

PERSPECTIVES OF GLOBAL FINANCIAL STABILITY UNDER THE PERSISTENCE OF ECONOMIC CRISIS

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Abstract

The international financial crisis widened the global disequilibrium, affecting also the real economy which has suffered a severe contraction, mainly in advanced countries. The crisis responses of decision makers in order to maintain the stability of financial system through bailouts of toxic assets of defaulting banks by injecting trillions of dollars/euro has shifted the crisis into the public finances, increasing the sovereign risk as happened in Euro Zone. Correcting the budgetary deficits and mitigating unsustainable debt levels became a vital precondition of countries' recovering on long and medium term but inappropriate austerity programs could hinder the economic growth on short term.

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