

# [How europe is affecting the economic recovery in the usa](https://assignbuster.com/how-europe-is-affecting-the-economic-recovery-in-the-usa/)

[Business](https://assignbuster.com/essay-subjects/business/)

Europe, which suffers from the global financial crisis that broke out in 2010, is pulling down the United States of America. The USA, as a main exporter of goods, raw materials, services, which previously supported the economy, is losing its main consumption market. Close economic relationship between the United States and the European Union has led to the powerful blows of crisis and is creating economic bubbles on the financial market, real estate market and precious metals market.

27 countries of the European Union make up the largest economy of the world. Their aggregate GDP is larger for 16-17% than that of the United States, and more than twice larger than Chinese. Europe accounts for over 20% of exports from the United States and significant part of export of China and other Asian countries, as well as about 17% of the revenue and earnings of the companies from the list of S&P 500. “ The crisis in Europe has affected the U. S. economy by acting as a drag on our exports, weighing on business and consumer confidence, and pressuring U.

S. financial markets and institutions”, said the Federal Reserve Chairman Ben S. Bernanke. According to the research, which was held by a senior economist of Wells Fargo Mark Vitner, the United States, whose economy depends on the exports, is in bad situation. Utah, West Virginia and Nevada, which have successfully traded in natural resources with the countries of the European Union, are going now through unpleasant moments of today.

The “ breadwinners” of Utah and Nevada were the gold and silver, which these states successfully transported over the Atlantic Ocean for wealthy lovers of precious metals of the old world. Coal turned to be a stone around the neck of West Virginia, since this state is the biggest its exporter. Alongside with Virginia there is another state, Louisiana, which also suffers, as its economy is founded on the chemical and petroleum industries. Notwithstanding, in the first two quarters of 2010, the export of chemicals to Europe from Louisiana decreased by 31 percent. The chain eaction of European crisis affected the economy of South Carolina, which focuses on such industry as transportation. Over 250 companies are working in this direction.

Yet, over the past year, export of the state fell to 1. 4 per cent of GDP. The state’s economy is supported by investing in businesses, including a new factory ofBoeing. Recession and decrease in exports create deficit on the labor market in the United States as well as in Europe. 40 per cent of tourists and visitors in the United States are Europeans.

And today this significant sector of tourism has declined, affecting budgets of the cities that attract travelers. Kris Bledowski, a chief economist at the Manufacturers Alliance for Productivity and Innovation, points that Europe is also an important source of such components, as car engines and plastic parts, to many U. S. manufacturers. Among the European companies that felt the impact of the crisis are the world’s biggest steel company, ArcelorMittal and main pharmaceutical company British GlaxoSmithKline.

“ I don’t see the light in the end of this tunnel”, said General Director of the Swedish truck manufacturer Scania AB, Leif Estling. Global interdependence and interconnectedness of the world’s leading countries results in the cross-flow of crisis from one economy to another; thus restoring of the U. S. economy after the collapse of 2008 depends on the recovery of the EU. The EU should actively establish and implement new policy, cut governmental expenditures, reduce credit infusion into the economy that stimulates inflation and direct actions to restore financial and banking systems.

The unstable situation in the eurozone and unemployment that has reached a level of 25% in Spain, decreased the consumer demand and development of the world trade, reducing its speed and concentration of moving to the local market. Nevertheless, retail sales in the United States before presidential elections intensified because of improvement of the citizens’ mood. Young people aged 15-17 years are called the “ lost generation”, due to the fact that their parents are unable to provide them with education; growing uunemployment leaves them with no prospects and makes them unable to repay loans. Global economic growth remains moderate and risks remain high. There are delays in creating a single Banking Union in the EU, “ breakage” in the United States and slowdown in the growth of the economy in some developing countries, including China.

The economic recovery in the United States is still developing at a very slow pace. That is clearly reflected in numbers: this year the Fund expects from the United States’ GDP growth up to 2%, and up to 2. 3% in 2013. The Federal budget deficit is expected at levels of 7. 5% and 6%, respectively.

National debt should reach 106. 7% in the current year and in the future it must rise to 110. 7%. In my opinion, no country should leave the European Union. It will threaten the very idea of the European unity. Nevertheless, such countries as Greece and Spain must not wait for regular infusions, loans and transfers.

The IMF demands instead to increase and improve the flow of taxes, to accelerate sales of the state property, to start exchange of the Treasury securities and to minimize expenditures. The countries must act independently and actively implement new policy by reducing their budgets, maintaining internal reforms, protecting their currency and financial system, reducing unemployment, etc. While Greece waits the next tranche, Spain for the fifth time has adopted the draft about increase in cost savings, tax burden and tax revenue that are expected at the level of 3. 8 percent in 2013, compared to 2012, cost-cutting budget for 13 billion Euros by cutting social spending and state departments’ spending for 12%. On the other hand, they do not think about declining of GDP.

A leading analyst Bloomberg calls this plan as recession plan. Therefore, on the basis of the foregoing, heaven helps those who help themselves. In our case, the world economy now depends on the correctness of the decisions made by the heads of the countries and their active deployment in order to improve consumption market, maintain recapitalization, mergers and internal funding, create special reserve funds, etc.