THE GLOBAL FINANCIAL CRISIS

THE YEARS 2008-2016

Graduate Thesis Editing

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I thank my Supervisor Professor, Dr. Giouris Theodore, for the very important, specialized and essential advice that he provided me during the preparation, implementation and presentation of my graduate thesis.

Summary

With this thesis we will look at the global financial crisis from 2010. We will mention the causes that led the economy to recession (global and domestic) and the ways in which governments faced and handled these unfavorable situations.

Many misconducts led the world economy to the wrong directions. It all started in the United States in 2007, but the rest of the world, and more specifically Europe, was not left unaffected.

The total amount of the United States loan was clearly higher than that of the European Union, and the effects on the United States were more pronounced than those in Europe, with the exception of the United Kingdom and Greece.

The impact of the financial crisis has acted as a chain reaction at domestic and international level. Low-income countries were most affected by developed countries. Unskilled workers, citizens of low-income had more adverse effects than middle and high-income citizens.

Contents

Introduction

By the term financial crisis, we mean the phenomenon where the economy is characterized by a continuous decline in its economic activity. More specifically, we refer to the macroeconomic figures of the economy, the employment, prices, investments.

The global financial crisis began, as we referred, from the United States and was centered on the inability to service mortgage loans. After spread to all sectors, then expanded to all the developed countries of the world and had a rapid impact on banking systems. This situation had a significant impact on Greece.

In 2009 a crisis of confidence was created between the members of the European Union. The other countries, in order not to be completely affected by the bas conditions in the Greece decided to restrict it by imposing measures and sanctions. The crisis of the Greek economy is directly related to the crisis in the European Union. Subsequently, we will infiltrate at the problems-issues that the financial crisis had created in all countries from 2008 to 2016.

2.1 History

In the late 1970s, when Ronald Reagan took over the US Presidency and while the Soviet Union was falling apart, the United States of America would be a world superpower. This fact changed the attitude of the United States towards the rest of the world. The direction they followed increased profits defying the violation of moral and social values. Since 1980, more and more countries have embraced this policy. The "migration of mentality" of the United States and some developed economies to economic and low-cost economies increased profits by steadily increasing Gross Domestic Product (GDP) in 2002 to 70%, in 2005 to 71%, in 2010 to 92% and 2012 to 99.5 %.

The swelling of public external debt had no immediate effect on the United States, because the Dollar was a good reason for foreign capital entry. These funds are directed either to financial products or to long-term investments in US capital. The largest share was the economic surpluses of the balances of East Asia and mainly of China. This has caused concern in the United States, that's why has tried to limit imports from China and at the same time expected to adjust the exchange rate of the Chinese currency to its true level. China refused to reconcile with the US proposal, so the first signs of the financial crisis emerged. In mid-2007 it became clear that two of the largest financial institutions in the mortgage loans (Mac Fannie and Freddie) had liquidity problems. The confirmation came at the beginning of 2008 and in February 2009 the brochure's report of Larosiere (experts in the financial sector of the European Union) mentioned the factors which led to the financial crisis. The outbreak of the 2007 crisis obviously also affected Europe. After the 2008 Wall Street crash, European capitalism was hit.

Europe has lost an important source of demand for its product exports. At the same time, the banks have suffered serious blows despite the Europeans who argued that the crisis would not touch Europe. The European Central Bank and the members of the European Union functioned just like the US government. They tried to supply huge amounts of money to replace private money, but it did not succeed. As long as the member states were trying to manage the damages that were created, Europe's economy was delivered to the crisis. In one year from 2008 to 2009, France's GDP fell by 2.6%, Germany's GDP fell by 5%, Spain's GDP fell by 3.5% and Greece's GDP declined by 13.8%. The countries that participated in the European Union, namely Greece, Spain and Portugal were unable to underestimate their currency. This means that the above countries could not manage the debt and survive. The weak link was Greece, because it was affected, as we referred, from the United States crisis in 2007. Every following year the public debt grows after being forced to borrow large sums to cover its expenses, since its revenue was not enough for it; until 2007 it was considered a competitive country data changed and the unemployment rate increased by 0.6% from 7.4% in 2007 to 8% in 2008.

Initially, there was a coordinated reaction of the G20 Heads of Government. There has been a reduction in interest rates and financial interventions to rescue large banks since the end of 2007, followed by a reduction in the reference rate 0.25%. In England, the interest rate stood at 0.5%, which was the lowest in its history, while Japan’s interest rate was kept at zero levels as it used to. The investment banks, facing liquidity problems, were unable to borrow from the central bank if they did not fulfill the requirements and controls of the authorities. In 2009, at a report by the Institute of International Finance, bankers accepted much of their responsibility for the credit crunch. The President of the Institute and the head of Deutsche Bank (Germany) had asked governments to intervene to tackle the financial crisis. State interventions may have saved the financial system from collapsing, but there was not an obstacle of the economic downturn.

In Greece, the margins were tightened. In 2009, due to the downward trend in the country, serious steps had to be taken to rebuild it. The delay in taking the measures has meant that they have not been reimbursed and the unemployment rate at the end of 2009 reached 9.3%. At the same time, the increase in investment in equipment fell by 25%, while there was a decline in investment mainly in the private sector. This situation has caused problems in the relationship between the EU Member States and Greece's tourism, which has fallen compared to 2007 and 2008.

In 2009, the world economy faced the worst recession of the post-conflict. Countries that supported its export economy were worse affected by the drop since the end of 2008 in International trade. At the same time, many bank assets lost their value by reducing the funds and the available liquidity. As a result, banks were turning to finance. The macroeconomic aggregates in the first quarter of 2010 were worse than in the last quarter of 2008. In 6th March 2009, the Dow Jones hit its lowest level of 6,443.27. This followed a rise in unemployment, a decline in industrial output, a decline in GDP, a collapse in international trade. Countries which affected were Japan and Germany because they are based on exports and other countries were not able to import products to the same extent. At the same time, the United States was affected by the real estate "bubble", the banking system and the households charged. The number of unemployed in the United States and the European Union has reached 15 million, or 10% of the working population. In United States, the unemployed and the under-employed are about 25 million or 17% of the active population but, before the financial crisis was below 5%.

Since mid-2010 the situation has started to improve and countries have started to recover very slowly. Unemployment rates have, however, remained steadily low without creating jobs but increasing the hours worked by those who are already employed. Again, the G20 countries reacted united and coordinated.

"A systemic crisis demands systemic solutions"

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Head of I.M.F. Dominique Strauss-Kahn

The measures which taken to tackle the economic recession also included expansionary policy measures.

Big countries such as China, Great Britain, the United States of America have approved additional fiscal support packages. The Obama administration approved a $ 789bn support program, while China and Japan were close to one trillion Dollars. The economic recession was far more serious than it did. Concerning the European Union, the first major power, Germany, abandoned the effort to tackle the financial crisis and turned to economic pressure on other countries (Greece, Ireland, Portugal). There were not coordinated moves and the main culprit for this was Germany.

The lending rates were launched and the European Union was a state of weakness. In 2010, Germany, China, Japan said that they were not willing to abandon exports and turn to their domestic market.

At the same time, in Greece, the international rating agencies downgraded its economy. The government delayed taking measures to save the economy, and when it finally did, there was a reduction in pensions and wages. Greece's creditworthiness was now inadequate as rating firms continually degraded. In mid-2010, the Greek government announced to citizens the inclusion in the Stability and Growth Program. The target was to reduce by 4% this year and a further 3% cut in 2011. To achieve these targets, some measures had to be implemented, such as freezing public recruitment, increasing VAT and reducing wages.

The European Union announced the development of a financing mechanism by the International Monetary Fund. All the previous measures did not bring the desired results in the country. After things got worse and time passed, the government decided on 5th May 2010 to sign the memorandum, which would provide support of €80 billion from some European Union countries and €30 billion from the International Monetary Fund. In order for this scenario to happen, Greece had to implement structural changes related to the labor, insurance and other sectors. Every three months there would be an assessment of the country's economy with the main objective of safeguarding the stability of the financial sector.

The Economic and Monetary Union of the European Union (EMU) has introduced a single monetary policy that the European Union is implementing at the European Central Bank (ECB). ECB was established on 30th June 1998 in Frankfurt and its competence is the formulation of monetary policy in the Euro area countries. Since 1st January 1999, it has been to maintain price stability in the Euro area and to implement it European monetary policy as set out in the European System Central Banks

(ESCB). ESCB, which is designated in Treaty, includes the European Central Bank (ECB) and the national central banks of all Member States (15) of the European Union.

The following are managed decision-making bodies of the ECB:

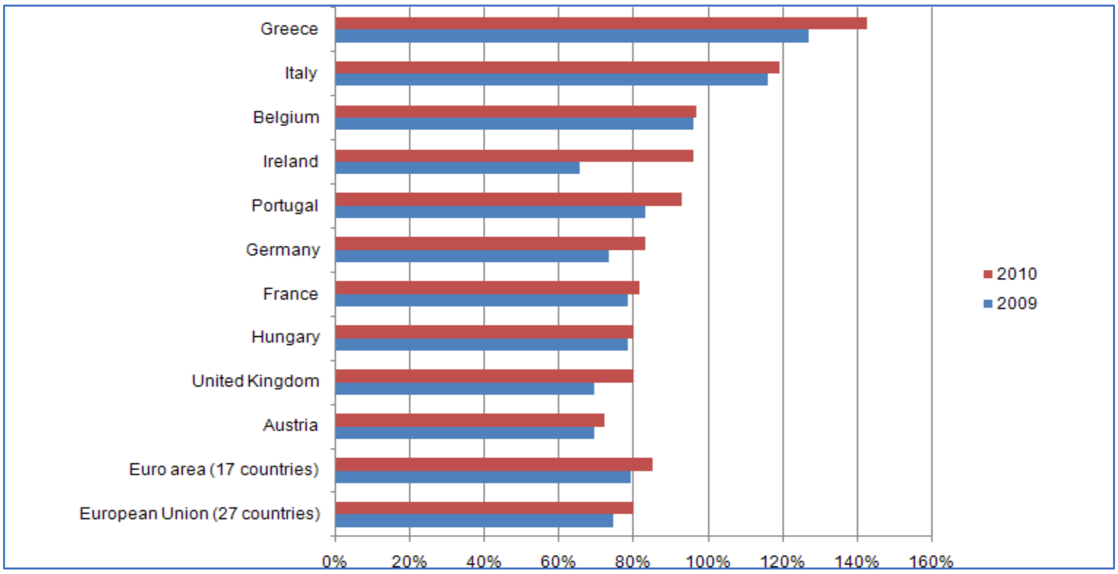
- The Executive Committee, made up of the President and the Executive Vice-President of the ECB and four members.
- The Board of Directors, consisting of the members of the Executive Board Commission and the governors of the national central banks of the countries of the Euro area.
- The General Council, consisting of the President and the Vice-President of the ECB and 15 governors of national central banks of the European Union. The ECB's objective is the Inflation rates will be below, but close to, 2% in order that the economy to fully reap the benefits of price stability.

Another goal was to bring the deficit below 3% in 2014. Reasons for the above developments were the economic policies implemented in the country over the last 35 years. Through the global financial crisis, it has been perceived that the eurozone can be considered as a united group of countries but in fact the only public of the EU Member States is the same currency. One of the most important problems in the Greek territory was the lack of competitiveness. He bought many more goods and services than he could because he was unable to produce competitive goods.

Greece's debt in the third quarter of 2010 had risen to 184.00%. The budget for the same year included a series of measures designed to reduce the deficit by 9.3%. The next year, 2011, was difficult. It was characterized by unfavorable economic conditions. The European Bank, however, has managed to maintain its stability and validity. Throughout 2011, prices were affected by energy rises, which led to high inflation rates. The average annual rate of inflation was 2.7%. With regard to the economy, the continued decline in financial markets has created a negative climate among all countries. There were no prospects for growth and the eurozone banks were pushing to either finance our country's budget or loans.

In August, due to continued pressure, a series of measures followed. They re-activated the securities purchase program and introduced a covered bond purchase program. The purpose of these measures was to increase the liquidity of banks and financial markets. At the end of this year, an important step was taken. The G20 leaders implemented measures for financial institutions and were approved by the ECB. At the same time, the European Systemic Risk Board was created with responsibility for overseeing the identification and assessment of systemic risks. It had an active role in matters relating to Europe and not only. It issued three public recommendations by 31st December 2011. As long as the economy in Europe was at a low level, the same thing was still happening in the United States of America. In the first quarter of 2011, GDP grew by 0.4% compared with the last quarter of 2010. The unemployed rose sharply according to the United States Department of Labor and there was a slowdown in the US economy of 1.8% compared to December 2010. Economic analysts attribute this slowdown to the fact that businesses have greatly reduced the number of recruits, which also contributed to the formation of US GDP. The Dollar began to decline and the Euro reached 1.42 against Dollar.

GDP IN EUROPEAN UNION 2009 AND 2010



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There is tension between the United States and Germany, because Germany has a surplus balance. The United States and the I.M.F. strongly criticized Germany's policy, which after spending the funds of the European region turned to the rest of the world. Germany's benefit from the economic recession was €40.9 billion from 2010 to 2014. This was a result of the low interest rates borrowed by Germany due to the high demand of its counterparts.

At the same time in Greece, the Prime Minister was Lucas Demetrios Papademos. The country's economy has been boosted by €10 billion from the financial stability fund. This money will be given to financial institutions to address the problems of capital scarcity. The government deficit declined to 10.2% in 2011 and to 8.8% in 2012, while unemployment rates in the above years were 17.9% and 24%, respectively.

Reaching 2012, specifically on 11th April, the Prime Minister announced the election date on 6th May. However, there was no election result, and occasional Prime Minister, was Panagiotis Pikrammenos, who set an election on 17th June. In this election, the first party emerged as New Democracy with 29.6% without autonomy. So, the government of cooperation had to be drafted as it did. Democratic Left (DIMAR) and Panhellenic Socialist Movement (PASOK) participated in the government and Antonis Samaras was the Prime Minister. He received a government with a 85% recession and a 10% deficit. On 24th August, he met Angela Merkel, Chancellor of Germany, who pointed out that 72 actions of the memorandum have not been completed. Thus, the prime minister pledged that before the Eurogroup meeting in November will be settled.

12 hours before the Eurogroup meeting, the last commitment was completed. Antonis Samaras took a series of reforms aimed at reducing government spending and at the same time strengthening the competitiveness of the Greek economy. The House approved the bill on the 15,000 redundancies of public servants, the tax reduction in restaurants from 23% to 3%. Greece presented a surplus state budget at the end of 2013. The constant negotiations of the government with the troika ended in the establishment of medium-term fiscal strategy framework 2013-2016.

This legislation was put in the Greek parliament on 5th November provided for a set of measures of €19 billion, of which €9 billion related to the current year some measures Some measures included the retirement age, which increased by two years, the 5% to 15% reduction in pensions, the €25 for hospital admission, and the removal of the Christmas and Easter gift for civil servants and pensioners. Over the same period, net inflows of foreign investment funds in Greece fell by 22.8%.

In Europe in 2012, there were in recession almost all the Member States of the European Union. The report of the European Commission's European Social Situation Committee has confirmed that all countries are in a poor financial situation, not just those in memorandum. Most countries have experienced problems with poverty, hunger, unemployment, poor medical care.

Typically, in April 2012 job positions were decreased by 400,000 in Greece, by 660,000 in Spain and in Italy by 185,000. As far as France is concerned, the unemployed have risen and reached 2,922,000, the biggest increase in unemployment in the country in one year. The unemployment rate has reached 8%. Great Britain entered the crisis at the end of 2011 and was deeply concerned about the great downturn in its economy because companies avoided investment due to the European Union crisis. Exports were greatly reduced at the end of the year. We conclude that the way in which Europe tried to prevent the economic recession was unsuccessful. The ECB did not act as an ancillary body in solving the financial problems of countries.

As long as the conditions do not favor the member states of the European Union, it is understood that the Euro currency and the general concept of union have not been firmly established. The high levels of public debt and the importance of avoiding high levels of public debt have led to reforms of the financial rules for the Euro area. A new agreed treaty, which is expected to enter into force in the Euro area in early 2013 (if so, ratified by 12 Euro area members), has been put into the negotiations.

The fiscal pact requires the new tax authorities to integrate into each country's agreement. It required the incorporation of new tax authorities into the national laws of each country. These fiscal governance reforms were based on two principles, which were related to the high levels of public debt that threatened stability and fiscal balance.

In 2014, the two largest economies in Europe were in opposite directions. The German economy was growing rapidly, while the French economy was marginal. In particular, German GDP grew by 1.4% on an annual basis. By contrast, the French economy remained stable and annual GDP grew by 0.4%. At the same time, in the United States, the inflation has risen steadily as compared to 2013. The consumer spending ratio (PCE) has risen over the last 12 months and 2% of inflation is closer to the long-term target, but it does not reach the target of that year. One of the factors that contributed to low inflation rates is the prices of petroleum products that have started to change. Wages began to grow slowly and products were kept at constant prices by companies.

As far as governments are concerned, they have experienced significant costs because of the financial crisis, either because of the cost of rescuing the economy or because of lost tax revenues. Generally, however, they have benefited because they had the opportunity at a very low cost to finance additional costs and current borrowing. The interest rate paid for government debt declined from 4.8% in 2007 to 2% in 2014. In Greece, there was a slight improvement in the financial situation, which returned to the global bond market by selling government bonds €3 billion with 5% return.

According to data published by Hellenic Statistical Authority (ELSTAT), the Greek economy experienced a growth rate of approximately 0.82% to the level appreciated analysts and government officials. Rating agencies upgraded Greece from B to B. After six years, Greece returned to growth and the investment sector showed signs of stabilization. At the end of the year, gross fixed capital formation amounted to 20.5 billion euros. At the same time, exports of Greek products declined by 1.5%, while imports increased by 1.7%. The above statistics resulted in the deficit being increased by a small percentage.

In December, leaked e-mail of the card web that referred a series of austerity measures and obviously this fact has caused reactions. Thus, on 29th of December, Antonis Samaras announced the holding of early elections with a deadline of 25th January 2015. The government delivered it with a growth of 0.7%.

In the January 25th elections, the first party was Coalition of the Radical Left (SYRIZA), headed by Alexis Tsipras with 36.4%, with a second party that of New Democracy. The new prime minister called for a referendum on 5 July on whether the draft agreement between the European Commission, the I.M.F. and the ECB should be accepted. The result was “No” with 61,31%. The next day Minister Yannis Varoufakis resigned. The Europeans were not satisfied with the results and the course of the economy. They therefore proposed new packages of measures and reforms that constituted the third memorandum signed by Greece. This decision also caused strong reactions from SYRIZA's interior. Thus, there has been a reshuffle of the government and the removal of those who have reacted to this agreement.

On 14th August, the third memorandum was passed. The continued withdrawal of parliamentarians from the government party forced Prime Minister Alexis Tsipras to resign on 20th August. Along with Greece's third memorandum was announced the program of Quantitative Relaxation and included the following: the third confession purchase program, the securities purchase program, which was implemented in October and November 2015, while in January 2016 the public sector market program was included. The above would give some help to the eurozone countries. The economy of Europe maintained 13.6 million jobs, while Greece had 117.516 positions.

On behalf of Germany, Jens Weidmann chairman of the Deutsche Bundesbank has strongly argued that cutting oil is the main reason for the decline in inflation. Jens Weidmann 's words were based on the fact that low inflation would help those in recession, as it would boost their competitiveness. Inflation in April 2015 was 0%. However, there was a general fall in prices in the southern European Union countries, which were in crisis. Because there was no reaction to the European Union's economy on 10th March 2016, the ECB announced the extension of the quantitative easing program.

While all this is happening in Europe, Greece had to face the early elections, in which SYRIZA with 35.6% formed a government of co-operation with the Independent Greeks National Patriotic Alliance (ANEL). Immediately, it was necessary to recapitalize the Greek banks due to the poor financial situation of the country and the uncertainty that prevailed, but it was successfully completed. The ongoing negotiations and discussions of the Greek government and the many harsh measures they had taken fell 0.2% in late 2016. Greece's exit from the crisis was tedious and uncertain for the citizens. Compared to 2015, GDP fell by 2%, while taxes increased by 7.8%.

There was a strong concern from the opposition and the citizens about the course of the Greek economy. Europe along with the financial crisis has also had to deal with the immigration and refugees' issue. According to the provisions of the European Union, a movement of political actions for migrants and refugees was formed. It had to be a united Europe, which supports and offers asylum to the people who seek it, while ensuring the smooth functioning of the countries of the European Union. Most countries, however, had chosen to close their borders and not to accept migrants and refugees. Countries such as Germany and France had gathered a minimum number of refugees, as opposed to Greece, which was unable to choose whether or not to accept such a large proportion of refugees.

The situation in the United States and the European Union has not changed dramatically the following year. History will show how things will evolve and how each country's representatives will face the situations that will arise.

2.2 The causes of financial crisis

The reasons that led to the financial crisis are complicated. The effects of them were visible already in 2008. We started with global macroeconomic imbalance. As we mentioned before, China grew and expanded its financial sector, while the United

States and the Dollar were holding low. Thus, lending was one-way for the United States of America. The European Union and Japan have failed to overturn the data and prevent this situation.

Another factor was excessive credit expansion, which has been high since 2004 in the United States as well as in most developed economies on the planet.

An additional reason was the lack of supervision and the gaps that had been created. Both the United States and the countries of the European Union have since 2001 not pursued regulatory measures for the uncontrolled credit expansion. They tried to create new markets and investments without, however, being accompanied by the permissible rules and the supervision of a committee.

Businesses that created new stock products made major mistakes, either whether they were the costing stage is the risk stage. They did not correctly imply the concept of liquidity, which is related to the credits, and therefore what they followed was unexpected. Finally, the weakness of the US economy and the harmful practices that have been observed, have been another cause, which has contributed to the outbreak of the financial crisis. Based on the above we understand that this combination was a catalytic factor in the creation of the crisis.

2.2.1 The consequences of global financial crisis

In countries such as the United States of America, Canada, Japan, South Korea, Australia, New Zealand, there are several differences in either income, growth levels or internal management of their obligations. In order to overcome the differences, there was a separation based on the human factor. Developing countries consisted of 84% of the human population were divided into two groups.

The first included Eastern and Central Europe, Turkey and Central Asia, and in the second group the Third World and the South. On the contrary, World Wealth was distributed among the developing and the developed countries; developed countries accounting for 76% of global GDP and 24% of growth. This economic recession has had an impact on both the human factor, the environment and health.

The impact of the financial crisis not only differs between countries, where low- and middle-income countries are more affected by developed countries, but also domestic. Unskilled workers and low-skilled employees have the most adverse effects in relation to high- educated middle and upper class.

2.2.2 The financial crisis and the environment

When it comes to the environment, we mean that any natural human activity affects the ecosystem. Primarily two areas will be directly affected. The first is the limitation of financing of international actions related to the environment. The second relates to the privatization of the environmental sectors.

The main issues that concern the planet and the environment are

a) Overpopulation, about 7 billion of which are the inhabitants of the earth and an increase of 11 billion by 2050 is expected. This increase is mainly due to the poorest countries on the planet due to urbanization. Essential elements of living are clean water, health, education, means of transport, adequate food and income. Therefore, crime rates and illnesses increase, and free space in forests and land is reduced.

b) Atmospheric pollution, which has as the main consequences the ozone hole and climate change. The main sources of pollutant production are transport means, building heating, combustion for energy production and industrial activities. In order to reduce pollution, anti-pollution technology should be adopted, something that was not possible in the years of the crisis.

In the more developed countries, efforts have been made to replace harmful methods of energy production. In Third World countries, however, there was and there is a bigger problem. In Greece the problem of air pollution was very intense. The poor state of public transportation led to the extend use of cars, which were also not well maintained. In addition, the poor geographic location and installation of industries has increased the air pollution of Greece.

2.2.3 Financial crisis and crime

Does the financial crisis affect the rise of crime? From various surveys, the conclusion they have reached is that poverty and unemployment significantly affect crime levels. Rates are rising in times of recession and are decreasing in times of recovery. The international financial crisis provided new data to study the rise in violence and crime. In a survey of 20 developed countries affected by the financial crisis, crime grew by 5.2% from 2008 to 2012, while unemployment increased by an average of 4%.

In Greece, crime has been on the rise since the late 1990s. Of 9,997, the number of infringements in 2008 increased to 24,784. By 2010, this number had doubled, while in 2012 it fell to 25,715. As regards categories and types of crimes, an increase has occurred since 2008 in frauds, weapons and murders, and since 2014 the rate has begun to subside.

2.2.4 Financial crisis and smoking

The financial crisis of 2008 has had a lot of impact on humans. There have been reductions in business sales because consumers were unable to even provide the basics to their families. The continuous and gradual decline in demand pushed businesses to close. Trying to find an escape and a solution some people turned to smoking. Stress, pressure and inability to respond to obligations were factors that led a percentage of people to a bad habit.

In Greece, in 2009, tobacco consumption amounted to 35,772,822 kilograms (National Statistical Service of Greece). An increase in the tax on cigarettes was a red line especially for young people, who were struggling to meet their obligations. It has been shown that a 10% increase in cigarette price will reduce overall consumption by 3% -5%.

2.3 Similarities between 1929 and 2007

The most alarming common point of the two crises is the creation of a fictitious capital market where bond suppliers used debt instruments to sell these securities to companies.

And while everyone thought everything was going well, suddenly, with the break-up of the bubble of fictional capital market, both in 1929 and 2007, 'the liberal king showed his nakedness'.

Another common point is borrowing. Many analysts believe that what was happening with home loans before the crisis broke out in 2007, is the "packing" of many installments of loans and their reshuffling as a security for sale. Many banks in the 1920s did exactly the same, using as a guarantor other banks with prestige and great confidence in the capital market (like Junius Spencer Morgan) for easy sale of debt securities. This very practice forced the US Senate to vote for the Glass-Steagall Bill of Law in 1931, which was erroneously abolished in 1999.

A third common point is more of a political nature: it has to do with the question of the hegemonic power in the global economic system (which name is capitalism). In 1929, as in 2007, there was a state of hegemony where, paraphrasing Marx, the world's hegemonic power was in decline and could not carry out the tasks that arose from this hegemony, and the emerging hegemonic power, for various reasons. He was not yet entirely ready to take on this role. For 1929, we refer to the UK-US diploid, and in 2007 the corresponding diploid was US. - China.

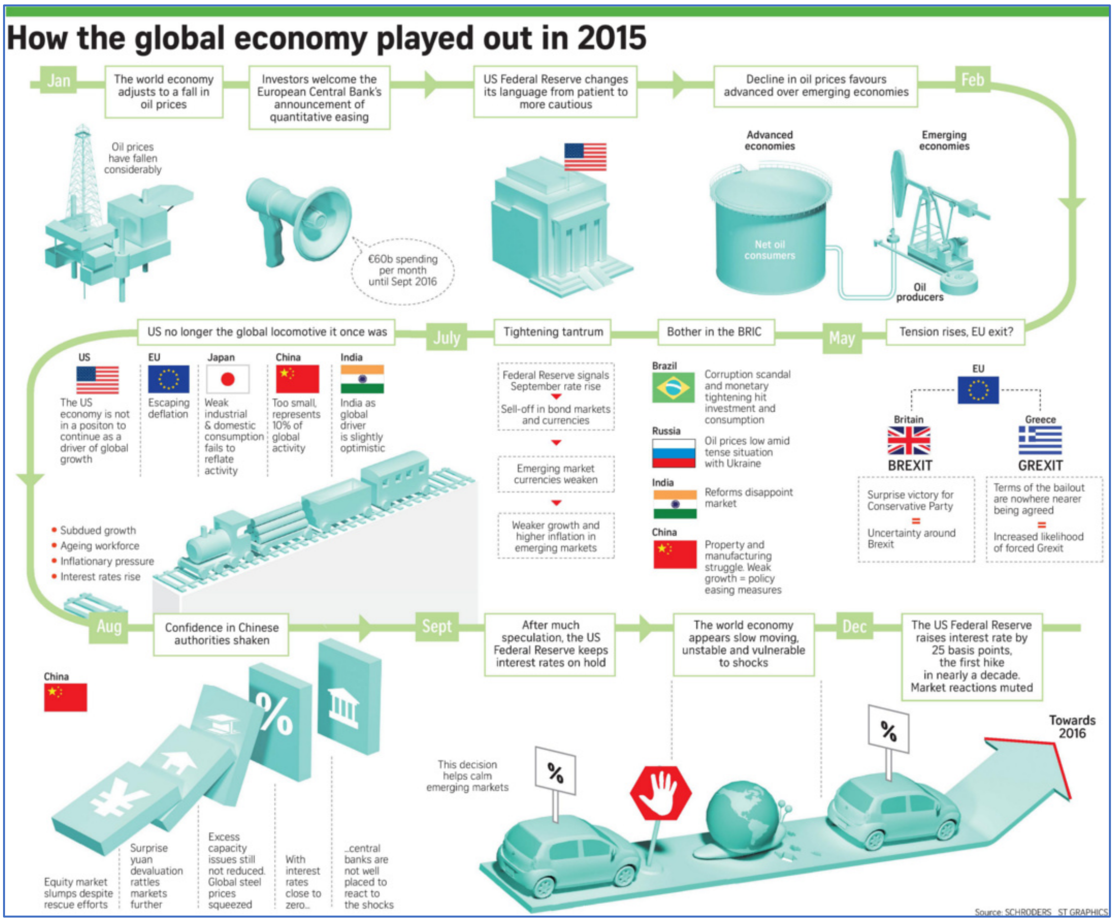
The last point is probably the most important. The lack of hegemonic stability in a global capitalist system leads to major conflicts and wars, aiming at re-structuring the global system and consolidating a new hegemony.

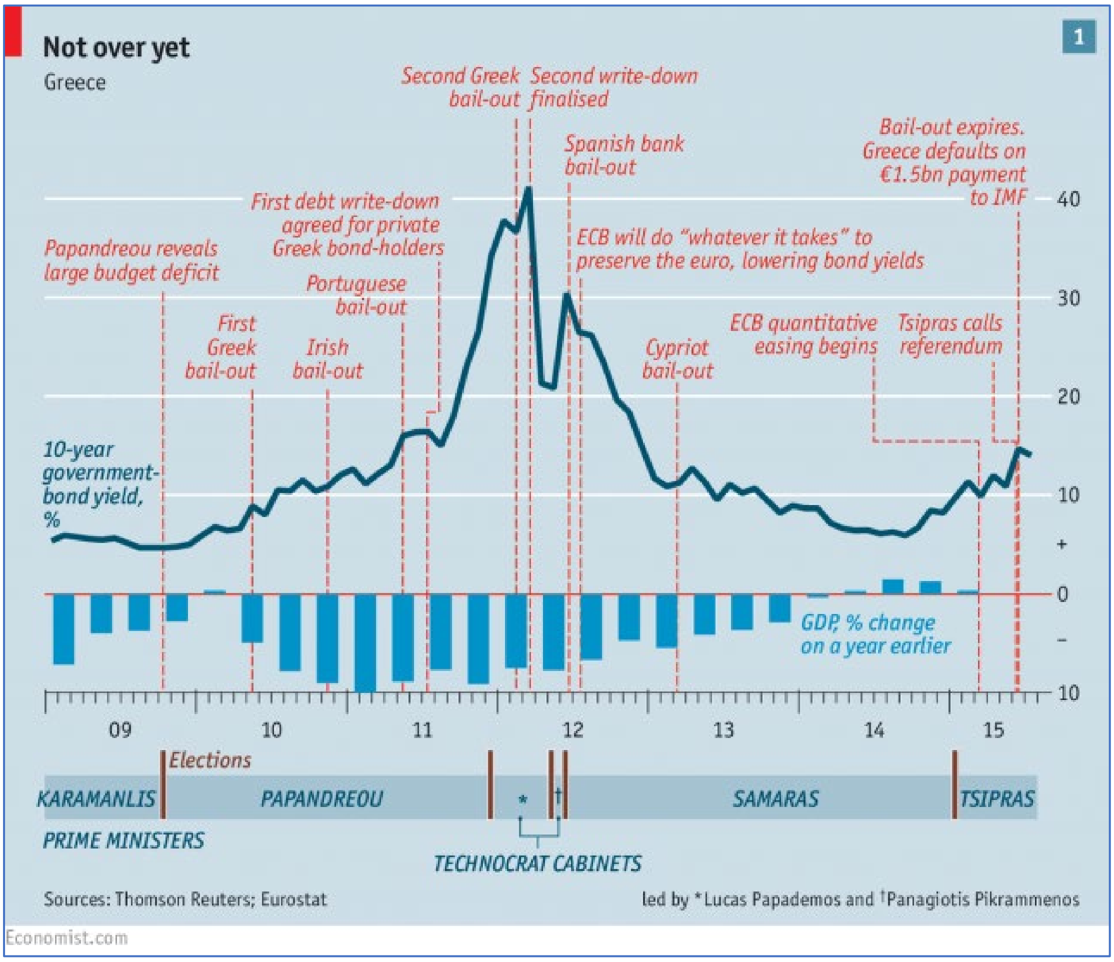
It was encouraging that China (and India and other developing countries) did not look like Germany and Japan in 1939. This gave to Barack Obama the opportunity to ask for their cooperation in managing this Anglo-Saxon crisis. Thus, in this case, the concern was not from the new emerging powers of the world economic system, but by the declining power of the United States.

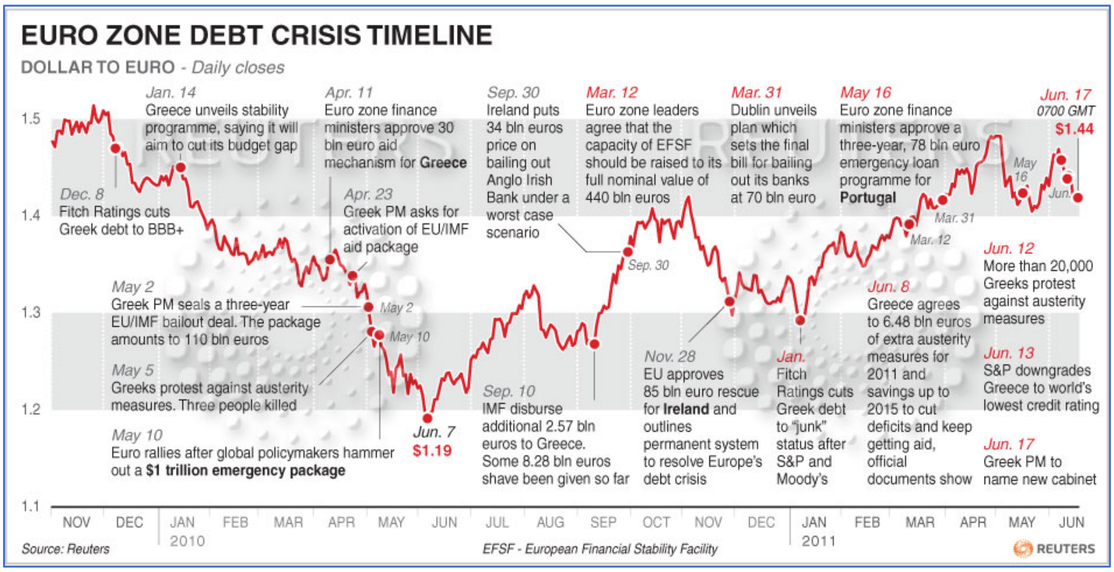
Conclusions

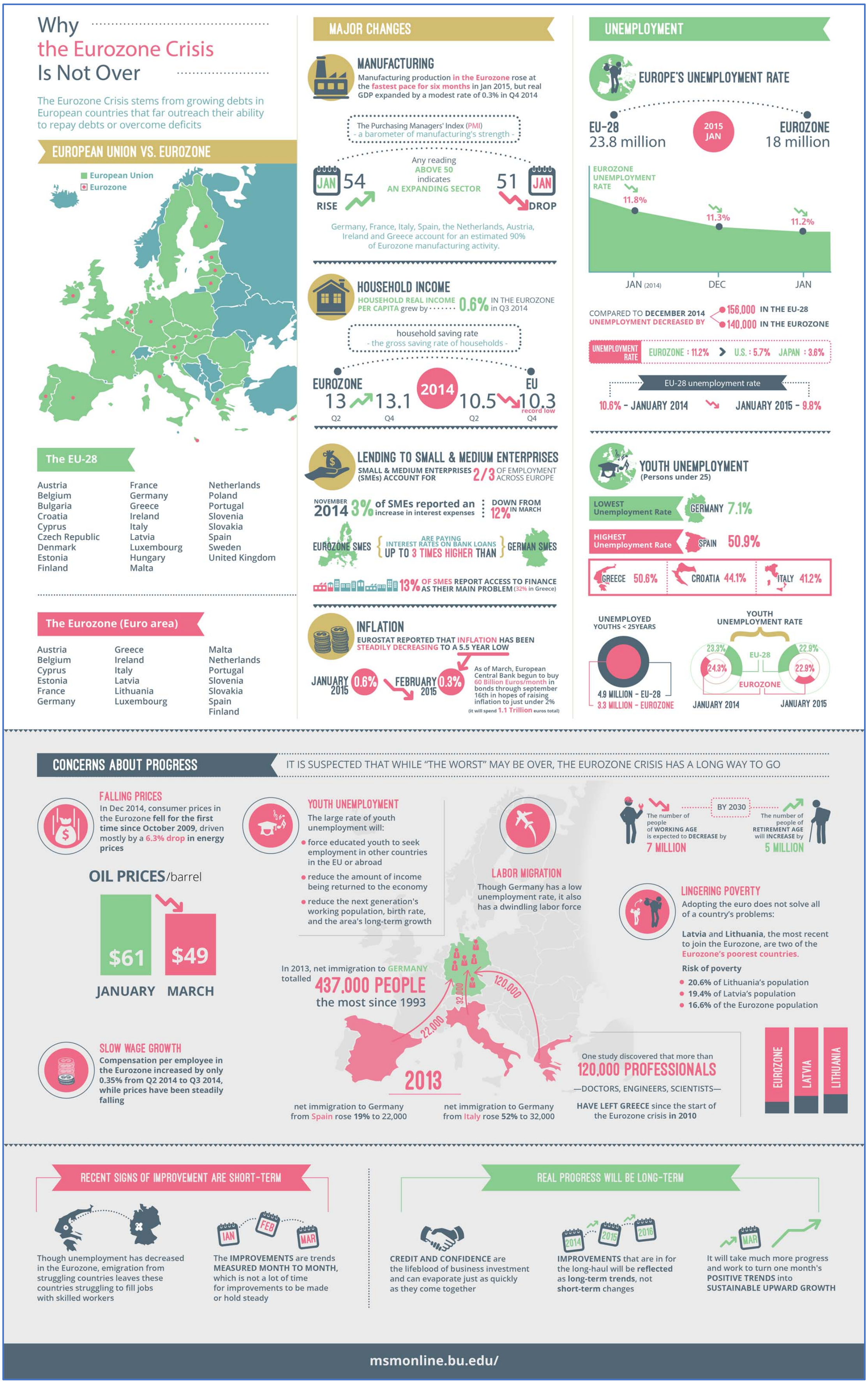
The financial crisis brings to light the weaknesses of the economies of the countries, which are not perceived when the countries are in recovery. Each case is different and therefore the ways of dealing with it will not be the same from country to country.

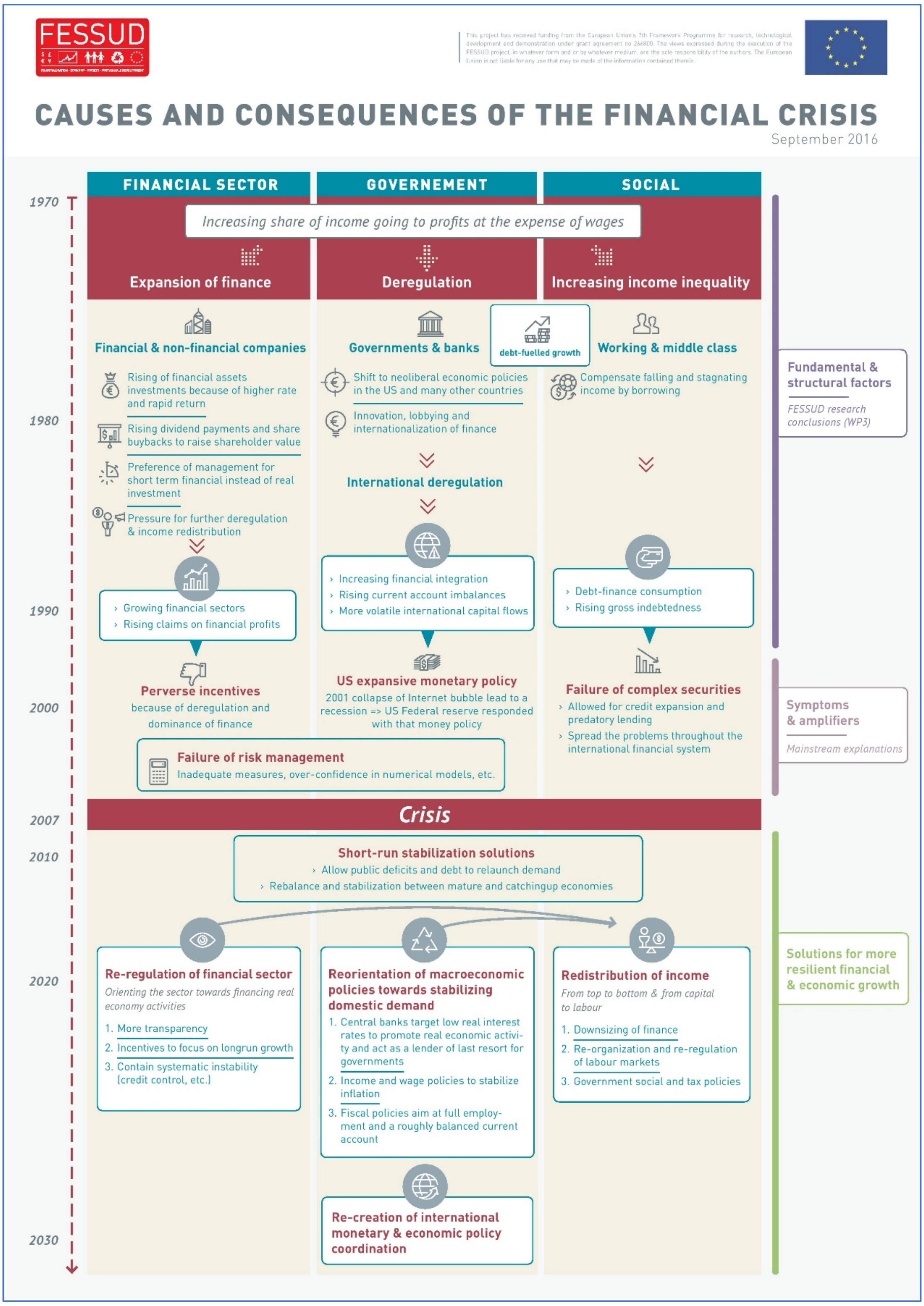
More specifically, observing the starting point of the global financial crisis we realize that each case needs special handling. From the United States of America in 2007 to Greece in 2016 a long journey, which has caused more and more problems in every country "visited". The causes, the ways of coping, the results of each effort are those that determine the course and the evolution of the countries over time.


How the global economy played out in 2015
Jan
The world economy adjusts to a fall in oil prices
Investors welcome the European Central Bank's announcement of quantitative easing
US Federal Reserve changes its language from patient to more cautious
Decline in oil prices favours advanced over emerging economies
Feb
Oil prices have fallen considerably
€60b spending per month until Sept 2016
Advanced economies
Emerging economies
Net oil consumers
Oil producers
US no longer the global locomotive it once was
July
Tightening tantrum
Bother in the BRIC
May
Tension rises, EU exit?
US
The US economy is not in a positon to continue as a driver of global growth
EU
Escaping deflation
Japan
Weak industrial & domestic consumption fails to reflate activity
China
Too small, represents 10% of global activity
India
India as global driver is slightly optimistic
Federal Reserve signals September rate rise
Sell-off in bond markets and currencies
Emerging market currencies weaken
Weaker growth and higher inflation in emerging markets
Brazil
Corruption scandal and monetary tightening hit investment and consumption
Russia
Oil prices low amid tense situation with Ukraine
India
Reforms disappoint market
China
Property and manufacturing struggle. Weak growth = policy easing measures
EU
Britain
Greece
BREXIT
GREXIT
Surprise victory for Conservative Party
=
Uncertainty around Brexit
Terms of the bailout are nowhere nearer being agreed
=
Increased likelihood of forced Grexit
Subdued growth
Ageing workforce
Inflationary pressure
Interest rates rise
Aug
Confidence in Chinese authorities shaken
Sept
After much speculation, the US Federal Reserve keeps interest rates on hold
The world economy appears slow moving, unstable and vulnerable to shocks
Dec
The US Federal Reserve raises interest rate by 25 basis points, the first hike in nearly a decade. Market reactions muted
China
This decision helps calm emerging markets
Towards 2016
Equity market slumps despite rescue efforts
Surprise yuan devaluation rattles markets further
Excess capacity issues still not reduced. Global steel prices squeezed
With interest rates close to zero...
...central banks are not well placed to react to the shocks
Source: SCHRODERS ST GRAPHICS


Not over yet
Greece
1
Second Greek bail-out
Second write-down finalised
Spanish bank bail-out
Bail-out expires. Greece defaults on €1.5bn payment to IMF
First debt write-down agreed for private Greek bond-holders
Papandreou reveals large budget deficit
ECB will do "whatever it takes" to preserve the euro, lowering bond yields
Portuguese bail-out
First Greek bail-out
Irish bail-out
Cypriot bail-out
ECB quantitative easing begins
Tsipras calls referendum
10-year government-bond yield, %
GDP, % change on a year earlier
40
30
20
10
+
0
-
10
09
10
11
12
13
14
15
Elections
KARAMANLIS
PAPANDREOU
SAMARAS
TSIPRAS
PRIME MINISTERS
TECHNOCRAT CABINETS
Sources: Thomson Reuters; Eurostat
led by *Lucas Papademos and †Panagiotis Pikrammenos
Economist.com


EURO ZONE DEBT CRISIS TIMELINE
DOLLAR TO EURO - Daily closes
Jan. 14 Greece unveils stability programme, saying it will aim to cut its budget gap
Apr. 11 Euro zone finance ministers approve 30 bln euro aid mechanism for Greece
Sep. 30 Ireland puts 34 bln euros price on bailing out Anglo Irish Bank under a worst case scenario
Mar. 12 Euro zone leaders agree that the capacity of EFSF should be raised to its full nominal value of 440 bln euros
Mar. 31 Dublin unveils plan which sets the final bill for bailing out its banks at 70 bln euro
May 16 Euro zone finance ministers approve a three-year, 78 bln euro emergency loan programme for Portugal
Jun. 17 0700 GMT $1.44
Dec. 8 Fitch Ratings cuts Greek debt to BBB+
Apr. 23 Greek PM asks for activation of EU/IMF aid package
May 2 Greek PM seals a three-year EU/IMF bailout deal. The package amounts to 110 bln euros
May 5 Greeks protest against austerity measures. Three people killed
May 10 Euro rallies after global policymakers hammer out a $1 trillion emergency package
Jun. 7 $1.19
Sep. 10 IMF disburse additional 2.57 bln euros to Greece. Some 8.28 bln euros shave been given so far
Nov. 28 EU approves 85 bln euro rescue for Ireland and outlines permanent system to resolve Europe's debt crisis
Jan. Fitch Ratings cuts Greek debt to "junk" status after S&P and Moody's
Jun. 8 Greece agrees to 6.48 bln euros of extra austerity measures for 2011 and savings up to 2015 to cut deficits and keep getting aid, official documents show
Jun. 12 More than 20,000 Greeks protest against austerity measures
Jun. 13 S&P downgrades Greece to world's lowest credit rating
Jun. 17 Greek PM to name new cabinet
1.5
1.4
1.3
1.2
1.1
NOV DEC JAN 2010 FEB MAR APR MAY JUN JUL AUG SEP OCT NOV DEC JAN 2011 FEB MAR APR MAY JUN
Source: Reuters
EFSF - European Financial Stability Facility
REUTERS


Why
the Eurozone Crisis
Is Not Over
The Eurozone Crisis stems from growing debts in European countries that far outreach their ability to repay debts or overcome deficits
EUROPEAN UNION VS. EUROZONE
European Union
Eurozone
The EU-28
Austria
Belgium
Bulgaria
Croatia
Cyprus
Czech Republic
Denmark
Estonia
Finland
France
Germany
Greece
Ireland
Italy
Latvia
Luxembourg
Hungary
Malta
Netherlands
Poland
Portugal
Slovenia
Slovakia
Spain
Sweden
United Kingdom
The Eurozone (Euro area)
Austria
Belgium
Cyprus
Estonia
France
Germany
Greece
Ireland
Italy
Latvia
Lithuania
Luxembourg
Malta
Netherlands
Portugal
Slovenia
Slovakia
Spain
Finland
MAJOR CHANGES
MANUFACTURING
Manufacturing production in the Eurozone rose at the fastest pace for six months in Jan 2015, but real GDP expanded by a modest rate of 0.3% in Q4 2014
The Purchasing Managers' Index (PMI) - a barometer of manufacturing's strength -
Any reading ABOVE 50 indicates AN EXPANDING SECTOR
JAN 54 RISE
51 JAN DROP
Germany, France, Italy, Spain, the Netherlands, Austria, Ireland and Greece account for an estimated 90% of Eurozone manufacturing activity.
HOUSEHOLD INCOME
HOUSEHOLD REAL INCOME PER CAPITA grew by 0.6% IN THE EUROZONE in Q3 2014
household saving rate
- the gross saving rate of households -
EUROZONE 13 Q2 13.1 Q4
2014
EU 10.5 Q2 10.3 Q4 record low
LENDING TO SMALL & MEDIUM ENTERPRISES
SMALL & MEDIUM ENTERPRISES (SMEs) ACCOUNT FOR 2/3 OF EMPLOYMENT ACROSS EUROPE
NOVEMBER 2014 3% of SMEs reported an increase in interest expenses
DOWN FROM 12% IN MARCH
EUROZONE SMES ARE PAYING INTEREST RATES ON BANK LOANS UP TO 3 TIMES HIGHER THAN GERMAN SMES
13% OF SMES REPORT ACCESS TO FINANCE AS THEIR MAIN PROBLEM (32% in Greece)
INFLATION
EUROSTAT REPORTED THAT INFLATION HAS BEEN STEADILY DECREASING TO A 5.5 YEAR LOW
JANUARY 2015 0.6%
FEBRUARY 2015 0.3%
As of March, European Central Bank begun to buy 60 Billion Euros/month in bonds through september 16th in hopes of raising inflation to just under 2%
(it will spend 1.1 Trillion euros total)
UNEMPLOYMENT
EUROPE'S UNEMPLOYMENT RATE
EU-28 23.8 million
2015 JAN
EUROZONE 18 million
EUROZONE UNEMPLOYMENT RATE
11.8%
11.3%
11.2%
JAN (2014)
DEC
JAN
COMPARED TO DECEMBER 2014 UNEMPLOYMENT DECREASED BY
156,000 IN THE EU-28
140,000 IN THE EUROZONE
UNEMPLOYMENT RATE
EUROZONE : 11.2% > U.S. : 5.7% JAPAN : 3.6%
EU-28 unemployment rate
10.6% - JANUARY 2014
JANUARY 2015 - 9.8%
YOUTH UNEMPLOYMENT
(Persons under 25)
LOWEST Unemployment Rate
GERMANY 7.1%
HIGHEST Unemployment Rate
SPAIN 50.9%
GREECE 50.6%
CROATIA 44.1%
ITALY 41.2%
UNEMPLOYED YOUTHS < 25YEARS
4.9 MILLION - EU-28
3.3 MILLION - EUROZONE
YOUTH UNEMPLOYMENT RATE
EU-28
23.3%
24.3%
22.9%
22.9%
EUROZONE
JANUARY 2014
JANUARY 2015
CONCERNS ABOUT PROGRESS
IT IS SUSPECTED THAT WHILE "THE WORST" MAY BE OVER, THE EUROZONE CRISIS HAS A LONG WAY TO GO
FALLING PRICES
In Dec 2014, consumer prices in the Eurozone fell for the first time since October 2009, driven mostly by a 6.3% drop in energy prices
OIL PRICES/barrel
$61
$49
JANUARY
MARCH
YOUTH UNEMPLOYMENT
The large rate of youth unemployment will:
force educated youth to seek employment in other countries in the EU or abroad
reduce the amount of income being returned to the economy
reduce the next generation's working population, birth rate, and the area's long-term growth
LABOR MIGRATION
Though Germany has a low unemployment rate, it also has a dwindling labor force
In 2013, net immigration to GERMANY totalled
437,000 PEOPLE
the most since 1993
22,000
32,000
120,000
2013
net immigration to Germany from Spain rose 19% to 22,000
net immigration to Germany from Italy rose 52% to 32,000
The number of people of WORKING AGE is expected to DECREASE by
7 MILLION
BY 2030
The number of people of RETIREMENT AGE will INCREASE by
5 MILLION
LINGERING POVERTY
Adopting the euro does not solve all of a country's problems:
Latvia and Lithuania, the most recent to join the Eurozone, are two of the Eurozone's poorest countries.
Risk of poverty
20.6% of Lithuania's population
19.4% of Latvia's population
16.6% of the Eurozone population
EUROZONE
LATVIA
LITHUANIA
SLOW WAGE GROWTH
Compensation per employee in the Eurozone increased by only 0.35% from Q2 2014 to Q3 2014, while prices have been steadily falling
One study discovered that more than
120,000 PROFESSIONALS
—DOCTORS, ENGINEERS, SCIENTISTS—
HAVE LEFT GREECE since the start of the Eurozone crisis in 2010
RECENT SIGNS OF IMPROVEMENT ARE SHORT-TERM
Though unemployment has decreased in the Eurozone, emigration from struggling countries leaves these countries struggling to fill jobs with skilled workers
JAN
FEB
MAR
The IMPROVEMENTS are trends MEASURED MONTH TO MONTH, which is not a lot of time for improvements to be made or hold steady
REAL PROGRESS WILL BE LONG-TERM
CREDIT AND CONFIDENCE are the lifeblood of business investment and can evaporate just as quickly as they come together
2014
2015
2016
IMPROVEMENTS that are in for the long-haul will be reflected as long-term trends, not short-term changes
MAR
It will take much more progress and work to turn one month's POSITIVE TRENDS into SUSTAINABLE UPWARD GROWTH
msmonline.bu.edu/


FESSUD
CAUSES AND CONSEQUENCES OF THE FINANCIAL CRISIS
September 2016
FINANCIAL SECTOR
GOVERNEMENT
SOCIAL
1970
1980
1990
2000
2007
2010
2020
2030
Increasing share of income going to profits at the expense of wages
Expansion of finance
Deregulation
Increasing income inequality
Financial & non-financial companies
Rising of financial assets investments because of higher rate and rapid return
Rising dividend payments and share buybacks to raise shareholder value
Preference of management for short term financial instead of real investment
Pressure for further deregulation & income redistribution
Growing financial sectors
Rising claims on financial profits
Perverse incentives
because of deregulation and dominance of finance
Governments & banks
debt-fuelled growth
Shift to neoliberal economic policies in the US and many other countries
Innovation, lobbying and internationalization of finance
International deregulation
Increasing financial integration
Rising current account imbalances
More volatile international capital flows
US expansive monetary policy
2001 collapse of Internet bubble lead to a recession => US Federal reserve responded with that money policy
Working & middle class
Compensate falling and stagnating income by borrowing
Debt-finance consumption
Rising gross indebtedness
Failure of complex securities
Allowed for credit expansion and predatory lending
Spread the problems throughout the international financial system
Failure of risk management
Inadequate measures, over-confidence in numerical models, etc.
Fundamental & structural factors
FESSUD research conclusions (WP3)
Symptoms & amplifiers
Mainstream explanations
Crisis
Short-run stabilization solutions
Allow public deficits and debt to relaunch demand
Rebalance and stabilization between mature and catchingup economies
Re-regulation of financial sector
Orienting the sector towards financing real economy activities
1. More transparency
2. Incentives to focus on longrun growth
3. Contain systematic instability (credit control, etc.)
Reorientation of macroeconomic policies towards stabilizing domestic demand
1. Central banks target low real interest rates to promote real economic activity and act as a lender of last resort for governments
2. Income and wage policies to stabilize inflation
3. Fiscal policies aim at full employment and a roughly balanced current account
Redistribution of income
From top to bottom & from capital to labour
1. Downsizing of finance
2. Re-organization and re-regulation of labour markets
3. Government social and tax policies
Re-creation of international monetary & economic policy coordination
Solutions for more resilient financial & economic growth

Department of
Accounting and Finance

THE GLOBAL FINANCIAL CRISIS
THE YEARS 2008-2016

Graduate Thesis Editing
Evderidou Maria

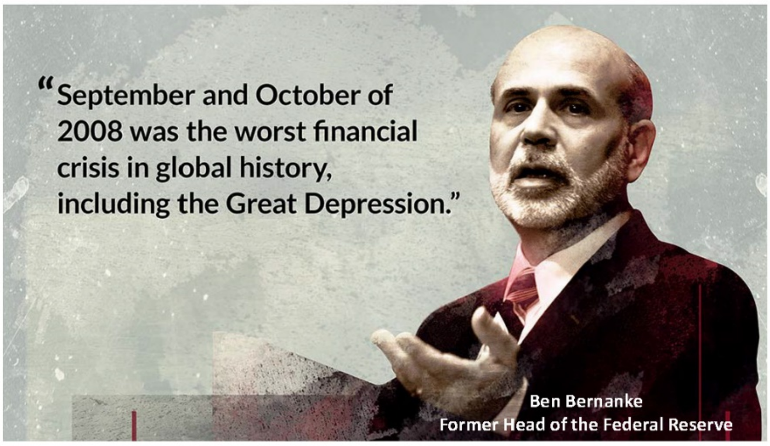
Supervisor Professor
Dr Giouris Theodore

I **thank** my Supervisor Professor,
Dr. Giouris Theodore,
for the very important, specialized and essential advice that he provided me during the preparation, implementation and presentation of my graduate thesis.

SUMMARY

Global financial crisis from 2010

- Causes
- Impact



INTRODUCTION

- **Financial Crisis**

  The phenomenon where the economy is characterized by a continuous decline in its economic activity.

- In 2009 a crisis of confidence was created between the members of the European Union.
- This situation had a significant impact on Greece.

HISTORY (1)

- mid-2007 -> Mac Fannie and Freddie (two of the largest financial institutions in the mortgage loans) had liquidity problems.
- 2008 -> The global financial crisis began from the United States and was centered on the inability to service mortgage loans.
- 2009 -> Crisis of confidence was created between the members of the European Union.
- The largest share was the economic surpluses of the balances of East Asia and mainly of China.
- The outbreak of the 2007 crisis obviously also affected Europe.

HISTORY (2)

- The European Central Bank and the members of the European Union functioned just like the US government.
- Initially, there was a coordinated reaction of the G20 Heads of Government.
- In 2009, bankers accepted much of their responsibility for the credit crunch.
- In Greece the unemployment rate at the end of 2009 reached 9.3%.

HISTORY (3)

- ❖ In 6th March 2009, the Dow Jones hit its lowest level of 6,443.27

- ❖ In 2009, the world economy faced the worst recession of the post-conflict.
- ❖ The number of unemployed in the United States and the European Union has reached 15 million. In United States, the unemployed and the under-employed are about 25 million. Before the economic crisis was below 5%.

HISTORY (4)

- ❖ The lending rates were launched and the European Union was a state of weakness. In 2010, Germany, China, Japan said that they were not willing to abandon exports and turn to their domestic market.
- ❖ At the same time, in Greece, the international rating agencies downgraded its economy.
- ❖ In mid-2010, the Greek government announced to citizens the inclusion in the Stability and Growth Program.
- ❖ The European Union announced the development of a financing mechanism by the International Monetary Fund.

HISTORY (5)

- The Greek government decided on 5th May 2010 to sign the memorandum.
- Greece's debt in the third quarter of 2010 had risen to 184.00%
- In Europe the average annual rate of inflation was 2.7%. There were no prospects for growth and the eurozone banks were pushing to either finance our country's budget or loans.

HISTORY (6)

- In Greece in August, a series of measures followed.
- The purpose of these measures was to increase the liquidity of banks and financial markets.
- The G20 leaders implemented measures for financial institutions and were approved by the ECB. At the same time, the European Systemic Risk Board was created with responsibility for overseeing the identification and assessment of systemic risks.
- In 2014, the two largest economies in Europe were in opposite directions. The German economy was growing rapidly, while the French economy was marginal.

HISTORY (7)

- 2014 in the United States, the inflation has risen steadily as compared to 2013.
- The Greek economy experienced a growth rate of approximately 0.82%. Rating agencies upgraded Greece from B to B.
- In December in Greece leaked e-mail of the card web that referred a series of austerity measure.
- Thus, the Prime Minister of Greece announced early at 25th January 2015.

HISTORY (8)

- Along with Greece's third memorandum was announced the program of Quantitative Relaxation.
- In 2016, the government recapitalize the Greek banks due to the poor financial situation of the country.

- Also, there was a strong concern about to deal with the immigration and refugees' issue.
- The situation in the United States and the European Union has not changed dramatically the following year.

HISTORY (9)

- ❖ In the United States of America in the first quarter of 2011, GDP grew by 0.4% compared with the last quarter of 2010.

- ❖ There is tension between the United States and Germany, because Germany has a surplus balance.

- ❖ Germany's benefit from the economic recession was €40.9 billion from 2010 to 2014.

HISTORY (10)

- ❖ At the same time in Greece, the economy has been boosted by €10 billion from the financial stability fund.
- ❖ This legislation was put in the Greek parliament on 5th November provided for a set of measures of €19 billion
- ❖ In Europe in 2012, there were in recession almost all the Member States of the European Union.
- ❖ Typically, in April 2012 job positions were decreased by 400,000 in Greece, by 660,000 in Spain and in Italy by 185,000.

- ❖ Great Britain entered the crisis at the end of 2011.

THE CAUSES OF ECONOMIC CRISIS

- We started with global macroeconomic imbalance. China grew and expanded its financial sector, while the United States and the Dollar were holding low.
- Another factor was excessive credit expansion.
- An additional reason was the lack of supervision and the gaps that had been created in United States and the countries of the European Union.
- Based on the above we understand that this combination was a catalytic factor in the creation of the crisis.

THE CONSEQUENCES OF GLOBAL FINANCIAL CRISIS

➢ **Vs Environment**

The main issues that concern the planet and the environment are overpopulation and atmospheric pollution.

➢ **Vs Crime**

The conclusion they have reached is that poverty and unemployment significantly affect crime levels. Rates are rising in times of recession and are decreasing in times of recovery.

➢ **Vs Smoking**

The continuous and gradual decline in demand pushed businesses to close. Trying to find an escape and a solution some people turned to smoking.

SIMILARITIES BETWEEN 1929 AND 2007

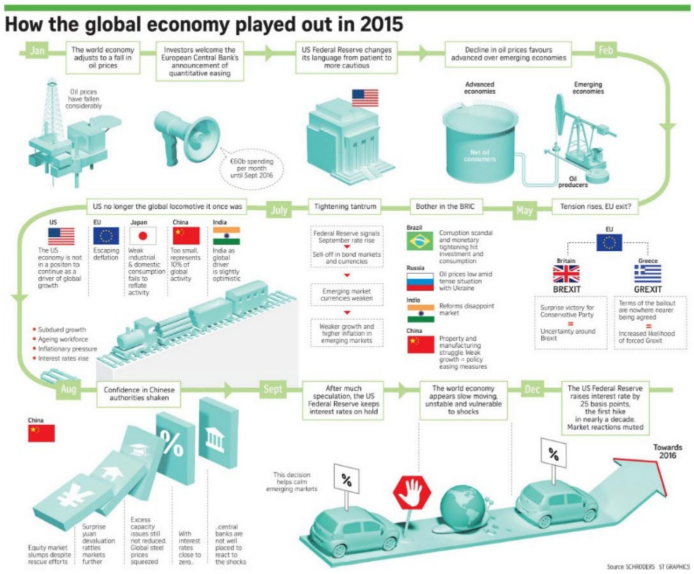
- The creation of a fictitious capital market where bond suppliers used debt instruments to sell these securities to companies.
- Borrowing

- The question of the hegemonic power in the global financial system (which name is capitalism).
- The lack of hegemonic stability in a global capitalist system leads to major conflicts and wars, aiming at re-structuring the global system and consolidating a new hegemony.

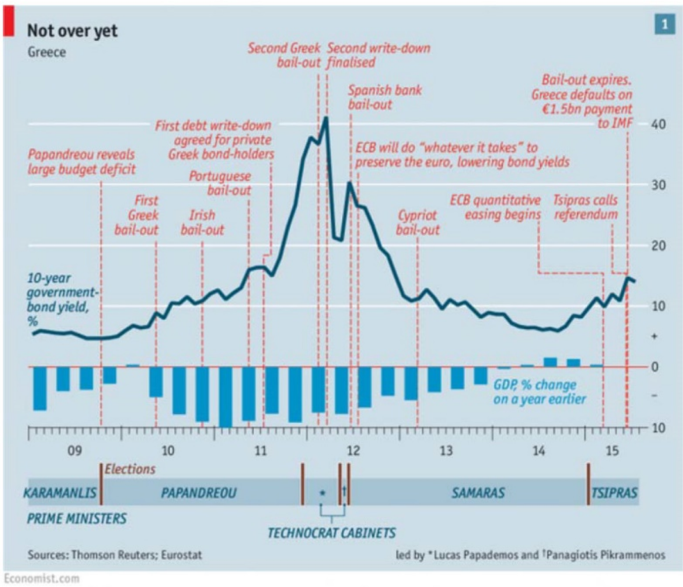
CONCLUSIONS

- ✓ The financial crisis brings to light the weaknesses of the economies, which are not perceived when the countries are in recovery.
- ✓ We realize that each case needs special handling.

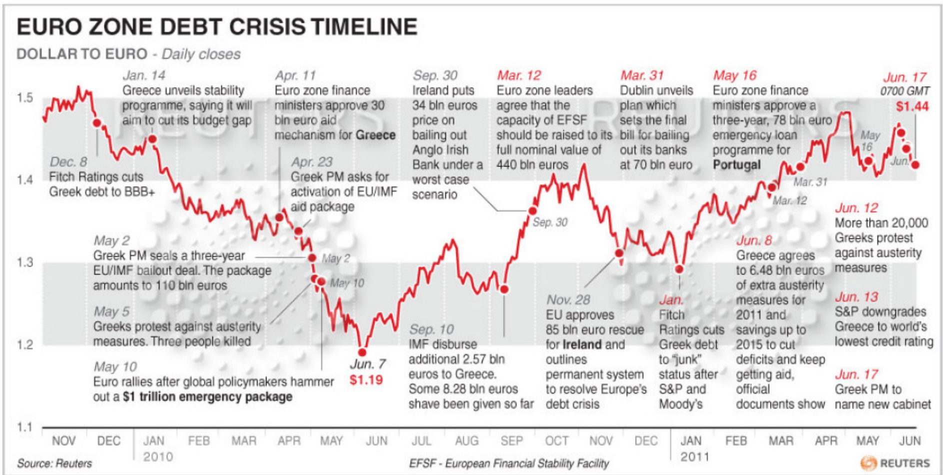
TIMELINES & INFOGRAPHICS (1)



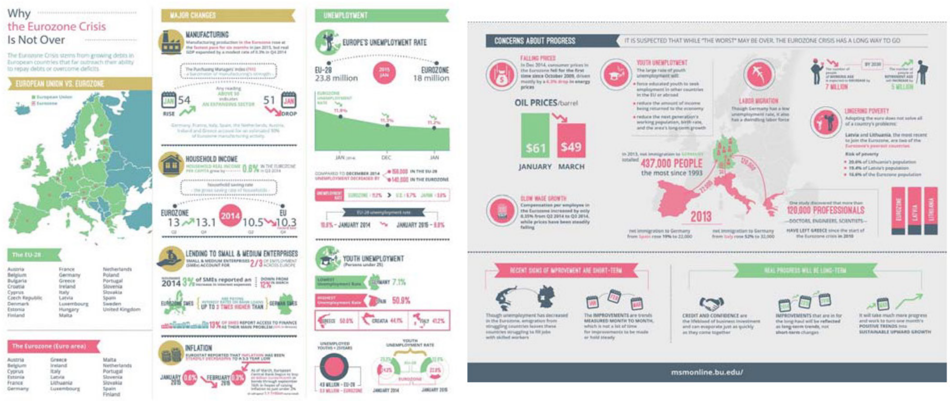
TIMELINES & INFOGRAPHICS (2)



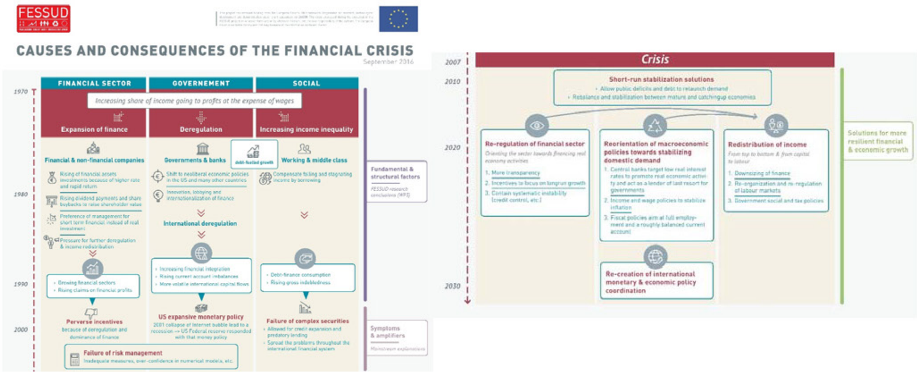
TIMELINES & INFOGRAPHICS (3)



TIMELINES & INFOGRAPHICS (4)



TIMELINES & INFOGRAPHICS (5)



Thank you for your attention

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