



Global Crisis Financial Policies

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Abstract

The current crisis has swept the world with special emphasis, most developed countries, those countries which have most gross -product world and you have a high level of living. Even those who are not experts can describe the consequences of the crisis to see the reality that is seen, but how far will it go this crisis is impossible to predict. Even the biggest experts have conjecture and large divergence, but agree on one thing:- The devastating effects of this crisis will be more severe than ever before and can not be predicted. Long time, the world was dominated economic theory of free market laws. With the belief that the market is the regulator of all economic problems. The market, as river water will flow to find the best and will find the necessary solution best. Therefore much less state market barriers, less state intervention and market itself is an economic self regulation.

Keywords: global crisis, financial policies, free market, economic problems

Introduction

Free market economy became the model of global economic development and progress, it transcend national barriers and became the law of the development of the entire world economy. Globalization and global market freedom were principles of development and international cooperation. All international organizations like the World Bank, states powerful economic, development and cooperation principles laid free market economy and the elimination of state intervention. The less state

intervention much more freedom of action was this market- leading international principle. We live in an era of financial tragic. Financial markets and banking in particular economies are in a state of thy good, US stock markets fell about 40%, in other words, this time, was one of the darkest moments 5 since 1920. Prior to her rank can only "collapse" of the stock of Wall Street in 1929, technological collapse of 2000, the crisis of 1973 after the Yom Kippur war, while the price of oil quadrupled and famous collapse of 1937 / '38, when Europe was beginning World war II

In 2000, even though it seems like the end of the world was the corner, the world economy survived almost intact. Of course that was small recessions in the United States, Europe, or Japan.

Much more difficult the situation was at crisis 30s, or 70s, however, succeeded world. Regarding the recent financial crisis, it has all the signs to be much sharper and with more consequences. The decline in stock prices is more a byproduct of what is really happening. Financial markets began dance of death with the credit crisis, which came as a result of the large increase in real estate prices and household debt. It is these last two phenomena can be matched very well with the gains of the '20s, a period during which people spent fists as if there was no tomorrow.

All is not away from the mouth of the word recession, that fact no longer a sudden and abrupt. But as much as the financial markets melt, the greater is the risk of a problematic economy for years to come. Thus, for example, the banking crisis in Japan proved to be much more severe than initially expected, partly because the assets which were based more loans had, especially the land that falling in value. The price of land in Japan is about 15 years that continues to fall. (ADRI Nurellari-Published in the newspaper "Classifieds"). At this moment, it is still difficult to çmosh to what extent the crisis has affected the economy and what would be the consequences of the crisis. What we know is that many banks will need more time to reduce the award of credit, but banks have this primary function, this means huge loss

Crisis and reflections

Goal economic crisis of recent is serving as an excuse to launch a worldwide campaign against the market economy and free enterprise as well as a motive to justify a greater intervention of the state in free economy. Trade being considered the main responsibility of this crisis while leading cause actually was government interference in the economy. It is understood that greed played a role in this situation and many bankers saw as state support green light to abuse even more generous by giving loans to home for individuals who do not have collateral or sufficient income. The current crisis, as well as that of 1929, began in the financial sector (Wall Street) and the most powerful country in the world. (According to IMF estimates, the US ranked first with 23.6% of world GDP in 2008, followed by Japan with 8.0%, China 7.1%, Germany 6%, etc.).

This crisis spread to all countries, especially the developed ones, and quickly turned into an economic crisis with serious social consequences. Analysts noted that, after one year, the world has lost an estimated fortune of \$ 15 trillion (10.3 trillion euros). Furthermore, countries like Iceland and Hungary and Latvia but went on the Brink. (SPIEGEL, 07/09/2009). According to the latest projections of the IMF, (October 2009), world GDP is expected to fall 1.1 percent this year.

- deeper decline would be more developed countries: 3.4%;
- 5.4% in Japan,
- 5.3% in Germany,
- 5.1% in Italy,
- 4.4% in Britain,
- 3.8% in Spain,
- 2.7% in the US,
- in France, 2.4%

The economic downturn is accompanied by rising unemployment rate:

- 9.3% in the US in 2009 and 10.1% in 2010 and
- Eurozone countries respectively 9.9% and 11.7%.

Millions of Americans lost their homes and millions of mortgages pyramids alia, their value fell. During this crisis emerged fraudulent financial schemes like "Ponzi" (1920). Bernard Madoff, former chairman of the board of NASDAQ Stock Exchange New York for decades had set up a giant pyramid where 15 400 investors lost 65 billion USD!

Compared with the Great Depression, this crisis has as main feature the world is now in the phase of globalization, economic interdependence, development of technology and the Internet, and consequently its superceding measures are expected to be more effective.

So, what are the causes and roots of the crisis? Of course they are many and varied. In this article I bring to the attention mainly thinking of some Nobel Prize winners in Economics, as Paul Krugman (2008), Joseph E. Stiglitz (2001, Amartya Sen (1998), as well as a major global personality

Financial policies, mistakes and consequences

In many recent articles quoting Nobel converge on the opinion that the roots and causes of the current crisis associated with the wrong policies pursued in the US and other developed countries in the direction of the economy.

Have a significant impact, especially given theories and liberal and monetarist policies of laissez-faire type, which give priority to market the automatic operation of markets, as self-correction and self-regulatory and governmental regulations that underestimate. They were processed by M. Friedman, leader of the Chicago School of

Economics in the 70s, and were implemented in the governance of R Reagan, Thatcher M. etc. in the 80s and later.

These theories challenged those JM Keynes (1883-1946), (British economist, and known as the founder of modern macroeconomics), which elaborated on government policies to mitigate the effects of business cycles, recessions and depressions through fiscal and monetary measures. East science- writes Krugman- economy dates back to the classic work of Adam Smith's "Wealth of Nations" in 1776. For more than 160 years of economic theory was developed, whose central message was: Believe market! Economists agreed with cases of market failure, where the most important is the "exceptions" ... The essence of economics "neoclassical" was also the belief in a market system

But the Great Depression of 1929 that faded the faith. After that, most economists focused on the analysis of Keynes for what had happened and the road-solutions for future depression, which he was summarized in 1936 in his work, "The General Theory of Employment, Interest and money ". Keynes rejected the view that free market economies can self-function, expressing disbelief in particular for financial markets. He called for active government intervention -to draw more money during crises and, if necessary, to fight unemployment - by spending more on public works. Keynes argued not only that markets are not self-correcting, but that in an economic crisis, monetary policy can not be effective. (Krugman, September 2, 2009.)

In this line is also A.Sen when analyzes "the current economic crisis, partly caused by a huge overestimation of the action of market processes and is exacerbated by anxiety and lack of confidence in the financial market and in businesses in general. Supervisory role of government in the US has been reduced significantly, fueled by a growing belief self-regulatory nature of the market economy (Sen, March 26, 2009).

By analyzing the causes of this crisis in a more concrete context, but encouraged by liberal theory, B. Obama President in his speech on April 14, 2009 at Georgetown University Washington, notes that this recession, unlike the previous one "did not come as a term, a decrease normal business cycle. It was caused by a storm of irresponsibility real decision-making that stretches from Wall Street to Washington to Main Street. "

Capitalism and moral rules

The question now relates very strongly to the nature of capitalism and the need or not to change its A.Sen-writes. Some defenders of capitalism redeemed, who oppose the amendment, say that capitalism is being blamed for economic problems short - many problems they throw it bad governance (for example, the Bush administration) and the bad behavior of some individuals (or as John McCain described during the campaign presidencial- "Wall Street greed"). But others see truly serious defects in the existing economic rules and want to correct them, seeking an alternative approach that has been called - "new capitalism."

Thinking for a "new capitalism" jumped Symposium held in Paris on 8 January 2009. In his speech, the president called N.Sarkozy French financial capitalism based on speculation " an immoral system " that has " broken logic of capitalism ", German Chancellor A.Merkel raised concerns that the system " can not continue the way it is " and proposed" to the regulated markets "while former British prime minister said T.Blair for a new financial order based in " values unlike a maximum short-term profit. "

M. Yunus economist who runs a large microcredit bank in Bangladesh, (winner of the Nobel Peace Prize for 2006) states that 'the invisible hand' of Adam Smith, which was supposed to solve all the problems of the market there. What we are witnessing is a dramatic failure of markets. It seems clear that the market is not able to solve all the problems themselves so people now running on governments to seek emergency assistance. Capitalism, with all the mechanisms of the market, would not this issue survival -. But there should be only one reason to do business as profit maximization; it is necessary to include social incentives. "(Spiegel Online International. 10.10.2008.)

Leaving aside the theories of "government interference", not trusting the self-regulatory role of the market, governments have taken extraordinary measures to inject hundreds of billions USD in banks and other institutions to escape from bankruptcy and to stem crisis economic. Have not even been reluctant to intervene directly to protect national industries, such as those of cars in the US, Germany etc.

Aware that state-level regulatory measures are not enough, are cast in full swing movement and even international institutions and organizations such as the G8, G20, IMF, WB, etc.). Quite fruitful and resulted in further predictions especially the G20 meeting held in London on April 3, 2009, where leaders agreed to 1.1 trillion USD IMF grant to support a program for lending, growth and employment in the global economy.

Confirming the effectiveness of these measures, seven months later, at the G20 Summit in Pittsburgh (USA) on 24-25 September 2009 the head of the IMF, Strauss-Kahn said that cooperation of leaders must continue to support global economic resurgence, as this is still uncertain. So-added ai- is premature to give up monetary and fiscal adjustment.

With this condition purposeful facing global financial thy good, governments must be careful yen and to take urgent measures. The government should allow the market to do the work yourself by re decided resources from non-productive sectors or inefficient as it was part of the banking sector was dealt with loans for homes, to other sectors more productive. So should the market be given the opportunity to normalize the relationship between savings, lending and productivity. But governments in the country to allow healthy pruning that would make the market itself rotten branches of the economy, is extended (but not eliminating) rottenness. As said Daniel Mitchell of the Cato Institute, the free market without bankruptcy is like religion hell. Market

without bankruptcy is crippled and disabled and can not make itself functioned. Adding liquidity to the market US state has taken a short-term measure that simply has to help those banks who have had weaknesses in management and has to push inflation. Yes abortive happen pruning activities will close those activities that can not stay standing and that consumers do not want and funds, resources or energy to spend on profitable activities. But instead of leaving the bankrupt financial institutions have abused the situation or who have made wrong choices in the market which should be held accountable, then the US government and other governments were brought into play to keep walking these losers. Instead the government to take responsibility for the crisis belonging to withdraw from the market and the government did the opposite of worse hands thrust in the market economy by hundreds flocked billions taxpayers. But money in itself does not generate wealth if it was possible we would eradicate poverty long time ago.

Although banks stopped lending to each other, fearing that their balance sheets filled with debt and "toxic waste" would break from moment to moment. In this situation solidification liquidity, central banks pumped off across the banking system and in greater amounts, yet releasing the situation did not happen. The Thor will that crisis is more serious than anticipated so far.

We also present the conclusion that du some concrete actions governments and overcoming BQ able to refer to this rescue plan, plans to rescue the banking sector vulnerable share initially in the US and Europe and has usually go two great actors : - Governments and central banks.

Central banks are responding to the deduction of interest procent them as well as getting infected guarantor assets of banks in difficulty. Eg. In October 2008, the Fed double the level of liquidity available to banks amounting to 9000 billion dollars.

- The US government return the Paulson Plan, which plan provides for the acquisition of assets infected by various banks to the tune of 700 billion dollars.
- France: The State guarantees all bank operations worth 320 billion dollars and helps capitalization of banks in the amount of 40 billion dollars.
- Germany: The State guarantees banking operations in the amount of 400 billion dollars and helps banks capitalization ages 80 billion dollars.
- UK: The State guarantees banking operations in the amount of 320 billion dollars and helps capitalization of banks in the amount of 64 billion dollars.
- Switzerland: helping in bank capitalization of 6 billion frz. and purchased assets of 60 billion frz infected.
- India: banking sector assisted with 9 billion dollars
- China: Low interest percentage.

And then some question logic that win and who lost from all this financial maelstrom. In the first place who also won the main responsibility of this crisis. And they are

many managers, Bankers, Banking and Financial Intermediaries who made diverse type products placed on the stock exchanges of know- you with the promise of unrealistic profit for funders providing for their own immediate profit on the capital invested by others . The big funders, many market speculators are harvested guaranteed their profits and leaving the mess later because financial .Only salaries and bonuses of managers of many banks ranged in 500,000 to 50 million dollars yearly, while wages of workers or to provide normal living of their families. According to the magazine "Le Times", only 15,000 American families earn 5% of total US national income - which is equivalent to an income of 9.5 billion dollars per household per year. At the same time in the world currently 1.2 billion people live on less than \$ 1 a day coast big banks which acquired years of realized gain on investments for themselves and others, while in the present case, investment their bare fiddling with the master in the state budget burden, the burden of ordinary citizens who do not have any responsibility in banking arrogance.

Who lost - this is the flip side to pay not less in the whole world. Here Lost mainly banks and the various financiers share their financial savings in search of a greater profit, a profit that became fashionable "the skill and diligence of the various financial foundations Lost pension funds, which invested in these financial products the hope of greater capitalization, to be found today crumpled losses followed. Incur the same fate of Kosovo Pension Fund which is finally speaking only in 2008 lost about 100 million euros from its total. If you do not know why it does not say anything about the money collected from property Privatization Agency of Kosovo, which allegedly are stored in a safe place, but do not know where and how much is the real value of today's citizen, which lost millions of families now and in the future will bear huge financial losses with their backs by reducing purchasing power and increase state tax that would bear on them to cover the risk that the state now has taken over banks the calling "financial products infected". Bankers and financiers have learned their colossal profits while thousands of employees Lost in the economy, the effects of this crisis have already begun to feel, the second after the one sector finance as he is Automotive, where most automotive manufacturers are seeking the help of the state and have temporarily stopped production. In the ongoing crisis will continue on building activity, industry, hotel and on the whole economy. The recession has involved in the second half of 2008 the US, Japan, France and Germany, while forecasting gross domestic product depression for 2009-2010 will behave around the -10% -3. With this prediction is evident loss of hundreds of thousands of jobs.

In conclusion based on IMF data, loss or total cost will pay globe this crisis will reach up to 4.1 trillion dollars.

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