THE PUBLIC DEBT MANAGEMENT IN THE CONTEXT OF GLOBAL ECONOMIC CRISIS.PREVENTING THE EMERGENCE OF ECONOMIC SHOCKS

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Abstract

The global economic crisis has affected the U.S.A. economy.The breaking of speculative economic and financialbubbleshas provoked a crisis of the economic system.The economic policies has the objective to relaunch an economic and financial environment after the crisis which broke out in 2008.The sustainable economic development is influenced by public debt management.The article intends to reveal the public debt management policy in conditions of economic crisis apparition.Both the European Union as well the United States have combated the economic crisis through proactive economic and financial measures.Prevention of economic shocks represents an action which must be done globally.

Keywords: *economic crisis, globalization, economic development, public debt, economic policies.*

JEL Classification: E60, E61, E62, E64, E65, E66, H60, H62, H63, H68, O11, O23.

INTRODUCTION

The economic shocks can occur at any time at global level.The amplitudes varies depending on the level of stateseconomic development and the periods of time in which erupts negative economic fluctuations.The public debt management must be administered effectively to not generate serious economic slippages.The democratic economic system self-regulatingeconomic through criseswith variousamplitudes.The global economic mechanism may face serious problems of efficiencyif arenot achievedanticipatorymeasures for efficiency enhancementof business environment.Thus, investments in the economy and creating jobs can create an economic and financial environment based on a continuous sustainable development.The economic crisesrepresentsperiods of timewhen states are facing with trust problemsin economy and inmechanisms which must to accomplish the economic growth policies.The public debt management represents a central element of efficient administration of state's economy. The economic crises are succeeding in the form of economic cycles in various time periods.Forecasting the economic shocks depends on the way in whichperceive the economic environment an opportunities in the market, governed by the law of supply and demand.The economic prosperity is brought by the proper management of monetary and fiscal policies.The global context in which economic strategies must focus makes the risk management at the state level to be anmakes the risk management at the state level to be a determinant factor of economic evolution.

Preventing and combating the economic crises is very important to happenin a dynamic and anticipative way.Economists such as NourielRoubini, George Soros, Kenneth Rogoff, Joseph E. Stiglitz, Charles R. Morris have debated in detail the economic crisis which affected the world after 2008.The damages made by the economic crisis are high.Thus, the state must actively regulate the financial evolution of the economic environment.The globalization encourages both economic development as well propagation in a dynamic way the economic

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crisis.The global economic system could be in airremediably way affected as a result of speculative bubbles concentrated bursting.The article is composed of three chapters: 1.) the importance of public debt management, 2.) the impact of negatives economic fluctuations on global level,3.) prevention and combating economic shocks.

1. THE IMPORTANCE OF PUBLIC DEBT MANAGEMENT

Issue of the need to finance the state budget must be achieved in as efficientlymanner in order not to unnecessarily burdening the population in the short, medium and long term.At a global level, public debt management is an element of the financial importance.Both fiscal policy as well monetary policy have the capacity to better manage the public debt of the state.Whenit occureconomic crisis, the public debt management must be achievedas prudentin order not to destabilize the economy over the medium term and long term (Calin, Magdalena, 2006, pp. 5-23).The public debt administration represents an instrument which can lead both at sustainable economic growth, as well at degradation of the economic environment, through the population burdening.The economic competitiveness of a country can be affected by the way in which policy makers establish their economic and financial measures.

In the context of aneconomic crisis, such as the one erupted in 2008,the international financial institutions have an important role in liquidity managementof states economies. IMF, World Bank and European Union can create a safe economic environment.The trust in a macroeconomic measures of states represents the basis for healthy growth of national economies.The economic crisis has propagated at global level through the contagion phenomenon.Thus, the economic crisis of bursting speculative bubbles in the USAdegenerated intoa sovereign debt crisis at European Union level (Rogoff, Kenneth, Reinhart, Carmen M., 2012, pp. 111-136).Economic crises, when it appear, must be repressed by economic economic measuresconcentrated of as many states.Both financial institutions globally as well state governments must find the common solutions to the problems caused by the economic shocks.The public debt at Romanian level in the second quarter of the year 2013 was 38.6% of GDP.Thus, Romania's public debt is not high in comparison with the debt of 93.4% , which is registered at euro area level (http://www.dailybusiness.ro, accessed on May 15, 2014).The increase of foreign direct investments, the increase labor force employment, raising the living standards of the population are indicators which should be monitored to create a healthy economic growth.The economic growth of 3.5% of GDP is necessary to an economic consolidation of Romania after the economic crisis which has affected economic market in 2009 and 2010.The European Union has registered an economic growth in 2013 of only 0.1% of GDP.Also, the states in the euro area registered an economicdecreaseof -0.4% of GDP, which shows the economic fragility of Europe (http://epp.eurostat.ec.europa.eu, accessed on May 15, 2014).The economic crisis extends its effects over long periods of time.Economic policy makers must be prepared to prevent the appearance of economic crisis.

Economic and financial market based onderegulationand sophisticated financial transactions led to the outbreak of negative economic fluctuations.The recession which broke out in 2008 caused great damagesat global level. Breaking the real estate speculative bubble has provoked great losses at the level of United States of America.Economic Turbulences has spread in financial area.The economic system which focuses on continued growth was affected by a large size economic crisis.The new economy, based on research and innovation has suffered from an identity crisis economy science.Prudence and dynamism with which was to be taken the economic measures must be reported to the needs of individuals at a certain moment in time (Stiglitz, Joseph E., 2010, pp. 15-31).Thus, between the public debt management and the level of economic development must be an interdependent relationship.If the level of economic development is low, the public debt should be at a low level.The financial discrepancies between financial capacity for repayment of loans contracted by the stateand size of public debt must not be to cope with an economic crisis.The sovereign debt crisis in Greece represents a case of deficient administration of public debt.The economic and financial policy makers must to devise strategies for the prudential regulation of how to use the public debt.

2. THE IMPACT OF NEGATIVES ECONOMIC FLUCTUATIONS ON GLOBAL LEVEL

The economic crisis which erupted in 2008 is the greatest economic shock after the great recession from 1929-1933.Effect of economic crisis is the paradigm shift of economic and financial markets.The apparent equilibrium of the economic environment has been affected by a crisis of the economic system.The credit mechanism at global level was modified.The financial deregulation has generated a crisis of trust in the global economic system.The global economic context has created an appearance conditionsof economic and financial crisis.The economic marketwas self-regulated by triggering an economic and financial crisis.Too high risk which the global economic mechanism has been built was the basis to a mismanagement of economic measures (Soros, George, 2008, pp. 7-20).All activity sectorsregistered a pronounced decline due to the decrease of demand.The economic market, governed by the law of supply and demand, registered a strong decline.The Management of economic factors should be done through the creation of market opportunitieswhich does not contain a high degree of so high riskas the economic and financial activities of the past.

The financial regulation has the objective to effectively manage the economic market equilibrium.The economic crisis is the the result of a pronounced limitation of optimum to which it tends the individual to satisfy his needs.The breaking of speculative bubbles on real estate and finance and banking domain in the U.S.A. has led to a general crisis of trust on the global economic system (Morris, Charles R., 2010, pp. 177-186).At European Union level the economic crisis has degenerated into a sovereign debt crisis.The European fiscal and budgetary mechanism suffered from unhealthy economic growth.The negative economic fluctuations was spread rapidly in the context of globalization.Thus, both the economic growth, as well the economic system crisis propagates at global level through the free market.

At global level the economic mechanisms has been changed as a result of the adoption of economic measures to combat the economic crisis.The U.S.A. model of economyis modified from the emergence of the economic crisis.Thus, it includes economic growth, political freedom and social cohesion.Due to state intervention in saving the economy, the USA has gone from an economic model based on yield to aneconomic environment recovered by saving interventions (Dinu, Marin, Socol, C., 2004, pp. 24-32).The impact which had the economic shock of the U.S.A. economyon the entire global economic system is irreversible.The recovery after economic crisis should be done gradually so as not to generate economic unsustainable growth.In history there have been many economic crisiswith different amplitudes.The current economic shock is a result of unhealthy economic growth and of mismanagement on financial and economic system deregulation.

The economic instability has created major problems for investors.For this reason, the building trustand a stability in economic marketwas a necessary condition due to the outbreak of large-scale economic recession.The need for economic and monetary policies, which aim to maintain price stability, decrease the number of firms insolvencies in the market must take into account the limits of economic processes.The economic shocks may get worse if made errors in finding solutions.The freedom of economic markets should be monitored carefully in order not to appear economic crisis (Minsky, Hyman, 2011, pp. 563-571).The economic solutions have the objectiveto create a sustainable economic development, but the way it are applied represents the central element of institutional measures.Reformationof economic mechanism can represent a solution, however the effects depend on the global economic context.

3.PREVENTION AND COMBATING ECONOMIC SHOCKS

The economic shocks represents acute decreases of states of states economy in various periods of time.The primary cause of the current crisis is represented by cheap and accessible loans.The risk in these conditions was high.Excessive debt both at the level of population as wellof the states has generated a financial and economic skidding which must be manifested in a particular way.The burst of speculative financial bubble led to the destabilization of the economic environment.Both at the level of the USA as well globally has been a pronounced economic decline.The guilt for economic crisis is divided between the financial sector, overindebted individuals and the deregulation promoted by the financial and economic policy makers.At European Union level, the economic crisis has affected public debt management.The countries with big public debts have faced with problemsof covering needs and paymentof loans contracted (Roubini, Nouriel, Mihm, Stephen, 2010, pp. 33-53).The economic rentability of states from around the world has faced with serious problems.Thus, the solution was combat the economic crisis through proactive economic and financial measures.

The fight against the current economic crisis has a long duration.The results of combating economic shocks will be visible in the medium and long term.Both the European Union as well USA have created programs to combat the economic crisis.At the level of the USA was adopted TARP (Troubled Asset Relief Program) which was meant to intervene in economic and financial market.This program has helped companies and financial institutions to redress their activity.Thus, Fannie Mae and Freddie Mac, AIG, Citibank, General Motors and Chrysler were saved for not destabilize the economic environment (Stiglitz, Joseph E., 2010, pp. 77-101).At European Union level was adopted Europe 2020 strategy, which aims a sustainable economic development (http://ec.europa.eu/europe2020/index_ro.htm, accessed on May 15, 2014).The European Union has the role to create an intervention focused on economic and financial market in order to achieve to a climate favorable of a healthy economic growth.

At global level, all the countries have elaborated programs to combat the economic crisis.Peculiarities of economic shocks were different from one country to another, but the effect was by pronounced economic decline in the global economy.Prevention of the economic shocks appearance must be a major objective of economic and financial policies around the world.The breakage of speculative bubbles can happen anytime.The Free Economic market is dominated by economic phenomena which can occur at any time.Also, as a result of the globalization process, the economy may be thundering affected by the fast propagation of economic shocks.Economic policy makers must to fructify relation of interdependence between states and to implement efficient economic measures.The wealth of individuals must be correlated with financial possibility of the market.Major imbalances which affected the globalized economy must be combated through active regulation of economic life (Dinu, Marin, 2010, pp. 136-146).The state institutions have the role to monitor the good functioning of the free market.Thus, both individuals as well the state must to undertake activities with highprudence.The economic policies achieved after the crisis erupted in 2008 must take account by the global economic context.The influence of global economic problemson the states economies can generate acute economicdecreases. Thus, economic and financial policy makers must to clearly establish their economic indicators on which to take action.

CONCLUSIONS

The economic crises affects at global level the public debt management.In the context of globalized economy, the states should prevent appearanceof economic crises.The outbreak of economic shockscan make great damage in the economic market.For this reason, the economic and financial measures must be achievedin accordance with the level of development and the necessities of individuals at a certain moment in time.Combating of economic crises is costly and can last a long time.The economic strategies must aim an economic growthwhich remove the appearance possibility of economic instability.The health of economy depends on the way it is implemented the economic policy mixboth at the state level as well globally.

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