The Economic Crisis – Meanings and Significations
Causes and Solutions

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ARTICLE INFO

Article history:
Accepted May 2013
Available online 30 August 2013
JEL Classification
G 01
Keywords:
Economic crisis, Financial crisis

ABSTRACT

The crisis can be defined as a period in the dynamics of a system, and it is described as a multitude of difficulties, as a conflict or tensions, fact that makes difficult its normal work or functioning and this can lead to powerful pressures towards changing, and „The crisis period represents the stage in which the changes within the system are determined by the actions of a system”. During the period of crisis, the threats changes into dangers which are at the basis of defining the insecure state of any system. The economic crisis represents a situation in which the economy of a country passes through a sudden decrease of its force, decrease usually brought about by a financial crisis. The economic crisis may have the shape of a stagflation, of a recession or of an economic depression.

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1. Introduction

Each organization may have an economic crisis and any negative image can create a crisis, which can also create other crises. The word “crisis” comes from the Greek word “Krisis” which means difference, judgment, separation. After that, this term was taken by Aristotel who uses it in his work “Poetica” to show the climax of a tragedy, when the hero must take an important decision for his destiny. Afterwords, the concept of crisis developed because nowadays it is excessively used in many domains, for example medicine, economic sciences, psychology, international relation, etc.

2. Meanings and significations

The dictionary of Romanian language defines the concept of „economic crisis” as a manifestation of some difficulties (economic, political, social, etc) periods of tension, of trouble and of problems in society, a period of the economic stage in which it is formed a relatively more average of goods in accordance with the capacity of buying of the population, which lead to the reduction of productivity, to the bankruptcy, unemployment etc[5].

The Great Crisis from 1929-1930, known in history as the biggest crisis of humankind, appeared because of the growth of the bank interests by the central banks, as well as because of the application of some protective measures which lead to the contraction of international trade. The crisis appeared because of some measures applied in wrong moments and which were based on wrong evaluations. Unlike the Great Crisis from 1929, the present one is also provoked by measures, but they are applied on a larger period of time than in 1929-1930. The characteristic phenomenon for the economic crisis referring to the human resources from the Public Administration

The need of change of the public administration was felt more after the economic crisis from 1990, referring mainly to the superficiality of public governing. The free grow of capital, the bigger independence of the market, the immigration of the workforce abroad and, finally the economic decline represent problems towards which the mechanisms of the public administration and the administrative-political structures become inefficient. The role of the governing is questioned and it is supposed that the freedom of private economic initiative of each economic agent is able to give fairly a production of economic growth. In the context of appearing a crisis, they are attacked either the private domain, or the public domain of resources. The factors that lead to the appearance of an economic crisis come not only from the private domain but also the negligence of public domain, especially, that these on the social level create interferences and interdependence on economic and administrative level.

In a different way, crises are „extremely difficult moments or stages of political links, and also economic social and even cultural links and they appear following a period of pressures and of general problems“.

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These definitions refers to the large number of approaches regarding the bad – functioning that may appear in all human activities. Each of the people who defined crisis had a different approach.

Economists, politicians, historians, military, philosophers analyse the crisis according to different criteria and to their activities. In the “Dictionary of Sociology”, crisis is defined as being “a period of time in a system gathering a lot of difficulties, the burst of tensions, which makes difficult the normal functionality and having pressures towards the change”[4]. Other dictionaries define crisis as “a sudden change, a critical moment which intervenes in the evolution of international life, of reports between states and of a system, regime and government”.

Florin M. considers crisis as “a violent manifestation of contradictions (economic, political – military), a critical, dangerous moment, tension, moment of a soul depression”[1].

From the psychological point of view, the crises are connected by social events which turn upside down the adaptation ways, being able to restructure the personality and to ask for impossible effort. Referring to the conflict of communication from the educational perspective, I-O. Pănişoară states: “Communication is a process which we confront with every day, but the conflict is also a daily ingredient of our life experience”[6]. Some people seem to know to provoke conflicts, others can solve them. It is important to notice that when the conflict becomes very intense it burns like a fire all the good intentions of the partners in communications. The explanation is that of a crisis, actually the crisis is nothing else but a conflict.

From the political scientific point of view the crisis is considered as an effect of the combination between “a powerful threat, which may effect the political leaders’ purposes and the effect of surprise”.

The specialists in public relations and in communication define the crisis in many ways:

- “... as a major, unpredictable event which may lead to negative effects, which may affect the whole institution, the employees, the products, the services and the financial state”
- “... crisis is a violent manifestation of contradiction, or a disturbance, or a dangerous and decisive moment."
- “... a situation with negative consequences which affects an organisation or, a company”.
- “... a crisis may be defined as an unexpected situation which takes into account the responsibility of the company in front of the public which threatens its capacity to normally continue the activity”.
- From others points of view, crises are “periods or extremely pleasant moments of political, economic, social and cultural reports”.

There are many definitions of the crisis and many people have their own approaches regarding it. Economists, politicians, sociologists, historians, military people and philosophers study the crisis from many criteria. In the public domain, the characteristic phenomena for the economic crisis are the following:

- unemployment- as a consequence of the delay between request and offer of the workforce;
- blockage of jobs- as a consequence of the reduction of financial resources;
- low performance and professionalism;
- a bad motivation - as a result of not fulfilling the human psychological necessities;
- migration - the loss of trust in a successful career in the home country.

Mishkin defined the crisis as being the situation in which the selection and the moral hazard become worse, the markets are unable to send the resources towards the most productive opportunities of investments”[2]. In some cases, the crisis is defined as being an event of probability, reduced by appearances, but which is very involved in society, organisations or individuals”.

For T.C.Panchant şi I. Mitroff, the organisational crisis is an “interruption which affects physically the functioning of the entire organizational system and threatens its fundamental principles, its identity and the reason to exist”[3]. The whole system is affected, in addition the basic values of the members of the system are threatened so that the individuals are forced either to make the wrong character of these values, or to develop defence mechanisms against these values. The crisis represents the manifestation of some temporary difficulties or chronological ones of the ways of organising a system expressing its incapacity of functioning in the present way. Coming out of the crisis is done either by structural change of the system or by important changes in its structure. The crisis is very often a way to cause the process of change of the organisation of a system; it motivates the change. If the change is not possible, the crisis can lead to the disintegration of the system. Sometimes changing some conditions or lack of alternative solutions make the crisis to decrease, the system continues to evolve unchanged in a fundamental way. The effects of the economic crisis are also felt in the educational system, in the most countries of the E.U.As an obvious consequence of the recession, the problems which appeared in the European public school system are difficult to count. Firstly, this phenomenon takes places, because very often the forms of the public school system are structured in a strict way, the effects on these appear more slowly. Secondly, the survey information regarding the educational system is monitored yearly and it is published with a delay. Some States from Europe haven’t managed to overcome the deadlock brought by the economic crisis in the public school system so far. The general picture of the budget given to education, during 2008-2012 shows that, in some countries like Greece, Hungary, Italy, Portugal, Spain, etc, the budget decreased. In some countries like Belgium and Finland, the budget remained unchanged. Although in France, Austria, Germany, Poland and the Northern countries there were registered increases of the budget for the school system, the recovery of the situation of the school system presupposes adopting some viable rules at an European level. Teachers’ life standards, more diminished together with the reduction of salaries affected the normal display of courses and classes in almost all countries from the south–eastern European countries. The high level of distrust which the students and the pupils had towards the role
of the public school system and towards its role in their professional future creates chaos in all the educational levels.

3. The impact of the economic crisis over the Romanian financial system

Romania deals with the impact of the economic crisis by 2 ways or channels:

a) The economic way/channel is determined by the economic contraction from the developed countries:
   − the decrease of export;
   − the reduction or the blockage of the activities which supply components for the affected industries of recession-car, building, designing, industries, etc.
   − the reduction of money transfers in Romania made by the Romanian workmen abroad;
   − the reduction of the rhythm of economic growth.

b) The financial way/channel is determined by the reduction and by growth of the money loans worldwide:
   − the increase of the cost of the loans for the population, companies and state;
   − foreign investors give up or postpone decisions regarding some investments which they want to make in Romania;
   − investments of portfolios were reduced substantially.

Between the two way/channels there is a relationship of inter-conditioning, so that the Romanian financial system is affected by both ways/channels.

4. Causes and solutions

The crisis will last a long time and years will be necessary for the reduction of the deficit of the budget and of the debt, therefore, in conditions of crisis, as well as war, society, through its state institutions, must react very much for the economic and social recovery of the country, mainly, through:

A. Restructure of the system, the reforming of the institutions of the state to reduce the budgetary institutions, the large staff, the salaries which do not correspond to the working hours, to the salary increase and to other advantages, the creation of an unitary system of clear laws, which offer stability on long term, the elimination of bureaucracy.

B. The application of a politics supported by real economic increase and on a long term in the domain of goods and services, in creating activities, in workplaces, such as in: agriculture, food industry, easy with products for the internal market reducing the import of those which can be produced in the country and gaining performances at export, which bad to the increase of the other sectors of activity and attracting of income at the State Budget and the population, based on ideas, solutions, organizational measures, a lot of work, savings, investments on a period of at last 15-20 years.

The application of all of these can be done with solutions/measures such as:

1. The elimination of waste, of bureaucracy, corruption, influence traffic, embezzlement, useless expenditures from the budgetary funds through
   a) Suppression, reduction, merging of ministries, authorities, agencies and other institutions without a clear activity purpose.
   b) Restructuring and organizing of all the budgetary institutions, according to their activities
   c) Reduction of managing jobs at 12% from the staff; jobs will be occupied on competence, responsibility, professionalism and dedication.

2. The stimulation of the increase of the local financial system, by giving facilities for founding, developing, capitalizing and competition for the growth of export.

3. The urgent approval of thousands of projects of Romanian investors for getting European funds and intervention at comunitary forum for the increase of subventions at the level of needs and the structure of Romanian economy.

4. The increase of the state and private capital in companies with mixed Romanian-foreign capital in order to get income at the budget, the stimulation to buy shares for the employees.

5. Taking under capital the State monopoly for alcohol, tobacco, exploit of all natural resources and/or review of concession contacts regarding the royalties at a level of at least 2/3 of the value of production assessed at the global market price.

6. Restructuring companies and firms with whole state capital, elimination of waste, of non-productive expenditures, of bonus and of other advantages and giving salaries according to economic results got in accordance with the level of the unique Salary Law of the budget and employing managers with contract to assure their capacity.

7. The intensifying of the check-up actions and control of the " underground economy ", of work without a contract, of activities of tax evasion, through amnesties or tax reductions for a period, from where they can attract income for the budget.

Common, traditional causes:

− the boom of lending
− the increase of the prices of shares on the real-estate market
− the uncontrolled lending of insolvent/less solvent economic agents.
Specific causes
- extension of origine-and distribute model
- exaggerated desire for profit which led to the increase of demands for highly risk actives
- ignoring or not realising the risk of value parts-budge funds, mortgage, lending operations-default swop.
- inappropriate managing of corporations and big managerial bonuses.
- contribution of regulation factors and rating agents.

The causes of the crisis in Romania
- unsustainable economic increase based on economic-financial imbalances which are internal and external.
- transfer and external impac (banks, insurance)
- volatility of foreign assets
- distortions on the labour market : brain, drain, lack of workforce in constructions
- extension of real-estate sector

Effects of the crisis :
1. Contraction of the demand and production and stock market
2. Under-capitalization of the banks
3. Reduction of remittances and export
4. Increase of lending costs
5. Inflation and unfavorable exchange rate
6. Increase of vulnerability of living level for unemployed and people with low income

Solutions on short term:
1. guarantee of passives more rigorously
2. separation of bad assets
3. Re-capitalization of affected institutions
4. Taking over by the state of the banking assets.

The economic crisis, which is in Romania at present, is more an internal crisis caused by the wrong mixture of macro-economic politics in the last years. The economic growth is considered to be a bad one, because it was based on the consumerism financed on credit. The international financial crisis was just the trigger – for the internal economic one, because it affected the sources of financing. The crisis of Romania doesn’t have the same causes as the one fron the USA and the EU, so it cant be treated in the same way. First of all, it is an internal one, a crisis of a model of development, the solution for ging out of the crisis starts by diminishing the waste of money, by reducing the expenses of the budeet and administrative ones. Taking into consideration, all those plans, we can think of an investment plan in the infrastructure, because it nrings jobs for people and it has a good effect for the economy. The plan of diminishing of the effects of the crisis and relaunching the economy of Romania must be at a national level and mostly refer to the Romanian monetary system, assuring its stability and reliability on a long and medium level. Keeping under control of some macro-economic indicators in the conditions of a deficiency of the budget and assuring the economic growth are the most difficult challenges of the authorities.

5. Conclusions
To conclude, crisis is that event when we image the worst and which changes people’s life and activity. As a conclusions of these definitions we can say that „a crisis is that event from which we imagine the worst and which changes people’s life and activity. Crisis has its own nature, its ignoring and minimazing don’t help. During a crisis, our whole universe is devastated.Nothings is at its normal place. The present crisis is a system crisis and it will have effects on a long term.
1. Reconsidering the partnership public – private – The failures of the market
2. A better coordination between the financial-banking system and the real economy.
3. The role of ISD
4. The reduction of the speculative character of the “casino” of non-necessary derivatives and intermediaries.
5. The corporation government and ethics in business.

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5. Dictionary of Romanian language.