Management Dynamics in the Knowledge Economy
Volume 1 (2013) no. 1, pp. 143-156; www.managementdynamics.ro
ISSN: 2286-2668

America's Economic Crisis and Europe's Hamletian Dilemma

Loredana RADU
College of Communication and Public Relations,
National University of Political Studies and Public Administration, Romania
6 Povernei St., Sector 1, Bucharest, Romania
loredana.radu@comunicare.ro

Abstract. *The current paper aims to present briefly, yet clearly, the key developments of the complex phenomenon that is usually labeled as the "global economic crisis". Furthermore, the paper reveals some of the contagion mechanisms that transformed the American banking crisis into "Europe's existential crisis". The paper builds on a general consent that seems to be emerging among scholars and politicians – "the crisis in Europe is existential. It is a question of whether the EU survives as a recognizable entity." (Giddens, 2012). We totally agree with the fact that the American crisis and the European crisis could (and should) be now treated as two separate realities. However, these realities have emerged from the same root cause, which means that in order to understand why Europe is now struggling with its Hamletian dilemma, one should first take a close look behind the scenes of global economy.*

Keywords: banking crisis, European Union, solidarity

Financial globalization and eroded moral standards

The current economic crisis is now considered as "an event with no precedent in the economic history after the Second World War" (European Commission, 2009, p. 1). Despite its exceptional dimensions and implications, this crisis seems similar in many ways to past economic episodes, when the credit expansion, the low interest rates, the reduced market volatility, and the real estate boom have signaled the start of a recession's episode. Just to illustrate the magnitude of the present crisis, one could refer to Ludwig von Mises' essays, who mentioned that the Great Depression "is the unavoidable sequel to a boom. Such a crisis necessarily follows every boom generated by the attempt to reduce the <<natural rate of interest>> through increasing the fiduciary media." (von Mises, 2006, p. 163). Similarly, the actual crisis is the aggregated consequence of several macroeconomic events and factors that played a crucial role in shaping the future of our world.

However, the fact that the "American crisis" has emerged in an intensively globalized world, is a special characteristic and an aggravating factor. The current crisis has an incomparable magnitude, which is mainly, but not solely, given by the globalization processes taking place everywhere in the world. L. Wong (2009, p. 58) put it simple: "the difference with 1929 is that the world is far more interdependent and the scale of the crisis is potentially far bigger". These interdependent relations were analyzed by International Monetary Fund's (IMF's) specialists, who concluded that, globally, "the total value of portfolio investment assets tripled between 2001 and 2007 from $12.7 trillion to $39.2 trillion, before contracting sharply in 2008 as a result of the crisis to $30.8 trillion. This pattern reflects both the increase in global liquidity and financial deepening in the mid-2000s and the subsequent retrenchment during the crisis (IMF, 2010a). The phenomenon that is currently known as "financial interconnectedness" has grown exponentially just before the outburst of the crisis. In Figure 1 one can see the cross-border financial interconnectedness represented in the form of an aggregated index calculated my IMF economists.

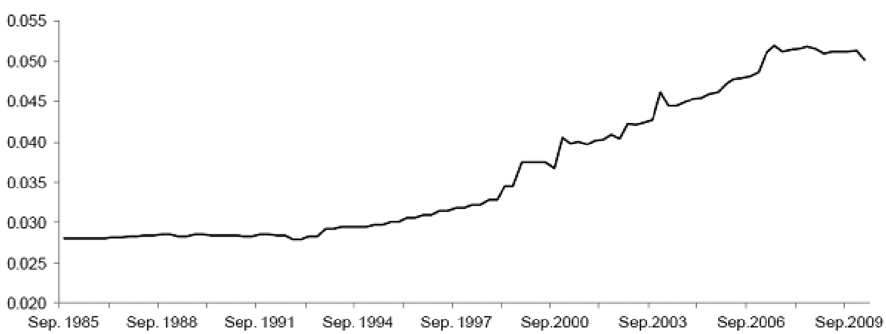

Figure 1. Cross-Border Financial Interconnectedness, 1985-2010 (IMF, 2010, p. 4)

We do not argue that financial interconnectedness in itself should be regarded as a problem *per se*. The globalization processes, which have constantly intensified after the end of the Cold War, produced deep and subtle transformations. On the one hand, "globalization has reduced the sense of isolation" (Stiglitz, 2006, p. 4), by creating new opportunities, stimulating knowledge sharing, and opening up new communication channels. On the other hand, as globalization has created a more integrated and interdependent world, "economic globalization has outpaced political globalization in terms of the change of mindset." (Stiglitz, 2008, p. 177). In a nutshell, this meant that the global institutional set was not prepared for facing the challenges of a global economic and/or financial system. No global institution has been especially designed to monitor and control the global financial flows, which is why the financial interconnectedness developed and grew in a manner that became impossible to regulate.

The lack of an institutional framework with specific tasks related to the management of the financial interconnectedness would not have been so dangerous if the business sector, in general, had premised its success on an ethical behavior. J.E. Stiglitz (2010), a Noble Prize winner, speaks about the "the avarice triumph over prudence", the Financial Crisis Inquiry Commission points out to the "systemic breakdown in accountability and ethics" (2011, p. xxii), whereas Hudson and Maioli (2010, p. 56) state that we need "to recover that common sense and morality we pushed aside". Peter Singer, one of the most prominent ethicists in the world, could not help himself to observe that, since the onset of the crisis, the Master of Business Administration Graduates at the Harvard Business School have been circulating an oath that commits them to pursue their work "in an ethical manner"; "to strive to create sustainable economic, social, and environmental prosperity worldwide"; and to manage their enterprises "in good faith, guarding against decisions and behavior that advance my own narrow ambitions but harm the enterprise and the societies it serves." In an article published in 2009, Singer asks himself: "Do business managers have a commitment to anything more than the success of their company and to making money? It would be hard to say that they do. Indeed, many business leaders deny that there is any conflict between self-interest and the interests of all. Adam Smith's "invisible hand," they believe, ensures that the pursuit of our own interests in the free market will further the interests of all." (Singer, 2009) Thus, the "invisible hand" engages business men in a ruthless quest for market share, whereas ethics is usually eclipsed by the need to obtain profits in a free (i.e. deregulated) market.

An anatomy of the crisis demands a more exact approach, concerned with the specific events that shaped the world's economic and political image. As the crisis bears a "made in USA" label, the history of the crisis leads us in the United States of America. In the April 2007 edition of the "Global Financial Stability Report", the economists at the International Monetary Fund signaled a slight destabilization of the financial markets, given by the weakening of the U.S. housing market and potential cross-border spillovers (IMF, 2007). Also, IMF economists pointed out that the American credit risk was highly concentrated among subprime borrowers—i.e., those borrowers with impaired or limited credit histories—which in 2006 accounted for over 14% of the residential mortgage-related securities market (idem). According to the Mortgage Bankers Association National Survey, the subprime mortgage delinquencies increased sharply right before the crisis, from approx. 5% in

2005 to over 30% in 2007. Tightened credit rules were a double edged measure. The most obvious and intended effect was to prevent the apparition of new mortgage-related delinquencies. The unintended and far-reaching effect was the impossibility of many subprime borrowers to pay back their credits. The impossibility of payment brought an injection of executable mortgages on the American market, which caused the collapse of the real estate prices.

In January 2011, the Financial Crisis Inquiry Commission published the first official report on the roots of the economic crisis. The "Final Report of the National Commission on the Causes of the Financial and Economic Crisis in the United States" basically details the American economic downturn by departing from the events already signaled by the IMF economists in mid-2007. The free fall of the real estate market and the abrupt shut down of subprime lending caused losses for many financial corporations. One of the first omens of the turmoil was the fall of the ABX index – i.e., a trading index specific for financial services companies – by 5% at the end of 2006 (US, 2011, p. 32) The first victims of the borrowers' decreasing trust were several small to medium financial services companies, such as Mortgage Solutions or Sebring Capital that went bankrupt at the end of 2006. Still, the risk officers within the top five banks in the US foresaw that the collapse of the subprime lenders was only a matter of time. This seemed like a self-fulfilling prophecy in 2007 and 2008, when famous big financial corporations, such as Citibank, HBSC, Bear Stearns, Lehman Brothers faced serious problems. In recent literature, one can find several even opposing explanations for the collapse of the American banking system. For example, Aalbers (2008) argues that the state enabled both securitization and subprime lending, and Gotham (2006) analyses the deregulation of the mortgage market. Hudson and Maioli (2010, p. 55) consider that the absence of state regulations is a myth of the actual financial crisis, arguing that „part of the guilt is to be shared with many regulators whose actions were absent or inefficient". The Financial Crisis Inquiry Commission admits that „widespread failures in financial regulation and supervision proved devastating to the stability of the nation's financial markets" (US Congress, 2011, p. xviii).

Joseph Stiglitz offers us a comprehensive and more balanced, we dare say, analysis of the American crisis. „To understand what happened, you have to begin by asking what the financial sector is supposed to do. It's very simple: it is supposed to allocate capital and manage risk, both with low transaction costs. If I were to grade our (the US) financial system, I would have to give it an F." (Stiglitz, 2010, p. 322). Stiglitz „peels back the onion" and concludes that the American crisis has been unfolding in front of our own eyes during the last decade. In his own words, „the only surprise about the economic crisis of 2008 was that it came as a surprise to so many" (Stiglitz, 2010, p. 53). The first signal, Stiglitz believes, was the American invasion in Iraq, which determined a fast increase in the price of the oil barrel – from only $34 in March 2003 to $137 in July 2008 (idem). This meant that the US used to spend $1,4 billion per day for importing oil. The financial shocks have been further facilitated by the lack of smart crediting and subpriming, and, also, by the banks' increasing risk appetite.

Straightforward, one can identify at least two important neuralgic points of the American crisis (Griffith-Jones, Ocampo & Stiglitz, 2010, pp. 19 – 50). The first is related to incentive problems, raised by both executives, accounting firms, and rating agencies, which encouraged the provision of misleading information about the corporate performance. In addition, the bail-out procedures put in place by the Federal Reserve were subject to a paradox. Instead of saving the financial corporations, the bail-out contributed to the further aggravation of their situation by triggering two important mechanisms. First, the banks benefiting from bail-out funding lost the confidence of their clients and investors. Second, as the Federal Reserve did not put any conditions related to how the bail-out funds should be spent, the benefiting corporations preferred to keep the liquidities for their own and to freeze the crediting. Unfortunately, many of these liquidities were also invested in executive bonuses and incentives schemes.

The second neuralgic point was created by economic modeling problems. Adam Smith's „invisible hand", rejuvenated by Milton Friedman, was considered as a given by many contemporary economists. The key principles derived from natural rate theory were that „a) markets are efficient (...); b) monetary policy is neutral to the real economy and the fiscal policy" (Schettkat, 2010, p. 299). These principles have guided economic policy since the 1970s and have prevented governmental intervention in financial affairs, including regulations in the banking sector. Given these neuralgic aspects, one could agree that „recessions can be seen as the tip of the iceberg" (Stiglitz, 2009, p. 293). The systemic market failures from underneath the iceberg give rise in the aggregate to structural inefficiencies.

The contagion

Given the short time span in which the USA exported their crisis in Europe and elsewhere, many specialists believe that globalization in itself is not a complete answer to the question "How could this rapid contagion happen?". In mid-

2007, the IMF mentioned that it was unlikely that the American problems would affect other economies. Additionally, in the June 2007 edition of the Financial Stability Review, the economists within the European Central Bank stated that "with the euro area financial system in a generally healthy condition and the economic outlook remaining favorable, the most likely prospect is that financial system stability will be maintained in the period ahead." (European Central Bank, 2007, p. 9). Obviously, key international financial institutions overestimated the self-regulating capacity of free markets. The unexpected degree of global contagion started to be signaled at the end of 2007, when both IMF and ECB increased their market risk expectations.

Several specialists under the umbrella of United Nations Conference on Trade and Development analyzed the means by which the US exported their own crisis (UNCTAD, 2009, pp. 4-9). They identified several rather macroeconomic mechanisms that led to this rapid and (for some) unexpected increase in magnitude of the economic quake. One channel of contagion was the global imbalances' phenomenon, an over debated subject in dedicated literature. In short, "global imbalances meant that there was excess saving from the surplus country, and excess saving lead to low interest rates, and low interest rates can feed bubbles." (Stiglitz, 2010, p. 325). After the end of the global system of Bretton Woods, it has become possible to identify an "Anglo-Saxon" part of the global economy, on the one hand, and an "Euro-Japanese" component, on the other. One key characteristic of the Anglo-Saxon economy was given by its rather liberal and rather *laissez-faire* character. An irrevocable trust in the "invisible hand" was successful in stimulating growth and job creations, and, more important, in creating a consumption boom that was not funded from real domestic income. As regards the Euro-Japanese economies, growth remained rather sluggish, which meant that people were encouraged to make savings. The result was that, for example, at the end of 2010, the average household savings rate in countries belonging to the "Euro-Japanese" block (e.g. Austria, Belgium, France, Germany, Sweden, and Switzerland) was of 11,1%, whereas in USA and UK was of only 3,3% (OECD Economic Outlook No. 85, 2010). This is not only but also an important indicator of how people in the two different types of economies manage their personal funds. Following this market philosophy, the US, as well as several countries from Western and Southern Europe, were more prone to fund their investments from credits, instead of saving and investing.

The "savings glut", which is another critical point of discussions about the global crisis, goes hand in hand with the global imbalances phenomenon. Many countries from the Euro-Japanese block started to accumulate billions of dollars as a measure for securing themselves against the international risks (UNCTAD, 2009). However, these savings gave birth to what Joseph Stiglitz calls "the paradox of thrift" (2010, p. 326), this meaning that an increase in savings may actually lead to a weaker economy. The capital is not released in the economy and it is simply kept in the national safe. By not fueling the economy with liquidities, these economies contributed implicitly to the aggravation of the crisis

By investigating the organizational dimension of the crisis, one may identify another important contagion channel – the institutional contagion. From the institutional side, the short-term success of the Anglo-Saxon economies gave birth to a revolution. According to Robert Hudson and Sara Maioli (2010, pp. 53-70), emerging economies tried to replicate the success stories of Anglo-Saxon corporations by simply replicating their business model. "For example, countries whose institutional environment historically encouraged savings saw a cultural shift and a move towards acceptance of debt and a softening of regulation." (Hudson & Maioli, 2010, p. 60).

As regards the European Union, the first reaction in relation to the American crisis was to simply decouple from the unappealing turmoil. This was hardly possible from various reasons, already described. In the first place, the belt-tightening exercise done by countries in the continental Europe (i.e. Germany and France) resulted in slow or no wage growth, which determined a decline in the consumption trends. In the second place, it is estimated that one fourth of the American "toxic" mortgages went abroad (Stiglitz, 2010). In this way, the US succeeded in exporting its own crisis to Asia and mostly in Europe. In the third place, the institutional contagion transformed many financial organizations in Europe, and made them rely on high debt and leveraging. Last but not least, the US exported their deregulatory philosophy and made European institutions believe in the emblematic "invisible hand" of free markets.

The crisis in the European Union

Impressed by the success of American financial services, large European banks had aggressively expanded in the USA. This rapid expansion was also due to the Financial Services Action Plan, an ambitious program launched by the European Commission after the introduction of the euro in 1999. The Financial Services Action Plan was meant to create an integrated financial system in the Euro area (Frangakis, 2009) and was strongly influenced by the American model, "giving priority to promoting market-based forms of finance, and encouraging financial institutions to become more competitive" (Evans, 2011, p. 98).

The institutional contagion was triggered by the American banking dream of making huge profits from, by using a rather small amount of real capital. Betting on subpriming and high leveraging was not a winning strategy in the long run. According to estimates done by the IMF, the total losses incurred by euro area banks between 2007 and 2010 amounted to $630 billion, which places them rather close to the figure for American banks of $878 billion (IMF, 2010b). Similar to the bail-out strategy put in place by the Federal Reserve in the US, European governments provided guarantees for bank lending in their attempt to equilibrate the financial market. The total commitment done by euro area governments accounted for 28% of the area's gross domestic product (GDP), which is comparable to the total commitment done by the Federal Reserve of 26% of the American GDP (IMF, 2010a). These are only a few of the striking numbers that can make us create a rather realistic picture of the crisis in Europe.

The recession in the euro area officially ended in mid-2009, even though the social strain was still to come. In the second half of the year output finally began to rise again and growth strengthened in the first half of 2010. Nevertheless, economic output remained below the level it had reached prior to the onset of the crisis and, while the unemployment rate did edge downwards in some countries, most notably Germany. The first austerity measures were implemented by Ireland in December 2009, which included reducing civil servants' pay, cutting welfare payments and child benefits (Financial Times, 2009). Other Member States (e.g. Spain, Portugal, Romania, Bulgaria, Poland) soon embarked in the austerity train. These measures were subject to controversies, as they reduced the purchase power and, implicitly, the economic output in several countries. Furthermore, the austerity measures were too much about cutting salaries and they simply eluded the necessity for several specific indicators that would make the measures more equitable and certainly more bearable.

The Greek crisis was by far the gravest challenge that the single currency has faced since its creation, in 1999. In May 2010, the European Commission together with the IMF granted Greece with a 110 billion EUR loan. This is the most expensive country bail-out in the history of the European Union. However, taxpayers in Germany and elsewhere were understandably riled with this decision. Another 100 billion Euro bail-out package for Greece was approved in 2012.

Another country hit very hard by the crisis was Ireland, which had to cope with the failure of its oversized banking system. As compared to Greece, Ireland was not a direct beneficiary of the Commission's emergency funds. By middle 2011, the Irish government succeeded in funding its own skyrocketing deficit. In 2011, the Irish bank started to support their operations with support from the ECB, who repeatedly lent money to the Irish banking sector. In this way, Ireland succeeded in preserving its economic status quo.

Both the Greek and the Irish cases point out to a weakness of the European Monetary Union (EMU) – the economic and monetary union cannot be feasible in the absence of the fiscal union. When the institutional framework for the EMU was constructed during the 1990s this question was discussed under the heading: "Can a monetary union without a political union be stable?". Many analysts and economists remained rather skeptical at that time. "One side implication of this strategic decision was that it became impossible to unify banking supervision in the common currency area." (Gros, 2009, p. 106). These deficiencies in fiscal regulation and supervision had been identified as a potential weakness of the EMU ever since its creation. The new supervisory institutions settled in 2011 at European level might be able to correct this weakness and to create the prerequisites for a transparent monitoring system. For the second half of 2011, the ECB forecast remains pessimistic, "as the sovereign risk crisis and its interplay with the banking sector worsened in an environment of weakening macroeconomic growth prospects." (ECB, 2011, p. 9).

The recession in the euro area officially ended in mid-2009, which did not actually mean that Europe could consider itself in a safe position. The social and economic strain was only at its beginnings. The extreme economic turmoil divided the European public sphere between "net contributors" (i.e. Germany, France) of the crisis and "net beneficiaries" (i.e. Greece, Portugal, Spain, and new member states). However, this division is rather perception-based, than facts-based, as the underlining causes of the crisis in the periphery of the European Union are deeply rooted in structural inefficiencies and lack of coordination at the central level.

Under the pressure exerted by both intra-European (i.e. the dilution of convergence, the polarization of the Member States, the private debt in the new member states) and extra-European forces (the pressure of globalization, the emergence of China as a genuine global player), Europe is "in the midst of a fundamental reordering" (Ilves, 2012, p. 44). The "two-speed" Europe is currently fueled by a discretionary division between the EU-17 (euro zone) and a slower non euro periphery. The analysts have gone even further and discuss about a periphery of the euro zone, consisting in those member states that did not achieve considerable economic outputs and recovery. Finland's European Minister, Alexander Stubb, has proposed a new "geometry" of the EU, based on economic ranking. "Within the EU-17 there is a divide between Germany, Austria, Finland, and the Netherlands, a core Triple-A, net-payers, plus a second tier of Slovenia, Slovakia, and Estonia, neither Triple-A not net-payer. And, on the other side, we can find Greece, Italy, Spain, and Portugal that for a variety of reasons have failed to follow the rules. In between there are euro-area members such as AAA Luxembourg, AA+ France, and AA Belgium, net payers, whose positions on fiscal disciplines are somewhat more ambiguous." (idem). Therefore, within the framework of the crisis, the "two-speed" Europe risks to become a "three-speed Europe", split among the first tier of countries (Germany, Austria, Finland, and the Netherlands), the second-tier countries consisting in the new periphery of the euro-zone, and a third-tier composed of the states outside the monetary union.

During the crisis, nine out of the ten countries form Central and Eastern Europe passed through recession. Latvia and Estonia have entered the recession ever since 2008. Romania is tributary to the same economic patterns that affected the emerging economies in the European Union. The abundance of cheap money, the real estate boom, the weakness of the financial regulatory system created important vulnerabilities that brought Romania on the edge of economic collapse. Similar to other states from the periphery of the EU, Romania benefited from the financial support on behalf of the IMF, EU, and EBRD.

D. Dăianu considers that the countries in Central and Eastern Europe are among the states most affected by the crisis (2011, p. 2). Except for Poland, all these economies encountered very serious problems, while the public deficit rocketed. The financial support from the EU, the IMF, and other international financial institutions was a necessary solution. Starting from 2010, the EU periphery (the so-called "new member states") became the new bridgehead of the European crisis. The IMF experts speak about the problems of the European Union periphery as being "particularly acute" (IMF, 2011, xv). Furthermore, "reestablishing fiscal and financial sustainability in the face of low or negative growth and high interest rates is a substantial challenge. And,

Volume 1 (2013) no. 1, pp. 143-156; www.managementdynamics.ro

while extreme, the problems of the EU periphery point to a more general problem: an underlying low rate of growth of potential output. Adjustment is very hard when growth is very low." (IMF, 2011, xv).

Conclusion. European Union's Hamletian dilemma

What started as a banking crisis in the US, ended as a solidarity crisis in the EU, or, into the words of one of the most prominent German philosophers, into a "crisis of the European Union" (Habermas, 2012a). The current crisis has unveiled at least three structural vulnerabilities of the Union. First, the multi-speed Europe has emerged as a painful reality, pointing out to the fact that Member States are, indeed, extremely different in terms of economic opportunities and, also, in terms of political positioning. Second, European leaders' inability to effectively cope with the crisis in 2009 and 2010 translated into a slow-paced response to critical events, and, ultimately, into uninspired political decisions. Here we could rightfully speak of a generalized political myopia with long-term negative impact at all levels. Third, the general perception that certain Member-States (e.g. Greece) are to be blamed for Europe's turmoil, thus having to pay the crisis' bill, fuels nationalist movements, which radically put the European project under the question mark.

There is general consent that the current economic crisis in general and the euro crisis, in particular, place the European Union in a very unsafe position in both economic and political terms. There are important voices' talking about Europe's being situated at the crossroads, somewhere between growing euroskepticism and decreasing "europhoria". Many believe that the EU heads towards inevitable dissolution, whereas others dare say that the only solution for Europe is to go beyond national interests and to finally discover the ""holy grail" of political federalization.

Jurgen Habermas, probably the most prominent philosopher at the present time, considers that..

> …only a significant consolidation of European integration can sustain a common currency without the need for a never-ending series of bailouts, which in the long term would strain the solidarity of the European national populations in the eurozone on both sides – donor countries and recipients – to breaking point. This means, however, that a transfer of sovereignty to European institutions is unavoidable in order to impose effective fiscal discipline and guarantee a stable financial system. (Habermas, 2012b)

The gap between the two Europes – the core Europe, made of the "old member states" vs. the peripheral Europe composed of the "new member states" – has been clearly and somehow dramatically revealed during the European negotiations over the EU's budget for the next programming period (2014-2020). Significantly reduced, the 2014-2020 EU Budget was approved after the European Summit on the 7th and the 8th of February 2013. In his official speech on the outcome of the new European Multiannual Financial Framework, Jose Manuel Barroso declared that "the Commission would of course have preferred an outcome with more ambition for Europe." The European project is torn under the pressure of two opposing forces: the national interests vs. the European unity. The European solidarity is under the question mark, as political leaders seem unwilling to make the big and promising step towards the political unification.

Unexpectedly, in a speech given in February 2013, German President Joachim Gauck identifies the true source of strain for Europe and calls for a reconciliation among all Member-States:

> *Attractive though Europe is, the European Union leaves too many people feeling powerless and without a voice. I hear this and read it on almost a daily basis and can tell you: there are issues in Europe that need clearing up. When I see all the signs of people's impatience, exhaustion and frustration, when I hear about polls showing a populace unsure about pursuing "more" Europe, it seems to me that we are pausing on a new threshold – unsure whether we should really stride out on the onward journey. There is more to this crisis than its economic dimension. It is also a crisis of confidence in Europe as a political project. This is not just a struggle for our currency; we are struggling with an internal quandary too*. (Gauck, 2013)

This "pacifist" speech may throw a veil of optimism on European politics, especially that it comes from the leader of EU's most powerful economy, and, implicitly, from the EU's most important contributor. What is at stake? As many scholars put it before, "more" Europe is the only way to survive in today's world. More Europe would give us, the Europeans, the right to actually mean something on an enlarged and globalized political scene. With economic mammoths rising fast, with emerging countries catching up, more Europe would grant Member-States with the opportunity to play a key-role on the international stage. In this context, Europe must solve its Hamletian dilemma by using the logic of integration. Thus, "to be" is Europe's categorical imperative in an era of solidarity.

Volume 1 (2013) no. 1, pp. 143-156; www.managementdynamics.ro

References

Barroso, J.M.D. (2013). Speech by President Barroso on the outcome of the European Council meeting on the Multiannual Financial Framework of 7-8 February 2013. Retrieved from http://europa.eu/rapid/press-release_SPEECH-13-130_en.htm.

Dăianu, D. (2011). EU Economic Governance Reform: Are We At a Turning Point?. *Romanian Journal of European Affairs,* 11, 5-23.

Eichengreen, B. (2011). *The Euro's Never-Ending Crisis*. In Current History.

European Central Bank (2011). *Financial Stability Review*. Frankfurt: European Central Bank.

European Central Bank. (2007). *Financial Stability Review.* Frankfurt: European Central Bank.

Evans, T. (2011). The crisis in the euro area. *International Journal of Labor Research*, 3 (1), 97 - 113.

Frangakis, M. (2009). EU Financial Market integration policy. In J. Grahl (Ed.), *Global Finance and Social Europe* (pp. 91-114). Edward Elgan Publishing.

Gauck, J. (2013). Speech on the prospects for the European idea. Retrieved from http://www.bundespraesident.de/SharedDocs/Reden/EN/JoachimGauck/Reden/2013/130222-Europe.html;jsessionid=98CDF74E6EC2C5B1E8F180447280F66D.2_cid285.

Giddens, A. (2012). In Europe's Dark days, What Cause for Hope?. *The Guardian*, 12th of January 2012. Retrieved from http://www.guardian.co.uk/world/2012/jan/25/anthony-giddens-europe-dark-days-hope.

Griffith-Jones, S., Ocampo, A., & Stiglitz, J. E. (Eds.). (2010). *Time for a Visible Hand. Lessons From the 2008 World Financial Crisis*. Oxford University Press.

Gros, D. (2009). The Dogs That Didn't Bark: The EU and the Financial Crisis. In *Current History*, 108. ProQuest Central.

Hudson, R., Maioli, S. (2010). A response to <<Reflections on a global financial crisis>>. *Critical Perspectives on International Business,* 6 (1), 53 – 71.

Habermas, J. (2012a). *The Crisis of the European Union. A Response*. Cambridge: Polity Press.

Habermas, J. (2012b). Only deeper European unification can save the Eurozone. Retrieved from http://www.guardian.co.uk/commentisfree/2012/aug/09/deeper-european-unification-save-eurozone.

International Monetary Fund (2010a). Understanding Financial Interconnectedness. Retrieved from www.imf.org.

International Monetary Fund (2010b). *Navigating the Fiscal Challenges Ahead*, IMF Fiscal Monitor Series. Washington: International Monetary Fund.

International Monetary Fund (2007). Global Financial Stability Review. Washington: International Monetary Fund.

Schettkat, R. (2010). Something Unforeseeable Happened? Natural Rate Theory and Economic Crisis". *Intereconomics*, 5/2010, 297 – 304.

Singer, P. (2009). Can Business Be Ethical?. Retrieved from http://www.projectsyndicate.org/commentary/can-business-be-ethical-.

Stiglitz, J. E. (2006). Making globalization work Economic globalization has outpaced the globalization of politics and mindsets. It's time for change. Retrieved from http://www.guardian.co.uk/commentisfree/2006/sep/07/stiglitz.

Stiglitz, J. E. (2009). The Current Economic Crisis and Lessons for Economic Theory. *Eastern Economic Journal*, 35, 281- 296.

Stiglitz, J.E. (2010a). *Frefall America, Free Markets, and the Sinking of the World Economy*. New York: Norton Publishing.

Stiglitz, J. E. (2010b). Lessons from the Global Financial Crisis of 2008. *Seoul Journal of Economics,* 23 (3), 321 – 329.

United Nations Conference on Trade and Development (2009). *The Global Economic Crisis: Systemic Failures and Multilateral Remedies*. Geneva: United Nations Publications.

US Congress. (2011). The Financial Crisis Inquiry Report.

Wong, L. (2009). The crisis: a return to political economy?. *Critical Perspectives in International Business*, 5, 56-77 .