

IMPACT OF GLOBAL CRISIS ON THE ECONOMY COUNTRIES

Alexander I. Gribincea
Prof. dr. dr hab.,
Moldavian State University

Abstract

Crisis in U.S. prime not directly affect Romania, Moldova and other countries since, except for Citibank, none of the parent banks of major players in the financial market was not significantly affected by this crisis. On the other hand, are convinced that most financial institutions operating on the spur of parent banks will reinforce risk management policy and at the same time, and because other economic factors will be more expensive loans in RON and euro. It is difficult to estimate, at least until now, that would be the best option to solve the problem. However, some general measures can be estimated.

Keywords: Global crisis , volatility of the economy, growth of market economies , financial institutions

At the moment we can not determine if economic and financial crisis of 2008-09 when the economy will go into history as a significant or catastrophic phenomenon occasionally. On the one hand, the unwritten history is full of events, perceived as a benchmark of their contemporaries, on the other hand, much of what happened early in the Great Depression led to an underestimation of its importance . Although it is premature to conclude how the phenomenon will be the 2008-09 crisis in historical sources, but certainly, it marks a milestone in economic science.

It is a tab that takes our vision of the possibility of getting rid of some misconception, which deserves to be followed unconditionally. Abstraction is required to weigh which are the most valuable lessons learned through our research of the theoretical and empirical, discolored in light of recent events and wondering if this issue may be subject to political and economic debates.

Essay to reflect our point of view, our intellectual mistakes and subsequent conclusions, we impetus to move us forward. So our idea is essential, is not to describe in detail the intellectual drain of the past, but rather to emphasize that economic theory remains important and still more we can learn, and politicians as ways to overcome crisis.

This concise essay, first, forward our vision that reflected basic economic principles related to market situation, development, growth potential indigenous intellectual, with repercussions on economic and political visions and strategies of the company.

But, surprisingly, these principles have played a minor role in recent academic debates and the political, the meditations and discussions. It is these principles and the consequences of such policies are important for progression of the global economy, what we as economists, politicians should remember them. Some things are cleared with time. The crisis continues to evolve, and there remain many uncertainties about what happened in financial markets and within many companies. Our present knowledge may elucidate the sources and causes problems today. Unfortunately, most of us have recognized the crisis criteria. Three errors led us to neglect these impending problems and their causes.

First - is that the total aggregate volatility period is nearly over. I was convinced that through long-term forecast and new technologies, including improving the management arrangements

of the transfer, the cycle can be exceeded. Our faith in a merciful economy gave us hope and a note of optimism on stock exchanges and real estate markets. If the transaction would run smoother and faster, would rather believe that financial intermediaries, businesses and consumers will not be afraid of falling asset values.

Even if the data clearly confess the presence of a negative correlation between the amount of income per capita and the volatility of the economy, and many studies have shown a marked decrease in aggregate volatility since 1950 and, of course, in the interwar period, these schemes do not involve any empirical loss of business cycles, no failure of disasters in the economy. The same financial and economic changes that gave rise to a modern economy, have provided greater protection to private companies, strengthening the relationship between them. Because the only way to diversify risk is split between companies, personal risk, diversification will generate more complete multiplication of business relations.

These relations are the economic system more resistant to small shocks, as new financial products are successfully diversifying the range of joint risks, reducing business failures. They make the economy more vulnerable to certain events, sometimes "less likely" that are a result of events, due to the fact that the links are strongly diversified, creating a potential domino effect among financial institutions and companies. In the context of the relationship, not to look for something special, that period of quiet growth is disturbed by turbulent times, accompanied by economic difficulties.

There is another aspect that the myth about the disappearance of mitigating the economic cycle, conflicts with the fundamental features of the capitalist system. As Schumpeter argues, functioning market economy and the dynamics of innovation, largely involves creative destruction in which existing firms, procedures and products are replaced with new ones. Much of creative destruction is achieved at the micro level, but not only. Many companies include large and refinancing activity domain, redirecting to new technology should have a major impact. Indeed, many leading technologies are divided between different companies belonging to different fields so that their failure can impact such aggregate. Equally, it is important that businesses and individuals make decisions, guided by incomplete information, providing learning how the other and in light of experience. This learning process will provide an additional correlation and reciprocal changes in the behavior of economic agents, which also will expand the scope of the creative destruction of micro-and macro.

Significant decrease in asset values, followed by the bankruptcy of many companies, it should signal to us that the volatility of aggregate - is an essential feature of the market economy.

Understanding that volatility will accompany us we must redirect our attention to models that form the likeness on various sources and description of items related to the efficient functioning of markets and market failures could be avoided. Further studies of volatility aggregation also requires a conceptual theoretical research how the growing influence of financial-economic system of redistributing resources and placement and risk-sharing companies and individuals.

The second decision is to trust that jump confused capitalist system exists in a vacuum, devoid of institutions, which in perfect control opportunistic behavior. Neglecting the foundation of interaction insituționale market, we put the sign of equality of error, the non-adjustable markets. While I understand that the functioning of free markets (free of control) is based on property rights, the regulation of the behavior of firms, quality products and services, however we do not believe that the market adjusts something. Of course, in the last 20 years has given increasing attention to these processes and institutions, which have focused thinking on the need to examine the role of institutions to understand why poor countries are poor, and not on investigating the nature of institutions providing long prosperity duration of developing countries and provide them with some strategies of evolution in time. In our contempt vis-à-vis the significance of institutions that promote market functioning, I was in

the same position with politicians. They were passionate ideological concepts, inspired by his stories rather than of economic theory Ayuna Rand. We admit that their political principles and rhetoric have set our standards of thought (mentality) of the world, our environment and policy advice. In retrospect, we should not be surprised that in the absence of regulations, of which want to benefit individuals taking the risk of a successful outcome, while others suffered losses.

Now we know more. Few of us today would argue that market monitoring is sufficient to prevent opportunistic behavior. Many members of the scientific community and those who are outside it, can see the weakness of economic theory. Are desaccord all this reasoning. Conversely, charging that the operation of the market - is the foundation established by institutions - that free markets and unregulated markets does not mean the same thing - and enrich the theory and practice. Today we have to try to build the theory of market transactions, which would accommodate more organic aspects of their institutional base. Currently, we have to go back also to the theory of regulation - both for businesses and financial ainstituțiilor - with renewed energy and hope the additional insight gained by actual experience. Important contribution to economic discipline and deep understanding of the trend is in training to profit in + an abstract vocabulary, not good nor bad. With a view to maximizing profit, developer competitive behavior and innovation activity under the auspices of laws and regulations reasonable, it can be drivers of innovation and growth. However, the relief of appropriate institutional controls, tend to profit degenerate into rent-seeking behavior, corruption and crime. The reduction of greed, which is, in one way or another, inherent to many in our society and our collective choice.

Economic theory provides guidance to facilitate the formation of a regular system of incentives, appropriate remuneration structures and convert it into force for progress. Error third concept, also devastated by recent events, at first sight is less obvious. I am among those who were convinced of its validity. Our logic and models and have inspired us that even if we can not rely on the individual, especially in cases of imperfect in the absence of regulation, we can trust for a long time, the existing big companies - such as Enrons, Bear Stearns, Merrill Lynchs and Lehman Brothers - to monitor our activities and control our property, because they have accumulated enough "reputation capital". Our faith in large companies - centenarians to rock, but kept the same after financial scandals in which they were involved Enron and other giants in the early 2000s. Today it may be subject to a death blow.

Our faith in the capacity of the self to ignore two key aspects. The first is that, even within companies, control should be carried out by individuals - CEOs, managers, accountants. And similarly, we should not trust blindly in incentives, forcing traders to take risks astronomical residual claimants on claims not theirs, and should not rely on people controlling other people, simply for that are part of larger organizations. The second difficulty is even more problematic for our thinking about the world: control of reputation requires that failures be punished severely. But within a specific capital and know-how means that such punishments are often uncertain. A reasonable argument for financial assistance to overcome the effects of collapse in 2008 is that organizations are certainly responsible for the problems that have fallen upon us today, it is necessary to save, supporting them, because only they have "specific capital ", which can get us out of this difficult situation. This argument is without basis. But it is not only specific current situation. Every time when there is an incentive to compromise, to give up acting and to assume additional risk, most companies will deploy together. And because the vacuum ex-post in the area of special skills, capital and knowledge, which was formed in result of enforcement, will establish such a course of action, which would be too costly for society, all types of punishments they lose their efficiency and reliability.

From this chain of reasoning, the lessons for our way of thinking is twofold. First, we need to rethink the role of business reputation in market transactions, taking into account the overall balance - revaluation of skills and professional knowledge, accompanied by a reduction of some reputation. Secondly, the need to review key aspects of economic theory of organization, because the reputation of the company's business to become a derivative of their behavior - and interaction - directors, managers and employees, rather than maximizing hypothetical principal values Expected net firm.

If we turn to scientific calculations, we can always blame it for its lack of significance for economic science and intuition that we do not see more than politicians. We can not blame ourselves or get involved in intellectual atmosphere that led to the current catastrophe. But the bright side is that the crisis increased economic viability and highlighted a number of issues, promising, relevant and exciting. They are turning the system's capacity to cope with market risks, relationships and failures created by processes of creative destruction to issues of improving the regulatory framework and the ratio of the fundamental institutions and the functioning of markets and organizations. It is highly unlikely that the coming decade, the young economists who hopes to be worried, to find new and relevant issues to be developed. Although many of the concepts supported by us previously to be redesigned, certain principles that are part of our intellectual heritage, is a value to understand how we achieved success and to prevent the most serious political mistakes during those whom we have taken - - and more importantly, of political activists - working to overcome the crisis. Perhaps not surprisingly, given the baggage that I consider my own intellectual these principles as related to economic growth and political economy.

First, it is obvious that it should pay attention to aspects of economic growth. If we talk about the absolute failure of the global system, even with terrible ferocity of the global crisis, the casualties of GDP for most countries, ranging from a couple of percentage points, while most of them must have been inevitable, given the excessive expansion of the economy over previous years. However, moderate changes in growth would be generally more impressive numbers within one or two decades. Thus, in terms of policy and welfare, should be taken for granted that a slight increase, in combination with the current crisis - a bad choice.

Growth deserves our attention not only because of its role large amounts of welfare indicators, but also because many aspects of growth and of its main sources are fairly well understood. There is a general one another in theoretically and empirically the role of physical capital, human capital and technology in determining production and growth. But, equally, also, we understand the role played by innovation in the redistribution and expansion growth, and we realize the length of institutional structure, creating the possibility for innovation, redistribution, and redistribution and long-term growth

Recent events have shaken confidence in the importance of innovation. Conversely, in the last two decades have witnessed the prosperity resulting from the rapid development of innovations - absolutely independent of financial constraints, and the "bubble". We have seen how, with a dizzying speed were developing innovations in software and hardware, telecommunications, pharmaceuticals, biotechnology, entertainment, retail and wholesale. On account of these innovations, it is most-aggregate productivity growth observed in the last two decades. Even innovations in the financial sector, whose reputation has suffered somewhat during the current crisis, most of them have a social value and, in turn, contributed to growth. The complex securities were abused in order to assume the risks associated with changing the falling value of their work conducted by partners confident. However, being properly regulated, they also make it possible to use more sophisticated strategy of diversification and reallocation of risk. They have allowed firms to reduce capital cost and, ultimately, would allow this achievement again. Technological superiority - the key to success and prosperity of the capitalist economy. Innovations, their introduction and promotion will play a key role in

boosting the economic recovery, which will replace the current crisis

Another pillar of economic growth - is redistribution. Since the emergence of innovation often takes the form of creative destruction, the trigger mechanism of the production process and firms that rely on older technologies are replaced by new ones. But this is just one aspect of capitalist redistribution. Volatility is a characteristic of a market economy, but also manifests itself in permanent changes such as companies that have better performance in production, and whose services have a very high demand.

Such volatility is now faster than ever, increased global Nexus is not the plague, with which we must fight, but above all - an opportunity for a market economy. The reallocation of resources in those areas where there is demand and capacity, production, capitalist system can use the volatility in his favor.

Developments in the last two decades, again highlighted the importance of redistribution, because growth is usually accompanied by a leakage of labor, capital and capacity of many famous companies from their competitors, often foreign, and industries in the United States and other developed countries have lost their competitive edge, if these benefits have become more powerful.

The last principle that I would like to stress is linked to the rise of political economy.

Economic growth will only happen if society creates institutions and policies aimed at supporting innovation, redistribution, investment and education. But these institutions should not be taken as understood by itself. Because reallocation and creative destruction resulting from economic growth, there will always parties usually strong enough that will have prospects for growth. In many underdeveloped countries, in economic terms, a key aspect of growth economics is to ensure that existing producers elite and policies do not undermine the political agenda and do not create a hostile environment for economic progress and growth. Another threat to the institutional framework for economic growth comes from the final beneficiaries. Creative destruction and reallocation are detrimental not only enhanced trade enterprises, but also their employees and suppliers, sometimes even destroying the livelihoods of millions of workers and peasants. Quite naturally, in such cases to the poor people suffering from bad shocks and economic crises - especially in societies where political economy has never been able to produce an effective network security - to turn against the system market and support the populist policies which create barriers to growth. These risks are also important to take into account the economies of developed countries and underdeveloped countries, especially in the climax of the current economic crisis.

The importance of political economy was also highlighted by recent events. It is difficult to talk about the failure to regulate investment banks and financial industry as a whole over the last two decades, and the pattern of financial assistance approved without reference to political economy. United States of America are led by Suharto Indonesia or the Philippines under the rule of Marcos. But we must not fall into extreme as to be understood that if the financial sector allocates millions for election campaigns of senators and congressmen, it will exert a strong influence on policy, which means for him a source of livelihood, or that when uncontrolled established investment bankers - or refuse to install, depending on the circumstances, - regulatory standards for their partners and former colleagues, it is likely that this will lead to problems of political economy. Also, it's hard to imagine a scenario in which current and future policies will not affect strong preconceptions to the markets that they feel at this time who have lost homes and livelihoods.

Developing retention strategies to contain and overcome the global crisis, consider several economic factors. But the apparent failure of their contribution to long-term growth, innovation, redistribution and political economy in final debate too obvious.

Proportions in the incentive plan, including financial assistance to banks, financial sector, in general, car manufacturers and others will undoubtedly have an impact on innovation and

redistribution. Not that the reasons supporting the plan incentives were absent, but it is important to fully consider its implications.

Redistribution, clearly will suffer from many aspects of current incentive plan. Market signals suggest that labor and capital should be reallocated from the Detroit "Big Three", and highly skilled work - financial sector for more innovative sectors. That redistribution is crucial, given that Wall Street has attracted many of the best (and most ambitious) lie in the last two decades, today we realize that even these very talented young minds have contributed to financial innovations They also used their talents to develop new methods of risk taking large downward trend that had not exceeded it. Termination of redistribution also implies the suppression of innovation.

There are several additional areas of potential innovation activity which may be directly affected by the current crisis and our policy response. Improvements in retail and wholesale trade and services, of course, will decrease and consumer contracts. Branch innovative key in the next decade and beyond, energy could also suffer. The application of alternative energy sources was stable before the crisis, predicted and foreshadowed the preparation of the Foundation, as was also in electronic computing technology, pharmaceutical and biotechnology, with a strong synergy between science and profit.

In connection with low oil prices and intense negative attitude to increase taxes on petrol, some pulses, of course, lost. If financial assistance is not linked to the corresponding reorganization of automotive companies, another important perspective - switching to energy-saving technologies - is also unnecessary.

All these arguments are not sufficient to oblige us to abstain from implementing a comprehensive plan for development incentives. In my opinion, however, why is not related to the reduction of recession, but, again, with economic growth. The risk we face - the danger of "expectations-trap" - consumers and politicians get a pessimistic mood relative to future expansion and prospects. We have not understood the essence of expectations-trap enough to definitely determine how the they occur and how they affect economic performance.

However, this does not eliminate their risk. The fact that consumers postpone purchases of durable goods, can have powerful effects, especially when prices of commodities have increased, while loans do not became available. The expectations trap of this phase will deepen and prolong the recession and will cause a failure of commercial enterprises worldwide and their disposal, but not so necessary creative destruction and redistribution.

In our opinion, however, a danger of expectations restored starts bait and deep recession, is elsewhere. We see that consumers and politicians are convinced that free markets are to blame in today's economic ills and cease to support the market economy. Then, we find that the pendulum swung too far, and this led us to the era of heavy government intervention, instead of management required argued free markets. I am convinced that this "wobble" and antiipiață policy, which it brings will be a threat to global economic growth prospects. The first step will be the introduction of restrictions on trade in goods and services. Industrial policy, which prevents the redistribution and innovation will be the second step, just as devastating. When it comes to saving and protectionism selected industries to several proposals systematic restrictions on trade and industrial policy, may be at hand.

A comprehensive plan to stimulate, even with all its shortcomings, is probably the best way to prevent these dangers, and if they weigh all the arguments "pro" and "cons" for scientists economists, and any person concerned, there are sufficient grounds to support certain measures, such as insurance against the worst outcomes that could occur. However, details of development incentives should be designed so as to minimize the infringement of processes of redistribution and innovation implimentare.

Sacrifice economic growth resulting from our fear now will be just a cruel mistake, and a lack of action.

We can not ignore the risk that the belief in the capitalist system could collapse. Finally, the last two decades, proclaimed the triumph of capitalism, so that its bitter consequences should be perceived as failures of the capitalist system. Do not be surprised that I disagree with this conclusion: do not believe that the success of the capitalist system can be based on unregulated markets. As mentioned above, as what we face now - is a failure not of capitalism or free markets as such, but that is unregulated markets - in particular, unregulated financial and risk management.

In essence, this should not diminish our optimism about the potential growth of market economies - unless these markets have a solid institutional framework.

References

Ganea V., Gribincea A. Nohailc S. Optimizarea creșterii economice prin intermediul difuzării inovațiilor în condiții de risc și incertitudine. Revista științifică *Studia Universitatis*, seria Științe exacte și economice, 2009, nr. 2(22), p.224-228

Gribincea A. Factorii economici de influență al SUA asupra economiei mondiale. *Simposia Professorum*, seria *Economie*, materialele conferinței, 27 sept. 2007, Chișinău, ULIM, 2008, p. 232-240

Gribincea A. Perspectivele investițiilor străine directe în țările dezvoltate. *Analele ULIM - 2007*, seria *Economie*, Chișinău: ULIM, 2007, v.6, p.59-63

Gribincea A. Rolul inovației și creativității în dezvoltarea economică. Instruirea și cercetarea: modalități de integrare. *Conf. intern. / Șișcan N.* 2008, Chișinău: 16 apr. 2008, Chișinău: ASEM, 2008, p. 109-118

Gribincea A., Sava E. Relațiile economice dintre poli economici: noțiuni, concepte, experiență. Monografie, -Chișinău: USM, 2009, 126 p.

Gribincea A., Soltan A. Necesitatea reglării globalizării. Revista *Economica*, 2009, nr 3 (67), p.102-114