

THE RISK IN MANAGEMENT, DERIVATION FROM INTERACTION BETWEEN THE MICRO AND THE MACRO-ECONOMICS

Ciocea Costel, Ec.PhD,
S. I. F. MOLDOVA
Turcu Ovidiu-Leonard, Professor PhD
UNIVERSITY OF BACĂU

Abstract :

The managerial activity becomes more and more complex, together with the development of the markets on both national and international levels. The manager is subject to information pressure that come from the micro and macro-economics field and the way in which they succeed in being smoothly merged by the managerial team is proof of the activity development of the companies. The present crisis, which has its roots in a financial crisis, has grown rapidly and transformed into a general economic crisis. The hereby study comprises these aspects and tries in an almost general manner to offer to the managerial activities an adequate support.

The thoughts of the neo-classics on the phrase „business risk” has known rapid, consequent and consistent approaches, so that today we cannot regard the risk phenomenon but rationally, systematically inter-dependent, exhaustive and continuous. The rational approach is itself achieved in the context of using new and detailed information that are globally extended and developed, by means of intuition and prediction. In the context of the globalization of economy, the risk at macro-economics level, with acceleration in types of macro-society risks interacts organically with the micro-economic risks at the level of effects measurement in the triade company-consumer - environment. If at micro-economics level the consumer’s behaviour seems to be the starting point of in identifying the risks, thanks to the marketing research, at macro - economics level the decisive aspects seem harder to shape and have a higher reaction type.

Once started they overlay most often with beginning of the crisis, either economical, or financial, social and the risk factors appear with different intensities in the developments with multiple combinations and final effects, of the most unpredictable ones. The world banking system, which ensures the flow and functioning of all other co-existing world sub-systems by means of money represents a marking point in the evaluation of risks at macro-economic level and of the regional crisis. If not before long the banks

were accused that they were financing only the ones with financial power (trans-national companies, investments funds, project between states), in the last decade the North-American finances considered as opportunity: real estate finances, with stress on the houses for the people less advantaged.

In 1977 was issue a law entitled „community reinvestment,, law that practically forced the banks and savings banks loan the disadvantaged communities - this law being roughened on time and then let loose. From this moment on the banks that served the poor neighbourhoods had to choose between dropping off on development or giving highly risky loans, loans that could not support installments of the corresponding to the assumed risk. The banks did not escape the trap when the big constructors and financial handlers have succeeded to announce accesible houses in a large number. These projects had to be financed in large quantities by mortgages of poor quality. (houses that were accesible subprime). By encouragement from the legislative these debentures for mortgage on market were supposed to be covered, by keeping a part and re-selling under another name by the M.B.S. (Mortgage Baked Securities), meaning „packages” that re-organized hundreds of primary claims whose reimbursement was guaranteed by the state. Being geographically variuos, these M.B.S. seems thus less risky, as they gave the illusion that

they were 100% secure. The inflation met the requirements of the real estate buyers, but not of the new buyers because the costs with mortgage were causing more and more problems. Finally appeared the real estate loans without payment in advance and with very low interest, at first which were to grow eventually. When the monetary policy interest grew, the real estate sector became the main element of triggering a huge financial crisis.

The decline of the real estate funds value also triggered the collapse of the deriving financial products; the massive issuance of „subprime” mortgage debentures destined to the disadvantaged communities being the essential element of the financial crisis.

In particular, the local financial area, the state deeds, instruments by which the state was borrowing in behalf of the tax payers, that is in the accounts of the installements flowed in by taxes and assessments; they tend to exceed those of the deposits from the commercial banks. Additionally the authorities granted fiscal facilities, of which the banking instruments of saving do not benefit. These instruments can be issued on short, medium and long term. State deeds on short term are certified by the treasury house with discount, with deadline of up to one year (six months and one year). The discount certificates are state deeds without interest coupon which can be bought by an investor at a lower price than the nominal value and on deadline he will cash in the nominal value. The state deeds on medium and long term, of benchmark type (fiducial) are state bonds with the deadline of over an year (three, five or ten years), sold on nominal value, with discount or bonus for which the issuer pays annually with interest. In this context the local financial markets, either primarily or secondary, have the same purpose – diminishing pressure on liquidity. The buy offers on the primary market can be deposited only by means of a bank which stands for the main dealer, The banks which have this quality can participate at state deed auctions, both in their own name, as well as in the name of its clients. The buying at state deeds auctions are competitive, that is the issuer indicates besides the value he/she

wishes to knock down also the minimum installement of the interest he/she is willing to accept. In the case of such an offer the investor auctions independently of the main dealer by who he places the offer – can also be performed non-competitive buying offers, by which the investor indicates only the value he/she wishes to knock down. The secondary markets represent multilateral systems that facilitate freely the meeting between demand and offer of sellers and buyers of state deeds. The main secondary market is administrated by the national bank, on which they can deal state deeds on short, medium and long term, by using the services of authorized middlemen: main dealers, credit institutions, companies providing financial investment services. The need for liquidity is affected also by the psychological impulses of the players (small or big) on the financial market, of knowing their banking placements guaranteed – problem with which were also confronted the advanced savings G7, at the recent negotiations.

In other words the population's deposits in banks are guaranteed by a guarantee fund. On the inter-banking market does not exist such an entity. In order to form on the banking market also such a form of guarantee should theoretically take place at first moratorium and bankruptcy procedures at all banks – to be hypothetically admit that the entire system is bankrupt. On the European continent the European Central Bank (E.C.B.) made known the fact that the states are ready to interfere in the shareholding, by making available special credit lines or by buying from them, with the help of the Treasury House, packages of „toxic” mortgage bonds.

The latter is the solution proposed by the PAULSON plan, which was initially rejected by the North-American legislative.

H. PAULSON, as the European governments, chose to nationalize the banks, with the faith that this way they could prevent new banking bankruptcy and at the same time to restore the banking and financial sector before that the real sector of world economy to be affected by the diminishing of the credit and that the world economy to confront itself with a long lasting recession. The advantages

of the national economy lay in the fact that our „rudimentary” banking system surprisingly represents a strenght point in these moments because it keeps us away from the crisis because of the ground offer, which lacks in sophistication. In the condition of real estate prices drop and in the situation in which these are quarantees for the approved mortgage credits te Romanian banks will face losses. These considerents of inter - conditioning of the Romanian financial situation and the European and American is underlined also by STANDARD AND POOR‘S who supported, previously the rise of the world financiar crsis, the revising decision in a negative sens of the rating perspective of the European states with the emerging economies. In the general context enlarging the money quantity without backup holds only one name: inflation and the financing alternative by means of external loans in the case of the Romanian economy comes in a difficult context for issuing bounds on the international market of capital. The financiar crisis, which is on a growing trend, creates the premises of a possible economic crisis, if a joint effort of guiding firstly the budgetary sources towards the population and not for consumption is not performed, in parallel with the approach of a carefull policy for granting credits.

In the context of liquidity lack economically, we find ourselves in the

position of noticing that at the micro-economic level, in some sectors of activity where the competition is very close, there can occur bankruptcy: the construction sector, commerce (supermarket and hypermarket vis-a-vis the small merchandizers), real estate agents, malls. In these sectors there occurs a supplimentary block: import dependency, which finds itself face off with the depreciation of the leu which will eventually lead to financiar losses. Fortunately, because we can use this term at a certain level, int he local economy there was never so much „leverage” (acquisition from more financing sources) and the need for liquidity of the Romanian companies is not so big. The comparative analysis of the interaction between micro-macro-economics versus risk (regarded as phenomenon) has shown once again that in the area of micro-economics factors of turbulance are extremly different (from the crisis of the real estate credits to the super-production crisis – previous crises) and their combined development draws in cascade global effects hard to predict and to subject to prediction a priori.

Administrating the risks in bussiness at a micro-economic level implies an exhaustive analysis in what the information at all micro and macro-economic levels are concerned, analysis which must be continuous, trustworthy, purposeful and segmented in every domain itself.