

COMPANIES ECONOMY IN CONTEXT OF THE ECONOMIC CRISIS

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Abstract

In this article I try to express components of the market economy which may affect an organization of the companies into a period with decline and resignation reign in human activities. The economic crisis that is the current world is the climax of financial turmoil which make integral part a normal legislative and the economic calculation which configures a demand and supply of goods.

Keywords: organizational arrangements; company; contracts; legislation; demand; supply; Microeconomics; economic calculation.

In the context of need to produce in industrial quantities miscellaneous goods and the need to generate services as close to modern human needs, organisational arrangements named business are developed very much, They reaching to compete each other. The economic crisis arose in our time is a cyclic one and which makes that the economy firms to be ever in movement. So, some firms disappeared from a market, reaching to bankruptcy, others merged horizontally (with competitors) or vertically (from upstream in downstream - for example: a manufacturers merged with a distributors), others continued its economic life the fall in, offering prices accepted as by potential customers, or as happened in food field have increased the prices to basic foods and sales had a slightly regression. In this way, living companies is a diversified one depending by domain of the activity, depending by market strategy chosen, but while and the way where affect the crisis a economic and financial life specifically to capitalism.

Normally to reach profitability the economy must to keep into account of economic calculation which lead up to a proactive management and to a business environment in which the market law is governed by demand and supply. When is speaking about the company really speaks about the microeconomics, it being considered a hard core of any capitalist economy by democratic bill. In this way, the company is an economic and social entity which is characterized through combination of production factors and through the techniques creation of values, characterized through goods and services. These ensure meet needs from the market of consumers, and in this way yielding activities continuity and development taken, emphasizing a fact that firm's personal interests are mingle with the generals specifically to human society overall. The transfer of property rights voluntarily on goods or on services is done permanently through the medium of a contract². The latter one has a special importance in shaping current economy, because regulatory terms where must to fit is specified to the legal level by law (for example: Law 31 from 1990 on commercial companies). In this way, people enter into contractual relationships each other, making an agreement that acknowledges the declarations of

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² Marinescu, Cosmin; "Institutional Economics"; Publisher:ASE; Bucharest; 2004; pag. 81-95.

interests as regards as transfer of ownership. Although the contractual ordinances are created to be as complete and clear, in fact it is incomplete.

The firm may be defined as overlapping contracts because this makes a measurable quantity of products which must be consumed by a demand which is created by supply. By determining of well-developed objectives by a manager can lead to profit for the company and to needs satisfaction for consumer. During the economic crisis, which inoculated doctrine firms, occurred two types of bankruptcies: the entry in stalemate of a private system (where the state not interferes only in exceptional cases, as it happened in the case of banking institutions) and the entry to the crisis of a state system (as it happened in countries such as Greece or Ireland, where only the intervention of European Union has saved from entering into insolvency).

Firms compete together in market because they want to exploit business opportunities and obtain as higher profits to amortize the capital invested and create new investment in areas well-established of niche. To allocate resources that are rare into the economy is done a quantification using an economic and financial account. It comes from the existence of private property. Because in the market exist a bankruptcy and profit Law recourse to a correct estimate of the operating parameters entrepreneurship.

Organizational arrangements with a socio-economical nature are specifically to the microeconomics through the law of demand and supply through efficient allocation a property in the market. If the demand is specifically to consumer, the supply is the most important function of the manufacturer. In this way, demand represents a set of quantities from a good that a buyer is going to buy them to different optimal levels of the price in a specified time period. The elasticity of demand is calculated so depending on price as and depending the income, and in other order of ideas:

$$E_{cvi} = \frac{\Delta C\%}{\Delta V\%}$$

From this equation it's notes that if $E_{cvi} > 1$ the share expenditure for a merchandise i in overall expenses will increase. In case where $E_{cvi} < 1$ a share for the commodity i in overall expenses will decrease.

The supply is the defining element of them which produce or sell generally a product, it represents maximal quantity from a good that seller is trying to sell in a specified time period. The supply has the property to be defined the ratio in a specific market. In this way, exist a individual supply specifically to manufacturer (or vendor as an distinct entity) and a total supply (specify to the overall market). The supply can be distinguished depending by the nature of the goods that referred to: a.) goods of independent supply, which is characterized by the fact that not influence each other (so as: a stationery supply and a supply of agricultural machinery); b.) complementary supply, which is characterized in that the processing of raw materials a finished goods are manufactured different from the first (such as: a wood supply or timber and supply of furniture); c.) mixed supply of goods, which is characterized by a fact that an accumulation of goods satisfies the same request (in this case is: the supply of soft drinks, bottled water, mineral

water, tea). Through price changes a property market is determined a supply expansion or contraction, in other order of ideas for each price level corresponds an offered quantity¹.

Supply elasticity is a function that express grade change supply depending by a price change thereby:

$$E_{OP} = \frac{\Delta O\%}{\Delta P\%}$$

As with demand, a supply is characterized by a certain number of factors: 1.) the cost of developing (is characterized by the fact that to a decrease in development costs will reach to increased supply elasticity and if the costs for production will increase will reach to lower supply elasticity); 2.) the technological changes (technology standards currently change in a rapidly rhythm); 3.) the price of other goods (whether they are interchangeable or complementary have a major influence on a firm fixed price); 4.) expectations regarding the evolution of prices (when are expected price increases for some products is buing as large quantities to avoid a future growth of prices); 5.) the number of bidders (this is a very important element because when there are many vendors and fewer buyers on the market a product price is reduced); 6.) the taxes and subsidies (it act as: the taxes increase the price of products which are reaching the final buyer, while subsidies aim to increase a production of certain goods and lower their price); 7.) the storage possibilities (where storage is made properly and at low prices are removed for sale goods at low prices and with good quality); 8.) the period of time from the moment of price changes (in this way supply is more elastic in the long term than short-term); 9.) social, political, legal and natural influences (is characterized by the fact that these factors exerts a striking impression on the economic life of the company and default supply which is dependent by economic environment through the constraints and opportunities that it generate).

Is evident that defining demand influences supply, which is represented by producers and sellers must create an economic chain that inoculates economy in whole. Uncertainty represent a present element in all transactions which company realized it, and a adverse selection and moral hazard have of great importance in carrying out contractual activities that underlying organizational arrangements. The moral hazard is defined as actions of economic agents who have a desire to increase their own utility to the detriment of third parties in situations of uncertainty and incomplete contracts. In case of contract situations for hiding of clauses, of information, of action or even restrictions. Adverse selection is characterized by conditions with asymmetric information which is specific to market within which is selling or is buing economic goods with different qualities. In this case, both buyers and sellers or the respective manufacturers have complete information in terms of goods sold².

In times of crisis there is a activities restriction on firms. This phenomenon is accompanied by a transfer of assets, which attempts to return in apparent economic

¹ Angelescu, Coralia, coord.; Ciucur, Dumitru, coord.; "Economy"; Publishing: Economic; Bucharest; 2003; pag. 90-103.

² Angelescu, Coralia; Ciucur, Dumitru; "Dictionary of Economics"; Publisher: Economic; Bucharest; 2001; pag. 221;400.

normality line (well known case is AIG insurance company a carei shares were purchased by U.S.A. to avoid bankruptcy). Also, another through restructuring, reorganization side of company activity is a drop price shares on the stock market (during the economic crisis major indices had a significant decline). The financial and banking world quakes thanks to bad loans. These types of loans led to the bankruptcy of Lehman Brothers in United States of America. The financial decline held in September 2008 stunned the banking world at that time and drew attention on vulnerability of global economic life. Lack of efficiency always leads restructuring activities by the firm, and in this way during the crisis econmice held an dramatically increase in unemployment. The orientation to new market niches is another element which accompanying the company's restructuring. Markets such as China and India continue to develop themselves, and companies that offer products and services in U.S.A. and Europe it have oriented the development strategy by these countries with a high degree of economic development. The restriction on activities of firms are mainly due to lack of funding economic. So, the small firms have not been able to attract funds to develop themselves, and the large firms stalled or restrains their activity by reducing production and therefore staff.

Conclusions

Some entrepreneurs and managers have used the crisis as a good expanding economic opportunity of a company activity or to conquer new market niches, but much of them failed to realize which they have proposed that, because the hostile factors from market stopped them. The companies that pass economic crisis will be stronger in future when the market will rise up. In another order of ideas, a period of economic crisis can be seen as correction to mechanisms of modern economics. In Romania the private sector who take their work the companies had a flat and at the same time a rebound due to an economic environment where demand has decreased dramatically. Only through a policy to encourage demand can be reached to a sustainable economic growth.

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