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Daniela DANDARA-TABACARU, Marius Ioan DANILA

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Financial System Stability and Social Welfare

Daniela DANDARA-TABACARU[1], Marius Ioan DANILA[2]

Abstract

The financial system has an important role for economic growth and social welfare of individuals, households, enterprises, civic and public institutions. Despite its imperfection, the financial system has the power to help us create a better and a more fair society, having an essential role in the development of wealthy economies. The recent financial crisis is the largest, most complex and delicate challenge of the current period. Authorities are deeply concerned with improving the existing framework of supervision and regulation and develop strategy programs in order to ensure stability and sustainable growth throughout Europe. The European Council has adopted the Europe 2020 Strategy which is the EU's growth agenda for the current decade. It aims at overcoming the negative effects of the global financial crisis and emphasizes sustainable economic development and social inclusion. The fundamentals of the Europe 2020 Strategy are the five key objectives: employment, R&D expenses, climate change and energy sustainability, education and fighting poverty and social exclusion. Reviewing the impact of financial stability on social and economic development reveals low employment rates both for the EU and Romania. Current descriptive statistics analysis shows that the employment rate is higher for a higher level of education of the population considered sustaining education and training development as fundamental priority. Although R&D and innovation are key policy components of the Europe 2020 strategy, the rates are still low, especially in Romania. Having more innovative products and services on the market addresses job creation through increased industrial competitiveness, productivity and efficient use of resources.

Keywords: financial stability, social welfare, employment, innovation, R&D expenditure.

[1] Bucharest University of Economic Studies, ROMANIA. E-mail: daniela_dandara_25@yahoo.com

[2] Bucharest University of Economic Studies, ROMANIA. E-mail: mi.danila@gmail.com

Introduction

Market characteristics have changed significantly in the second half of 2007. The perception of investors and the general public on the risks worsened and excess liquidity has disappeared. These changes derived from the high-risk mortgage market in the United Stated and have spread worldwide causing severe economic and social problems.

A stable financial system plays an essential role for economic growth and social welfare. The financial system stability is the outcome of a complex process, depending on the interconnections that exist between the financial system and the real economy. Financial stability is a dynamic process rather than a static condition as it can not be measured at a time. The financial system can be defined as being stable or not through certain determinants / forces that impact the process. This concept is broad and encompasses various aspects of the financial system components - infrastructure, institutions and markets.

The European economic forecast report of October 2015 showed that the economic recovery in the EU was in its third and was expected to continue. For the EU as a whole, real GDP is forecast to grow by 2.1% in 2017. These positive expectations are due to factors related to the overall decrease in energy prices, following the drop in oil prices and more important to the expansionary monetary policy conducted by the European Central Bank in order to stimulate inflation and employment. Although, there are positive developments, uncertainty still persist regarding the robustness of the recovery in the EU. At the same time, there are new challenges related to the slowdown in emerging market economies and global trade, and increasing geopolitical tensions worldwide.

The economic recession unveiled structural weaknesses in the EU economy with negative consequences especially affecting socially vulnerable groups. As a result of the economic downturn, unemployment rates have increased significantly in Europe. While the labour market conditions are improving in general, unemployment remains unacceptably high. Creating employment opportunities, increasing the quality of the human capital remains an overall priority for the EU, and for that, more robust economic growth throughout Europe is needed. Increasing the number of new employment opportunities is especially challenging in those countries that have been more severely hit by the crisis and where current unemployment rates are unsustainable.

The importance of the financial system stability for social welfare

The financial system has an outstanding role for the society - individuals, households, enterprises, civic and public institutions. By fulfilling its basic functions such as ensuring saving and efficient resource allocation, identifying and minimizing risks, foster economic growth within a competitive and inclusive market economy, the financial system increases social welfare. Therefore, the financial system stability is essential for performing its functions efficiently. The ways in which the financial stability is addressed are different but they are converging to the idea that it contributes to maintaining macroeconomic balance and ensuring social welfare.

According to Mishkin (1991) the financial stability is "... the prevalence of a financial system that is able to provide in a sustainable way and without major disruption, an efficient allocation of savings towards investment opportunities. Schinasi (2004) states that a financial system is stable whenever it is able to facilitate (rather than hinder) the performance of an economy and to shatter financial imbalances that arise endogenously or as a result of significant adverse and unforeseen events.

The European Central Bank (2011) defines financial stability as a condition in which the financial system - intermediaries, markets and infrastructure - can withstand shocks without major disruptions in financial intermediation and provide financial services. Although during the past years several bails out measures have been implemented for important banking institutions, the financial system shouldn't be seen as unconfident. The financial and social costs involved by such measures have intensified the concern of some social groups regarding economic injustice.

Such thoughts refer to the financial aid made available to "too big to fail" institutions. The public opinion concern was that these financial institutions could enjoy privileged access to low-cost resources and nevertheless protect investors in case of failure. The complex interconnections that exist among large financial institutions and industry participants, unethical activities performed by some market participants are often the base of social groups mistrust towards financial institutions. The recent financial crisis revealed the social costs of such issues to the society and resulted in a significant loss of public trust and confidence in the financial system.

Despite its imperfection, the financial system has the power to help us create a better and a more fair society. It has an essential role in the development of wealthy economies.

Wyman (2013) identifies what the financial system should provide to society in order to meet social needs: (1) Promote -financial and economic resilience; (2) Safeguard savings and the integrity of fi-nancial contracts; (3) Facilitate ef-ficient allocation of capital to support economic growth; (4) Provide broad access to financial services products and services; (5) Enable smoothing of cash flows and consumption over time; (6) Enable payments; (7) Provide -national protection, risk transfer and diversi-fication; (8) Collect, analyze and distribute information for better economic decision-making; (9) Provide effective markets.

Promoting financial and economic resilience is concentrated on specific mechanisms designed to limit -financial contagion and reduce costs to the real economy and society. These measures aim at early identification of risks and reducing the negative effects of distortional events on financial system markets, institutions and infrastructure. Fostering financial system stability addresses strengthening the system's fundamentals so as to enable it to recover after shocks and fulfill its functions effectively.

Deposit insurance schemes are an important measure taken for safeguarding depositors' savings. It minimizes risks by ensuring at least a minimum amount or full refundment of the investment no matter of the occurred events. Deposit insurance is a step towards strengthening financial security that protects depositors against loss of value of their investments. It prevents generalized withdrawals of funds generated by panic that are events that could erode the stability of the financial system and real economy. A framework including common legal and operational requirements aims at simplified processes and reliability across all -financial contracts, products and transactions.

Performing its financial intermediation function, the financial system ensures efficient allocation of financial resources for current and future needs - investments and finance growth projects, implying positive fi-nancial returns and benefits to the real economy. It has the ability to cover unexpected losses arising from adverse events and share risks among groups as to limit individual loss. The financial system infrastructure incorporates physical and electronic mechanisms that facilitate reliable and low-cost transactions that ensure performing payments for goods and services and money transfers domestically and internationally. These instruments provide safe access to a wide range of investment opportunities at transparent market prices and reliable provision of liquidity for assets.

Many authors, such as Bagehot (1873), provide evidence of how proper banking principles have arisen and progressively adapted as to meet the changing problems of the society. Levine (2005), explains that the main channels through which finance is expected to influence economic growth include: producing information, allocating capital to productive projects, monitoring investments and exerting corporate control, facilitating trading, diversification and management of risk, mobilizing and pooling savings, as well as easing the exchange of goods and services. These objectives can be achieved only by providing fair advice on how to best use financial products and information as to meet personal objectives minimizing search and transaction costs and investment risks. That is why positive financial innovation and a proper financial education are essential for gaining personal and collective benefits.

Wyman (2013) highlights the importance of the existence of effective financial markets that could ensure a broad access to financial services across the world, including the disadvantaged and low-income segments and education on financial management as to reduce the levels of the unbanked and uninsured (or under-banked and underinsured) populations across the world.

The economic and social development architecture

The recent financial crisis is the largest, most complex and delicate challenge of the current period. What is clear is that the financial system has changed its fundamentals and will never be the same, requiring radical measures to correct the negative effects of the crisis. In the long term, it is inevitable to reform the system of international supervision (Blair, 2009).

As such, policy-makers aim at developing the existing framework for a more resilient and safe financial system that could sustainable contribute to economic growth and prosperity. The regulatory community has strengthened oversight and prudential requirements as part of a global effort to improve financial regulation. The industry has also taken a range of steps to change the way it does business. These combined efforts have resulted in a significant reduction in leverage, increased reserves and improved capital adequacy. Improvements have been made to business practices such as training, sales and product approvals, with increased penalties for breaching standards.

On the 17 June 2010, the European Council has adopted the Europe 2020 Strategy which is the EU's growth agenda for the current decade. It aims at overcoming the negative effects of the global financial crisis and emphasizes sustainable economic development and social inclusion.

The European Council has identified three key priorities that target inclusive growth based on increased competitiveness and productivity within the EU's market: (1) a smart growth, through more effective investments in education, research and innovation; (2) a sustainable growth, through a more competitive goods and services market as a result of a more efficient use of available resources; (3) an inclusive growth, with a strong emphasis on job creation, social inclusion and poverty reduction.

Table 1: Europe 2020 Strategy headline indicators, EU28

	Headline indicator	Past	Present			Target
		2008	2013	2014	2015	2020
Employment	Employment rate, total (% of the population aged 20-64)	70.3	68.4	69.2	70.1	75
R&D	Gross domestic expenditure on R&D (% of GDP)	1.84	2.03	2.04	2.03(p)	3.00
Climate change & energy	Greenhouse gas emissions[3] (index 1990=100)	90.31	80.26	77.06	-	80
	Share of renewable energy in gross final energy consumption (%)	11.0	15.0	16.0	-	20
	Primary energy consumption (million tonnes of oil equivalent)	1,693.1	1,569.1	1,507.1	-	1,483
	Final energy consumption (million tonnes of oil equivalent)	1,180.0	1,106.2	1,061.2	-	1,086
Education	Early leavers from education & training, total (% of population aged 18-24)	14.7	11.9	11.2(b)	11.0	<10.0
	Tertiary educational attainment, total (% of population aged 30-34)	31.1	37.1	37.9(b)	38.7	?40.0
Poverty or social exclusion[4]	People at risk of poverty or social exclusion (cumulative difference from 2008 in thousands)	-	5506	4753	1696	-20000

Source: Eurostat

The fundamentals of the Europe 2020 Strategy are the five key objectives as set below: (1) Employment. The rate of employment should be 75% for the population aged between 20 and 64 year-old; (2) R&D expenses in both private and public sectors should be 3% of GDP; (3) Climate change and energy sustainability (the 20%/20%/20% target). By 2020 the greenhouse gas emissions should be 20% (or even 30%, if the conditions are right) lower than in 1990; 20% of energy should come from renewable and there should be a 20% increase in energy efficiency; (4) Education. Reducing the rates of early school leaving below

[3] Total emissions, including international aviation, but excluding emissions from land use, land use change and forestry.

[4] People at risk of poverty or social exclusion are in at least one of the following three conditions: at-risk-of-poverty after social transfers (income poverty), severely materially deprived or living in a household with very low work intensity. Persons are only counted once even if they are present in several sub-indicators. The overall EU target is to lift at least 20 million people out of risk of poverty or social exclusion by 2020 with 2008 as a baseline year. All data refer to EU27. "b" break in time series; "p" provisional; "-"data not available

10% and at least 40% for the population aged between 30 and 34 year-old should complete the third level education; (5) Fighting poverty and social exclusion. By 2020 the EU should have at least 20 million fewer people in or at risk of poverty and social exclusion.

The role of innovation

The quest for innovation is justified by positive economic and social impacts that it can bring. Innovation conducts to increases in productivity, long-term sustainable growth and generates high-quality jobs. It can also provide access to information and updated products and services for a large number of individuals. Therefore, innovation involves social benefits. Shiller (2014) shows that modern finance are public and governmental dimensions, which clearly need to be re-invented after the recent financial crisis. The author says that it has never been more important to establish the rules of the game for a robust and in socially useful financial sector. The best way to progress is the modernization of financial technologies that should offer the widest possible range of financial services to the public. Financial innovation can increase accessibility to these services for the whole society by progressively decreasing costs. Shiller (2014) suggests devising new financial institutions such as pension and benefits schemes that are based on the solid foundation of sharing risk between generations. Given the unprecedented technological progress, we could assist at an alert evolution of financial innovation. A proper functioning of the banking sector is imperative in the light of the role that it has towards society by increasing the access of different social groups to financial services. The financial crisis revives the issue of moral innovations of financial products and services and to support proper management of company assets. The financial sector not only handles risk management, but also serves as administrator of the company's assets.

Although early research on capital structure and innovation stated against the role of financial institutions in financing innovation as shown in Hall and Lerner (2010), according to Nanda and Nicholas (2014) bank finance is an important source of capital also for private entities engaged in innovation. Debt financing is not only common for innovating businesses, but patents are often used as collateral. Innovation is critical to economic growth, but its financing is inhibited by problems of moral hazard and adverse selection (Wharton, 2014).

Review of financial stability impact on social and economic development

Financial stability can not be considered an independent objective. Its final results should be seen in an economic and social wellbeing. Fostering financial stability is a precondition for economic and social development. As such, many of the measures taken by authorities target both regulation for a safer financial system and the improvement of economic and social indicators. Social welfare can be created by supporting countries that show active behavior towards stability and efficient spending of resources (Cace *et al.,* 2009). Government's role should be significant in producing collective wealth (Zamfir, 2017).

Globalisation and technological progress have an ever-increasing effect on daily life, and the demand for different types of labour and skills is evolving at a rapid pace. While enterprises try to improve their productivity and become more competitive and innovative, they may well seek to pass on risk to the labour force through greater flexibility - both in relation to those already in employment, as well as those searching for a new job. Within the context of the European employment strategy, there are a number of measures that are designed to help encourage people to remain in work or find a new job, including: the promotion of a life-cycle approach to work, encouraging lifelong learning, improving support to those seeking a job, as well as ensuring equal opportunities.

The employment rate is an important indicator with both social and economic dimensions. Increased employment can be also accomplished for vulnerable groups which would enable increased access to quality education and quality health (Cace *et al.,* 2011). High unemployment results in a loss of income for individuals, increased pressure with respect to government spending on social benefits and a reduction in tax revenue. From an economic perspective, unemployment may be viewed as unused labour capacity. Within the Europe 2020 Strategy, the employment rate is a targeted indicator. It indicates the percentage of persons of working age who are employed. In the short term, this indicator is sensitive to economic cycles, but in the longer term it is also affected by government policies regarding higher education, income support and measures that facilitate employment of women.

Regarding the unemployment rate, it is considered to be a lagging indicator. When there is an economic downturn, it usually takes several months before the unemployment rate begins to rise. Once the economy starts to pick up again, employers usually remain cautious about hiring new staff and it may take several months before unemployment rates start to fall.

The overall unemployment rate in the EU-28 reached 9.4 % in 2015, decrease of 0.8 percentage points compared with 2014. This follows a decrease of 0.7 percentage points between 2013 and 2014. In the United States the unemployment rate fell for the fifth year in a row, from 6.2 % in 2014 to 5.3 % in 2015. In Romania, the unemployment rate measures the number of people actively looking for a job as a percentage of the labour force and was 6.8 % in both years 2014 and 2015, decreasing 0.3 points compared to 2013.

Long-term unemployment is one of the main concerns of policymakers (C Zamfir, coordinator, 2017). Apart from its financial and social effects on personal life, long-term unemployment negatively affects social cohesion and, ultimately, may hinder economic growth. In total, 4.5 % of the labour force in the EU-28 in 2015 had been unemployed for more than one year; more than half of these, 2.8 % of the labour force, had been unemployed for more than two years. Compared to 2014, a sizeable decrease is observed in the long term unemployment (from 5.0 %). A decrease (from 3 %) is also registered among those being unemployed for two or more years.

The employment rate is the percentage of employed persons in relation to the comparable total population. For the overall employment rate, the comparison is made with the population of working-age, but employment rates can also be calculated for a particular age group and/or gender in a specific geographical area (for example the males of age 15-24 employed versus total in one European Union (EU) Member State).

In 2014, the employment rate in the EU-28 for people aged between 15 and 64 years-old was 64.9 %. In 2008, the employment of labor in the EU-28 reached a record level of 65.7 % sequentially and declined until 2010 when it reached a level of 64.1%. This decrease occurred in the financial crisis and economic crisis - a total of 1.6 percentage points - was followed by a period of stability between 2010 and 2013 when the employment rate of labor in the EU-28 was 64.1 %, or 64.2 %. In 2014, the employment of labor followed again an upward trend observed before the crisis, increasing by 0.8 percentage points compared to 2013 and reached 64.9 %.

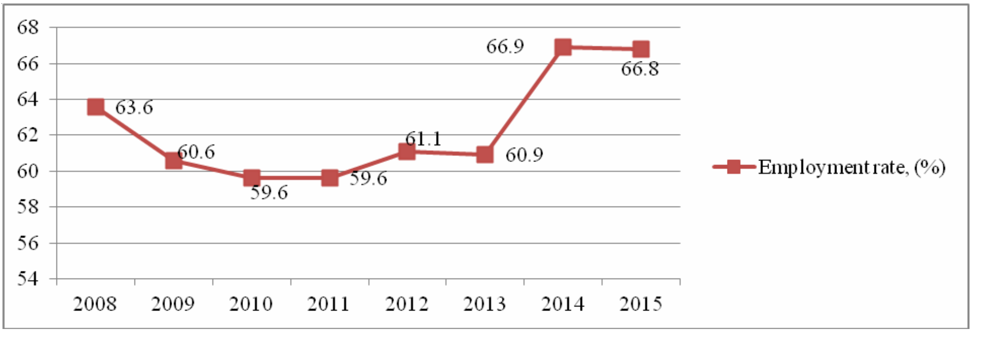

Figure 1: Employment rate in Romania during 2008-2015, (%)
Source: Romanian National Institute of Statistics

As shown in *Figure 1*, the employment rate in Romania followed a downward trend between 2008 and 2010 as the common trend of the EU-28 as a result of the 2007 financial and economic crisis. The minimum point of the employment rate was reached in both years 2010 and 2011 at 59.6 %. As in trend with the economic recovery, the employment rate had a positive evolution starting 2011, reaching a comfortable level of 66.9 % in 2014 above the 66.2 % Europe 2020 Strategy target for 2014.

Table 2: Employment rate by highest level of education, age group 20–64, 2015 (%)

	Level of Education		
	Pre-primary, primary & lower secondary	Upper secondary & post-secondary non-tertiary	Tertiary education
EU-28	52.6	70.7	82.7
Romania	53.3	66.0	85.3

Source: Eurostat

Following the EU statistics for employment by level of education (*Table 2*), it can be noticed that the employment rate is higher for a higher level of education. This means that the higher the education level is, the higher are the chances for an individual to find a job. This principle is sustained by the EU and national policy programs for education and training. Regarding the tertiary education level, the employment rate is 85.3 % in Romania, 2.6 percentage points above the EU-28 82.7 %.

The current economic crisis has reversed much of the progress achieved in Europe since 2000. The Europe 2020 strategy put forward by the European Commission sets out a vision of Europe's social market economy for the 21st century. As part of the flagship initiatives, *An agenda for new skills and jobs* and *Youth on the move* (youth) unemployment rates will be targeted via by a range of policies, including proposals aimed at education and training institutions, or measures for the creation of a (work) environment conducive to higher activity rates and higher labour productivity. There are also initiatives aimed at improving the entry rate of young people into the labour market.

Research and development (R&D) refers to creative work undertaken on a systematic basis in order to increase the stock of knowledge (including knowledge of man, culture and society) and the use of this knowledge to devise new applications. Romania's relaunch for science, research and development must become a priority (C. Zamfir, 2017).

In 2014, the Member States of the European Union (EU) spent all together around €283 billion on research and development. R&D intensity for a country is defined as the total R&D expenditure as a percentage of gross domestic product (GDP). The main analysis of R&D statistics is based on four institutional sectors of performance. These four sectors are the business enterprise sector, the government sector, the higher education sector, and the private non-profit sector. Expenditure data considers the research performed on the national territory, regardless of the source of funds.

Within the EU member states, the R&D intensity stood at 2.03 % in 2014, the same as in 2013. The R&D intensity was 0.45 % of GDP in 2006 and decreased to 0.39 % in 2013. Regarding the business sector, the R&D expenditure had a negative trend from 0.22 % in 2006 to 0.12 % in 2013. R&D is a major driver of innovation, R&D expenditure and intensity being two of the key indicators used to monitor resources devoted to science and technology worldwide.

In Romania, the highest share of the R&D expenditure was for the government sector for the years 2011-2014, as shown in *Figure 2*. For 2014, the R&D intensity for the government sector was 43 %, the highest of the EU member states. In 2015, the share of the R&D expenditure for the government sector stood below the share for the business enterprise sector, which could be considered a positive evolution.

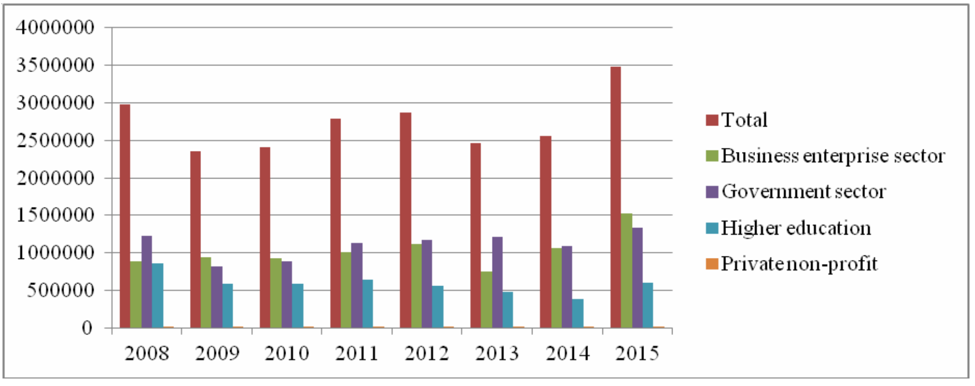

Figure 2: R&D expenditure by sectors in Romania during 2008-2015, mil. RON
Source: Romanian National Institute of Statistics

Figure 2 shows how the Romania's R&D intensity as per each of four sectors grew between 2008 and 2015. Throughout the period under consideration (2008–2015), the majority of R&D expenditure was in the government sector. The second largest sector performing R & D was the business enterprise sector, followed by higher education sector.

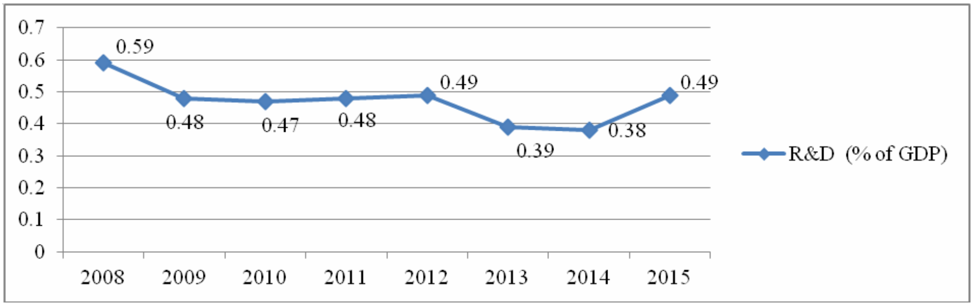

Figure 3: R&D expenditure evolution in Romania during 2008-2015 (%)
Source: Romanian National Institute of Statistics

During the period 2008-2010, the R&D expenditure in Romania, calculated as percentage of the GDP, decreased from 0.59 % to 0.47% (*Figure 3*) due to budgetary constraints. After a positive evolution during 2011 and 2012 a minimum of 0,38 % was reached in 2014. Since then, the R&D intensity has an increasing trend with a 0.49 % in 2015.

R&D and innovation are key policy components of the Europe 2020 strategy. Having more innovative products and services on the market addresses two objectives of the strategy's smart growth goal: job creation through increased industrial competitiveness, labour productivity and the efficient use of resources and finding solutions to societal challenges such as climate change and clean energy, security and active and healthy ageing.

Information and communications technology (ICT) and digital skills are central to developing an effective research and innovation system which is essential to a knowledge-based economy. Therefore, these skills are an important part of the knowledge base needed nowadays in the context of an increased connectivity worldwide. Also, the ICT development and usage skill plays an important role for employment, R&D and daily life. A series of high-level Europe 2020 initiatives address the issue of investment in digital technologies, in particular to increase connectivity and ICT skills of businesses and citizens, and the free movement of knowledge between science and business.

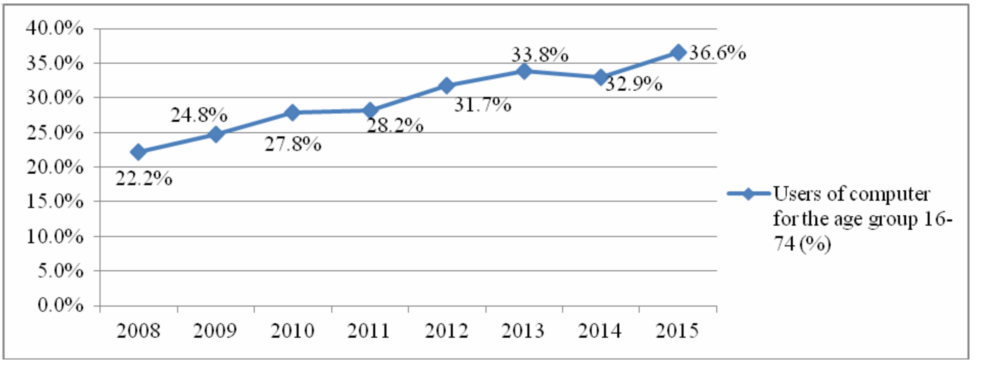

Figure 4: Users of computer in Romania for the age group 16-74 (%)
Source: Romanian National Institute of Statistics

The current global trend is increasing innovation providing a wide access to the latest technologies to a wider range of the population worldwide. Access to a broadband connection and computers train digital skills which become more and more important to finding a job. The ICT skills are targeted by the flagship initiative, the *Agenda for new skills and jobs.* This facilitates the inclusive growth priority, supporting the improvement of e-skill levels in the labour force and the creation of jobs in the ICT sector overall.

As ICT has spread throughout different spheres of life % from education, workplace, entertainment to communication, social interaction and health, digital competence has become essential for all individuals in a digital and knowledge-based society. Assuming that to be fully functional in the digital society, in terms of personal fulfilment and development, active citizenship, social inclusion and employment, one need at least a basic level of digital skills, almost half of the EU population (45 %) could be considered as insufficiently equipped with digital skills. In Romania, the percentage of the computer users for the age group 16-74 years-old (*Figure 4*) is 36.6 % in 2015. Although this indicator increased 14.4 percentage points from 22.2 % level in 2008, it is still low. As a large part of the EU population has poor digital literacy skills it is holding back the large multiplier effect that ICT take-up has on innovations and productivity growth. These skills not only improve employability but they also enhance societal learning, creativity, emancipation and empowerment.

Conclusions

The recent financial crisis is the largest, most complex and delicate challenge of the current period. After several years of economic imbalances, with a double-dip recession and one of the worst financial and economic crises in generations, the European Union seems to be on its way towards economic growth, even if the recovery remains weak and needs strengthening measures.

Setting the foundations for consolidating the economic recovery and creating high quality jobs is a priority for Europe. The European Council has adopted the Europe 2020 Strategy which is the EU's growth agenda for the current decade. It aims at overcoming the negative effects of the global financial crisis and emphasize sustainable economic development and social inclusion.

Unemployment is one of the main concerns of governments worldwide. Apart from its financial and social effects on personal life, long-term unemployment negatively affects social cohesion and, ultimately, may hinder economic growth. Financial stability is a precondition for an inclusive labour market. Employment rate is sensitive to the stability of the economy. In periods of economic recessions, it usually takes several months before the unemployment rate begins to rise. Once the economy starts to pick up again, employers usually remain cautious about hiring new staff and it may take several months before unemployment rates start to fall.

High unemployment results in a loss of income for individuals, increased pressure with respect to government spending on social benefits and a reduction in tax revenue. The lower is budgetary income, the more burdensome are the budgetary constraints on spending on key policy priorities such as education and reducing poverty and social exclusion measures. As such, instability results in loss of social benefits affecting the most the social vulnerable groups.

A sustainable development must be based on high occupancy and optimal correlation between labor and labor market needs. The diversity of jobs available has to be covered both of skilled labor and skilled workforce average. Economic modernization highlights the fact that people who have high skills better suit to the requirements.

Research and development are key elements of economic progress and sustainability of economic growth. Investing in this area creates prerequisites for a stable development in the medium and long term. For Romania, which allocates a small share as a percentage of GDP for research-development it is a critical challenge rethinking the coordinates of public policy as to make of this area a national priority. Financing innovation from public resources implies budgetary constraints and often results in low cash amounts allocated to this activity. A stable financial system, performing efficiently its basic intermediation function results in a valuable source of finance for the R&D investments.

The activity of research and development has a critical role in the dynamics of productivity and economic growth. Research and development performed in the private sector in Romania increases the absorptive capacity of the business sector for technologies. As such, the overall social benefits associated with business enterprise sector and private non-profit R&D are larger than its private effects. Financial support through capital allocation by financial institutions is even more important in the context of lack of resources allocation or insufficient investment in R&D by government.

On the other way, innovative financial products and services along with new technologies and a broad access to them extend the financial system's dimensions, providing access for a wider range of social groups. Financial innovation results in better products and services, increased accessibility and lower operational costs. Although, new technologies become more and more reachable, still, the number of those who can afford use them is low.

An economy enables a solid welfare state by reducing the burden of supporting the social vulnerable groups providing primary necessary resources for the individual and his family. Financial stability and macroeconomic balance play an essential role in economic growth and social welfare. As experience has shown, financial system instability causing economic contractions has negative effects in terms of social welfare and well-being of the individuals.

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