European financial crisis

Literature, Russian Literature

European Financial Crisis The European financial crisis has resulted from poor economic performance of the Eurozone. The situation was worsened by the series of worsening economic events around the globe at the time of the crisis. The causes of the European financial crisis encompass individual member countries, as well as the Eurozone as a whole. Economic hardships in member countries translated to the crisis that the Eurozone experienced. For instance, Greece overstated its economic status in the zone, making the country live in a means that was way much higher than its actual potential. Over and above individual member perpetration to the crisis, the European region as a whole triggered the crisis. Exacerbated credit growth, low risk premia prevalence, liquidity abundance, and real estate bubbles are some of the major causes of the European financial crisis (European Commission 4). Other causes relate to the primary currency of the region; the Euro. Deteriorated euro value resulted in economic poor performance in key sectors of the European economy. As a result, recession scenario was looming, characterized by fluctuating business cycle. On the same note, the rush by financial institutions to safeguard their interests amid the economic downturn exacerbated the occurrence of the European financial crisis. Parties responsible for the crisis spread across different sectors of the economy. These sectors and their relevant parties perpetrated the crisis in different ways. In the financial sector, financial institutions were primarily responsible. Commercial banks rushed to make windfall profits at a time when the euro was performing poorly in the money market. On the same note, these institutions sought to safeguard their business portfolio by being slow to adjust their operations in such a way that would ease pressure in the

economy. The bid to secure business interests at the time when the economy was starting to decline in terms of performance plunged the region into a financial crisis.

In the government sector, central banks are primarily responsible. Central banks' monetary and government spending decisions influenced interest rates negatively. Surging interest rates were realized even before the crisis exploded. Another aspect of responsibility in the government sector emanates from the fact that some European governments have defaulted debts (European Commission 9). Doing so has subsequently affected investments in the region to a point where financial crisis has been realized. The implication is that investors have to share in any loss realized due to the effects transferred to their stocks. Inflation cannot fail to be noted, a scenario that still revolves around the various governments in the region and their monetary authorities or agencies.

Fixing the European financial crisis needs the collaboration of all stakeholders in the region. The European economy need to be effectively managed by all economies involved. The various countries that make up the European region should be evaluated and assessed for their economic potential, since doing so will minimize or alleviate cases of countries living beyond their economic means (European Commission 17). Also, the monetary agencies in the region need to work together in order to harmonize currency issues, a factor that would subsequently address interest rate concerns in the region.

Works Cited

European Commission. " Economic Crisis in Europe: Causes, Consequences

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