Aspects of Global Crisis

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Abstract: The author aims to explore Germany, known as one of the most developed European economy, based mainly on exports, which until 2010 was the number-one leading exporter. Also, Poland, who managed to surprise us by its economic growth of 1.2% during the most recent global economic crisis, and Romania, which manages to surprise us every day in comparison with other countries such as France or Italy. The global economic crisis is one of the most important events in recent years has brought about tremendous losses and increases levels of unemployment well above the expectations of many analysts. He started as a tornado in the U.S. savings and was felt all over the world. It is practically a state of disorder in the world economy, in which countries economy suddenly going to lower its labor, usually fall brought the financial crisis.

Keywords: recovery; crisis; debt; economy

JEL Classification: F10, G01, M20

1 Introduction

1.1 It is said about the crisis.

"I never thought It will repeat 1931 in my lifetime, but this crisis makes me think of that situation from several points of view" - Paul Krugman.

"An important aspect is that the financial system collapsed under its own weight. This contradicted the views of financial markets, who claim to be balanced and not be disturbed only by outside forces. Thus we not only deprived of business financial system and the collapse of a generally accepted theory "- George Soros.

"The savings should be converted into investment, but there is no demand. The real estate market collapsed, not only in the United States and in much of Europe. Many companies do not have access to capital because of the financial system crisis. Such investments drop by 40 percent annually "- Paul Krugman.

"When the U.S. economy will shrink, the whole global economy will enter recession. Europe, Canada, Japan and other developed economies will be severely

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affected. No emerging market economies, related to the developed world, trade in goods, finance and currencies will not escape the real pain."-Nouriel Roubini.

"We can start to worry about the creditworthiness of governments. What happens today in Greece, is only the tip of the iceberg of the sovereign debt problems in the euro area, especially Great Britain, then Japan and USA. This will be the next number in the global financial crisis "- Nouriel Roubini.

In conclusion we come to think that "The euro area is certainly one of the biggest risks for global economy" - N. Roubini

2 The Economic Crisis on Countries in Europe

The economic decline was felt across the world and soon affected all areas of activity. In exchange the European Union states, where there are former socialist states, by comparison we can say that they were most affected.

Germany, EU founding state (1958), is recognized worldwide because of its economy. Based largely on exports the crisis showed the weakest economy in the last 22 years. Year 2009 brought an increase in the number of unemployed to 3.5 million people, and although a growing economy, according to analysts' assessments in August 2009, was considered one of the countries which still have trouble due to lower GDP and reducing inflation with strong exports. Basically himself German Chancellor Angela Merkel said it needs 10 years for Germany to return to the economic system before the economic crisis. About Poland, however we cannot say the same thing. Although not the first EU economy and even joined the EU only in 2004, is the only European country which registered a growth. The economic crisis was felt at the beginning of 2009, because tens of companies threatened with layoffs, but the Polish people felt threatened since October 2008 when the largest wave of immigrants in the United Kingdom to return home. After years of failed economic and political problems Romania join EU (2007), managed to stabilize the economy and reduce inflation and unemployment which meant a step forward. Basically economic crisis directly affected about a third of the population, most frequently encountered situation is the inability of loan repayment, affected is primarily were those who had the maximum mortgage the mortgage payment and hinder the possibility of suppliers, especially in case of payment in foreign currency. Also there were increases in unemployment due to layoffs, reductions in production and investment stopped. The property sector has been affected, followed by bankruptcy slightly from industrial factories, chemical industry has reduced production by about 20%, imports have significantly slowed the growth and external debt increased and the middle 2009 were 71 billion.

Even France, the center of most economic meetings and business was affected by the economic crisis. Basically, even in the first quarter of 2009 when about one million people took to the streets protesting against the government which responded in a way inappropriate to the economic crisis.

At the end of 2008 France recorded the lowest economic level, GDP in the fourth quarter losing about 1.5%. Yet because the government had managed to mobilize resources more quickly than other European countries, France in mid-2009 had a successful recovery by 4 months before Europe. Not even the third economy of the euro area , Italy has not escaped the economic crisis, the worst result recorded in 2008 since 1975. All exports were reduced by 3.7% of, imports by 4.5%, investment fell by 3% and consumption by 0.5%. Basically, according to most analysts' assessments, the economic crisis has led to record the largest economic decline since the Second World War.

Great Britain instead, one that has not yet wanted to move to the euro, has experienced the most significant economic crisis in 60 years, during which sales fell by about 55%, profits were recorded higher 10%, the unemployment rate was at the end of 2008 increased 5.5% to 8% in late 2009 which led to increasing demands implicit and state benefits and taxes paid by the state.

All countries, regardless of how they received the economic crisis, suffered losses that were found in the main economic indicators.

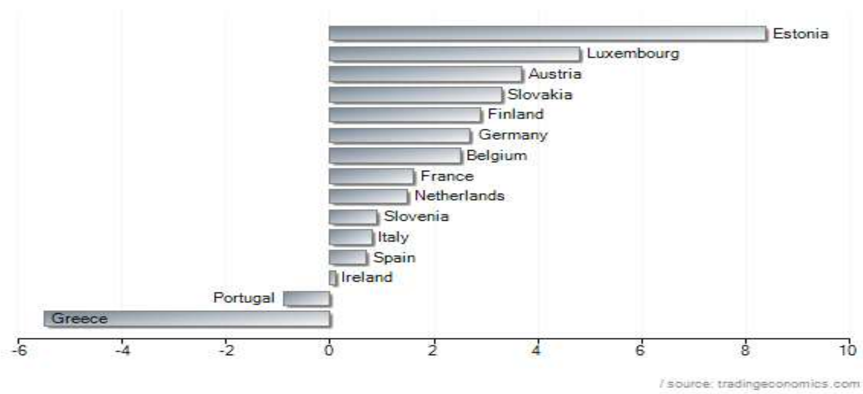

Figure 1 GDP Growth Rates

3 Measures in 2009 and the Effects Of 2010

Forced by the need for recovery, the economy has led politicians to speed up thinking and new measures and strategies to mitigate and overcome the economic downturn soon. European Union initiated several meetings between states, and most high-level talks have resumed helping the most severely affected.

Proof that really is a strong economy has been given by the Germany, which was the first country that has developed an anti-crisis plan. There were actually two anti-crisis plans, a first plan worth 31 billion the government considers, however, insufficient to meet demand and then a second plan to be worth 50 billion euro's. The government wanted from the beginning to invest a great deal, about 18 billion education program, and promised at the time that the future will give up to 9 billion euro's of tax on citizens and firms to facilitate access consumption. It also was another welcome step and reducing the contribution to health insurance fund, which enjoyed the taxpayers. Neither the bank was not forgotten, so that the government then proposed to fully guarantee savings deposits of population amounting to 570 billion euro's and not providing aid in the form of available EU and IMF funds worth 15 billion euro.

Plans and prospects for 2009 did not coincide entirely with those of 2010. So the German state has spent about 150 billion on anti-crisis program, and finally arrived at the need to impose an austerity program which aims to extend until 2013. This program made reference to reducing the budget deficit by 80 billion ie about 3% of GDP by 2014, followed by reducing subsidies for parents, elimination of 10,000 jobs in the public sector for a period of four years, and why not even tax increases for nuclear energy. After fluctuating variations BA growth, and even lowering the German economy, which forced the federal government to borrow 86 billion euro's in 2010 to stabilize the economy somewhat, neither Angela Merkel was not optimistic, forecasting an unemployment rate of 9 1% in 2010 and 10.1% in 2011. But the IMF is still forecasting positions for the German economy, even at the end of 2010 an increase of 3.3% and for 2011 a 2%.

The country that not only attempted but also gave a lesson to all EU Member States was Poland, the only one in Europe ho recorded growth during the recession. Even if he has kept the national currency, the zloty, it has not influenced at all during the crisis economy and that recession was spared largely due to domestic demand which is about two thirds of the economy. We cannot say that he had to develop an anti-crisis plan until they went into recession, but we appreciate the fact that, while others just made their plans, Poland established the 2010 budget based on revenues from State 250 billion zlotys (58.6 billion) and 301.1 billion zlotys expenses (70.9 billion), with then only the main concern, namely to reduce the budget deficit to 3% by 2012 to join the euro. 2010 however, did conclude an agreement with the IMF preventive of 20 billion dollars, in case there is indeed a necessity to accelerate the pace of privatization with a target of 6.3 billion euro and promise keeping public debt below 55% of GDP by 2013.

In Romania after nine months of the onset of economic crisis, the Romanian government issued 32 anti-crisis measures could be mentioned including the following: Establish a scheme to help SMEs during the crisis;

a. Support for export production by guarantee;

b. Tax credits for housing modernization;

c. Establish a monthly ceiling of 1,000 lei for income tax exemption for youth wages up to 30 years;

d. Develop a national environmental investment project and irrigation, to ensure environmental improvement;

e. Extending the "scrap" program for legal persons but only until 1 September 2009;

f. Improving the investment law, including by reducing the value of investments eligible facility to 50 million Euros to 10 million Euro;

Regardless of the measures taken, 2010 is marked by economic decline estimated at -1.9%, with the second worst economic situation in the region immediately after Hungary, but with the possibility of growth of 1.5% in 2011.

France was practically well before the crisis and yet ready to face it was the last EU country which has developed a crisis plan. Initially established a plan worth 26 billion euros in December 2008, on which was returned in 2010 for small alterations, increasing its value to 38.8 billion euros to support the economy. The plan was designed, like all other countries, based on tax cuts, giving the professional fee paid only by businesses, and even supporting key industries, construction and automotive.

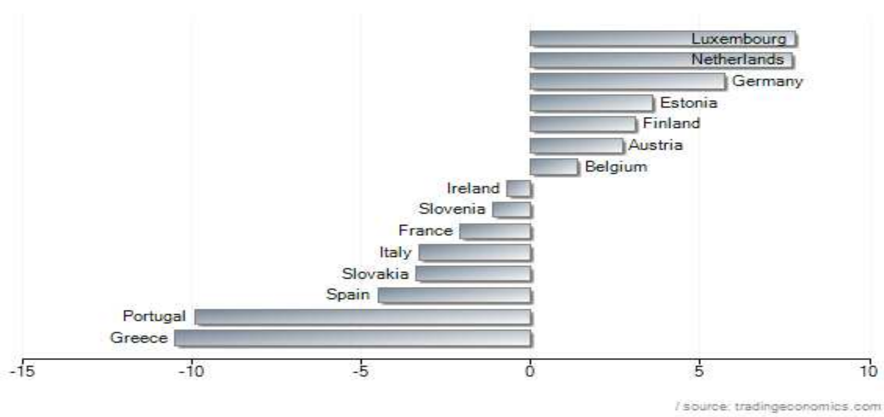

Figure 2 Current Account to GDP

The current account deficit as a Highest Percentage of GDP among countries tracked by Economics Trading WAS Recorded in Mongolia (-15.2% of GDP), Mozambique (-12.7%) and Greece (-10.5%). Portugal, Tanzania, Iceland, Kenya, Ghana, Rwanda and Turkey recorded deficit of between 5 and 10 Percent. The current account surplus as a Highest Percentage of GDP WAS Recorded in Singapore (22.2%), Qatar (18.7%), Switzerland (14.2%), Norway (12.8%) and Malaysia (11.8%). Algeria, Taiwan, Saudi Arabia, Luxembourg, Netherlands and the United Arab Emirates recorded between 7 and 10 percent surplus.

3.1 The Wave of Aid and the Measures Imposed by Economic Circumstances

Need of borrowing in the economy is driven by resource requirements generated from activities of private companies or individuals in a country. These resource needs are identified in turn based on the ratio of consumption of resources and inputs of the GDP. When the economy consume more than earn, save or invest rather than spend more than the state collects the tax gap appears, which can be covered by issuance of currency, be financed by foreign markets.

In the present situation, because states are part of a union, the issue of currency is not without the consent of the ECB and loans to help the economy at large financial institutions are able to provide large sums of money, based on agreements if the IMF - a stand-by.

The stand-by is actually an agreement between a financial institution on the one hand and a country on the other hand, on which it can recover under the terms included in it.

3.1.1 Switching to "Rate 2011"

Germany announces a slight but promising. First of all Chancellor has proposed an austerity budget to improve the future economic situation. Value is reduced to only 305.8 million. The current government aims to reduce public spending by about 80 million euro’s and lowering lending 10 million annually. He also refused to increase the Fund's financial support euro area countries, and amazed by its economic growth record of the first month of the year by 3.4%, the largest in the last 18 years. Like a painting in which all colors are mobilized to form an overall picture, we see that the German government returned in early 2011 its decision and proposed a new target: to reduce public debt by 3.8% or about 11 billion euro compared to 2010, reducing to 57.5 billion loans to 65.2 billion euro’s in 2010, and increased taxes by 3% tax would bring increased revenue by 17 million.

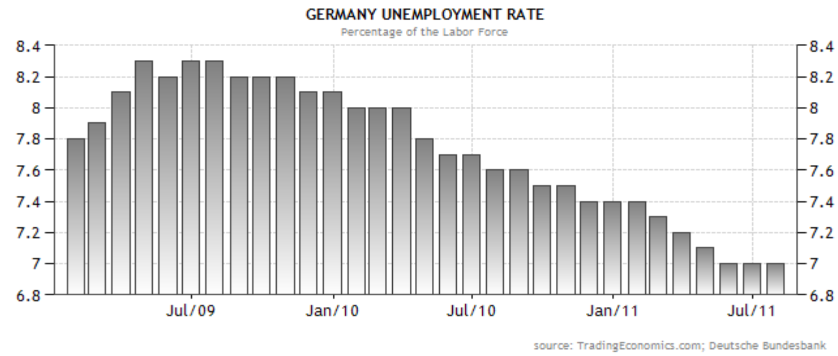

Figure 3 Germany unemployment rate

We continue with Poland, which many states when its planned austerity measures, she planned 2011 budget. Year came with many goals and promises that the government certainly will end.

"While fiscal adjustment scale seems disappointing, the government should be able to achieve the most important is to keep public debt below 55% of GDP in 2010 and 2011.", Said Citigroup INC chief economist Piotr Kalisz.

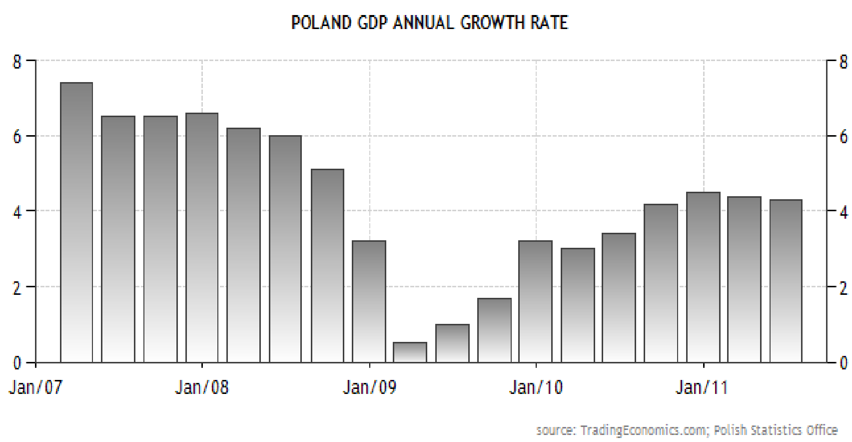

Figure 4 Poland GDP Annual growth rate

"After two years of decline, the economy contracted in real terms by about 9%, Romania could register a timid recovery in 2011. Crisis recovery will be difficult and unpopular measures still strewn with the government will have to implement to achieve the ambitious deficit target of 4.4% agreed with the IMF and the European Union "- said BCR chief economist Lucian Anghel. For next year in view of Oxford Economics, Romania will have a better year, with an advance of 4.8% of GDP, after recovery in private consumption and public consumption and also in investments and will maintain its positive performance of exports and industry.

Table 6 Economic landmark countries and their evolution

Country	GDP Billion USD	GDP QoQ	GDP YoY	Interest rate	Inflation rate	Jobless rate	Gov. Budget	Debt to GDP	Current Account	Exchange rate	Population
United States	14582	1.00%	1.60%	0.25%	3.80%	9.10%	-10.30	93.20	-3.20	120.29	311.00
Euro Area	12456	0.20%	1.70%	1.50%	2.50%	10.00%	-6.00	85.10	-0.40	1.38	329.58
China	5879	2.20%	9.70%	6.56%	6.20%	4.10%	-2.50	17.70	5.20	6.39	1341.00
Japan	5498	-0.50%	-1.00%	0.00%	0.20%	4.70%	-7.40	220.30	3.60	76.80	128.06
Germany	3310	0.10%	2.70%	1.50%	2.40%	7.00%	-3.30	83.20	5.70	1.38	81.63
France	2560	0.00%	1.60%	1.50%	2.20%	9.60%	-7.00	81.70	-2.10	1.38	65.03
United Kingdom	2246	0.20%	0.70%	0.50%	4.50%	7.90%	-10.40	80.00	-2.50	1.58	62.25
Brazil	2088	0.80%	3.10%	12.00%	7.23%	6.00%	2.20	66.10	-2.30	1.71	190.73
Italy	2051	0.30%	0.80%	1.50%	2.80%	8.00%	-4.60	119.00	-3.30	1.38	60.60
India	1729	7.70%	7.70%	7.25%	8.43%	9.40%	-5.10	69.20	-3.20	47.18	1210.20
Canada	1574	-0.10%	2.20%	1.00%	2.70%	7.30%	-3.60	84.00	-3.10	0.98	34.28
Russia	1480	1.10%	3.40%	8.25%	9.00%	6.50%	-3.90	9.90	4.90	30.55	142.90
Spain	1407	0.20%	0.70%	1.50%	3.00%	20.89%	-9.20	60.10	-4.50	1.38	46.10
Mexico	1040	1.10%	3.30%	4.50%	3.42%	5.27%	-3.11	42.70	-0.50	13.00	112.34
South Korea	1014	0.80%	3.40%	3.25%	5.30%	3.30%	-1.10	30.86	2.80	1107.75	48.99
Australia	925	1.20%	1.10%	4.75%	3.60%	5.30%	-4.30	22.30	-2.60	1.04	22.50
Netherlands	783	0.10%	1.50%	1.50%	2.60%	5.10%	-5.40	63.70	7.70	1.38	16.62
Turkey	735	1.30%	8.80%	5.75%	6.65%	9.20%	-3.60	41.70	-6.60	1.78	73.72
Indonesia	707	2.90%	6.50%	6.75%	4.79%	6.80%	-0.62	26.90	0.90	8755.00	237.56
Switzerland	524	0.40%	2.30%	0.00%	0.20%	2.80%	-1.30	55.00	14.20	0.88	7.79
Poland	469	1.10%	4.30%	4.50%	4.30%	11.70%	-7.90	55.00	-3.40	3.12	38.18
Belgium	467	0.70%	2.50%	1.50%	3.95%	7.70%	-4.10	96.80	1.40	1.38	10.87
Sweden	458	1.00%	5.30%	2.00%	3.40%	6.60%	0.00	39.80	6.30	6.62	9.39

Source: TradingEconomics

Not the same opinion has Raiffeisen economists regarding the Romanian economy in 2011 who believes that inflation will come down from 8% in December 2010 to 6.7% in January 2011, will increase food prices in foreign markets in gas and termincă and effort economy will grow by 1.5%.

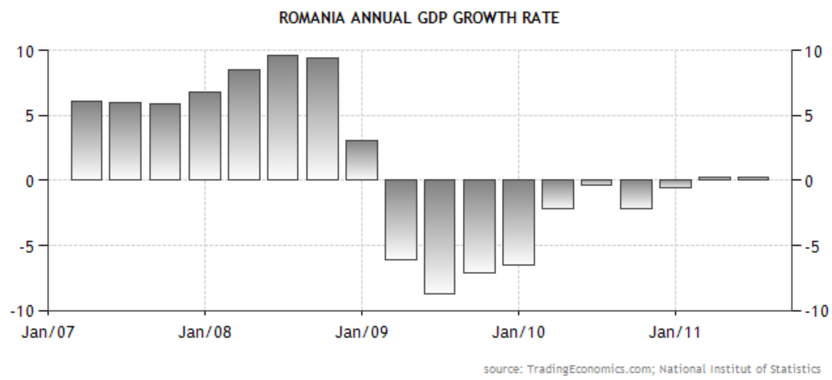

Figure 4 Romanian annual GDP growth rate

We continue with France, which last year recorded a negative record in terms of budget deficit. "2010 ended with a deficit of 148.8 billion euro's with a billion less than the forecast contained in the supplementary budget adopted in December" - said the French minister Francois Baroin-budget and this year promises it will reduce to 6%.

4 Conclusions

I think the outlook for the European economy in 2011 is no better than they were last year. For example, many euro area countries are not willing to spend money to help other member states apart from those stipulated by the European Facility for Financial Stability. Even discuss the abandonment of the euro by some states, although the risk of this happening in 2011 is reduced. Experts highlight the existence of a north-south division in terms of macroeconomic stability, marked by social unrest that could continue in 2011. The European Central Bank responded with its most forceful program to date, saying it would buy large amounts of Italian and Spanish bonds. In Washington, the Federal Reserve made an unusually firm commitment, saying that in light of the weakening economy it would leave interest rates near zero into 2013 if no threat of inflation appeared. By the beginning of September 2011, fears were rising that European banks could be dragged down by the debt crisis, as financial institutions became increasingly wary of lending to each other, in developments recalling the days leading up to the collapse of Lehman

Brothers in September 2008. In this context it speaks more often of a divergence of EU member states, especially the lack of confidence in the euro area and the possibilities it offers. But this crisis creates opportunity for implementation of reforms so far has remained only in draft form. It's about establishing a permanent mechanism for crisis resolution, the adoption of tax reforms and macroeconomic equilibrium in the labor market restructuring and economic competitiveness.

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