

# SMART – ECONOMY CONCEPT – FACTS AND PERSPECTIVES

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## ABSTRACT

*The main question regards the functioning of development in the terms of quality consists in extending inclusion and generating efficient allotment of separating the productive act from consuming energy, nonrenewable resources, desertification and unsustainable emissions. All these actions seem to restrict economy and its capacity of contributing to the reduction of inequalities. What remains central and problematic is the attempt to satisfy the needs of the present without prejudicing the future generation's capacity of equally covering their needs (Brundtland Commission 1987). There is no species of sustainability that could harmonize the economists and ecologists' theories regarding development; at the same time, ecologists and economists continue to disagree regarding the manner in which they understand to approach the issues of growth, development and sustainability.*

**Keyword: smart economy, sustainable, economic growth, economic degrowth, quality of live**

**JEL Classification: I30, I31**

## I. Introduction

The main question regarding development in terms of quality consists in expanding inclusion and generating an efficient distribution, by separating the act of production from energy consumption, non-renewable resources, desertification and

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unsustainable emissions. All these actions seem to restrict the economy and its ability to contribute to reducing inequalities. The central issue remains the need to meet the needs of the present, without compromising the ability of future generations to cover their own needs (Brundtland Commission 1987). In terms of the development, economists and environmentalists continue to be in disagreement regarding the ways in which they address issues of growth, development and sustainability. We intend to present the relationship between the concepts such as development, strong sustainability, sustainable and effective decrease. GDP growth cannot function as a welfare indicator.

**II. The analyse of smart economy concept**

Economic growth can only be qualitative or focused on issues of income, health and education (basic needs), in situations that relate to wellbeing or environmental compatibility. In these conditions, the development of the concept of eco-sustainable efficient distribution becomes crucial because the accomplishment of needs involves the production of goods, production interferes, inevitably with the marginal allocation and distribution generated by the market and / or the price dynamics, covered by the concept of "smart economy". The concept of "smart economy" brings together a number of features of the new economy in an innovative sustainable and eco-economic approach: high-productivity economy, global economy growth, competition, economic progress, economic prosperity, innovation, sustainable jobs, digital economy.

The transition from the old economy to the new economy is achieved by identifying stages of incorporation in the epistemology of economics of the phenomenology of technology and innovation, of information and natural environment complexity, which are essential for the comprehensive approach of the concept of "smart economy".

The concept of "smart economy" is the process by which the individual aims at achieving freedoms caused by the accidental or voluntary choice of a way of life, conditioned by the economic dimension in which the individual exists.

The defining characteristics of the concept of "smart economy", identifiable in the paper, are presented below:

- ✓ it is an evolutionary process: the concept of "smart economy" requires new qualitative approaches of the concept of economic growth, focused on the quality of life and on the standard of living, incorporating new variables of the development model: basic needs, human capital, human rights, well being, participation in community life, fundamental freedoms of man: political, economic, social, cultural, dignity and respect progress (technological progress, scientific research);
- ✓ it is a dynamic process, adaptable to contextual situations in which the individual and the community act in time and space;

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- ✓ it is a multidimensional concept, characterized by three interrelated dimensions: economic (endowment with economic resources that allows one obtain a certain income necessary to achieve a certain standard of living considered optimal), social (achievement of optimal health and education parameters that allow one assign the qualitative character of development and achieve a state of security, physical and material) and psycho-motivational (establishing subjective arguments, corresponding to the inner structure of the individual regarding personal development in the context of the evolution of knowledge, society and the economy);
- ✓ foundation is represented by a set of moral, cultural, traditional, political, democratic, leisure precepts;
- ✓ aims at the individual: *causa finalis* of the concept of "smart economy" is the constant improvement of the quality of people's life, of the living conditions, of the creative side of the individual and the community by continuously adapting and correcting social and economic and environment policies, both at community level and at national, regional and global levels;
- ✓ it is a process of effective allocation of economic resources: monitors the process by which wealth is created in the economy, as well as the way in which it is distributed in terms of the individual and the community, in order to reduce social phenomena such as: poverty, hunger, discrimination, inequality of opportunity, gender inequality, infant mortality, illiteracy, or violence – or economic: unemployment, ensuring decent working conditions, access to health insurance schemes, education, labour and social protection;
- ✓ it is a process of choice / decision of the individual on the way in which to use the income to ensure the well-being, on the one hand, and on the way of establishing an hierarchy of the qualitative variables (freedoms, rights) in a system of preferences based on utilities (capabilities and functionings).

By developing the concept of "smart economy" one intends to identify measures to stimulate entrepreneurship for a smart, sustainable and inclusive growth of economy by harnessing the creative, innovative potential, of ICT skills specific to human capital.

Approaching the concept of "smart economy" in terms of entrepreneurship takes place in the context of the deep analysis of economy as a whole, both at national, regional level, and at the level of a complex form of social-political and economic integration. The connection between the concept of "smart economy" and entrepreneurship is achieved by understanding the mechanism of the labour market that requires the understanding of the market in general, if we consider the relationship labour demand – labour supply, and certain psycho-social connotations when we relate to pricing work.

The labour market is thus a manifestation of the need for work both for the production act, in terms of business sector and for the consumption act in terms of the household sector, each of the two sectors having different measurements for the same

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goal: getting revenue from the exploitation of work. Thus, work is analyzed in terms of profitability: cost for the manufacturer, income for the worker, benefit for the company, given that the exploitation of the production factor labour and of the human capital creates the object of the economic goods market.

In the current context of economic and social-political development, on the labour market a series of events the substance of which is educational, cultural heterogeneity, institutional dissolution or of authorities intensify, regarding the establishment of rules that favour work and entrepreneurship by economic levers, fiscal essentially, the lack of complementarity between education policies and employment policies.

In these circumstances, it is natural for the gaps in labour market operation as a whole occur and intensify. It may be necessary to introduce a concept to capture the modifications of a segment of the labour market as compared to another, in the same period of development, with own object, manifestations forms, called specific labour market. The significance of this concept lies in the specificity of the labour market as compared to other markets of the economy on the one hand, and labour market segments, on the other hand. Thus, according to the occupational standards that fluctuate due to the advance of scientific research and technology, there are other occupations forming a new segment of the labour market, namely a specific labour market. However, many occupations disappear, and in this case a surplus of labour force that cannot be absorbed by other segments of the labour market, namely by other specific labour markets, is recorded.

Specialization congruence with a particular segment of the labour market defines in this way the specific labour market. In general, once the need for an economic product appears the supply also appears, creating a symbiosis between supply and demand, the market respectively. On the labour market social, psychological, institutional and legislative phenomena intensify as the need for work is satisfied to the extent that there is demand for the good produced, combined with investments in the increase of the production capacity, in innovation and research to produce the good in conditions of eco-efficiency.

Policies that support the specific labour market development are a species of development policies based on entrepreneurship and innovation. By promoting entrepreneurship we can identify new market needs, we can support the demand for products by creating purchasing power, and thus we promote the concept of specific labour market.

Entrepreneurship policies are designed to support the entrepreneur, to identify solutions through which their ideas and vision about business gain sense and business relevance.

Entrepreneurs can be found in every sector of economic and social life and their inexhaustible energy manifests in each of these sectors. They are the most dynamic segment of human society, which they continually pull after them. Entrepreneurs are

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the pioneers of scientific expeditions, investors on the stock market, political dissidents, creators of companies and charities, migrants and inventors.

Often the entrepreneur is enviable, blasphemed, scorned, slandered, insulted and little appreciated by the rest of his fellow men who do not understand his motivation and energy sources. Unfortunately, the entrepreneurs cannot be trained by means a curricula. They are born.

The way in which a government treats the entrepreneur defines that government. Developed countries have realized earlier the positive role that the entrepreneur can have on their economic and social development. They have created an economic system favourable to business. In all these countries, the entrepreneur is valued, encouraged and supported "(Lazarus, 1995).

To this end, the authors understood the need of development, especially among young people, of the economic entrepreneurial behaviour, which is more a fact than a science. It is the art of moving from idea to practice, the approach of creation and innovation on the one hand, and of staging, on the other hand, for personal use of the people and of communities in general. Being an entrepreneur is a gift which if it fails to be exploited, can be lost in the mists of time. We, the authors, want to identify and support entrepreneurial talents.

Thus, the relationship between the concept of "smart economy" and entrepreneurship is considered through the state of well-being. Entrepreneurship starts from the assertion of the existence of institutional and economic prerequisites for development, but requires complementarity with sustainable environmental and development policies. The concept of "smart economy" implies development without aggressing the environment, development being a function of correlation between indicators incorporating technology, innovation, creativity. Kuhlman and Farrington (2010) argue that between development and sustainability there is a conflict generated especially by the confusion between the targets of development and environmental targets. Such confusion is contained even in the Brundtland Report (1987) when it says for example that environmental preservation is as important for the present generation as for the future generations. Thus, to avoid confusion, the difference between present and future generations is to Kuhlman and Farrington the difference between development and sustainability. A balance must be struck between the needs of the present (well being) vs the needs of future generations (sustainability), but without claiming that they represent different sides of the same coin. Accordingly, the focus on the development or well being issues of the present generations could leave us a clear mind on the methods or the policies to develop in order to preserve environmental quality needed by future generations. The whole issue revolves around natural capital substitutability, namely how much and / or how we can afford to use it to meet the needs of the present. Kuhlman and Farrington argue that weak / strong sustainability<sup>8</sup> need not be conflicting in these circumstances, but rather

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<sup>8</sup> Eric Neumayer suggested the establishment of two classes of sustainability:

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complementary: the use of natural capital at the expense of future generations generates capital which raises the level of wellbeing of present and future generations. This is extremely important, and collaboration between ecologists and economists, between the development of well-informed environmental policies and economic decisions to be taken becomes crucial at this moment.

**Table 1 Presentation of indicators of wellbeing in the European Union**

	<b>Country</b>	<b>GINI</b>	<b>GDP</b>	<b>Subjective well-being</b>
1.	Slovenia	23.7	84	7
2.	Iceland	24.0	115	8,3
3.	Sweden	24.8	126	8
4.	Czech Republic	24.9	81	6,4
5.	Slovakia	25.3	76	6,4
6.	Netherlands	25.4	128	7,7
7.	Finland	25.9	115	8,1
8.	Belgium	26.5	120	7,4
9.	Hungary	26.9	67	5,8
10.	Malta	27.1	86	7,2
11.	Austria	27.6	130	7,7
12.	Luxembourg	28.0	263	7,8
13.	Denmark	28.1	126	8,4
14.	Germany	28.3	123	7,2
15.	France	30.5	109	7,2
16.	Croatia	30.5	62	6,8
17.	Poland	30.9	67	7,1
18.	Cyprus	31.0	92	7,2
19.	Italy	31.9	101	6,9
20.	Lithuania	32.0	72	6,7
21.	Estonia	32.5	71	6,3
22.	United	32.8	106	7,3

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✓ weak sustainability: WS- classes of capital can be substituted in order to maintain or increase the total capital stock made available to future generations, generally by means of the saving process (investment);

✓ strong sustainability: SS- rejects the idea of substituting the forms of capital, of the role of the process of investment in the preservation of the total capital stock, especially of the natural one available to future generations, at least maintaining the same level of usefulness.

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	Kingdom			
23.	Romania	33.2	50	6,7
24.	Bulgaria	33.6	47	5,5
25.	Greece	34.3	75	6,2
26.	Portugal	34.5	76	6,8
27.	Spain	35.0	96	7,5
28.	Latvia	35.7	64	6,2

**III. Analyse relation well-being-GDP**  
**IS WELL-BEING FUNCTION OF GDP?**

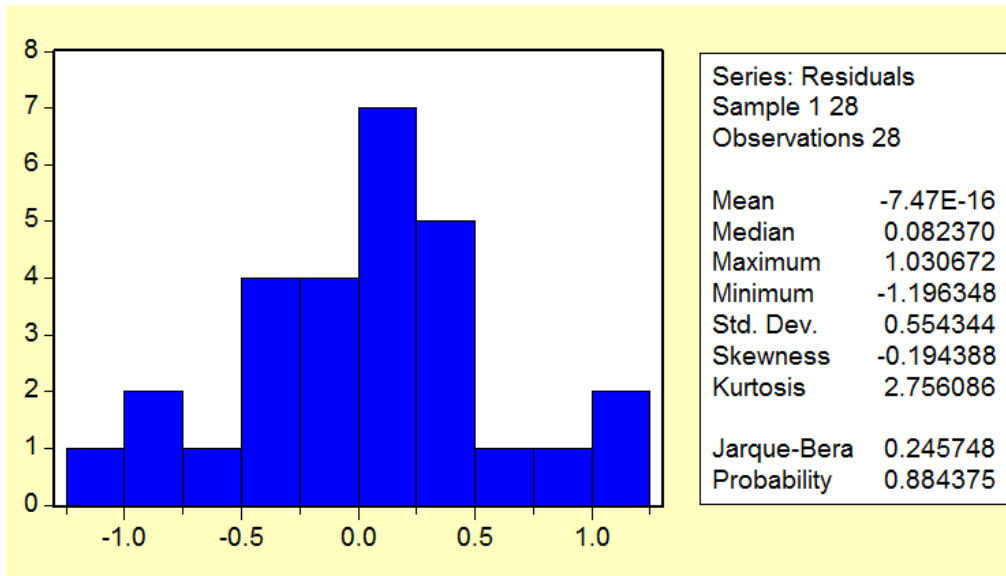
Dependent Variable: WELL-BEING, 2012				
Method: Least Squares				
Included observations: 28				
Variable	Coefficient	Std. Error	t-Statistic	Prob.
GDP	0.011669	0.002650	4.403267	0.0002
C	5.927386	0.279395	21.21510	0.0000
<b>R-squared</b>	<b>0.427171</b>	Mean dependent var		7.064286
Adjusted R-squared	0.405139	S.D. dependent var		0.732431
S.E. of regression	0.564904	Akaike info criterion		1.764426
Sum squared resid	8.297019	Schwarz criterion		1.859583
Log likelihood	-22.70196	F-statistic		19.38876
Durbin-Watson stat	2.167506	<b>Prob(F-statistic)</b>		<b>0.000162</b>

Estimation Equation:

$$\text{WELLBEING} = C(1)*\text{GDP} + C(2)$$

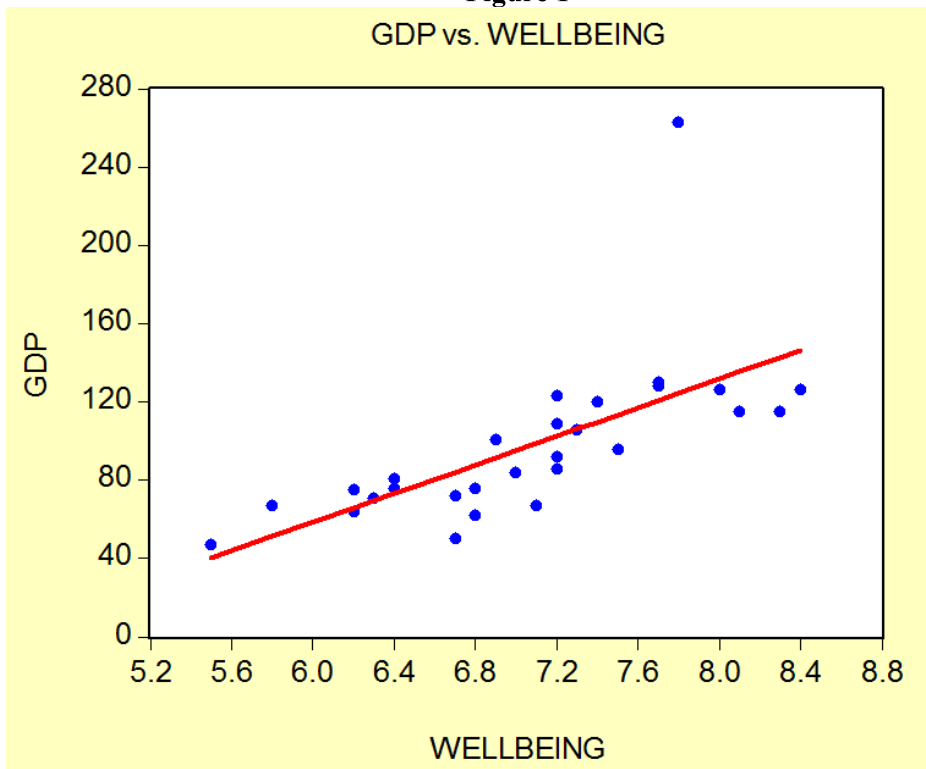
Substituted Coefficients:

$$\text{WELL-BEING} = 0.01166905606*\text{GDP} + 5.927386252$$





**Figure 1**



In essence, the relationship between GDP and wellbeing is a welfare function that can be optimized in terms of the factors that define the concept of "smart economy". This analysis requires the qualitative approach of the aggregate economic indicators. "Smart economy" in essence defines a state of satisfaction in work, of fullness of the human being in relation to the values of the society and economy: intelligent jobs, a market full of goods, movement of production factors, access to technology and products of scientific research, the universality of public goods such as education, culture, health and research. For this reason, a different approach to the concept of "smart economy" is that of the indissoluble bond with the science of marketing, in particular by means of recent events of marketing, cibermarketing, neuromarketing, virtual marketing.

Digital economy generates macroeconomic and microeconomic restructuring, including in terms of tools and marketing strategies. We can say that due to information and communication technologies transformations of the components of the marketing mix and of the way in which these interact occur: the product contains, increasingly digital technology and can constitute itself as an intangible, digitized

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good, prices are set on the basis of new cost structure and payment is made, more and by means of digitized tools and procedures, distribution is restructured based on digital technology (where products are digital in nature, their distribution is done instantly and without costs through digital channels) and promotion methods and tools are re-conceptualized using digital technologies.

Developments in digital technology are projected in changes of paradigm and in the emergence of new terms, such as *e-marketing* (aimed at marketing activities conducted via the Internet) and cybermarketing (refers to marketing activities that take place with the support of communications and information technologies).

A transition of the budgets for marketing activities towards online marketing channels is achieved. In the Econsultancy and Responsoy Report<sup>9</sup> it was estimated for 2013 that about 71% of the marketing companies will increase budgets for promotion on digital channels, that the budgets destined to eMarketing would increase in 2013 with about 28% on average and that 70% of responding companies have budgets for content media in 2013.

Mobile advertising recorded in 2012 revenues of approximately US \$ 20 billion (of which 42% came from mobile messages campaigns) being estimated that 4 million people displayed over 350 billion ads. However, promotion on social networks recorded an ever-increasing dynamics and is emerging as the main form of eMarketing preferred by companies.

In the information society the economic environment becomes more and more intelligent manifesting an undeniable tendency to digitize the organization's activity, which has a strong impact on the marketing tools and strategies. Intelligent and efficient management of databases will be an essential condition of competitiveness at the firm level and in terms of macro-economy, including in terms of the concept of "smart economy".

### **Conclusions**

"Smart Economy" is a concept both of the present and of the future because it refers to policies that stimulate innovation and creativity combined with scientific research, superior technology and care for the environment, through the concept of sustainability. Either approach represents a gain for the contemporary economy, for the subjects of the economy in general, provided that the popularization of the term fulfills the conditions of space, time and action.

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<sup>9</sup> Econsultancy and Responsoy Report, <http://marketingportal.manager.ro/articole/ultima-ora-74/pag-3/>.

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