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THE INFLUENCE OF THE GLOBAL ECONOMIC CRISIS ON THE SOCIO-ECONOMIC SITUATION OF EU COUNTRIES

Summary: Article deals the global economic crisis of 2008-2012 affected almost all regions of the world, most of all it affected the economy of the USA and European countries whose governments have taken coordinated measures to overcome the situation. An interventionist strategy, implying the extension of state regulation of market processes was based in the basis of actions of the EU.

Keywords: global economic, economic crisis, labour market, socio-economic development.

Introduction

In 2008, in Washington at the meeting of the Group of Eight anti-crisis plan was approved, it was the plan providing support to systemically important financial institutions, measures to unblock the credit and financial markets and the resumption of activity in the secondary market of mortgage and other security papers, providing banks with opportunities to attract capital from private and public sources, as well as the reliability of national programs for Deposit insurance [www 1].

The European Central Bank to maintain financial markets made investments into the banking system unprecedented in magnitude amount of money. In

October 2008 he jointly with the U.S. Federal reserve, the Bank of England, the Bank of Canada, Switzerland and Sweden announced the coordinated lowering of interest rates by 0.5 percentage points [www 2].

The debt crisis was caused by the growing size of public debt and the private sector and the simultaneous lowering of credit ratings in several EU countries, as well as the absence in the Euro zone the single tax and pension legislation. In order to resolve the tense situation in Greece, Portugal, Ireland in 2010 the European financial stability Fund, was created, it provided financial assistance in the amount of 750 billion Euros to the debtors [www 3]. Also to combat the crisis other financial institutions were organized in EU: the European stability mechanism, the European financial stabilization mechanism with support from the European Central Bank and IMF. Agreement was reached on fiscal stability, which obliges governments to introduce constitutional amendments requiring a balanced budget [www 4].Their activities helped to mitigate the impact of the current recession by providing financial assistance to the states caught in the debt “hole”.

In October 2012, the IMF suggested for some countries cutting the budget spending, and for the others holding politically difficult economic reforms, for the third ones, including Germany and the Netherlands, striving for a higher inflation rate to facilitate competitive struggle of troubled European countries [www 5].

European governments acted in accordance with the General policy developed during the G20 and the European Union. While not all agreements are respected, so, despite the rejection of protectionism in 2009, Germany had an aggressive export policy, effectively displacing the market for products of the other EU countries[1].

Despite significant improvements, the echoes of the recession are evident now. In fact, the economy of many countries has not reached its pre-crisis level. The GDP per capita decreased in the EU in General in the crisis period by 11% and still not reached pre-crisis level, falling most in 2009 (Fig. 1).

The level of socio-economic development of the EU countries varies in terms of GDP per capita, the extent of asymmetry was 19.4 times (between Luxembourg and Bulgaria) in pre-crisis 2007 and 15.4 in 2012. To analyze the impact of the crisis on the economy 5 groups of EU countries with different levels of socio-economic development in 2007-2012 were considered (Table 1).

[1] Information retrieval system “Single portal of foreign economic information of the Russian Federation”, www.ved.gov.ru.

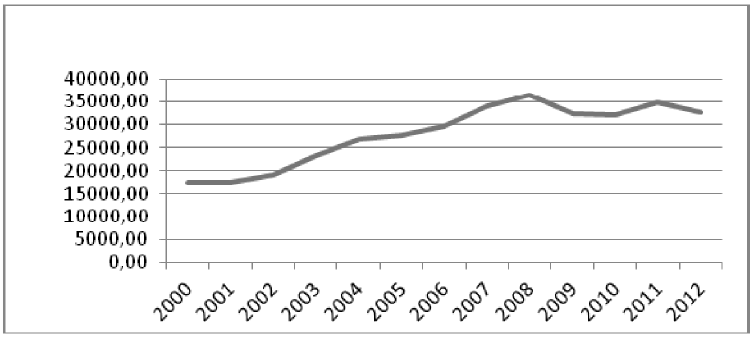

Fig. 1. GDP per capita in EU countries in 2000-2012, thousand USD

Source: According to the materials from [www 6].

Table 1. The group of EU countries in terms of GDP per capita in 2007 and 2012, thousand dollars of the USA

	Country	2007		Country	2012
1group – more than 55 thousand $	Luxembourg	106, 9	1group	Luxembourg	107,5
	Ireland	59,3		Дания	56,2
	Denmark	57,0		Sweden	55,2
2 group from 41 to 54 thousand.$	Sweden	50,6	2 group	Austria	47,2
	Netherlands	47,8		Finland	46,2
	Finland	46,5		Netherlands	46,1
	The UK	46,3		Ireland	45,8
	Austria	45,2		Belgium	43,4
	Belgium	43,3		Germany	41,5
	Germany	40,4	3 group	France	39,8
	France	40,3		The UK	38,5
3 group- from 27 to 40 thousand $	Italy	35,8		Italy	33
	Spain	32,1		Spain	29,2
	Cyprus	27,9	4 group	Cyprus	26,3
	Greece	27,3		Greece	22,1
4 group – from 13 to 26 thousand $	Slovenia	23,4		Slovenia	22
	Portugal	21,8		Portugal	22
	Malta	18,4		Malta	20,8
	Czech Republic	17,5		Czech Republic	18,6
	Estonia	16,4		Slovakia	16,9
	Slovakia	15,6		Slovakia	16,3
	Hungary	13,5		Lithuania	14,1
5 group – less than 13 thousand $	Latvia	12,6		Latvia	14
	Lithuania	11,6	5 group	Poland	12,7
	Poland	11,2		Hungary	12,6
	Rumania	7,9		Romania	12,6
	Bulgaria	5,5		Bulgaria	7

Source: According to the materials from [www 6].

Actually for this period, the level of socio-economic development of the countries of the EU has deteriorated. Quantitatively the number of countries with a high level of development (1st and 2nd group) – from 11 to 9 decreased, the number of countries with low (4th and 5th) from 12 to 14 increased, although the values of the indicator in half of the countries increased slightly in absolute terms and without taking into account inflation, which is evidenced by the decline of the level of socio-economic development in the European Union.

The most notable change concerned the 4th group, which became, the most numerous in 2012: it included Lithuania and Latvia, GDP per capita of them has increased compared to pre-crisis 2007, and Cyprus and Greece, where on the contrary, this indicator declined. The smallest changes occurred in the 1st and the 5th groups: Ireland left countries with the highest level of development, and Hungary joined countries with the lowest.

The impact of the recession has therefore determined territorial shifts in the level of socio-economic development of EU countries (Fig. 2).

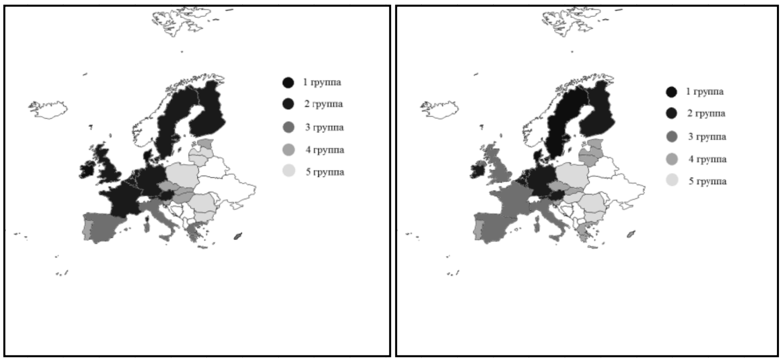

Fig. 2. The group of EU countries in terms of socio-economic development in 2007 and 2012

Source: According to the materials from [www 6].

In 2007, the countries of one group with similar levels of socio-economic development were mainly located densely on the territory of Europe and their GDP per capita was lower than later, after the country joined the EU. 1st and 2nd group of EU countries with the highest level of economic development before the recession were located mainly in Western and Northern Europe. Group 3 consisted of southern European countries had the level of socio-economic development, close to the average in the EU, due to the high proportion of rural and recreational sector in the economy (Italy, Spain, Greece, Cyprus). The 4th group was part of the Eastern countries (Czech Republic, Slovakia, Hungary) and southern Europe (Slovenia, Malta, Portugal and Estonia with a higher level of economic development than the two other Baltic countries). 5th group united the least developed countries of Eastern Europe (Table 1).

In 2012, the most developed countries of the EU were concentrated in the North and not Western Europe, because Sweden joined the 1st group of countries, and France and Britain left the 2nd group, spatially shifting these groups of countries to the North-East (Fig. 2). The area occupied by the countries of the 3rd group increased. Countries with the lowest level of development were concentrated, as before, in Eastern Europe. The 5th group also combined all the least developed Eastern European countries (Bulgaria, Romania etc.), which were joined by Hungary. Countries of the 4th group with the level of development below the EU average began to occupy a large area of Western and southern Europe, due to the fact that it was composed by former countries of the 3rd group (Cyprus and Greece) and of the 5th (Latvia and Lithuania).

In general, the main measures to overcome the recession in the EU were: saving policy, assistance to affected banks and businesses request IMF loans [Tarasova, Mironova, 2013, s. 86-89].

Countries from each of the five groups experienced the recession differently, what is a consequence of the economic policy of the EU and individual states. In most cases, the countries from each group applied a similar policy.

The 1st group of the countries

The Irish government tended to restore the economy on their own, the laws on insurance of Bank deposits and the recapitalization of the banking system were accepted, a National Agency, which bought problem banks assets was created. This policy became a Swedish copy, where there was also created a stabilization Fund to support creditworthy financial institutions. In Ireland to reduce the budget deficit government spending and salaries of civil servants were reduced and it has repeatedly received the financial aid packages[2]. In Denmark there were made the attempts to stimulate the economy and infusion of investments in the public sector, although it has only led to the increase of government spending and increased the budget deficit. The Central Bank of the country maintained a fixed exchange rate of the national currency [www 7].

[2] In 2013, Ireland placed ten-year bonds at the market and attracted 5 billion Euros, www.pravda.ru (access: 15.04.2015).

The countries of the 2nd group

Besides solution of their internal problems were forced to become creditors of their weak neighbors. The General policy for all of them became the reduction of budget expenditures by reducing social benefits and dismissal of civil servants, what hampered the growth of the national debt. The recession led to a decline in exports and domestic demand, the decline in industrial production, reduction of investment activity, increase the budget deficit, but it was relatively calm in Finland, the Netherlands, Austria and Belgium[3].

To fight unemployment in Sweden it was introduced a flexible schedule and the bonuses of employees of the affected enterprises were reduced. With the reduction of the demand for Swedish products the demand for the Swedish Krona was reduced either, therefore, its cost decreased, what made Swedish goods cheaper for foreign consumers and returned the demand for them to the previous level [www 8]. Artificial support of domestic producers in Germany weakened the economies of other countries in the region, which entailed the necessity of providing them with financial help from Germany itself [www 9]. In France, there was an increase in the level of taxes and the reduce of social security benefits.

Countries of the 3rd group

Were most affected by the debt crisis and become debtors, because the obtained finances were not spent on the development of economics, there were spent on social benefits. Their economy directly depended on the packages of assistance provided by the IMF and the EU.

4th and 5th groups of countries (except Portugal, which actually joined third group)

Acted almost in the same way – reduced social spending, sacked civil servants, raised taxes, received IMF loans. Many of them did not take any measures to stimulate the economy to reduce government spending (e.g. Estonia and Bulgaria). In Slovakia saving model helped to overcome the recession, there were developed projects to allocate the state financial assistance to foreign investors

[3] Information retrieval system "Single portal of foreign economic information of the Russian Federation", www.ved.gov.ru. (access: 15.04.2015).

for the creation of more than 6 thousand new jobs[4]. In the Czech Republic similar, but crueler policy reduced household spending and contributed the decline of economic activity of the population. The Hungarian government assisted victims of educational and health institutions and in 2013, despite the unfavorable investment climate, refused from new loan from the IMF with the intention to refinance its debt at the open financial markets[5]. Thus, the anti-crisis measures differed in selected groups of countries: support to the banking sector, the promotion and protection of the national economy is typical for countries of the 1st and 2nd groups, request loans from international financial institutions and developed countries – for the 3rd, 4th, 5th group.

The policy applied in different groups of EU countries and their different levels of pre-crisis socio-economic development has resulted the manifestation of the crisis in the countries of each of the five groups in General had common traits associated with changes in key indicators, such as GDP per capita and unemployment rate in 2012 (in % compared to 2008).

The calculations showed, that in the countries the 1st group the level of GDP per capita sharply decreased in 2009, and since 2010 the economy grew at an average rate and the growth of unemployment rate changed similarly. For the entire period of the crisis, GDP per capita declined by 12.3%, and the unemployment rate rose to 83%. The countries of 2nd group showed an average decline in GDP per capita 7.2% and rising unemployment – 23%. This is due to the decrease in industrial production and the need to provide financial support to the EU countries affected by the debt crisis. Quite safe in 2007, the countries of the 3rd group showed the worst growth rates among the EU member States – a decline of 18.9%, while unemployment rose by 155%. The reason was the onset of the debt crisis of 2010 and a sharp reduction of tourist flows to these countries with developed recreation and agriculture. The countries of the 4th group differently weathered the crisis: high unemployment in Portugal and Slovenia, economic growth and low unemployment in Malta. In the Czech Republic, Slovakia and Hungary joined the EU in 2004, in the beginning of the crisis unresolved internal problems were remained. Unemployment in this group increased on 61%, while the GDP per capita fell on 11.9%. In the 5th group, the decrease in the level of GDP per capita during the studying period was 5.9%, with an increase of the unemployment rate on 86%.

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4 Information retrieval system “Single portal of foreign economic information of the Russian Federation”, www.ved.gov.ru.

5 Information retrieval system “Single portal of foreign economic information of the Russian Federation”, www.ved.gov.ru.

Thus, there was a decrease in the level of GDP per capita in all countries of the EU: the most (on average on 18.9%) there was a decrease in 3rd group of countries in southern Europe due to the effects of the debt crisis, and least of all (on 5.9%) in Eastern Europe in the countries of the 5th group, the weak economy of them was less affected by the crisis. At the same time, the growing unemployment, the smallest increase in its level (23%) was observed in the developed countries of Western Europe (2 group), which had less problems with employment, and the highest (155%) in the countries of southern Europe (group 3), due to the necessity of fulfilling the requirements of the EU and the IMF to reduce government spending, which led to massive layoffs.

Matrix analysis of changes of these indicators in 2008-2012 allowed us to identify the types of EU countries most and least affected by the crisis (Table 2). This was the reason for the division of the territory of the EU into the regions with the most or with the least resistance of national economies to the recession.

Table 2. Types of the EU countries in the accordance of the influence of the recession on the total change of GDP per capita and unemployment for 2008-2012

		The change of unemployment		
		Increased less than 1,2 times	Increased more than 1,2-1,9 times	Increased more than 1,9 times
DGP per capita in 2012 in comparison with 2008 in %	More than 95%	Luxemburg, Malta, Austria	Sweden	Bulgaria, Lithuania
	85-95%	Germany, Belgium, Finland	France, the UK, Poland, Slovakia, Czech Republic, Italy Netherlands, Estonia, Latvia	Denmark
	Less than 85%	Rumania	Hungary, Portugal	Slovenia, Spain, Ireland, Greece, Cyprus

Source: [www 6].

Better than by the others the crisis was survived by the most developed countries of the West Europe and Malta (South Europe), similar results are showed by the countries of Northern and Western Europe, as well as by Bulgaria and Estonia (despite a relatively weak economy). Average results of changes in economic performance during the crisis can be noted in the most of the developed countries of Western and Eastern Europe, and peripheral EU States (Ireland and most countries of the South) are the outsiders.

The made analysis allowed judging the effectiveness of the anti-crisis policy. Not all activities undertaken during the EU crisis proved effectiveness. The main reason of differences in the manifestations of the crisis in the groups of EU countries lies in the irregularity of their economic development and characteristics of the anti-crisis policy. The Soviet bloc countries joined the EU, unable to rebuild their own economics; the States of southern Europe badly managed their finances. The recession has weakened the national economy of the developed countries in connection with the necessity of providing assistance to debtor countries. Good international environment masked the weakening of the economic system of States that has long needed structural reforms.

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[www 1] www.newsru.com.

[www 2] http://ria.ru.

[www 3] http://news.bbc.co.uk.

[www 4] www.theguardian.com.

[www 5] www.gazeta.ru.

[www 6] http://data.worldbank.org.

[www 7] www.nationalbanken.dk.

[www 8] www.amberbridge.org.

[www 9] http://expert.ru.

WPŁYW ŚWIATOWEGO KRYZYSU GOSPODARCZEGO NA SYTUACJĘ SPOŁECZNO-GOSPODARCZĄ KRAJÓW UE

Streszczenie: Artykuł dotyczy problemów światowego kryzysu gospodarczego w latach 2008-2012, obejmującego niemal wszystkie regiony świata, a przede wszystkim jego wpływu na gospodarkę USA i krajów europejskich, których rządy podjęły skoordynowane działania w celu przezwyciężenia zaistniałej sytuacji. Strategie interwencyjne oznaczały przedłużenie państwowej regulacji procesów rynkowych, przeanalizowanych na podstawie działań UE.

Słowa kluczowe: globalny kryzys gospodarczy, ekonomiczny, rynek pracy, rozwój społeczno-gospodarczy.