

# **THE GOVERNANCE MODEL OF THE U.S. AND E.U. AFTER THE ECONOMIC CRISIS**

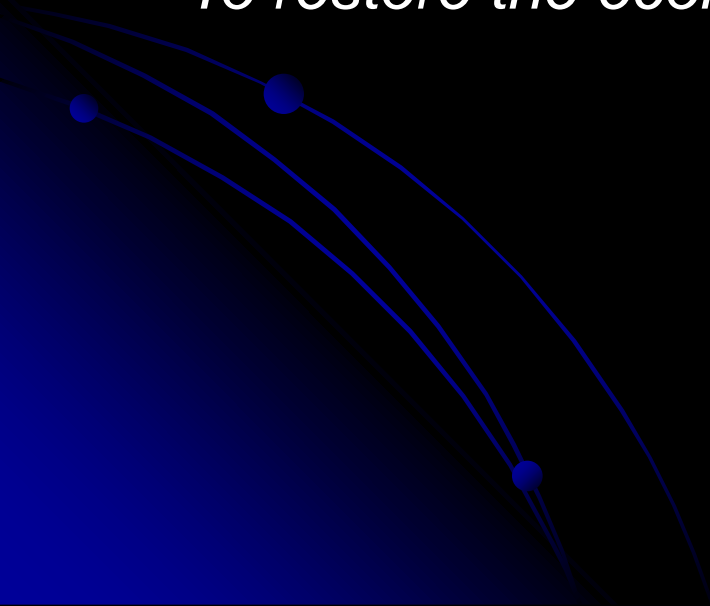
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*Over time the economic crisis that began in 2008 has had some negative consequences on the global economy.*

*Moreover this crisis sparked many controversies on one hand between the followers of Keynes and those of Friedman on one hand and on the other hand between Obama's policies envisaging growth and EU austerity policies that were aimed at reducing the deficit and debt.*

*Stiglitz and Krugman are some of the most important promoters of interventionism. They consider that an increment of the public spending as the best way to restore the economic growth in the future.*



Keynesians consider that the main cause of the crisis was the insufficient financial regulation.

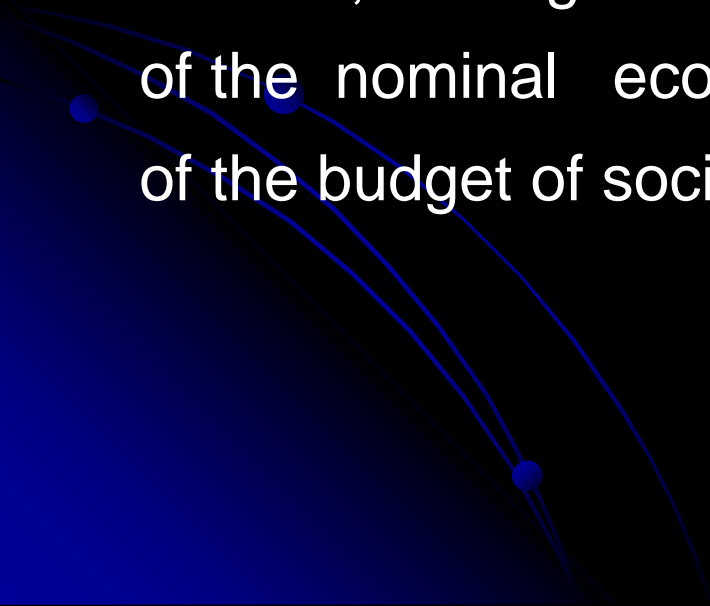
On the other hand, the neoliberal economists have an opposing view. They consider that too much interventionism that caused significant distortions on the markets represented "the seed" of the crisis.

President **Obama** made his intentions known and supported the idea of he did not support the excessive fiscal austerity, which could affect the economic recovery, and urged European leaders keep public spending before the G20 summit in Toronto.

• **Angela Merkel** has totally different opinion and said it was the severe curtailment of expenditure.

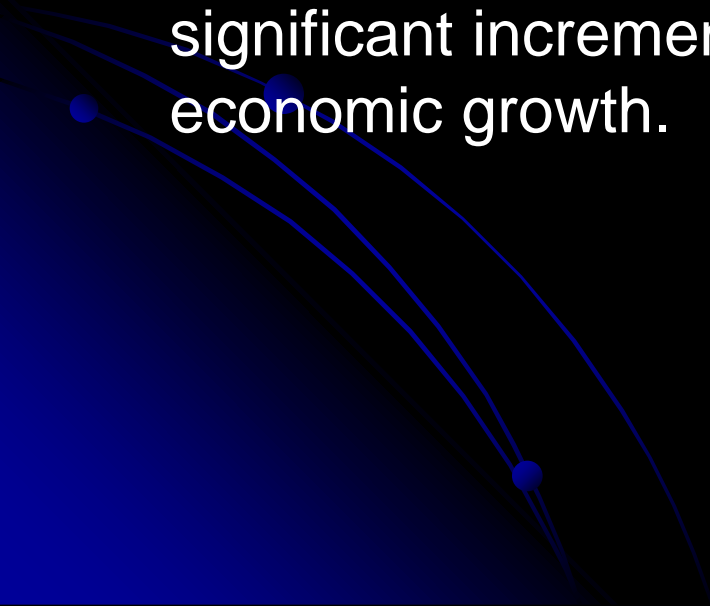


Another issue that raises controversy for the EU is the option of higher inflation and economic restructuring. The problem is that the notion of restructuring is not clearly defined, as regards the restructuring of the real economy of the nominal economy or the financial or restructuring of the budget of social fields and spending their due.



The U.S. represent a complet fiscal and monetary union, while the EU is only a monetary union and therefore no complete. The main problems in the euro zone are represented by differences of opinion concerning the fiscal policies of each nation a common vision concerning "the shape" of a federal budget proves also very difficult to be Obtained.

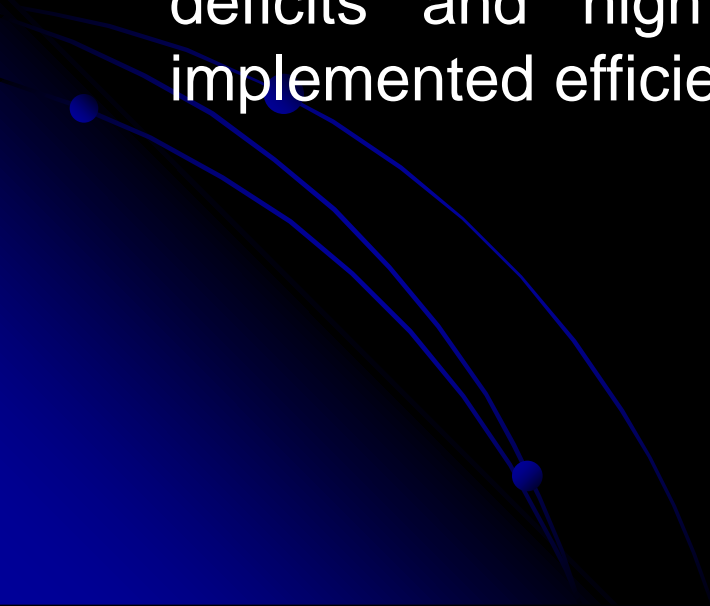
There are some economists who believe that the asymmetric monetary policies which are focused only on maintaining the price stability but not on stimulating the production capacity, lead, on the long run, towards significant increments of unemployment rates and slow economic growth.



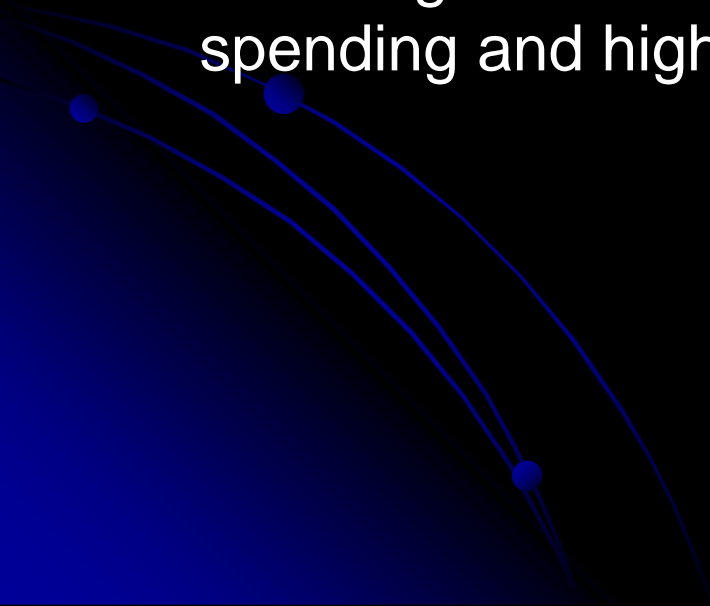


Anti-inflationary policies supported by the Bundesbank and the European Central Bank later had a major cost, namely: reducing revenues, increase unemployment, slow growth and eventually an extra care for the keynesian welfare state, which, is intended to be replaced by the schumpeterian state of economic competitiveiness, folowing the implemantation of Lisbon Agenda schedule.

Both the fiscal and monetary policy adopted by Keynes's supporters proved to be ineffective in trying economic recovery. due to the existence of major public deficits and high public debt, there could not be implemented efficient tax reduction measures.

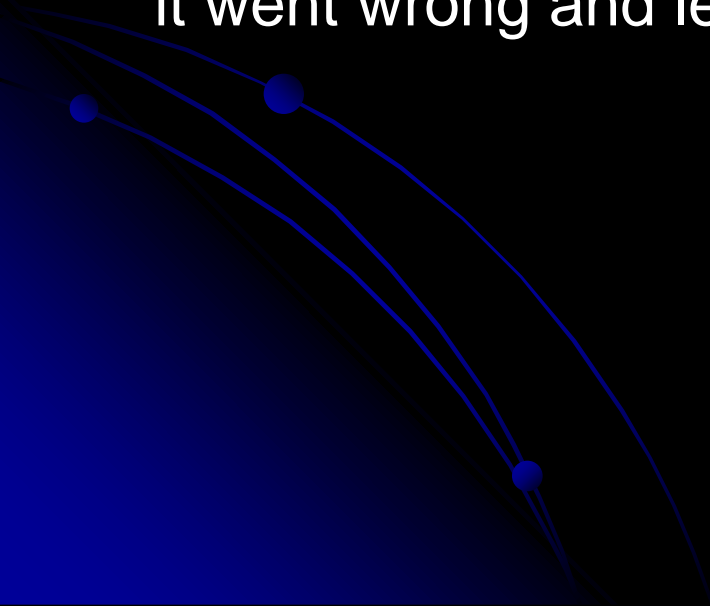


**Joseph Stiglitz** does not support fiscal austerity and balanced budget orthodoxy and questions the position of Germany and France, who believe that restoring business as possible through lower budget spending and higher taxes .



The economic crisis is a consequence of financial regulation and supervision weak macroeconomic which generated speculation and risky activities.

After the events in the U.S. can see exactly where it went wrong and led to series of negative events.





Many have lost their jobs, not because trade liberalization or removal of protectionism, but rather due to the higher costs of inputs, credit costs and of course even exes regulation played an important role.

**D. Harper** says his side supply line and proposes as main policy tools for economic growth three pillars, namely:



-fiscal policy,

-regulatory policy

- monetary policy



In 2000 was adopted the Lisbon strategy agenda which represents a supply model that proposes the adoption of sectoral policies. Agenda's main goal was that of transforming the EU economy in the most prosperous economy in the world.




**Joseph Stiglitz** is one of the bitter supporter of sustainable economic growth that is based on human resource. Moreover, Stiglitz believes that both the government and public authorities have the capacity to support the development of infrastructure and education, especially in times of recession.



Both U.S. and E.U. are trying to identify the best solutions in order to minimize the negative effects that were produced by the present economic crises.

The conclusion is that we need a new type of corporate governance and economic governance that should be much more responsible and more efficient than what we have today.



Thank you for the attention!

