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MANAGEMENT SYSTEMS OF A POSSIBLE ECONOMIC CRISIS

Theoretical
article

Keywords

*Crisis,
Financial Market,
Prices*

JEL Classification

G01, G15

Abstract

The present work tries to underline the effects of the worldwide crisis, and also present certain solutions for solving it. During periods of prosperity, people forget about crisis, neglecting the aspect of designing systems for handling possible crisis. Both the financial crisis and the significant financial tensions are considered rare events. Due to this, the mechanisms of handling the existing crisis at the time it appeared could be improper, certain laws being able to slow the action, or the instruments and formalities in a country may be different, this leading to lack of cooperation between states. At the same time, Romania, being affected by the crisis, causes discussions about its nature, about the methods of surpassing the difficulties and promoting the Romanian society. The present papers outlines certain effects of the worldwide crisis, which can be different from a country to another.

Introduction

In early 2009, it became clear that the entire OECD is in a recession whose duration and magnitude cannot be assessed with certainty by experts at the moment. Even though initially the crisis was purely American (USA) because of global connections, the European economy has also been affected. In this context, the Euro had demonstrated the value as an anchor of stability. In the absence of the single currency the effects on national economies would have been more disastrous. An international crisis requires international responses. The most important effect, so far, is the bankruptcy of banking establishment to and credit of the US and EU member states following the entry into default and the impossibility of debt recovery mainly in real estate. When at the beginning of the decade after the bursting of "bubble" generated by the IT sector and the terrorist attacks in the US, all major regions of the world have at a loss strong pace of economy, European economic policy was the only one that gave up the Economic Recovery active through budgetary and monetary policy, involving increasing of the component "Application" (Ganescu, 2015). This error contributed to the overcoming the crisis that lasted four years and the important regions of Europe suffers by weakness in the until today domestic market demand, thereby increasing the vulnerability of drastic fluctuations in of the international application. Bank bankruptcy and withdrawals of money from banks, distrust in their creditworthiness have led to an upheaval serious on the stock market so that the value of shares in the various exchanges in the world for important companies traded declined in some cases extent that they resorted to the extreme measure by suspension of transactions on the stock exchange during certain periods of time (Adumitrăcesei, 2009). It generated a sharp drop and sometimes dramatic market capitalization, the virtual money by reducing unprecedented share price, which has made much of the companies traded on the stock exchange to reassess capital and to calculate their the losses as following the financial crash they went through. The first step was to stop the chain reaction from the financial markets. Central banks have fed markets with liquidity in order to ensure to continue the measures of functioning. Nationally and internationally there were developed numerous bailouts, they comprised a wide range of measures, from the nationalization of financial institutions in crisis, grants and participations to capital, award of guarantees, the improvement of banking deposit insurance etc.

The second important step is the consolidation of real economy. There must be restored of consumers and investors the confidence. In this regard there are necessary measures to stimulate domestic market demand and stabilizing labor markets,

namely, stopping the increase in number of people referred unemployment. You must especially lower with incomes social categories, since they are particularly affected by effects of the crisis, but also because they have the strongest impact on domestic consumption. . In addition, the place framework conditions must be created to mitigate the effects on entrepreneurial field. As manufacturer, investor, exporter and its research & development activities, this sector plays a key role in the economy replacing, he decisively contributing to the generation of jobs and to the creation of by in the internal market consumption. Through various transmission channels, the financial markets crisis was finally materialized in the real economy. Among the effects are:

- The target price determination taking account of market requirements and competition.
- Credit crisis.
- Increased costs of financing.
- The negative effects on wealth drop courses due to actions.
- Negative effects on confidence in the financial-banking system.
- Devaluations and risks by losses in the framework of balance sheets

Further, it is appropriate to undertake a restructuring of international finance architecture and more effective regulation of financial markets. It must be changed also its present regulations of control authorities, rating agencies as well as Instructions regarding the preparation balance sheets and keeping accounting records in a way that would guarantee timely detection of crises like the current one.

1. The effects of global crisis

One of the concepts that deserve to be raised when discussing the current financial crisis is globalization – economic and financial. The concept of financial globalization today is not objectionable, especially since the first truly global crisis in the history of the modern world is a concrete evidence to support the validation of its existence. Years 1989-2008 are those in which globalization has become a defining aspect of social, political and economic life worldwide. This is because, in the considered period, the role of the economy was rather an influential factor supporting the state and not one of its guidance. In the fullest sense, one can speak of globalization widespread only after 1989, which marks the dissolution of the socialist bloc and the disappearance of the antagonistic ideological bases. With this, it opens the way for the natural tendency of expansion of the economy (Soros, 2002). A feature of the current economic globalization is its manifestation through the financial globalization, as its principal instrument.

The effects of the crisis on each country are different. US struggling with double weight provoked by oversized financial system and by financial bubble years, but still enjoys the presence of a significant and highly competitive industries worldwide. Things seem to be more difficult for the UK, where it shall devastating effects of years of delocalisation and deindustrialization. Both countries pay the tribute in some way ultraliberalism of periods of the Economic and Financial; of indebtedness of policies known as the „Reaganomics” and „Thatcherianism” and of propagation of broad economy, both at public and private, resulting in deficits in by both kinds; supervalorizării speculation of powers and mechanisms to production of so-called „smart money” to replace the traditional approaches of creating wealth (production, value added services etc.). In the US in mid 2007, it was a pyramidal game collapsed real estate loan, when property prices stopped rising. On the real estate market overheated characterized by the expectations unrealistically optimistic, based on presidential order issued by in the last 20 years by the three presidents of the US, banks specialized in "real - estate" were obliged under conditions the coercive providing loans to some borrowers low solvency, which in 70% of cases were not repaid or were not used according to the purpose initially. Into a very large proportion, their beneficiaries have expected immediately a view to obtaining cash and the amounts equivalent securities crediting awarded have acquired the status of “commodity” subject to of turnover trading via chains transfer - sale checked to turn all by banks. There are new financial products highly speculative and not transparent, which had escaped any controls they or regulations. Many in those involved have not realized extent of the risk.

For a good period of time, however, additional financial flows arising from the increase in profit margins through relocation led to inflation in some sectors of the economy (Totir & Dragotă, 2011). The most obvious of these is real estate. Availability of some economic players (mostly owners or shareholders of companies that benefited from the relocation) to acquire luxury properties has increased the price.

Breaking of “bubble” real estate in the US and also in some EU states has resulted in a crisis of the speculative financial funds, commercial and investment banks and of insurance undertakings. Through the securing risks, global the financial environment was deeply rocked by the shock waves generated. Of and uncertainty surrounding lack of trust among financial institutions led to the situation where even solid and healthy the financial institutions have become part of a blockade mutual granting of loans and reducing the insignificant values to the total amounts traded in the interbank

market. Of the exporting countries, China suffers because of the way the its economy is constituted by a domestic consumption relatively low and prevalent orientation towards exports, with a specialization especially in the production of desktop and medium quality, the high technology and conception are less representative, with a currency (the yuan) whose exchange rate is kept artificially etc. On the other hand, Japan is not only dependent on exports, but must additionally cope with a aging populations and under a social security scheme overloaded. Moreover, this state of affairs led to the demotivating relative to to new generations, many of their members rather showing a pending state of future opportunities (bequests, grants, etc).

Small countries are not immune to the crisis: for example, the Icelandic economy (and partly, Switzerland) is crushed by the weight of overextended of the banking sector and by debts incurred by its own citizens. After the years of played for excellence in financial services, State shall is in the vicinity of national bankruptcy. The problems are compounded by the restricted population of the country, which cannot bear the huge duty resulting from the nationalization of banks. Furthermore, neither Iceland nor Switzerland and supported by the European Union as a protecting umbrellas. That is why, their currencies tend devaluation.

Russia and oil exporting countries are put in front rapid devaluation of their main asset-natural resources (for example, the most famous Russian economic giants in this field are: Gazprom, Lukoil, Norilsk Nickel). Although the long term, these countries should be able to overcome this crisis and the return of see the benefits, they suffer both lack of immediate emergency situations: declining prices combined reducing demand in the short term threatens with bankruptcy. Moreover, Russia was faced following of the war with Georgia-against the background of a market already demoralized and be confused - with mass withdrawal of in foreign capital, practically downing Russian stock market. Collateral, this situation has created multiple margin calls for many Russian businessmen had guaranteed the loans taken from the Western banks with shares.. Russia's the situation was worsened in that, trying to keep the purchasing power of their own citizens, Russian central bank intervened for the support currency, which is falling by selling in this respect currency and reduced and thus the reserves.

From South America, Brazil is an example of states less affected by the crisis. Moreover, the country has received a good opportunity for increase their own importance of the role globally, working manifested through the share manifested in the negotiations within the WTO. Into a world whose oil reserves are declining almost universal Brazil

uses own technology by automotive propulsion based on utilization of an alternative fuel - which makes almost self sufficient in energy terms. Moreover, everything the territorial waters of that country was uncovered a important reservoir of oil, which immediately places it on that the continent ago Venezuela as exploitation and export potential. To all are added the huge potential that its territory is still insufficiently explored, in terms of agriculture and natural resources.

Can conclude at this point that effects of the crisis varies from country to country, though the common point is the presence of these effects in most states. The possible solutions, and they differs in agreement with the manifestations. Thus for over indebted the economies, stabilize and reduce the of deficits seem to be priorities what is possible to be effected through the devaluation of national currencies. For those countries that relied mainly on exports, is necessary to either an increase in the domestic consume or adjustment of production capacities (which will lead redundancies and increases in unemployment). Finally whole the world seems to base more than ever, future growth and development in the emerging economies. The grouping models (Chari & Kehoe, 2004) assumed that investors are rational, but have only partial information about the economy. Acquisition of a particular asset is interpreted as a signal of the existence of a positive information on the asset (even if its nature is unknown), this event leading to more purchases of that asset. Reasoning, in itself, is logical, but may lead to over or underestimating of an asset because the evaluation is based on unknown information, so that the value of the asset cannot be assessed on fundamental considerations. In addition, the first investors' decision to purchase that asset may be, ultimately, a wrong one.

The economic crisis leads primarily to the falling demand for automobiles, heavy duty machines and raw materials for industry what oblige the firms from the west to cut production from the branches which they hold in Eastern Europe and as a result, resort to layoffs. Secondly however, foreign investors are in periods of stress detained regarding placement of capital in the east.

2. Possible solutions for the world financial crisis

In use of the facilities of official relief in case of crisis, as a major element to restore the financial balance must be taken into account and that the able to intervene risk of moral hazard in the sense that the creditors orientate to risky projects and will not be using adequate on risk management processes, relying on the saving an intervention of the authorities in case of distortions. This problem it would not occur if you the default provision would mean that lenders will retain their fund flows. Unfortunately, however, recent events have

demonstrated that things are not quite so: the creditors are rushing to retreat on market as quickly as before the crisis hit what, after all, does nothing but a precipitate. On the other hand, it became evident that the public sector can no longer stand the impressive volume of financial assistance needed to manage the crises. In this context impose new mechanisms of approaching of crises, and one of these aimed involving the private sector (banks, financial markets) in preventing and resolving them, which, on the one hand, it allows limiting moral hazard on the other part would be borne equally to by the public sector.

Considering the main causes that have generated the current economic crisis, anti crisis are foreseen are some the possible solutions.

The first solution would be avoid total avoidance, of maximizing profit in the development of economic life. Since the first two or three decades of the twentieth century, it became obvious the need economic efficiency (synthesized in profit) should match the social efficiency and ecologic effectiveness. So it, it requires that in evolution of each national savings of the economic relations - international, to achieve a transition from profit maximization to achieving threefold the tendency efficiency (economic, social and environmental). Therefore, it would eliminate the objective basis for amplifying speculative operations and would ensure adequate correlation to nominal economy to the real economy requirements. At the same time, transitioning said would provide necessary correlation between the economy, society and nature, in every country and at global level.

A second solution would be to return to a natural relationship between the real and nominal economy. This would imply that, in economic life, the real economy (in which it creates products, services and information and forms value of these goods) have the determinant role and nominal economy to constantly adapt to the requirements of the healthy development of the real economy. As a result, the spheres of between the two fundamental aspects of economic life would achieve a natural approximation, eliminating the enormous discrepancy previously generated mainly by speculative operations.

A third solution would be joining adequately role of markets and the role of the state in of economic life the functioning of in each country, and in the development of international economic relations. In this regard, US economist Joseph E. Stiglitz (Nobel laureate) emphasize „of the free market the ideology of should give way to a more balanced conceptions concerning the role of the state, detached from the so much the understanding the failures of the market mechanism as well as of to those suffered by the stat (Stiglitz, 2010).

The three the possible anti-crisis solutions would ensure not just mitigation of effects of the current economic crisis but also preventing such crises in the future because those the solutions aimed at removing the main causes that have generated the current crisis. In order to be obtained results mentioned three the possible anti-crisis solutions should be equated by states and some of international economic organizations (IMF, WB, WTO) and applied consistently through extensive cooperation. The European Commission has announced its clear desire and the readiness to acted decisively and coordinated. Through its strategy of overcoming the financial crisis to be tackled of the economy issues in a broad sense, and Europe must assume a key role in the global response to the financial crisis. They were presented at the late November 2008 as a "European Economic Recovery Plan" (EPPER).

In the whole EU economic recovery the plan is relatively small in size in comparison with similar packages developed in other regions of the world, primarily in the US. One of the first steps taken by financial bodies (Federal Reserve and US Treasury) was addressing the TARP (Troubled Assets Relief Program), that sought taking over the toxic assets from banks' balance sheets "weak" and then auctioning them on the open market for the discovery (and at the same time, validation) their real the price and in order to build of a market for these assets.

At the level of of financial regulations, it was one of the measures banning the sale of "short" the shares. For example, the US Security and Exchange Commission has banned on 19 September 2008, the sale of this sort of a number of 799 companies, to protect the integrity and quality of the of capital markets and strengthening investor confidence. The measure originally advertised as being valid till October 2, 2008, was subsequently reconfirmed by 17 October 2008. Note that the explicit prohibition of of operations of this type is not the only way of reducing short-selling transactions.

This restrict natural sometimes even shareholders of distressed financial companies becomes reluctant to in case of a prolonged downtrend, investors who are to lend to shares then adopts short positions, as they become conscious that these operations will result in depreciation of the value foundlings. Bulgaria has implemented the certain measures such as the tax exemption over a period of 5 years for investments in disadvantaged regions; exemptions/reductions in taxes on income for young families who pay interest at real estate loans. The Czech Republic from profit tax rate of it was reduced from 21% to 20%, the social health contributions for employees and employers was reduced and VAT refunds are solved faster for the taxpayers who submit fiscal declarations electronically. In Hungary, a series tax measures

have been proposed to tax in consumption and does not income; income tax and the related social contributions will be reduced.

UK reduced rate of VAT for a period of one year from 17.5% to 15% and allowed postponement of of taxes for companies that have been affected by the crisis period but which, of course, demonstrate the need for such delays. Both the Netherlands and Spain have introduced stimulus measures relating to the accelerated amortization method for investments made in 2009. In the sphere VAT, Belgium reduced rate for new housing construction from 21% to 6%. It is obvious that after overcoming the crisis and economic recovery must be maintained again in the medium term objectives of the budgetary policy, not to endanger the sustainability of public finance. In this respect, essential to ensure not to reach again to the supplementary burdening of the labor factor or are unacceptable its expenditure constraints. Therefore should the already developed concepts to make available, for example, new sources of revenue. In addition, it should take into account among other that restoring the previous level of budgetary expenditure magnified after of the crisis is not an end in itself. In background of aging population and the high social of standards from the European social model, a higher level of budgetary expenditure is not necessarily wrong.

Finally, and those states that are praised in general due to their strategy successes on flexicurity (define a pro-active labor market, combining the simplification of employment and retail employment contracts - flexibility for employers with insurance the raised benefits for the unemployed - security for the employees) are obliged to perform budgetary expenditure more than average.

It is imperative that the national measures to be not only complemented by European measures but also to be applied to coordinated. Through this must be achieved positive spillover effects (any indirect effect on public expenditure) across borders and be avoided free riding. States not participating in the recovery plan could diminish the effectiveness of the measures, and those countries that actively contribute to economic stabilization could be criticized for being are found guilty of deficits. Looking at things globally, a special responsibility falls to of those Member States which by on their size, decisive influence on the overall evolution of and have a relatively large margins of budgetary maneuver. It should be stressed that the positive and in the stimulation of economic growth must not be neglected objectives regarding environment, climate change and energy, as one should not forget should be taken into account the countries beyond areas borders of industrialized states with higher level of development. From global perspectives, it is important counteracting

unjustified protectionist measures. Since the economic recovery package must be accompanied by structural reforms is necessary to monitor the latter not contrary to the goal of boosting of the application. Rather that structural reforms must be designed so to be social point of view bearable, so be stimulate economic growth and - primarily - occupancy levels of labor.

Conclusions

The current crisis in the US mortgage market was only the shutter world financial crisis. The root causes have been so macroeconomic and microeconomic nature. The abundant liquidity has made that certain microeconomic causes such as securitization of financial deleveraging, cracks in the business model of rating agencies and of excessive deregulations to combine and lead to today's financial crisis. The degree of damage between the world economies by this crisis depends on the vulnerabilities of each economy and their exposure to the toxic assets. How it respond to the crisis upon the fundamental principles in which we believe, available resources, institutions and tools that you can use.

The current global financial the crisis emerged after nearly two decades of relatively low inflation and stable. A number of factors have caused low inflation to coexist with abundant liquidity. The latter the overly with economies have maintained interest rates and volatility at bay. All this led to the creation of a new financial texture, the bank intermediation model has changed from "originate and hold" to "originate and distribute". New products and institutions that changed the material from which was made 30 years ago to the financial system have led to the current financial crisis. The financial crisis was triggered by the crisis in the US, as I mentioned. In its turn latter appeared because the Fed was obliged under the conditions described above to increase interest rates to defend the inflation. With the new financial texture, raising interest rates has led to the financial crisis.

Our conclusion is that the abundant liquidity to the financial system changed to the point where the monetary policy has reached trapped. The inaction would have led inflation- boosting. The action resulted in financial instability. Whether the legislation and supervision had prevented the excessive accumulation of risks by investors, raising interest rates it could not lead to financial instability. These developments suggest that the monetary policy and regulation and supervision must work effectively.

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