CHARACTERISTICS OF THE ECONOMIC - FINANCIAL CRISIS IN EUROPE[1]

PhD Professor Nicu MARCU
PhD Assistant Georgeta-Mădălina MEGHIŞAN
University of Craiova

Abstract

The current economic and financial crisis represents the most sever episode of this type during the last generations – as it results from the reports of the European Commission. The impact upon the European Union member states' economies materialised under the form of the credit restructuration, reduction of the trust at the economic level, and also, a serious contraction of the demand and the commercial exchanges. These are elements which determined the decrease of the investment and production activity, and also the usage of the production capacities, especially in the constructions field. On a medium and long term, we can appreciate that the true problem of the nature and profoundness of the crisis represents the **pressure upon the business competitiveness,** with consequences at the level of the working force or degradation of the human and technologic capital.

Key words: economic and financial crisis, GDP, external debt, austerity measures

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The European Commission and the governments that are confronted with the issue of the crisis offered the possibility to the International Monetary Found to return on the whole European stage. The recent decisions of the E.U. responsible persons transformed the International Monetary Found in direct creditor of the states that appealed to direct help.

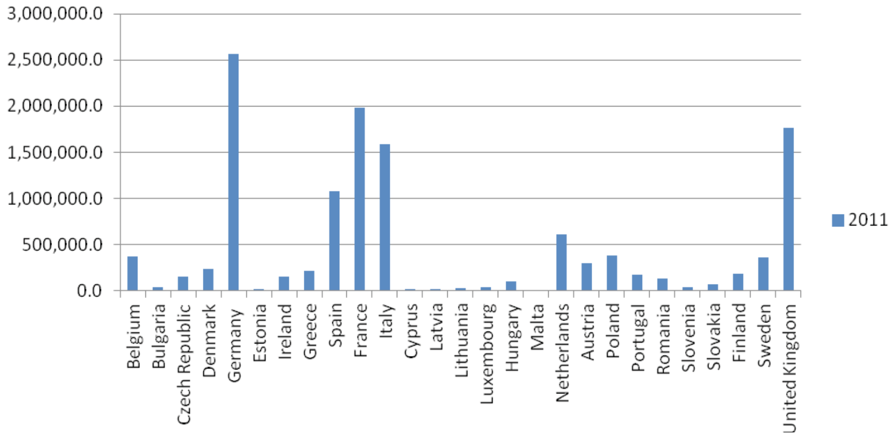
The generalisation of the austerity plans in Europe, in the context of prolonged crisis and market economic system, is confronted with social measures within the last years. An assembly of proposals was adopted for the flattening of the crisis provocations, a strategy of convergence and unity of action was elaborated so as to assure getting out of the crisis.

Analyzing the economic-financial crisis, GDP and external debt of the member states of the E.U. in different years, we underline the following characteristics:

1. Points of view based on the data and information provided by EUROSTAT and the European Central Bank

From the point of view of the GDP volume, the highest economies in 2011, according to EUROSTAT, were represented by - Germany (2.457.985,9 mil Euro), France (1.756.517,6 mil Euro), Great Britain (1.743.330,5 mil. Euro), Italy (1.512.129,9 mil Euro) and Spain (1.152.023,1 mil Euro). For the period 2000 – 2011, the highest values of the GDP were registered between a growth of 94% for the Slovakia, respectively 84% for Lithuania, and 134% for Romania. (according to EUROSTAT)

GDP in the 27 countries of E.U (2011, mil Euro)



Source: EUROSTAT

For the year 2010 – according to the statistics data provided by EUROSTAT, the maximum levels of the governmental deficit within the European Union was registered in - Greece (10,5%), followed by Great Britain (10,4%), Spain (9,2%), Portugal (9,1%), Poland (7,9%), Slovakia (7,9%), Leetonia (7,7%) etc. The most reduced governmental deficit for this period was registered in Estonia (0,1%) and Denmark (-2,7%), while Sweden had an equilibrium situation. We can remark that the 21 member states had an improvement of the public sold reported to GDP in 2010, compared with 2009 and, six states faced a worsening. In 2010, the deficit at the level of the entire European Union decreased compared with 2009, while the public debt and GDP grew. In the Euro zone, the deficit reported to GDP decreased from 6,3% in 2009 to 6,0% in 2010, while in EU-27 from 6,8% to 6,4%. In euro zone, the public debt and GDP grew from 79,3% at the end of the year 2009 to 85,1% at the end of 2010, and in EU-27 from 74,4% to 80,0%.

At the end of the third trimester of the year 2011, the governmental debt of the Euro Zone, as a percentage of GDP was of 87,4% in a decrease compared to 87,7% for the anterior semester. The European Union, as a whole, had a growth from 81,7% to 82,2%. Compared to 2010, the percentage of the debt in GDP had a growth regarding the Euro Zone (from 83,2% to 87,4%) and the EU (from 78,5% to 82,2%).

Going deeper into analysis, we appreciated necessary the fact that at the end of the year 2011, securities, other than the shares, represented 79,3% of the total of the debt at the level of the Euro Zone, respectively 79,7% at the level of E.U. To obtain a clear image upon the economic situation we refer to the identification of the level of the intergovernmental crediting at the European level, mainly in the situation of the governments implication in the process of financial assistance for a series of EU member states. EUROSTAT made public the data referring to the percentage of the intergovernmental crediting in GDP. At the end of the year 2011, these levels varied between 0,8% and 0,6% of GDP both for the Euro Zone and EU.

At the end of the year 2011, the highest percentage of the governmental debt was in Greece – 159,1%, followed by Italy 119,6%, Portugal 110,1%. The inferior stages could be found in Estonia – 6,1%, Bulgaria 15% and Luxemburg 18,5% of GDP. Compared to the second trimester of the year 2011, a number of 14 EU member states had a growth of the percentages of the public debts in GDP, while in 13 states reductions of these percentages were registered. The highest percentage was in Hungary (– 4,8), Greece (4,4), Portugal (3,6). The most significant decreases are in the case of Italy and Malta (1,6), respectively Romania (1).

20 European Union member states had, compared to 2010, growths of the percentages of the debt in GDP – Greece (20,3), Portugal (18,9), respectively Ireland (16,5), and seven states had decreases – the highest levels being in Sweden (1,6), Luxemburg (1,4), respectively Bulgaria (0,9).

The percentage of the public debt in GDP became alarming for the majority of the countries from the European Union. Even if Spain had a level of 60%, due to some internal causes and a growth of the deficit with 160% compared to the year 2000, there is a disequilibrium situation that needs strict measures for economic re-launching, especially the reduction of the unemployment rate and the avoidance of entering into payment incapacity.

The problem of the public debt is not generated by the last years of economic crisis, but, for the majority of countries, the situation was also seen in 2000, but ignored for several years. There are countries in which the level of the public debt was and is still is very high. We can enumerate: Belgium (107% in 2000 and 98,5% in 2011), Italy (109% in 2000 and 119,6% in 2011), Finland (43% in 2000 and 47,2% in 2011). The countries with a high growth of the level of the public debt into the GDP are: Great Britain (49% in 2000 and 85,2% in 2011), Portugal (48% in 2000 and 110,1% in 2011). A difficult situation is the case of Ireland whose debt grew from 25% in 2007 to 104,9% in 2011.

The gross external debt contains all the obligations of a state towards the foreign countries; it covers the amount of money owed by the state, territorial-administrative unities and other entities of public law, economic agents that the state guarantee their debt, owed to some international organisms, governments, banks and other foreign public institutions, some private banks and other creditors. The debts come from loans of any kind, acquisitions of commodities, accomplishment of works and carry out of services on credit, direct investments of capital, accomplishment of other obligations deriving from contracts or other regulations.

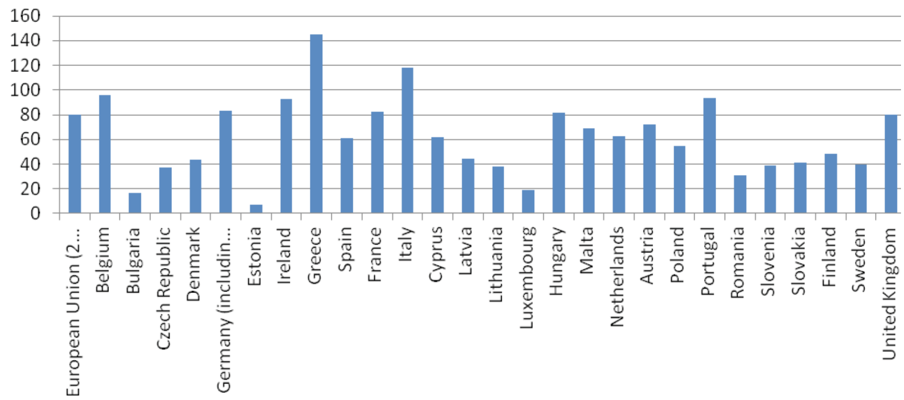
We present now a detailed comparative evolution of the total governmental debt situation, taking also into consideration its elements. (years 2010 and 2011)

Governmental debt in the 27 states of the European Union

		Governmental debt								% of PIB		
		Mil (national currency)			% of GDP			Difference from GDP compared to:		Currency and deposit	Securities other than shares	Credits
		Q3/ 2010	Q2/ 2011	Q3/ 2011	Q3/ 2010	Q2/ 2011	Q3/ 2011	Q3/ 2010	Q2/ 2011	Q3/ 2011	Q3/ 2011	Q3/ 2011
Belgium	Eur	346.007	356.274	361.378	98,8	98,0	98,5	-0,3	0,5	0,4	87,5	10,7
Bulgaria	BGN	10.939	11.270	11.374	15,9	15,2	15,0	-0,9	-0,2	-	9,4	5,7
Czech	CZK	1,480,221	1.483.588	1.519.612	39,3	39,0	39,8	0,5	0,8	0,0	35,3	4,5
Denmark	DKK	770.635	827.350	879.602	44,5	46,4	49,3	4,8	2,9	0,8	41,4	7,0
Germany	Eur	1.856.514	2.076.800	2.089.756	75,7	82,0	81,8	6,1	-0,2	0,4	57,4	24,0
Estonia	Eur	953	950	951	6,8	6,3	6,1	-0,7	-0,2	-	1,5	4,6
Ireland	Eur	139.266	158.970	162.200	88,4	102,3	104,9	16,5	2,6	9,7	58,1	37,1
Greece	Eur	322.978	340.895	347.204	138,8	154,7	159,1	20,3	4,4	0,5	111,7	47,0
Spain	Eur	614.779	702.833	706.340	58,7	66,0	66,0	7,3	0,0	0,4	54,7	11,0
France	Eur	1.574.998	1.692.498	1.688.890	82,0	86,0	85,2	3,2	-0,8	1,6	73,6	10,1
Italy	Eur	1.843.933	1.901.603	1.883.738	119,1	121,2	119,6	0,5	-1,6	9,6	101,0	9,0
Cyprus	Eur	10.283	11.844	11.872	59,9	67,5	67,5	7,6	0,0	0,0	48,8	18,7
Leetonia	LVL	5.422	5.999	6.110	43,2	45,1	44,6	1,4	-0,5	2,0	12,5	30,1
Lithuania	LTL	34.283	38.110	38.707	36,8	38,1	37,6	0,8	-0,5	0,0	30,5	7,1
Luxemburg	Eur	7.779	7.831	7.826	19,9	18,8	18,5	-1,4	-0,3	0,5	9,5	8,6
Hungary	HUF	21.731.530	21.281.388	22.930.584	82,4	77,7	82,6	0,2	4,9	0,1	59,5	23,0
Malta	Eur	4.267	4.528	4.473	70,4	71,9	70,3	-0,1	-1,6	0,7	65,8	3,8
Oland	Eur	367.032	382.559	388.829	63,1	63,8	64,5	1,4	0,7	0,1	51,0	13,5
Austria	Eur	203.403	213.226	214.115	71,9	72,2	71,6	-0,3	-0,6	0,0	60,0	11,6
Poland	PLN	770.267	819.918	839.044	55,4	55,9	56,3	0,9	0,4	0,0	47,5	8,8
Portugal	Eur	156.585	184.030	189.700	91,2	106,5	110,1	18,9	3,6	6,2	70,6	33,3
Romania	RON	146.793	182.994	182.822	28,8	34,3	33,3	4,5	-1,0	0,7	19,2	13,5
Slovenia	Eur	13.555	15.890	15.884	38,3	44,5	44,4	6,1	-0,1	0,3	39,9	4,2
Slovakia	Eur	24.866	28.810	28.784	38,2	42,7	42,2	4,0	-0,5	0,2	38,6	3,4
Finland	Eur	83.255	85.014	89.354	47,0	45,6	47,2	0,2	1,6	0,3	39,3	7,6
Sweden	SEK	1.247.288	1.270.491	1.276.224	38,6	37,3	37,0	-1,6	-0,3	2,4	27,6	7,0
Great Britain	GBP	1.132.450	1.249.602	1.278.240	78,3	83,9	85,2	6,9	1,3	8,8	70,5	1,8

Source: the European Central Bank

Percentage of the gross external debt in GDP (2011)



Source: EUROSTAT

During the crisis, many states had and also need financial help that often took the form of foreign loans, which led to the growth of the national debt during time. The growth of the state and private debt, and also spending some amount of money that the governments didn't own are the causes which contributed to the raise of the level of debts for many states. The pressure supported by the citizens of a country regarding the public debt was supplemented also by the direct pressure made by the external creditors upon the citizens due to the amount of money borrowed for the goods and services brought.

We can see that because of the fact that Ireland had a level of 104% gross external debt in GDP, Italy and Germany with a level of 113% respectively 142% shows that they are oriented towards the export, while the import of goods and services is kept at a lower percentage in GDP. Great Britain had a gross external debt of almost 9 trillion euro, respectively a public debt of 900 billion euro. (– 62,8% of GDP at the level of the year 2011) The examples can continue.

Conclusions

The anti-cyclical measures promoted by the member states, together with the mix of macro-economic politics, on **economic normality periods** need coordination at the level of the European Union, especially if we take into consideration the orientation on specific economic sectors. We can appreciate that **the measures,** together with the **strategies of getting out of the crisis** – that are absent in several European Union member states - have to benefit of a similar level of coordination.

We can remark the fact that the austerity plans generate, in principal, some major consequences: they determine a contraction of the global demand; they limit the social protection mechanisms, they extend the poverty and uncertainty of the crisis victims; they strengthen the position of the financial societies and raise the pressure of attracting capitals due to the position of creditors; the reimbursement of the public debt becomes a central element of public debate and governmental administration for the following years; a growth of the macroeconomic disequilibrium and the centrifuge forces at the level of the European Union take place, underlining the competition between the member countries; the capacity of the states to respond to their obligations regarding the fundamental rights of the human beings is diminished and the extension of the tendency to use the repression to respond to the social protests is extended; the capacity of the states to respond to their own obligations at an international level in the fields of development, the help for the natural catastrophes victims and the contributions to fight the climatic changes is also reduced.

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