Having that the system is based on voting power based on economic performance, it is reasonable to believe that unless reformed, the system will see large shifts in the future as previously emerging economies are now growing more strongly and will have higher economies as expressed by shares of world GDP.

Since its inception, the International Monetary Fund worked to stabilize exchange rate, finance the short term balance of payments deficits of the member state

and the supply of technical assistance and consultancy for countries which need to borrow. Following the first inception documents, the IMD has supervised a system of exchange based on anchored, stable rates, starting from the gold standard which was later modified. The first system of this type had been introduced in 1870²⁶ (World Gold Council, retrieved 2022).

Thus, each member state upon adhesion, declared a value for its national currency with respect to the United States Dollar, then the United States Treasury connected the dollar to gold, being able to sell and buy the gold at a prescribed rate of 35 USD per ounce. The exchange rate of a state could vary just at the maximum point of 1% over or under the declared value. Seeking to eliminate the competitive devaluations, the International Monetary Fund allowed changes of the exchange rate of over 1% only in the cases of those countries that could demonstrate to be in a fundamental imbalance of the balance of payments, and only after the IMF had been consulted and it approved this solution. In August 1971, the United States President, Richard Nixon, closed the pegging or anchoring system of the exchange rate, and refused to sell gold to other countries at the established price. Since then, every member state could choose the method that it uses in order to determine the value of its own currency. One of the options was the ability to freely fluctuate, in which the currency exchange rate for the currency of a specific country was determined by the supply and demand of that currency on the international currency markets. Another option was a managed fluctuation, in which the responsible institutions for the monetary policy of a state could occasionally intervene on the international currency markets in order to buy or sell the respective currency in order to influence exchange rate. A third option was an anchoring arrangement, in which the officials that managed the monetary policy of a nation promised to connect the currency exchange rate of their country to a different currency or a group of currencies. The last option was represented by an arrangement of fixed exchange rate, in which the currency exchange rate of a country was connected to another currency, this rate unable to be changed. Following the loss of authority to regulate international exchange rates, the IMF then focused its efforts towards currency lending to developing countries²⁷ (McQuillan Lawrence, retrieved 2022).

Criticism of the International Monetary Fund

Over time, the International Monetary Fund has received a wide variety of critics. These are usually aimed at the conditionality of their loans. Other critics have included the lack of responsibility to any other authority and for the availability to lend to countries which were previously accused of human rights violations.

When a loan is granted by the IMF, it is conditioned on the implementation of certain economic policies. These can usually involve a combination of: Austerity or otherwise conservative policies which aim at reducing government debt, higher taxes and reduced government expenses; higher rates of interest in order to stabilize the

²⁶ World Gold Council, *The Classical Gold Standard*, latest access 2022, <https://www.gold.org/history-gold/the-classical-gold-standard>

²⁷ McQuillan Lawrence, *International Monetary Fund*, latest access 2022, <https://www.britannica.com/topic/International-Monetary-Fund>

nation; the approach that failing firms should be let go to enter bankruptcy; structural adjustments, privatizations, more lax regulation or deregulation, reductions in corruption or of bureaucracy.

The issue with these kinds of policies imposed, as well as macroeconomic intervention is that this can make difficult economic situations worsen. For example, in the case of the Asian Crisis of 1997, many nations such as Indonesia, Malaysia and Thailand were requested by the International Monetary Fund to apply a tighter monetary policy, with higher interest rates. This was coupled with a more restrictive fiscal policy in order to reduce budget deficits and increase the national currency exchange rate. These types of policies can be argued to have built a small economic slowdown into a serious recession, with high degrees of unemployment. In 2001, Argentina received similar requests for its economic policies, arguably leading to a decrease in public services and shrinking the economy²⁸ (Pettinger, Tejvan, retrieved 2022).

With respect to currency exchange reform, when the IMF intervened in Kenya in the 1990s this made the Central Bank eliminate certain controls over the circulation of capital. At the time, the consensus belief was that this decision made simpler the transfer of money outside of the country by politicians, also known as the Goldenberg problem (Idem). This can be seen as an example where the IMF did not understand specific elements of the country with which it worked, insisting on ideologically motivated reforms.

Joseph Stiglitz has criticized the monetary approach of the IMF for assisting in the promotion of an ideology propagated by a Western financial community over developing countries. At the inception of its operation, the IMF was criticized for allowing inflationist devaluations. Regarding privatizations, in some cases these were not appropriate since they can lead to private monopolies that exploit the consumer (*Idem*).

Despite the fact that the IMF was criticized by what can be seen as a left-wing school of economic thinking, it was also accused of being too interventionist by liberal or more capitalist economists. As such, according to liberal economists, it is best to leave the capital markets to operate without intervention. Such means as influence over the exchange rates only make a situation worse of and the currencies should be left to achieve market levels. There is also the idea that the aid of a country with high external debts can cause more hazard. Thus, if such a state is assisted, it will be encouraged in the future to borrow more.

The IMF was criticized for the funding of political, military and dictatorial regimes in Brazil and Argentine in the 1960s. It was also accused at the time of granting these kinds of funds to these states while other nations cannot access them. In such situations, the International Monetary Fund and the World Bank, had responded that their interests are focused on economics and these need to ignore political ideologies²⁹ (McQuillan Lawrence, retrieved 2022).

The International Monetary Fund, in turn responded to some of the critics addressed to its activity. Since the Fund must take measures in times of economic

²⁸ Pettinger, Tejvan, *Criticisms of the IMF*, latest access 2022, <https://www.economicshelp.org/blog/glossary/imf-criticism/>

²⁹ McQuillan Lawrence, *International Monetary Fund*, latest access 2022, <https://www.britannica.com/topic/International-Monetary-Fund>

crises, any measures that it encourages will also be met with difficulties, regardless of how good the intentions. For example, a balance of payments problem cannot be solved without readjustments which will surely have some negative consequences. The problems of the IMF also tend to be very highly sensationalized, while its successes are much less known. The IMF claims that its fund have helped many countries to avoid liquidity crises, such as Mexico in 1982 and later Greece and Cyprus (*Idem*).

The fact that there is a creditor of last resorts brings an important increase in the levels of confidence exhibited by investors with regards to the risks in investing in a country. This is especially important in times of financial instability. The IMF also states that a country is never forced or pressured to accept its loans, it is always the nation that seeks out the IMF. The fact that so many countries still seek the IMF support can be seen as proof that they believe that the funds that IMF sends, even though conditioned, are a source of benefit for them. Also, sometimes, the will for political change can be internal, coming from inside a nation's government. In some of these cases, the political will is weak in implementing costly and unpopular reforms and an intervention by the IMF can permit the shifting of the blame to the IMF, as an external pressure, from the local government³⁰ (Pettinger, Tejvan, retrieved 2022)

However, by creating the safety net of the IMF, important reforms can be delayed and a long term dependency can be created towards foreign capitals. The imposed conditions of austerity can also prolong financial crises, highly impeding the lives of the poorest members of some nations³¹ (McQuillan Lawrence, retrieved 2022).

The European Sovereign debt crisis which started in 2010, represented a change in the approach made by the IMF. Since it traditionally assisted developing countries, focusing on poor countries on the periphery of the global markets, it was a significant change to shift its focus on unsustainable debts in developing countries. Thus, in the case of the Greek sovereign debt crisis, The IMF, The European Central Bank and the European Commission had pledged a total of 375 USD in 3 financing programs over the course of 8 years³² (Masters Jonathan, et al, 2021).

The intervention in the Greek economy was significant for IMF for 2 reasons. First of all, it was the first time when the IMF decided to lend to a member state of the Eurozone, since it was created in 2002. Secondly, the size of the assistance package was much larger. Usually, this is limited at a ceiling of 600% of the level of a government's contribution. But in the case of Greece, this was at a rate of over 3200%, the largest package which had ever been historically granted to a member of the IMF. Even the later contrast with Greece and other member states of the Eurozone was high, since Portugal received around 30 billion USD and Ireland around 25 USD³³ (*Idem*).

³⁰ Pettinger, Tejvan, *Criticisms of the IMF*, latest access 2022, <https://www.economicshelp.org/blog/glossary/imf-criticism/>

³¹ McQuillan Lawrence, *International Monetary Fund*, latest access 2022, <https://www.britannica.com/topic/International-Monetary-Fund>

³² Masters Jonathan. et al, *The IMF: The World's Controversial Financial Firefighter*, 2021 <https://www.cfr.org/background/imf-worlds-controversial-financial-firefighter>, pot sa mai pun, daca e nevoie si de la rezultate din teza p. 52

³³ *Idem*.

European Union

The European Union is a supranational entity, founded and organized through the European Institutions (such as the European Parliament, European Commission, European Commission, etc), which behaves in some ways, like a large nation, having its own currency, flag, borders, collaborations for economic, military, political affairs and many others. At the time of writing this paper, the European Union was the largest trading block in the world and composed of 27 member states (at maximum 28, before Brexit).

The European Union has a large role to play in international finance, whether it is granting assistance to developing countries, funding public institutions in member countries such as schools for modernization, or funding businesses through a wide variety of past and present instruments.

The European Union works with both economic and social objectives in mind. While it does direct funding to business projects such as COSME, HORIZON, START-UP NATION, and others, it also follows social objectives such as more equality, more inclusion, more employment, a better environment and many others.

One of the most important objectives and one which the European Commission highlights is the integration of Central and Eastern European Countries, starting in 2004. The Commission has elaborated detailed reports presenting the social impact, economic growth and integration achievements.

As such, the Eastern extension has brought new jobs for both the former socialist countries as well as for the older (Western) European members. It has brought about knowledge diffusion, economic growth and reforms in terms of the rule of law and corruption. However, it has also led to problems relating to work migrations to the richer countries³⁴ (European Commission, 2009), as well as social frictions, isolation and the spread of inequality, as well as a fragmentation of national culture.

SMEs in the European Union

The transition from the former socialist regimes in Central and Eastern Europe started more than 30 years ago and since then, there have been many wide-ranging and diverse achievements with regards to the development of small and medium sized enterprises in this region. Large economic discrepancies continue to exist between regions, especially between Central and Eastern Europe as a whole and Western Europe as well as between Central and Eastern Europe themselves. However, the political regime changes since 1989, of legislation for small and medium enterprises, has allowed the creation of a multitude of small and medium enterprises in Central and Eastern Europe.

For the European Union, small and medium enterprises are those enterprises that hire under 250 persons and have a turnover which does not surpass 50 million euros or a balance sheet that does not surpass 43 million euros, as stipulated in article 2 of the annex of the recommendation 2003/361/EC³⁵ (European Commission, retrieved 2022). Small and medium enterprises are a majority of all businesses in the European Union, representing around 90% of all the registered businesses and providing for

³⁴ Europa.Eu, *Five Years of an enlarged EU, Economic achievements and challenges*, 2009, pages 19-20, https://ec.europa.eu/economy_finance/publications/pages/publication_14078_en.pdf

³⁵ European Commission, *User Guide to the SME Definition*, https://ec.europa.eu/regional_policy/sources/conferences/state-aid/sme/smedefinitionguide_en.pdf, p. 3, latest access 2022.

approximately two thirds of jobs. In 2015, Jean-Claude Juncker, the President of the European Commission, expressed the necessity for a European legislative framework which is lax, with laws that are not too detailed and too limiting, in order to promote innovation and competitiveness, since small and medium enterprises were creating around 85% of new work places³⁶ (*Idem*). Not only did small and medium enterprises represent the main generating source for new jobs, but they were also the largest contributors to governmental budgets.

Small and medium enterprises raise the number of jobs in economies, they increase the Gross Domestic Product of a national and generate social stability directly through their activity of business and job allocation. Indirectly they influence the wellbeing of a society through the contributions to the national budgets as well as the budgets of the European Union, by generating goods and services which are later taxed towards the European Union institutions through the value added tax charged to end customers of those goods and services.

In 2013, over 21 million small and medium enterprises provided 88,8 millions of jobs throughout the European Union, also stimulating the entrepreneurial spirit in the European Union, as being one of the key policy objectives of the European Union³⁷ (*Idem*).

European Structural Funds

The European Structural Funds were created in order to reduce disparities between regional development and in order to widen the social and economic integration in the European Union. The European Commission collaborates in the financing of projects across member states of the European Union, with a focus on direct assistance to small and medium enterprises located in the less favoured economic zones, known also as convergence zones. In the more economically developed regions, the European Union focus on activities which can have a big impact in influencing business, including: professional training for entrepreneurs, assistance services for businesses, business incubators, activities to enhance technology transfers, facilitation of relationships between entrepreneurs; without directly financing specific SMEs³⁸ (Eufunds, retrieved 2022).

For the 2007-2013 period, the total allocation for the European Regional Development Fund, The Social European Fund and the European Cohesion Fund, was of 347.41 billion euros, with the main objectives of:

a) Convergence: the increase of economic convergence for under developed zones (81.54% of the budget);

b) Regional competitiveness and job creation through the increase of regional competency, as well as the assistance offered to enterprises and employees to facilitate economic exchanges (15,94% of the budget).

c) European territorial cooperation through the enhancing of collaborations across national boundaries and between regions (2,52% of the budget)³⁹ (*Idem*).

³⁶ *Idem*

³⁷ *Idem*

³⁸ *European Union Support Programmes for SMEs*, online source: <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Other%20Programmes/Documents/SME%20guide.pdf>, p. 10.

³⁹ *Idem*.

The European Regional Development Fund is the largest financial instrument of the European Union, targeting small and medium size enterprises. Its aim consists in the improving the disparities in regional development as well as the sustenance of economic and social cohesion in Europe. In order to improve the creation and competitiveness of small and medium enterprises, the Fund finances activities in various domains. Firstly, it finances entrepreneurship, innovation and competitiveness among small and medium enterprises through entrepreneurial education, technical innovations and management systems for small and medium enterprises, as well as innovations for environmental protection, the improving of using Internet and technology communications.

Secondly, the Fund finances the improvement of the regional and local framework for small and medium enterprises through: better access to financing in the incipient phases of the business, better infrastructure for businesses and assistance for SMEs, regional and local innovation capacities, cooperation and innovation for business. Thirdly, the Fund assists in the formation of more advanced collaborations between regions and beyond national border with regards to small and medium sized-firms. Lastly, the Fund invests in the formation of human capital together with the European Social Fund.

Unlike other European funding sources, the initiatives of the European Fund for Regional Development are not directly managed by the Commission, but by regional or national authorities which serve as a point of contact for financing request and project selection⁴⁰ (Idem).

Criticisms of the European Union

From an economic point of view, the European Union can be criticized from many directions, some of the most important ones being: Common Agricultural Policy, Highly bureaucratized labor markets with structurally high unemployment, deflationary tendencies of the European Central Bank, problems relating to the Euro currency and Eurozone membership, problems with the free movement of laborers and migrants.

With regards to the free movement of citizens for work, the European Union can be criticized for the way the phenomenon was managed. The free movement of workers and capital are founding principles of the European Union with purposes such as harmony and mixture of European citizens and businesses. Although, following the Eastern extensions of the European Union, high discrepancies between incomes, work conditions, development conditions and other factors; pressures mounted for large scale migration for East to West. This type of migration has created problems not only for the Central and Eastern European Nations who lost young employees, and many times, with beyond average education or preparation; but also problems in destination countries, which could not manage certain tensions between resident citizens and the migration of labor force.

Massive migrations with economic motivations, for the capacity to increase income, has build pressure on some public services and has determined important increases in real estate prices in some of the richer member states. Although some migrants contribute to a better situation in tax revenues for local government

⁴⁰ *Idem*, p.10.

institutions, migration can concentrate in some areas such as larger cities, reducing the access to certain goods and services. This phenomenon was one of the key cited reasons for the withdrawal of the United Kingdom from the European Union⁴¹ (Migrationobservatory, retrieved 2022).

Some euro skeptics consider that the European Union has become, in the last decades, an organization too big for its own good and purposes, too heavy, too centralized and too bureaucratized for the wellbeing of the European citizens. Through the centralization of many legal powers, institutions and laws to the institutions in Brussels, the connection with the electorate from the origin states is lost, as is the flexibility to make decisions on a national level. The support for forming of a federal state such as some believed that it would become decades ago, is presently very weak⁴² (Tupy, Marian, 2006). The idea of a United States of Europe was voiced famously by British Prime Minister Winston Churchill, in a discourse done in 1946⁴³ (Europa.eu, retrieved 2022).

Monetary policy done in the European Union has led to a friction between member states, for example between countries where this policy is convenient such as Germany and Austria, and countries for which this has not had beneficial effects such as Greece and Italy. Historically, the development of some states of the present European Union, did not only have the liberalization of the European Union or of some predefining institutions such as the Treaty of Coal and Steel. It can also be argued that there were other trade liberalizations that were taking place, such as those caused by the General Agreement of Tariffs and Trade. As well, certain directives coming from the European Institutions, especially cumbersome ones are reasons for Euroskeptics to cite as reducing the competitiveness of the block in terms of world trade, despite European continental trade being more liberal⁴⁴ (Tupy, Marian, 2006).

In recent decades, the European Union or its institutions are seen with more skepticism than in previous decades after its founding. As such, if initially there were different and fewer critical voices, presuming a consensus based on specialists and efficiency, it can be argued that currently, the European Union does not at present, benefit from the quality of being seen as just an organization made up of specialists. The way of organizing for European institutions, as well as certain decisions of the European Union, seem to have gained more and more harsh criticism from a wide variety of national and international groups. A lack of satisfaction with regards to the European Union by large categories of citizens was also noticed⁴⁵ (Della Porta, Donatella, retrieved 2022).

⁴¹ Migrationobservatory, *Migration and Brexit*, accesat 2022, <https://migrationobservatory.ox.ac.uk/projects/migration-and-brexit/>

⁴² Tupy. Marian L., *The European Union: A Critical Assesment*, 2016, <https://www.cato.org/economic-development-bulletin/european-union-critical-assessment#notes>

⁴³ Europa.EU, *Winston Churchill: calling for a United States of Europe*, accessed 2022, https://european-union.europa.eu/system/files/2021-06/eu-pioneers-winston-churchill_en.pdf

⁴⁴ Tupy. Marian L., *The European Union: A Critical Assesment*, 2016, <https://www.cato.org/economic-development-bulletin/european-union-critical-assessment#notes>

⁴⁵ Della Porta, Donatella, *The Antiglobalisation and the European Union: Critics of Europe*, accessed 2022, p. 7, https://institutdelors.eu/wp-content/uploads/2018/01/policypaper22-en_03.pdf

Despite many pertinent issues, others believe that the European Union is in a better situation than other states or supranational entities to resist some crises. Thus, when certain crises have hit the European Union such as the Euro Crisis, The Refugee Crisis, The COVID-19 Pandemic, and others, many euro skeptics believed that the European Union had reached a low point and the Euro would fall as a currency. However, since the founding of the European Union in 1951, it went through numerous crises, increased its size 4 times and proved to be very resilient⁴⁶ (Rachman, Gideon, 2021).

Conclusion

This article has discussed the possibilities of funding available and the impact that international institutions with the capacity of funding (The World Bank, the International Monetary Fund, the European Union) have over economics, society and international relations.

The article has started from the premise of why funding is necessary, what kind of funding is available and what are motivations when funds are allocated by the private and public sector (including international institutions). Then the article has discussed implications for the society and progress made in economic and social affairs by the 3 institutions.

Despite funding becoming more accessible, many businesses, especially in developing countries, rely on funding from the mentioned international institutions. While these institutions have made tangible progress to improve, economies and societies, significant challenges are still present for them, as outlined in the criticisms.

It is clear that the economies of the future will be a rich mix between public and private actors in which the international economic institutions will have very impactful roles to play with a significant capacity to alter economics and society for the better, if specific the challenges can be overcome.

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⁴⁶ Rachman, Gideon, *The EU's stability will again confound its critics*, 2021 <https://www.ft.com/content/4e5cf2d3-9978-400a-b62f-2266dc86ce41>

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IS SUSTAINABILITY IN FASHION INDUSTRY REALLY SUSTAINABLE? A CONCEPTUAL ANALYSIS OF CONSUMER BEHAVIOUR

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Abstract

In a world marked by a series of climatic and behavioural challenges, the fashion industry contributes significantly through the production and the consumption process to the damage done to the environment.

In order to protect the planet, several international organizations have focused their efforts on implementing initiatives to make the fashion industry a sustainable industry.

Thus, the redefinition of the business model is based on the transformation of the operating process of the companies, through the production mode, but also of the consumer behaviour through the perception on the concept of sustainability.

The involvement of green marketing through its strategies to promote the principles of circularity, is the premise based on which this paper analyses by creating a questionnaire for consumers to identify behaviour and tendency to buy clothing made from processes and materials environmentally friendly. The emergence of vegan textile companies is also a trend in the fashion industry, which through its mode of operation, brings a positive contribution to the planet.

Because any solution can have negative effects, there are conceptions according to which the more sustainable a product is, the less qualitative it is and, in the end, without real benefits on the environment. We may ask “What is the amount of required water for clothing production?” and “What are the required costs to produce environmentally friendly clothing?”

To identify a real correlation between the fashion industry, sustainability and consumer behaviour, the paper aims to study the production process, waste of resources and consumer perception in a circular economy based on consumption to be able to clarify if “Is sustainability in fashion industry really sustainable?”

Keywords: *circular economy, sustainability, fashion industry, green trends, green marketing*

JEL Classification: D10, L67, Q01,

Introduction

Sustainability in fashion industry represents, at this moment, a niche market, in which consumers and companies are in a relationship of interdependence based on the circular economy. The importance of this industry is highlighted by the competitiveness present in the market, being rather a global business worth 1.5 trillion

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US dollars and is estimated to reach about 2 trillion US dollars by 2026 (Global apparel market - statistics & facts, 2022).

The importance of sustainability in fashion industry in a circular economy starts from the observation of an increasingly accelerated degree of environmental degradation, related to the limitation of natural resources and, respectively, the establishment of ethical manufacturing processes. In this sense, in order to minimize the negative effects on the environment caused by the fast fashion industry, the circular economy has started to make a significant mark on the activity of companies with this field of activity.

For the creation or remodelling of businesses for a sustainable purpose for a healthier, more natural and more responsible world, the 17 Sustainable Development Goals set by the United Nations in "the blueprint to achieve a better and more sustainable future for all" in the 2030 Agenda for Sustainable Development (Do you know all 17 SDGs?, 2015), contribute to the creation of an organizational mechanism based on the marketing strategy in line with the principles of the circular economy.

The importance of sustainability in fashion industry in a circular economy

What means sustainability in fashion? A concept that integrates the components of environment, society, and economy in the system of promoting the circular economy, by integrating the principles of sustainability in one of the largest global industries, marking a transition from fast to slow and incorporating aspects of responsibility, both for companies, as well as for consumers, define the fashion perspective for the future. In modern terms, the companies should adapt their image of fashion to the global market trend given by the luxury companies, and also to take into account the expectation of the consumers who mostly choose fashion items according to their values and their personal style (Gazzola, Pavione, Pezzett, & Grechi, 2020).

Following the results of studies identified in the literature on the implications of staff in direct contact with the fashion industry, respectively fashion designers, can be classified challenges of internal and external nature of the organization to incorporate sustainability in the processes specific to the fashion industry. The internal challenges are the lack of knowledge about sustainable design, the costs involved in the design process and the need to maintain superior quality using recyclable, organic or vegan materials, depending on the context, and external challenges relate to general issues such as insufficient demand. on the market, an influential factor in this respect being the relatively higher price paid for such an article and also the need to implement a vision oriented towards sustainability, both among companies and consumers (Hur & Cassidy, 2019).

In order to delimit the slow fashion industry from the sustainable one, we notice an accentuated shade of the green economy trend, which promotes business models with a high degree of responsibility towards the environment, consumers, and themselves. Starting from the existing results at this moment in the market regarding fast fashion industry, we can consider a series of premises that structure the research topic of the paper:

1. The clothing and textile industry is the second largest polluter in the world behind oil;
2. 99% of thrown away clothing can be reused or recycled;

3. 85% of the plastic pollution in the ocean is due to microfibres from synthetic clothing;

4. Nearly 70 million barrels of oil are used each year to make the world's polyester fibre, which is the most commonly used fibre in clothing. It takes more than 200 years to decompose;

5. There are roughly 40 million garment workers in the world today. They are some of the lowest paid workers in the world and roughly 85% of all garment workers are women.

Given these premises, we can observe a circular relationship between economy-environment-society components, which by the nature of its construction, highlights a sustainable business model, oriented to market needs and expectations, in accordance with current environmental issues and global natural needs.

Promoting the Circular Fibre Initiative (Roberta De Angelis & Giancarlo Ianulardo, 2020), created by the Ellen MacArthur Foundation, is a starting point for raising awareness of the effects of harsh textiles on the environment. This sustainable initiative incorporates a new activity system based on the production-consumption relationship, thus promoting the transition from the traditional manufacturing system to renewable energy sources.

Green marketing – an iconic concept to promote sustainable fashion industry

The role of marketing in the fashion industry has become vital in recent years, especially in the middle class, as luxury brands adopt a different strategy, which refers to the fact that luxury companies do not want to attract new customers or any category of customers, he preferred to stay niche. As environmental and societal issues are the current challenges of the 21st century, the aim is to implement more and more practices to reduce the consumption of natural resources, selective recycling, and reuse at a higher capacity, especially in the fashion industry, one of the the largest and most profitable globally at the moment.

In order to understand the mechanism by which marketing promotes green trends, we must consider the implications of a sustainable strategy specific to green marketing, in order to make a positive contribution to society and the environment. Through its frequently used practices, of awareness through the message and the visuals transmitted, the marketing strategy aims not only to bring qualitative but also quantitative results. The basic activities practiced by green marketing among companies inclined towards sustainability or which have already made a name for themselves, becoming green brands, are represented by the production of eco-friendly products, their promotion, providing economic support to non-profit organizations that support objectives for sustainable development and involvement in any sector meant to protect the environment. In order to improve the image of a sustainable brand, it is necessary to promote the degree of social responsibility of the company and its involvement in environmental movements. In the case of clothing companies, there has been a growing trend lately for the production of eco-friendly clothing, including materials such as: organic or biodegradable cotton, clothes with high bamboo content, recycled materials and those that involve consumption reduced water (Sung, H.W. & Kim, E.K., 2010).

The vision of a circular economy in which we use resources in moderation and recycle with responsibility, inspires both businesses and consumers and outlines a new

concept, known as green marketing (Polonsky, 1994). In this way, the effects of green marketing generate results that involve the consumption of eco-friendly products and propose the adoption of a responsible consumption culture. Exploring the effects of promoting sustainability through marketing campaigns with an impact on the environment and the involvement of marketing communication in this regard, therefore, outlines a global persuasion generated by the circular economy. From the research carried out, specialists in this field state that green marketing produces a series of positive effects on consumer behaviour. Perception of green campaigns has a significant influence on consumers' green consciousness and indirect impact on consumers' green behaviour (Lee, Choi, Youn, & Lee, 2012).

Being an iconic concept in promoting the sustainable fashion industry, green marketing supports the circular economy's approach to directing the flow of the fashion industry in the future, resizing the horizon of the vision on the concept of sustainability, and positively influencing consumer behaviour through the ethical and sustainable activity of companies. The Green Marketing Era aims at long-term sustainable perspectives that are increasingly being debated on the global political and economic scene, bringing added value through the principles of circularity adapted to any industry. In the context of the sustainable fashion industry, the role of green marketing highlights not only the processes necessary to implement the classic marketing mix, but reinterprets them, creating a green marketing mix, a definition of activities carried out with respect for working conditions and environment, finding a balance between the company's objectives and environmental challenges (Sagapova, Buchtele, & Dušek, 2022).

The fast fashion industry today's concept it translates in general terms as an opportunity to satisfy several generations at the same time. In this sense, the need for a diversification regarding the marketing strategy oriented towards the target market was identified. Also, to emphasize the effects of fast fashion, we emphasize that 20% of the global pollution of industrial water comes from the treatment and colouring of textiles (the World Bank, the International Finance Corporation (IFC), & the Natural Resources Defense Council (NRDC), 2014).

Numerous fast fashion facts are present through the marketing strategy aimed at promoting sustainability among fashion consumers, encouraging a type of responsible behaviour towards the environment through economic, social, and ethical implications.

- **Water** – it is known that it takes 2700 litres of water to make just one t-shirt. Thinking about this aspect of wasting one of the most important natural resources from this planet, the importance of reorienting ourselves as consumers towards choosing low-water items, products eco-friendly manufactured and easy-to-recycle materials, or products made from recycled materials to minimize the consumption of resources among companies, is emphasized.

- **Textiles** – an estimated 400 billion square of textiles are produced annually, of which 60 billion square meters are left on the cutting room floor. In this way, another problem related to sustainability is identified: the existing stocks of fashion products. Overproduction of articles in the fashion industry is a result of fast fashion, which does not harm the environment only through manufacturing or recycling processes, but also through industrial quantities of articles resulting from excess

manufacturing. It is also assumed that the problem of overproduction may be even greater, causing the most damage to the environment.

- **Waste** – three out four garments will end up in landfills or be incinerated, which, once again, harms the environment compared to manufacturing processes. As waste has become a global issue and a general topic of sustainability, slow fashion is a solution for the future for both companies and consumers. The concept of slow fashion has emerged as a result of existing challenges and is an attribute promoted by the circular economy through its long-term activities.

- **Consumption** – to put it into perspective, we currently consume more than 400% the amount of clothes we consumed two decades ago (Fashion's Problem With Overproduction, n.d.). Also, Americans buy twice as many items of clothing as they did twenty years ago. Considering these aspects, it is obvious that we are responsible for overproduction, given the supply-demand relationship. In order to promote the concept of environmental responsibility, the circular economy brings to the fore the quality of processes, materials, and reuse prospects, as a global solution to reduce the negative effects on the planet.

In a contemporary approach, the circular economy is a global solution for the proper use of resources, both by companies and consumers (Mostaghel & Chirumalla, 2021), thus highlighting, in the case of the fashion industry, a series of trends based on sustainability, promoting concepts of green marketing strategy for a more responsible, more ethical, and more natural future.

The involvement of the circular economy with the help of marketing strategy in the fashion industry, creates a new opportunity for companies to enter a niche market, activating a social component of responsibilities that ultimately determines both the direction of consumer buying behaviour and perception of the context of sustainability. Sustainability education thus becomes a key component that requires more and more attention at both the microeconomic and macroeconomic levels, with both quantitative and qualitative effects. In the fashion industry, actions such as reusing old-fashioned items in various ways by creating something new, recycling materials properly, are positive aspects that have a favourable impact on the environment over time. Both consumer and corporate initiatives can have a visible impact on the global stage, as long as they are assumed and represent a part of social responsibility. At the same time, reducing the consumption of natural resources by selecting green brands that manufacture in a sustainable way, using organic materials and opting for the digitalization of the business, are choices that are part of consumer behaviour influenced by the perception of the concept of sustainability.

In the slow fashion industry, green marketing is everything. From the strategy of communication, promotion, development, and differentiation to the processes of involvement with the theme of social responsibility, the implications of this type of marketing combine the ecological part, with the concept of green and the notion of sustainability in a process specific to the circular economy. It can be seen that lately, the number of green businesses in the fashion industry has increased considerably simultaneously with the number of buyers opting for eco-friendly items. Thus, it is noted that consumers are increasingly willing to pay a higher price for a green product, classifying it as superior quality. In order to reduce environmental degradation, pollution, and waste, and to prevent these issues, the circular economy supports

sustainable actions in the fashion industry, opting for an environmental context based on ethics, responsibility, and initiative. Therefore, because the fashion industry is changing at a dynamic pace, it needs to be reformed as a design, being attentive both to market trends and to the needs of the environment, having an impact both on consumer behavior and on the processes related to the marketing mix of companies.

Consumer behaviour and green trends in fashion

Starting from the idea of quality to the detriment of quantity, 3 essential factors can be noticed in the implementation of a sustainable model for the fashion industry of the future: reducing the level of pollution on the environment, promoting ethical manufacturing, and ceasing the production of animal-derived materials. In order to contribute to the materialization of these initiatives, the implications such as consumer behavior and social responsibility are key points in the approach of sustainable actions. For the most part, consumer behavior is influenced by the digital side, which, in line with green marketing strategies, builds the basis for a conceptual analysis of the degree of quality present in the sustainability factor.

As much, we wonder how sustainable it is to buy online or is that enough? Based on studies, we can say that we are eco-friendly consumers when we are responsible both in terms of product manufacturing processes, materials involved in processes, and how to buy the finished product. From the point of view of companies, the attention of these details that position one brand in front of another, giving it a considerable competitive advantage based on promoting a sustainable behavior, means a marketing strategy with future prospects. The economic implications, such as rent costs, sales agent salaries, cleanliness, in accordance with the principles of sustainability, those of reducing consumption and improving the environment, are solid reasons for companies to adhere to digitization and inclination of consumer buying behaviour in this sustainable, quick, and friendly direction. Since the fashion industry is increasingly interconnected with the digital world, competitiveness in this sector is growing day by day, with companies moving from the classic concept of commerce to e-commerce.

Digitalisation of the economy implies digitalisation of the companies. Thus, the concept of online shopping is gaining momentum and is becoming more and more appreciated on the global stage. there is also an upward trend regarding many brands which choose to be present in the online environment, some of them not even physically existing.

In line with the digital marketing strategy, the green marketing strategy supports the development of the fashion industry in the direction of sustainable trends. Given the definition according to which green marketing incorporates a broad range of activities, including product modification, changes to the production process, packaging changes, as well as modifying advertising (Polonsky, 1994), we can notice the fast pace of changing trends, increasingly adapted to a sustainable world.

Most of the time, the green or eco friendly products are perceived as quality products and implicitly, having a higher price. By adopting a responsible attitude towards the environment, this decision influences a quality-oriented consumption behaviour, ultimately having global repercussions.

Integration of companies in current trends through the components of understanding the market and adapting to market requirements.

We have, first of all, companies that, through unethical manufacturing processes, overproduction, non-degradable materials and materials-derived materials, harm the environment, and, secondly, ordinary consumers, who through their irresponsible behaviour, do not encourage the behaviour of companies towards a redirection of values.

Sustainability education is a relatively new field, which is gradually being implemented, and aims to materialize perspectives through results related to consumer behaviour seen through green consciousness and green behaviour. People are increasingly interested in learning more about sustainability. Searches for "sustainable fashion" have increased by 46% in the last 5 years - according to Google Trends. In this sense, a new category of consumers has emerged, also called key consumers or environmentalists, who through their actions, support the activity of sustainable companies and refuse to buy from those who are not involved in the green sector.

According to the specialized literature, consumers with environmental awareness can be defined as ecologists being able to understand their involvement in reducing environmental pollution and having a sense of responsibility towards future generations in the use of resources (Bukhari, 2011). It is also noticeable that in recent years, consumer behaviour is increasingly directed towards environmental sustainability, a component that combines the circularity of trends with business innovation. Thus, the level of involvement in the sphere of circularity of the fashion design companies is directly proportional to the market trends and the degree of their awareness and recognition by the category of responsible consumers towards the environment.

Methodology

Design of the research

This paper is scientifically structured on discussion topics that address the concept of sustainability in the fashion industry, being consulted 15 articles in the literature and specialized websites. In order to quantify the conclusions, exploratory research was carried out, combined with the results of a research already carried out on the basis of a questionnaire, of a quantitative nature, meant to interpret a series of data with a defining aspect, specific to the established premises.

Approach of the research

In order to identify the needs and beliefs of consumers regarding sustainable fashion items and to learn more about this topic, the international online fashion company, GLAMI, which is also a fashion search engine founded in 2013, conducted a relevant market study through its results (Sustainability, 2019). In order to obtain relevant results, 10 participating countries were selected for this study: Hungary, Turkey, Bulgaria, Greece, Slovakia, Romania, Croatia, Slovenia, Czech Republic, and Spain.

Interpretation of research results

The results of the research relate the consumer' expectation translated in buying behaviour as a response to the trends in fashion implemented by companies, by setting a particular attention to sustainability through application of circular economy principles and marketing strategy. By highlighting the results, their interpretation is also marked, in order to outline an analytical perspective on the behaviour of the fashion consumer in the sustainable era.

1). Almost 50% of respondents said that the trend of sustainability affects them to some extent when buying clothes – currently, the sustainability trend is perceived as a fashion in most cases, so the research shows that consumers often buy based on the perception formed in accordance with market trends. Although there is a need for education on sustainability at both company and consumer level, the circular economy brings to the fashion industry the concept of slow fashion or sustainable fashion, which is becoming increasingly associated with the responsibility which we adopt to understand the long-term effects of consumption, but also of manufacturing processes. The process of education for sustainability is thus a circular process with repercussions on the environment.

2). 50% of respondents consider that they have a more sustainable behavior because they buy products of better quality – sustainable products are perceived as superior quality products, which is why half of the respondents consider that they have a responsible behavior towards the environment. But in order to really help fight waste and the negative effects of the planet, we need to understand why we buy an item of clothing that has been made with less water, to the detriment of one that involves a large amount of natural resources. For example, numerous studies show that to make a T-shirt, you need 2700 liters of water, the amount of water that a person consumes in about 3 years. If this information reached more consumers, the quality would be more perceived in terms of protecting nature's resources.

3). 47% of respondents say they have bought a sustainable product in the last year (People who have bought sustainable products in the last year do not know which brands are really sustainable) – most of the time, as reflected in this study, even if consumers tend to adopt a sustainable buying behavior, they do not really know the green brands or those involved in achieving the 17 goals for sustainable development, but only associate the price and quality with sustainability. The low level of awareness about sustainable fashion brands is the biggest obstacle in the buying process. Although extremely profitable, the fashion industry is gradually becoming a fast, a slow one, which is a good thing, considering how to promote them with the help of the green marketing strategy.

4). Consumers are willing to pay more for recycled / biodegradable packaging than for recycled materials – The packaging industry is one that has grown rapidly in recent years, being introduced in terms of bags, the plastic being replaced by biodegradable. Thus, instead of the classic plastic packaging, we now find recyclable and / or biodegradable packaging. This initiative therefore leads to a decision to buy consumers, more inclined from their answers, to pay more for these packages. In order to reduce the amount of materials included in the manufacture of packaging, companies have resorted to sustainable solutions that encourage both the reuse of packaging by introducing reusable and returnable packaging and the purchase of sustainable ones, by increasing the usage of recycled content in packaging.

5). 72% of respondents attach importance to environmentally friendly materials when choosing clothing – according to this survey, other important criteria in selecting the answer are: the country of origin of the product and the organic production process. By the explanations found on the green labels of the clothing items, the buyer is more willing to buy that product made with fewer natural resources. In this context, consumer education on the sustainability of fashion in a circular economy, becomes

aware through the green marketing mix, identified by price, product, promotion, and placement. These components, by reinterpreting them in the growth rate of green trends on the market, are a factor influencing the growth process of the fashion industry in the direction of sustainability and also contribute to consumer perception in choosing environmentally friendly clothing.

6). More than half of respondents believe that the production process for sustainable products should not affect the environment – Although more than half of those surveyed believe that the clothing production process should not affect the environment, the fashion industry is currently 2nd ranked in the world as the most polluting after oil industry. In addition to the fact that a lot of water is consumed for the production of clothing, their coloring also significantly pollutes the environment. Another alarming factor is given by the huge stocks of clothes that remain on the factory floor, thus having to do with the phenomenon of overproduction, which produces a series of wastes. Globally, in order to combat the negative effects of overproduction, sustainable recycling, reusing, and consumption reduction initiatives are encouraged, thus emphasizing the purchase of sustainable items, their reuse for another purpose or their reconditioning, these initiatives being part of the concept of sustainable fashion.

7). 26% of respondents almost always check if the product is made of natural materials, and 23% do so frequently – Currently, the number of people who really check the origin of materials, their type, and properties, is low, most buyers paying attention only to the main label of the product, how to promote and most importantly, the appearance. For fashion enthusiasts, aesthetics is the most important, that's why most sustainable brands encourage sustainable premium concepts that attract the consumer, not only in appearance, but also in quality and circularity. The newest fashion collections, and especially the premium ones, are now created at sustainability standards, which will increasingly value slow fashion and discourage the consumption of fast fashion globally.

8). 89% of respondents are interested in finding out more about the pros and cons of materials – Although it is not fully understood at its full level, the concept of sustainability in fashion takes shape both through packaging, label, clothing design and promotion. In this sense, consumer behavior shows changes adapted to the trends of the circular economy, which, through its efforts to combat the negative effects on the environment, tries to understand the advantages of responsible consumption, brand sustainability, becoming aware of production and consumption processes. In support of this initiative, green brands promote both online and physically, the concept of sustainable fashion, being actively involved in achieving the goals for sustainable development. The large number of respondents in the survey who stated that they want to know more about the pros and cons of the materials used to make the clothes they buy, emphasizes the growing trend of social responsibility, in line with education on sustainability, in an era marked by circularity, digitalization and innovation.

Conclusions

In conclusion, this paper presents a conceptual analysis supported by quantitative data, of the fashion industry viewed from a sustainable perspective with an emphasis on consumer behavior. The question, “Is sustainability in fashion industry

really sustainable?” represents, in fact, a confirmation of the visibly improved contribution in the field of fashion of the responsibility towards the environment from the perspective of the buying behaviour.

In a contemporary perspective, sustainability and sustainable production and consumption is no longer a luxury or a choice, but a necessity (R. Ciornea, 2020). Future trends in fashion sustainability are thus accentuated by the marketing strategy of brands that, through their actions and activities, support the development of the global circular economy, balancing the positive effects of sustainable fashion with the repercussions of fast fashion on the environment.

In correlation with the green trends highlighted by the circularity era, the fashion industry brings to the consumer's attention, the way clothes are produced, the existence of huge stocks and the reuse practices, relevant aspects to form a more educated society, a more prosperous economy, and a healthier environment.

To understand the workings of the fast fashion industry, the circular economy is presented through green marketing thinking, which is an impact factor that accelerates the transition to sustainability. In this sense, consumer behaviour is a delicate element of analysis, this aspect being supported in this paper by interpreting statistical data from a study that reflects the purchasing trend and the degree of perception of sustainable fashion. Even if it is essential to understand the effects and consequences on the environment from the purchase decision, globally it is necessary for fashion companies to support this approach, producing sustainably through the minimal use of natural resources, without harming the environment and adopting the circularity principles.

Nowadays, the model of a sustainable company in society is seen as a green brand perspective, which through its efforts to protect the environment, does not aim at first making a profit in the shortest possible time and for any purpose. Thus, the degree of responsibility becomes a defining element in core values, both among companies and fashion consumers. We wonder, then, whether an article of clothing deserves a sacrifice on the part of nature, and whether our role in society is not to educate future generations through our choices. In this case, the trend is the main factor that sets the tone in a field such as fashion industry, representing an actual and innovative action, new in a certain form, which through consumer behaviour will be multiplied, becoming a trend.

Green trends in the fashion industry are therefore key to shaping sustainable consumer behaviour, in line with the green marketing mix of companies concerned with a healthy environment, a responsible society and a circular economy with maximum long-term effects. Educating future generations who are consumers and passionate about fashion, is done in present by carefully analysing the consumption trend, understanding current global challenges and micro and macroeconomic accountability for a sustainable in fashion industry.

By conducting a conceptual analysis on consumer behaviour in terms of the level of perception of sustainable fashion, a circular relationship between the environment, the economy and society was highlighted, with effects on quality of life. The current challenges in the fashion industry are the result of an honourable supply at the expense of demand, so manufacturers choose to manufacture large quantities of clothing in a short period of time, with both harmful effects on the environment and on a global consumption mentality.

In order to combat the negative effects of the fashion industry on the environment, the first visible initiatives have started to appear among the brands that choose to turn green, in accordance with the behaviour of consumers attentive to market trends. Therefore, based on our behaviour and the choices we make when choosing an item of clothing, we can decide whether sustainability in the fashion industry is really sustainable.

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