Global and State Policy and Modern Financial Crisis

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**Abstract**

Lately dominates the impression that most holders of economic policies at the national and global level are not willing to give up his rigorous attitude and follow the recommendations on which there is scientific consensus is evident. However, consistent with considerations of instructions that the economics have been offered, would significantly reduce the frequency of crises and the damage that they bring with them. Until today the variety of conclusions are crystallized. Speaking of preventing financial crisis and its practical implementation in the process of creating the optimal macroeconomic policy is a priori highly desirable. So in the United States adopted a plan that aims to redeem the State risky investment, while the EU has a similar situation, because there are also carried out bank recapitalization. Considering the above, the paper analyzed and presented the main activities undertaken on the road to recovery from the effects of the global financial crisis, as well as the latest developments in the global market, with special reference to the Euro zone.

**Keywords**: world economic policy, G-20, world economic crisis, answers and challenges.

**JEL:** F01, F44

**Multilateral effort prevention plan to financial crisis**

Given that the main cause of market failure every financial crisis, the anti-crisis policy is limited mainly to take urgent measures to stop the crisis, to reduce its negative effects, to take the actions necessary to sustain the economy in crisis, as well as qualitative measures to overcome from the crisis and restore the economy to a path of sustainable development. Recent financial crisis has shown that the market system is a long and indulgent to be deformed in some important segments in which it is necessary to point out. On this basis, market failures have led to the crisis. However, in the last financial crisis have not yet discovered all the shortcomings of the market and therefore the answer to the crisis is not definitive. When a crisis occurs in one sector of the economy, there is increasing unemployment, creates social problems, etc. The opposite is the process of overcoming the crisis, with the revival of production increases employment, economic activity is gradually returning to normal, etc. This leads to conclusion that the centre of action against the state of the financial crisis, the economy and financial institutions. Therefore, in most crises in the economy requires coordinated action by all participants in the financial markets, which have been affected by the crisis. It covers a wider understanding and creation of strategies, plans and programs out of the financial crisis, then the achievement of political stability, the adoption of special laws, acts, conduct supplementary budget and changes in monetary policy (IMF, (2009), p.116).

Recovery from the financial crisis may help better external factors, such as economic growth or growth in the world price, and the return of capital. Domestic factors of recovery from the crisis are considered external adjustment, real courses, low inflation, etc. However, one should take into account other effects of the crisis, such as the size of the public debt, low capacity utilization, discredited reforms, high unemployment and social costs. In this case, the policies that are recommended for recovery from the crisis and economic growth as fiscal discipline, increase exports, support institutional reform and social policy. Simply put, fiscal policy must work to reduce fiscal pressure and provide fiscal incentives to the economy and monetary policy should help to maintain the liquidity of financial institutions, reduce interest rates, and secure lending activity of financial markets.

Initial reaction to the outbreak of the crisis focused on stopping the spread of panic and crisis in the maintenance of demand (or purchasing power), which used the funds from the budget, the Central Bank, the IMF, and other regional financial institutions, which have the task of providing financial assistance. When it comes to the psychological effect, expressed panic in a crisis that makes the situation even worse, it is necessary to take on the crisis fairly, transparently and timely inform, what is the best way to combat the spread of the financial crisis. Along with that, we have to make a strategy to stop the withdrawal of funds from banks and other financial institutions, and determine guidelines for the treatment of shares, stock exchanges and securities. Further, it must be to work towards the stabilization of the national currency and in preventing speculation loans, shares, real estate, currencies, etc. Of course, the crisis must be designed and realistic adjustment policies, which for a given period requires savings, rationalization, denial, etc. It should be bear in mind that time and adjusting the results will be the same in all countries and businesses. In stronger economies, the recovery process is usually faster, but it will withdraw and recover others. The recovery of the developing countries is longer and more difficult, because their government and the economy weak enough to implement economic reforms resolve market failures and effectively pulled out of the crisis country. In this connection, there is always a crisis should strive to prepare system solutions and customize them active economic policies to overcome the crisis. These are institutional and other qualitative changes in economic and financial systems that have to provide sustainable economic development without crises (IMF, (2009), p. 117).

The choice of economic policies in the fight against the financial crisis depends on the nature of the crisis and its depth. Fiscal restrictions may be necessary, if we keep in mind that the crisis is often associated with expansionary fiscal policy. Restrictive monetary policy can also help in the elimination of market pressures. However, the crises which are inseparable from the problems of liquidity and solvency, the central bank must be prepared to provide the resources and support bank liquidity, but also to protect the role of depositors to keep their trust. Such policies usually involve high costs and do not provide a safe economic recovery. Therefore, it would be more appropriate in these cases, monetary expansion that facilitates lending and lowers the cost of capital throughout the economy.

Incentives, which are strongly taken in late 2008 and during 2009 have contributed to mitigating the effects of the global financial crisis, especially stopping deeper economic downturn. However, out of the crisis should be change investor behavior through institutional and regulatory reform, changes in the structure of consumption and production, and improving the world's financial system. In order to return confidence in financial institutions and financial instruments is necessary to clean the contaminated assets, change in behavior of financial institutions and the strengthening of management in the financial sector. Considering the above, the following figure shows the functional model of resolving the financial crisis.

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| ANSWERS OF WORLD ECONOMIC POLICY THE FINANCIAL CRISIS | | | | |
| GLOBAL PLAN FOR REFORM WORLD ECONOMY | Regulation and supervision of the banking and financial system | REFORM  IMF  WORLD  BANK | FINANCIAL STATE INTERVENTION | GLOBAL RISK REDUCTION |
| NEW INTERNATIONAL FINANCIAL ARCHITECTURE |
| MACROECONOMIC MANAGEMENT Fiscal discipline Increasing exports Social policy |

Figure 1 Functional model to solve financial crisis

Measures and activities of global and national economic policies to curb the financial crisis are: (1) Global plan to reform and revitalize the world economy and the creation of a new international financial architecture, including: transparency, accountability, implementation of international standards and codes, public debt management, financial regulation and supervision, fiscal discipline, strategy, selection of appropriate exchange rate policy, social protection, the fight against money laundering, the establishment of flexible credit lines, reform the IMF, WB, promote greater participation of the private sector, strengthening the banking financial system to reduce public expenditures (expenditures for salaries of employees in the public sector, and a number of social rights and social transfer payable by government) that are necessary to reduce the tax burden...(2) Financial point of state intervention means: turning down interest rates, liquidity credits, reduction of required reserves, facilitating access to credit for the central bank in order to provide additional liquidity in the global and national financial systems, strengthening the system of deposit insurance, because of the greater security for investors and reduce panic and pressures on bank liquidity, the introduction of the general guarantee of bank debt, to prevent the spread of the crisis and the collapse of banks, as well as special guarantees for interbank claims, measures to unblock credit and accelerating the process of lending which stimulate the economy. It is evident that the U.S. and Europe and other developed countries have decided to intervene taxpayer funds or the budget to stop and prevent the spread of the financial crisis or panic, contagion, illiquidity and insolvency, caused by the financial crisis. Funding in this case, may be invested in three ways: through loans the budget - given with the control efficiency their use with a business plan, participation in the capital of the bank or corporation whereby the state provides profit sharing and management of certain banks or corporations, and the nationalization of the banks (as in France). (3) Reduction of the risk of global outbreak of the financial crisis.

As soon as the six primary prescriptions for reducing risk of an outbreak of the financial crisis: 1. avoid overvaluation of the local currency, allowing it to govern it fluctuates, 2. maintaining a high level of foreign exchange reserves, 3. the maintenance of a healthy banking system, while eliminating the currency, interest and conscripts disagreement, 4. active management of balance and particularly off-balance sheet assets and liabilities with the surveillance techniques and stress tests on a micro and macro level, 5. avoiding high internal and external debt, especially when it comes to transforming the obligation of the private sector, and finally (6) implementation of control of capital movements.

**International scenarios for mitigation consequences of financial crisis**

Economic history remembers the large number of financial crises, which is why never too early to begin work on its prevention. It is believed that the prevention and mitigation of financial crises successful when the crisis comes. If take the intervention of the financial crisis in the early stages, it will surely be relatively efficient, but as time passes the costs of intervention and prevention of exponential growth. Success of mitigation of the financial crisis is difficult to assess, since they register only failed attempts. Until today, many proposed measures in order to minimize the financial crisis, which could in the future have strengthened the current global financial architecture, and improve its functioning. This includes, roughly speaking: (1) increasing the transparency of international monetary relations, (2) strengthening the banking and financial system, and (3) promote greater participation of the private sector. Increased transparency is a key reform, because financial markets cannot function without adequate, reliable and fast information available. Foreign investors through transparency can easily see where potential problems lie and avoid the excess funds in areas threatened by the crisis (Soros, 1998, p. 134).

Another way to improve the prevention of financial crises is to strengthen the banking and financial systems in developing countries so as to improve the supervision and prudential standards, to ensure that the banks meet capital adequacy requirements, introduce adequate penalties for bad loans, print and qualify reliable information the lending activities of countries, etc. Weaknesses banking systems are common in all developing countries over the past decades have passed through the crisis of large proportions. In this regard the IMF has introduced standards and codes of good business practice in the areas of accounting, auditing, corporate governance, payment systems, insurance and banking. The third method of prevention in the crisis in the economy is greater private sector involvement in the resolution of financial crises in developing countries by making loans to rebuild and re-negotiate or will be provided new sources, and not to immediately flee the country, as a precondition for official aid from the IMF. The essence is that borrowers take some responsibility for the crisis, if you give too much short-term loans to unproductive purposes. In other words, borrowers should be "taken out" of the crisis, rather than be allowed to easily get out of the country. In this regard, the IMF has proposed the creation of a sovereign debt restructuring mechanism for the rapid restructuring of debts in developing countries, which have the problem of external debt sustainability.

The financial analysis must always bear in mind the fact that, even if you apply all the reforms, it cannot eliminate all future financial crises. What we can hope for is that those reforms will diminish or reduce the frequency and depth of the crisis in the future. Because of the frequency of global crisis in the financial markets, many countries and their governments have created to date, according to own experience, different versions of the scenario of recovery of the world economy (Ohmae, (2007)): (1) American scenario: Scenario suggests that in all the states necessary to increase domestic demand in order to provide the growth of GDP. According to this scenario are the best-known and proposals Nobel laureates, such as: Paul Krugman, (in order to achieve good economic results, while providing assistance to individuals, advises that the ruling administration quickly starts with strong financial regulation, and Congress to draft a plan of financial incentives, which should be focused on consumption. The administration will have to deal with mortgages, to review the conditions of the mortgage loan, your property and structures the significant control that we now have in the financial sector in a way that will allow private capital to re-enter that sphere when the BOP is the company getting better), Joseph Stiglitz believes that the recovery of more substantial investments in infrastructure, technology and alternative energy sources, Edward Prescot, said that research has shown that tax rates are a key factor in determining the economic health of developed countries, and the willingness to take risks and productivity - the engines of economic growth, while high tax rates are a sure way of choking the engine, Masckin Erick says that credit markets require government intervention, Edmund Phelps pointed out that lack of control in the management of equity causes many problems, Claiv Gotzanger proposed injection of funds into the banks. (2) Russian scenario: Proposes to hold new Breton Woods, in order to prevent that a current backup dollar world currency lead to the collapse of the entire world monetary system. To prevent this from happening, we should introduce a regional reserve currency, and, since Russia is the third country in the world for foreign currency and gold reserves, it was decided that the service will grow into a strong regional currency. In addition, the scenario insists on arranging and organizing national and international regional institutes, then tilting large imbalances between volume of issuance of financial instruments and real income possibilities of investment programs, and to increase the accountability of public companies before the shareholders, to strengthen the risk management system, and the disclosure of information companies. (3) Chinese scenario: According to their scenario, the Chinese government is to overcome the negative effects of the crisis, a package of $ 586 billion dollars to finance investments in infrastructure, social welfare payments, development of SMEs, and planned to increase domestic demand by lowering taxes of 17.6 billion dollars. In this context, China will be in the next few years to turn more towards agriculture and rural areas, as in the industry, according to Chinese economists, there is the greatest potential for stimulating domestic demand and providing the basis for a stable and relatively rapid economic growth.

Any form of international cooperation between countries should lead to some proposals that would partially undertake in response to the challenges of the global financial crisis. In connection with this, in the previous table presents the international scenarios for possible solutions to the financial crisis, which, unfortunately, have not yet been finalized and unanimously accepted. One of them is almost implied propagated action Fed approval 1,000 billion dollars to rescue banks (700 billion dollars for Fanny Mee and Freddy Mec, and 300 billion dollars for City Group) as well as national corporations and the automotive industry.

Also, several experts suggested the scenario with the division of the world into three blocks of countries (Eastern, American and European), while others have suggested a complete division of the world in which there will be no common blocks and institutions. Each country, in this final version, I had to take care of them independently, which means that the state has strengthened to the maximum impact on the economy. However, with existing severe financial problems due to the struggle for the redistribution of the world's resources, there would be an increase in international tensions and even armed conflict. On this basis, the natural consequence of the new situation on the world economic scene would weaken the influence of dollars, which would no longer be the world's reserve currency. At the same time, would reduce the importance of the euro. Most optimistic scenario is one in which the U.S. had successfully overcome a very serious economic crisis, while Brazil, Russia, India, China managed to cope with the economic slowdown and accept the work of common international financial institutions as the best remedy to solve problems. Especially, there are scenarios Chinese government, because it is focused on measures to encourage its consumption (i.e. the abolition of taxes on sales of cars with small engines, 74 million people with low incomes would receive the appropriate subsidies, retired state employees will receive in addition to a pension, 12 million teachers will receive a higher salary, etc.). However, in this variant of the real economic power and still be on the fast-growing economies.

**Preventive measures taken by governments and central banks in some countries for leaving the world financial crisis**

Since the last financial crisis hit the whole world economy, many governments were forced to rescue the international financial system, with priority given to ensure economic recovery. In this regard, a number of measures were taken to improve the financial stability, including injecting capital into financial organizations, a significant expansion of guarantees for bank liabilities by the central bank recapitalization, and various liquidity programs. On the global financial crisis are the first to meet the government and the central banks of developed countries and the measures taken increased market liquidity, primarily by reducing the basic interest rate and throw large amounts of money into the financial system. State aid packages are rehabilitated losses of financial institutions and strengthened core capital for the credit function of banks, which have a business perspective. Financial assistance was provided funds of state financial institutions. In addition to the recapitalization were used, and other measures, such as various types of guarantees of interbank transactions, the purchase of troubled assets from banks, to guarantee the debts of financial institutions and companies, etc. The decisions of central banks on securing liquidity and measures of loan guarantee financial sector by the government and parliaments of most countries have proved to be effective in preventing the collapse of the global financial system (FSA, 2009, p. 45). In developing countries, governments have had to confront the economic slowdown through monetary policy, support programs for job creation, expansion of social security, etc. In addition, the government undertook a wide range of measures to facilitate financial problems of business, improve business environment, fiscal and other incentives. Sector measures are funneled into the hardest-hit sectors, especially in the automotive industry, construction and tourism. In general, the current action plans coordinated governments of affected last world financial crisis were aimed at: the efficient operations of the regulated financial markets, greater control rating agencies, greater regulation of speculative hedge funds and other previously unregulated financial products, harmonization of accounting and auditing rules empowering the IMF, etc.

However, there is no single model is applicable and effective for each country. Common to all recovery plans that include measures to restore liquidity. The basic difference between the recovery plans of individual countries relates to whether or not their financial sector was directly exposed to the troubled securities. Therefore, two groups of countries such as the USA, Great Britain, Germany, Austria, Italy, Sweden, France, Russia, whose financial sector has been directly exposed to troubled securities and whose recovery plans must include the funds needed to recapitalize banks. These are recovery plans in which they write off the losses of the banking sector and reduce the capital base of banks and their credit capacity. In addition to support the recapitalization of banks banking system includes significant funding for inter-bank guarantees, in order to help restore the credit mechanism and confidence in the banks to the economy restarted (FSA, 2009, p.46). The second group consists of countries whose banks were not exposed to troubled U.S. securities, such as Poland, the Czech Republic, Slovakia and Slovenia, which have a healthy banking system, but it is a crisis involves external shocks. They are also directly exposed to the problems that are happening in the financial market of the EU, especially hampered the inflow of foreign direct investment and a drop in foreign demand. Their recovery programs were mainly focused on the provision of financial assistance by central banks, particularly the European Central Bank. Even some of them have extended schedules insured deposits, to cover a larger deposit potential and new financial institutions. In doing so, some banks are recapitalized, and the other is the state bought one package of shares. Increased the number of securities that the central bank accepts when approving your loan approved and with it a significant amount of funds the banking sector. Governments of developed countries have provided for a short period of time different incentive packages to help in order to mitigate the negative consequences of the global financial crisis. This packages contented: infrastructure technology, energy, unemployment, budget deficits, tax cuts, rural areas, technological innovation, sustainable development, social protection, green technology, pension systems, etc. The financial sectors of the United Kingdom, Germany, Austria, Italy, Sweden, France and Russia were directly exposed to the toxic assets, and recovery plans are primarily included funds to recapitalize banks. Besides, banks also included funds for inter-bank guarantee in order to help restore the credit mechanism and confidence in the bank to get the economy going again.

So, it was a state-owned financial sector to prevent a variety of bankruptcy. In this connection, the largest package of financial assistance provided by the U.S. Government (787 billion dollars) and the Government of China (586 billion dollars). (FSF, (2008), p.4). In addition, the central banks of the developed countries are mitigated maximum monetary policy by lowering benchmark interest rates and taken other measures such as the purchase of government securities, bonds, and even companies with the aim to launch halted activity on world financial markets. Considering the insufficient recovery of the U.S. economy, the Fed has decided that the next eight months "to fill in" 600 billion dollars to the U.S. securities markets, in order to encourage the recovery of the American economy got tired. Immediately there was a rise in oil prices, the value of shares on the stock market and the strengthening euro. Urgent necessity of economic incentives in the U.S. has been recognized during the Bush administration in early 2008. Even then for this purpose approved a package worth 168 billion dollars or slightly more than 1% of GDP. However, the first stimulus did not provide anything more than a temporary and short-term relief in the financial system and the housing market. Economic incentive II occurred during the Obama administration (Recovery and Reinvestment Act of 2009, ARRA). The plan included the over 800 billion. dollars (about 300 billion related to tax relief to citizens and businesses, 250 billion went to state and local governments with financial problems, 150 billion variety of infrastructure projects, 100 billion additional support to workers who have lost their jobs, etc.) (Zandi, (2010), p. 229). In addition, the Act of the emergency economic stabilization USA which is the de facto approved 700 billion dollars (Zandi, (2010), p. 230). On the basis of this plan, executed the purchase troubled assets, especially mortgage covered securities, which recapitalized financial institutions. In other words, the site was cleared of non-covered banks of their assets by purchasing securities, to revive the credit mechanism. Noting the U.S. aid package would need to include temporary tax cuts, investment in infrastructure, aid to citizens who lost their home, etc.

**Main countries anti-crisis measures member states of the EU**

As for the individual anti-crisis measures that were made at the level of the governments of the EU member states, most countries implemented the austerity measures to reduce public debt and ensure medium-term fiscal sustainability. Most of the less developed members had or continues to have programs of budget support through the IMF loan, which include savings programs and structural reforms. In order to reduce the negative impact of the global financial crisis, a number of European countries have increased the amount of guaranteed deposits in banks. Thus, the European Commission 5th December 2009 issued a declaration on the recapitalization of banks in order to preserve and smooth functioning of the world financial markets (the so-called European Economic Recovery Plan, EERP). Until the above date, the Commission has already approved recapitalization schemes in the three member countries as well as some individual banks' recapitalization. However, given that the nature, scope and conditions of recapitalization may quite different from case to case, the EU member states and individual banks require more detailed guidance from the Commission on the possibility of recapitalization. As the most important objectives of the recapitalization are listed restoring financial stability and confidence, establish smooth financing of the real economy as well as the prevention of systemic adverse effects due to the insolvency of individual banks. However, they are identified and potential risks for the competitiveness of the banking sector, on three different levels: (1) bank recapitalization in one Member State cannot give an unfair advantage over banks in other member states, (2) within one country does not give an unfair advantage to banks in relation to others, and (3) capital increase may not be placed in a less competitive position of those banks that are trying to borrow on the market, or should aspire to government recapitalization to the least extent displace private sector Notwithstanding the strengthening of interventionist policies and protectionism, the EU continued to support the policy of open markets, growth and prosperity. Accordingly, most of the EU plan proposes the following: efficiently creating plans for saving public banks, central banks should take on the role of clearing house for interbank market to again restore confidence among commercial banks and established a system of inter-bank lending, it is necessary to implement rehabilitation programs to increase GDP in the EU countries and accelerate the reform of the financial incentive markets. In addition, proposed new legislation on economic governance. Specifically, it is tougher penalties against EU member states unless it is demonstrated by controlling public finances. Penalties will be at 0.2% of GDP, while in the process of punishment will be included in those countries that fail to control their annual spending or reforming the economy in order to improve competitiveness.

It is necessary to emphasize that the aforementioned measures, included in the plan of recovery from the global financial crisis, and the related financial support for the unemployed and poor households, investing in infrastructure projects, energy, temporary tax cuts, environmental, socio-economic objectives promotion of Greenfield investment, labour market flexibility, protection of employees, business development, enhancing competitiveness, etc. in all these mentioned activities, specifically noted that Germany has reduced social security contributions (which should reduce labour costs and increase private consumption), increased social spending, public investment in infrastructure, schools, health care, invested in the automotive industry, encourage private investment, increase loans to SMEs, etc. (CPU, 2009). The latest activities of the European Commission during the 2012 were focused on establishing the European framework for preventing and resolving (banking) crisis, to taxpayers and the economy in the future, protect from the effects of the bankruptcy of banks. Such a framework would represent the first phase of which is in the banking union. The proposal involves very close coordination between Member States and to authorize the competent authorities to shareholders may force banks themselves bear most of the losses if their banks into crisis. The reason for this kind of activity is the fact that the financial crisis of 2008 the year that the big banks should bail out because they are "too big to fail", or because such banks collapse calls into question the stability of the entire financial system, so it is cheaper to save than run their bankruptcy. The problem is that the rescue of these banks going to the expense of taxpayers, and not at the expense of their respective owners. On the other hand, the banking union would be based on a common scheme for insurance of bank deposits, the common European supervisory body that would have the authority to make decisions regarding systemically important and banks with cross-border operations, and the common fund for the financing of controlled "fire" such banks and coordinated set of instruments and harmonized procedures.

The proposal of the European Commission has therefore, a series of measures and actions to address the crisis, and the key elements are prevention and early intervention. The competent authorities in the member states to resolve the crisis would have the authority to ask the banks to draw up plans for recovery and restructuring cases to deal with financial stress. Competent authorities have the right to intervene at an early stage, before the capital level falls below the required minimum level. These powers include the possibility of the dissolution of the bank and the appointment of a special management before bankruptcy, the right to convene a shareholders' meeting to adopt immediate reforms, and requires the bank to set up in cooperation with the creditors restructuring draw up a plan for the debt. Proposed by the Commission, each Member State will need to also establish a fund to which the banks and investment funds to pay fees depending on the risk profile.

These funds would fund controlled "fire" troubled banks. Each fund would be responsible for the bank on its territory, while for those operating in multiple countries agreed arrangements between the competent authorities in those countries. Banks were regular subscribers to the funds a year to 1% of the amount of deposits guaranteed by the state. It is emphasized that the funds can be used only for restructuring or orderly conduct of bankruptcy of insolvent banks, and not for rescue or assistance to banks, on what basis would they then acquired over an unfair advantage over the competition. It is especially important to prevent irresponsible banks use other people's money, based on a sound premise that in the event of a problem to the aid of the state to lend.

However, the removal of these structural and institutional problems at the system level is not done all that is necessary. Interventions undertaken in the financial sector through the various forms of financial support (additional liquidity, recapitalization, taking risky assets or contaminated), and various forms of guarantees and liabilities, even temporary nationalization of certain financial institutions, have given good results in terms of getting out of the recession, credit growth activities, and some financial institutions have already realized profits thanks to the write-off losses. In addition to the former, we need a new financial and institutional interventions during recovery and growth based on new credit and investment expansion. The key is to create system solutions that will minimize the risk of new crises. In this sense, it is necessary to improve regulation in monitoring sustainable fiscal and monetary policy and prudential disable access to the system pressures as a whole through a better understanding of relationship financial and real sectors and their vulnerability in terms of shocks and economic contraction, and through a better system of monitoring and early warning, improve risk management, develop cooperation with other countries, effectively implement regulatory measures and quick to react, with caution (which is needed for the risk assessment) with the introduction of financial innovations.

**Proposals and recommendations of some economists’ possible ways prevention of financial crisis**

Many economists still do not dare to write serious articles which led to concrete proposals on possible ways to prevent this financial crisis. However, due to the complexity of the case studies, it is necessary to briefly in the sequel to expose the most constructive suggestions and recommendations most economic experts on the prevention and control of the financial crisis in economic theory.

*Stiglitz* proposal primarily related to reforming and modernizing the world's financial institutions, in terms of greater accountability, transparency and openness to the less developed countries (Stiglitz, (2004), p. 239). According to his analysis, Stiglitz believes that from the global financial crisis and economic recession only get the 2013, but still suggests that the world financial architecture is more fragile today than before the crisis and that the question is when will it happen again. What has been done so far in the area of reform of the global financial architecture is bad, the banks have taken billions of dollars from the state and continued to do so. This is why Stiglitz for "New World" or the "new capitalism". Keeping in mind the current state of the global economy, the Nobel laureate proposes an interesting set of measures that should be taken (but their use is assumed to be globally changing society from the roots): the constitution of the body that has most powers and greater representativeness than anybody which exists today because global crisis requires a global response. Existing institutions are inadequate to the moment that they knew it, and some have contributed to the crisis happen.

Furthermore, it is not equally proportional representation in the voting structure of the international financial institutions, therefore, need a more democratic representation, and the introduction of a new global reserve system with one currency, we need a multilateral system that does not depend on the currency of a country, it is necessary to connect all the currencies (modelled on SPV) to create a global currency that would be permanent. In addition, the global financial reform would involve greater control and supervision of financial markets, reducing incentives for bankers, etc. (Stiglitz, (2004), p. 265).

Proposal, which was based on a radical reform of key actors of the world financial system gave also *Walden Bello*, (Reis, Guilherme, (2004), p. 3) a professor at the University of the Philippines. Specifically, Bello believes that the problem is in the structure and organizational culture of the world's financial institutions (IMF and World Bank), and the lack of responsibility of the Ministry of Finance of the United States and a lack of transparency. That's why he is proposing the elimination of all structural adjustment programs in developing countries and in countries that are in crisis, then reducing the number of professional staff in these financial institutions and reduce operating costs. The most important thing in all this is the creation of the Global Commission on the Future of the IMF, in which half the members of the Commission should be representatives from non-governmental organizations, because they are civil society organizations that have played a decisive role in the discovery of destructive and undesirable effects of the adjustment program.

Proposal *Robert A. Mundell*, (Little, Oliveo, (1999), p. 9) a professor at the University of Columbia, according to which in the XXI century should finally get to create a new world financial order, was reflected in the following: the U.S., Japan and the EU should introduce a common currency (“intor”) and unique the global financial system. World's major currencies the dollar, the yen and the euro would have a fixed exchange rate, one over another. Japan's central bank to implement monetary reform and the fixed exchange rate in the ratio 100 yen to the dollar, while the ECB fixed euro exchange rate in the ratio of one euro to one dollar. Other currencies to peg their courses for one of the aforementioned currencies, which is dominant in the field. Formed would be the Central Bank of the world, who would work under the currency board and strictly to control that no country in "intor” not print money without backing. According to him, the central bank of the world represented by the IMF, more in terms of coordination of the whole business. In this case, the Board of Governors would appoint an operational body which would be composed of representatives of the central banks of the three largest and most developed economic entities in the world (Japan, U.S., EU). Speculators, who earned billions of dollars on the exchange rate differentials between the world's currencies, would definitely lose their jobs, and the rise of global GDP would be doubled. He believes that the euro opened the way "intor". Specifically, the euro was first brought to the fundamental changes in the configuration of the world financial system, and the best way to understand its contribution to the new world order would be to realize the monetary differences and move the capital to the new models of the international economy. Because of this great country are viewed as entities that are interconnected different currencies, fixed or flexible exchange rate. The essence of his ideas was to create a global Cross currency balance and to present a new configuration options world currencies. If all three currency areas Isles stable prices, then among them should rule Cross currency exchange rate stable. Today, Mundell insisted on the adoption of his proposal in the circles of the rich and highly developed countries. If his plan to stabilize the exchange rate between the three largest currency was adopted, it would allow a sufficient increase in world GDP. On the other hand, it could increase the chances of development and global economic stability, which would be expanded, and the under-developed areas of the world.

*Robert Zoellick*, (Rargavajas, (2009), p. 15), World Bank president, said that the consequences of the global financial crisis for years. Zoellick argues that refers to the changing global economic map, so a strong contribution to the growth of the world economy given numerous countries. In this connection, the status of the dollar as reserve currency, according to him is no longer safe. According to him, the global crisis had to learn to predict.

Therefore, it is necessary to create a group of finance ministers who will be able to comprehend the problems in time. Multilateralism is necessary to develop a clearly constructed a sense of shared responsibility for the sound basis of global political economy. In addition, it must be flexible and involve actors with the greatest interest in the economy. G-7 must be connected also Brazil, China, India, Mexico, Russia, Saudi Arabia and South Africa, then the need to expand the Financial Stability Forum and the IMF, strengthen financial supervision, multilateral network to connect with the energy and climate change negotiations of new mechanisms for the protection of forests, develop new technology, to provide financial assistance to poor countries, etc.

According to *Gerald Célente* (“economic Nostradamus”) contemporary world and civilizations will emerge from the financial crisis only if it is able to launch new production capacity, which go further than the new technologies for alternative energy. His forecasts are fairly concise, but without any concrete solutions: the collapse of the global financial system, recession and depression, lack of healthy food, alcoholism, poverty in the cities, crime pandemic, pandemic diseases, riots, wars, etc. According to him, the economic tragedy Greece only the "beginning of the end" that the world expects. Many have characterized the global crisis as a crisis of capitalism but Celente thinks is actually the destruction of human nature.

Like his predecessor, *Paul Krugman* (Krugman, (2012), p. 66) also believes that it is necessary to restructure the global financial system and impose stricter regulations in order to avoid repetition of the financial crisis of major proportions. However, he expressed concern that the reform momentum wears off, because there is no political will to do so. According to him, the government should be more severe, because financial managers continue to "reap" gigantic bonuses and profits. Because of the slow and painful recovery from the global financial crisis, unemployment in the U.S. reached its peak in early 2011. Therefore, the government, according to him, should help people retain jobs, basic wages, social services and health care, and one of the ways to overcome the crisis could be a global plan to encourage investment in green technology, and a more serious approach to climate change that could help keep the level of demand. Essentially suggestions Krugman go towards liberalization of international transactions, the liberalization of domestic financial markets, the emphasis on the stability of world prices of raw materials, energy and food products, and finally establishing fiscal discipline. Obviously, the lack of transparency is at the root of the current financial crisis, and thus long-term policy should be focused on increasing the transparency of structural financial products. In connection with this, in his opinion, there are at least two moves that should be considered at the multilateral level, including: the role of credit rating agencies and maturity mismatch in non-banking financial institutions.

The lack of accurate predictability of the financial crisis in economic history is what most intriguing contemporary macroeconomists is. Thus, according to *Paul Samuelson* anticipated recovery of the global economy until the 2014 (Samuelson, 2009). Analyzing the deeper causes of the financial crisis, Samuelson believes that a similar situation occurred in the period between Roosevelt's inauguration in March 1933 and the beginning of World War II. The lifespan of this Nobel Prize winner allowed him to experience the economic cycle makes a full circle, and stated that the global economy is coming back, Keynes, according to which tax policy and deficit spending are considered as major determinants in the management of the market economy. In this context, a key Samuelson proposal is aimed at restoring people's confidence in the global financial system, despite the years before the financial crisis built up as a "house of cards" with a more risky and toxic financial derivatives.

*Nuriel Roubini* believes that overly optimistic assessment of the current situation regarding health of the American economy could be premature (Roubini, 2008).

Roubini says that should not be excluded in the future another very strong recessive wave in the U.S. and global economy, after summarizing the effects of past stimulus measures taken by the U.S. government to buttress the rapidly deflating as soon revived the American economy after the crisis. He was the only one who predicted the financial crisis in the U.S. He still warns that the Fed will be a great challenge, because of the skills to be a leading interest rate policy, much will depend on the U.S., and the global economy. Roubini announces possible "W" recession and believes that it is not over because of the risk associated with the cessation of (monetary and fiscal) stimulus in most developed countries. According to him, there could be up to stag-deflation (recession and deflation), if the state and the government increase taxes, reduce spending and liquidity to reduce fiscal deficits. In addition, food and energy prices rise much faster than they should, so this is one of the reasons for its announced "W" recession.

According to the interpretation of German economists *Maks Otea* (Ote, (2009), p. 120) financial crises are mainly due to the following reasons: the financial sector is developing faster than the real sector to GDP, inadequate economic policies of developed countries, leading to increasing debt and inflate the real estate bubble and other financial derivatives. The possible collapse of the world financial system warned back in 2005 and points out that in 2001. The financial order was so "sick" that could collapse at any moment occurred. Financial crisis contains a "crisis of information," because it is assumed that multinational corporations and large private actors in the financial markets may determine that the information and manipulate them (or speculate), which is definitely not good for the world economy. Therefore, stock expert Ote offers a program of a few points in no particular, emphasizes that investment in certain actions safer than real estate, gold is still the number one investment tool for emergencies and to human behavior (at the outbreak of any crisis is almost always a critical factor) cannot be predicted with empirical accuracy, even when something like the financial crisis forecasters constantly trying.

Thus, some important lessons from well-known economists in the international economy resulting from a careful study of the current financial crisis. Learn from others' mistakes is not easy, but it is much faster and more efficiently by learning on their own mistakes. Therefore, the financial crisis confirm some of their most important recommendations, in order to resolve serious economic problems, increase the level of confidence and reduce the risks arising from the financial sector.

**Possible scenarios for a new world financial system**

The following is a brief overview of a few “good" and "bad" scenarios that could have a major effect on global economic developments and trends during the 2013, and that they are made by Morgan Stanley analysts: (1) restore inflation, (2) the real estate market in the U.S. has stagnated. (3) Japan's central bank was buying Eurobonds in an attempt to devalue the yen against the euro. (4) Italian politics revives cycle of crisis. (5) Greece remains in the EU, while research in early 2013 suggests that the EU and the United Kingdom come. (6) UK officially giving up the fight against inflation. (7) The recession is returning to Australia. (8) Emerging market growth continues a path of growth driven by investment and exports. (9) Shocking Chinese restrictions could cause credit problems that could threaten both the Chinese and global economy. (10) Asia increased exports. (11) Back to the "Soviet Union."

Besides, several economic and financial gurus are also rang with alarming forecasts for

2013 (Nouriel Roubini, Marc Faber, Larry Edelson, Kyle Bass and others). Not only does it provide for the continuation of the economic and financial crisis as well as its expansion into the field armed struggle! So Roubini in May 2012 announced that the 2013 crisis hit the world sharper than those from 2008. As “Dr. Ruin” says, the recession in Europe creates the austerity measures, the strong euro, the credit crisis in the peripheral countries of the euro area and the lack of consumer confidence. In addition, he said that this year could occur blockade around the world financial system. This could result in five factors: the debt crisis in Europe, China's economy is shaky, the slowdown in emerging markets, the risk of rising oil prices due to the development of Iran's nuclear program and the U.S. "fiscal gap." Swiss investor and financial adviser Marc Faber for his thinking of the nickname "Doctor Doom." Faber predicts that the U.S. government begins new wars in response to the economic crisis. On the other hand, financial analyst Larry Edelson in 2013 also see war, and that prediction is based on the theory of the cycle of war, which tells about the laws under which companies fall into a state of war. According to Edelson, war cycle theory suggests 2013 as one in which they could break or inflame wars influenced economic developments. Also, American businessman Jim Rogers warns that continued financial rescue indebted European countries could provoke a new world war, because war weapons could be boosted trade war. Economic analyst Kyle Bass believes that wars often emerge as a result of the economic decline. In 2013 will be restructured billions of dollars of debts, and millions of reasonable depositors will lose a large percentage of its purchasing power.

The UN has set its forecast for 2013 expressed mild words of the above framework. Specifically, the UN predicts global economic growth rate of 2.4% in 2013 and from 3.2% in 2014. This slow growth will not be nearly enough to overcome unemployment, with which many countries are facing. With existing policies and growth trends, Europe and the U.S. will take at least five years to make up for lost jobs caused by the Great Recession 2008 and 2009. Bearing in mind the UN forecasts, below emphasize the key elements of his report: (1) In the euro zone economy will 2013 grow by only 0.3%, and the 2014 by 1.4%, which would be a short step for the better compared to a drop of 0.5% was recorded in the 2012. (2) U.S. predicts modest growth in 2013 and 2014, although the real estate market started to show signs of recovery. Thus the U.S. GDP in 2013 should grow by only 1.7%, which is 0.4% slower than the rate of growth of 2.1% in 2012. (3) There will be more to slow down the Japanese economy, which will grow this year by 0.6%, and the 2014 0.8%, compared with 1.5% last year. (4) The economic problems of Europe, the USA and Japan will be in developing countries through weaker demand for export products to these countries and increased instability in capital flows and commodity prices.

The U.S. National Intelligence Council (NIC) issued a report, "Global Trends 2030: Alternative Worlds," which states that the impact of the U.S. and the global economy in the coming decades of decline, and will until 2030 China will become the world's largest economy. With China will become a new economic giants and India and some other Asian countries. U.S. will not fade only in economic terms, but will decline in the coming years and its impact on global politics. In that same report cites the following "good" scenarios: (1) 11 new economic giants: Bangladesh, Egypt, Indonesia, Iran, Mexico, Nigeria, Pakistan, Philippines, South Korea, Turkey and Vietnam, should be 2030 was able to take his economic position of the EU. In combination with the major economies of China and India, these giants will be 11 new centre of global power would move from West to East, and (2) The world with 8.3 billion people. The world's 2030 were supposed to live about 8.3 billion humans (as compared to 7.1 billion from 2012). About two-thirds of the world population by 2030 will live in cities. Most of the population will have access to advanced technology and health care, and most countries, led by China and the United States, will develop international cooperation. However, the growth of the world population will lead to conflicts over water and food, especially in the Middle East and Africa, and will lead to instability of the global economic collapse. The report also cites 8 potential worst case scenarios, called as "black swans" global trends for 2030: (1) severe pandemic, (2) more rapid climate change, (3) the collapse of the EU/euro, (4) or failure of the democratization of China, (5) (not) the reformed Iran, (6) nuclear war, weapons of mass destruction, cyber-attacks, (7) geomagnetic solar storm could destroy satellites, power network and many sensitive electronic devices, and (8) the disappearance of American power. These challenges and risks are best illustrated by Figure 2.

Figure 2 Key risks to which the world will face in the coming decade 21st century

|  |  |  |
| --- | --- | --- |
| **ECOLOGICAL RISK**  Climate change  Growth in CO2 emissions  Great contamination | RISK | **GEOPOLITICAL RISKS**  Weapons of mass Nationalization of resources Growth of corruption |
| **ECONOMIC RISK**  The disintegration of the world financial  system  Chronic fiscal imbalances  Uneven food prices  The imbalance of the labour market | **SOCIAL RISKS**  Lack of drinking water Food shortages  Pandemics and epidemics  Strengthening national hatred |
|  | **TECHNOLOGICAL RISK**  Cyber Attacks  Mass disinformation |  |

So, the key challenges the world will face in the future are (un)willingness of the U.S. and the EU to solve its own financial crisis, the resolution of tensions in the Asia-Pacific region, the Iranian nuclear program and the war in Syria. In addition, major threats and risks are: the dissolution of the present world financial system, deepening the gap between rich and poor, the extreme volatility in energy and food prices and the spread of weapons of mass destruction.

**Conclusion**

This paper outlines the most important guidelines in order to minimize the financial crisis, which significantly strengthened in the future structure of the global financial system and improve its functioning. As already stated in the paper, to a greater extent involves increasing the transparency of international financial relations, strengthening the banking and financial system of the national economy and promote greater private sector participation in the financial system. Therefore, a direct response to the global financial crisis, they would make the following measures: providing liquidity support, i.e. with a facilitation of the central bank as the "lender of last resort" and a reduction of the reserve requirement, expanding financial safety nets, interventions and "injection" of capital in financial institutions, the restructuring of global financial institutions, measures to start lending.

The crisis also requires, and stable financial system, responsible monetary policy, regulate the financial, especially banking sector, restore confidence in financial institutions and modern financial instruments, as well as responsible fiscal policy. Significant risk is related to fiscal policy (i.e. fiscal sustainability, the sustainability of external debt). In the opinion of most of the world's experts the financial industry crisis of the financial sector will continue until the banks do not tighten up their capital and not lending to the economy significantly.

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