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MARKETING AND BUSINESS MANAGEMENT

MASTER THESIS

MANAGEMENT OF EURO AND THE INTERNATIONAL FINANCIAL CRISIS

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INTRODUCTION

When talking about the crisis in the language it is strictly talking about shrinking economic numbers, both in terms of economic growth, falling of markets, or rising unemployment. This normal language for the usual cyclical recessions of capitalist economies is becoming more and more likely to overcome the process of transformations in the world economy that are beginning to affect every corner of the political and social life, especially in the Euro- Atlantic economy. In Europe, the ever-increasing depth and intensity of the sovereign debt crisis is making the eurozone countries return to the construction of a new system of monetary governance, going beyond union arrangements that foresee a common currency, but without common monetary governance instruments. This means a more powerful role for the European Central Bank, whose intervention is becoming more inevitable. The current crisis in Europe started as a financial crisis, like a "banking loan" crisis: as in many countries around the world, even in Europe, a large number of banks were suddenly faced with a large number of creditors who could not refund them obtained. In this situation, it became clear that many banks did not have sufficient personal capital. Financial activities carried out to a greater extent than the necessary "foreign" money limit, eg. of other citizens who gave these loans to banks in the form of investments, savings shares and savings deposited in banks. And precisely these money banks had future circulation to make profits, lending them in the form of loans, now irreversible. But the loans to the banks were not only taken by the citizens but also the states themselves. So here is a second factor, specific to the European crisis: the euro crisis. With the introduction of the euro as a domestic currency, borrowing from debt-issuing countries was cheaper, as the banking interests of the eurozone were lower. Countries such as Greece, Italy, Portugal and Spain, without adding production, thus revenue, increased the costs they financed with debts. The inefficient often giant state administration and underdeveloped labor markets in these countries continued to take on the economy. Since entering the euro area, especially the southern European countries cannot be used with the emergency device: the depreciation of the national currency to offset the economy. Now the currency is coincidental. On the other hand, the non-continuation of the euro-based EU restructuring has highlighted problems of eurozone construction: the euro has united countries with structured economies differently, in the north and south of Europe, richer and poorer countries. Countries with export-based economies with other countries, with economy-based

services. It has united on just a few rules. Here lies the essence of the current crisis: not the euro, the creation of the eurozone, but to the unfinished political project of Europe with the eurozone.

CONCLUSIONS

In this topic, I focus on a description of the global financial crisis and the main factors that are thought to have further deepened the crisis: It can be concluded that:

The main cause of the financial crisis is the beginning of the mortgage lending market below standard and high failures in this credit market.

A key role played by financial products: collateralized securities and collateralized debt securities.

The crisis in 2007-2010 was largely caused by the laziness of financial institutions: banks and investment companies, which had high risks and were not transparent in their activity, as well as by eager borrowers who were not responsive to the loan repayment.

Also, regulation and non-regulatory institutions have created the right ground for crisis development.

The Eurosystem is an extraordinary and unique construction in history. In the design of the Eurosystem it was necessary to take into account the execution of the national sensibility and the desire of national banks to maintain little power in formulating and interpreting the policy mix. At the same time, a clear and unified decision-making process was needed in order to enable the monetary union to work. What is achieved is a good compromise, which balances these opposing aspirations.

However, there are also a number of design shortcomings, which are discussed in this paper. One is the lack of clear accountability. The high unemployment rate gained by the ECB (positive one) is not matched by a robust ECB performance control procedure. The only way to offset this lack today is to develop a climate of transparency so that its political platforms are well understood and that a broad consensus can be developed.

The second is not yet visible, but it will become a problem when the Eurosystem will expand. The enlargement crisis will create the risk that the ECB Board will lose its strategic position so that interest rate decisions will not further present the Euroland's needs altogether. This could

create conflicts within the Leadership Council and would create the need for restructuring of the Governing Council to reduce the paces of small countries in the decision-making process.

The third has to do with the failure to centralize the supervision of the banking system at Euroland level. Although today the need to do so may not be apparent due to the banking system, the current oversight and regulatory control structure will make it difficult to stop and manage financial crises. One should hope that the necessary institutional changes will take place before the next financial crisis.

The current crisis has included the world, with particular emphasis on the most developed countries, those countries that have the bulk of the Gross Domestic Product and have a high level of living.

Even those who are not experts can describe the consequences of the crisis by looking at the reality that is being seen, but how far this crisis is going to be, it is impossible to predict.