Debt crisis in europe evolved over the period 2013 14 essay examples

Parts of the World, Europe

In Europe, during the period 2013/2014 the debt evolved with a 5% increase totaling up to $900 billion rise in the debt. The fiscal theory explains how limitation should be set in place check through the monetary policy to help assess the large debt. Threats of Deficits rate raise amplified inflation increasing the problem of debt in the period 2013/2014.

The adoption of the monetary policy in 2014 induced an active narrow banking trend in Europe. The adoption called for both financial and technological innovation that led to a massive expenditure for the government. The result was an increase in both tax and debt for the European nation. Treasury Bonds of countries such as Ireland were trading at 2. 85 percent; this was to attract global investors with a low interest rates. In 2013, the ratio of Ireland's debt to its economic output has nearly doubled. The IMF suggested that the euro-zone required a bailout fund.

Health insurance policy, loss of job opportunities and increase in unemployment promoted an increase in the rate of debt in the fiscal year 2013/14. Loss of state revenue and health insurance accompanied loss of work. Such a condition means the state is enabled to correct the expected revenue to sustain it day to day activities. In such instances, the government is forced to subscribe to loans in local and international banks. In the third quarter of year 2013, the rate of unemployment in the zone was at 12. 1% but was stabilizing.

The zones debt increased to 92. 6 percent of zones gross domestic product (92. 6 % of the GDP). The European zone governments combined their budget deficits for the year 2013 in line with their target. Eighteen countries reported that the use of the Euro reduced their deficits to 3% of the GDP in

2013; this was a reduction from 3. 7 in 2007.

Economic growth of the area for the fourth quarter of 2013 was at a negative 5. 1%. The European countries borrowing costs were rising; this was factors such as borrower's economic weaknesses and political stresses. There was a rise in the doubt of OMT program and decreasing the decreasing flexibility of the national banks and state pension funds to purchase government debt would lead to further increase of the borrowing rates.

In response to the debt issue, the government stimulated economic growth and cutting the nationwide spending. The plan was to generate revenue that would boost economic activity. Similarly, an institution focused on cutting their spending with the aim of reducing deficit.

Furthermore, supporting institutions such as the IMF focused on monetary policy that lowered the fiscal policy. The idea is to stabilize supply of money in Europe rather than decrease the interest rates on the loans. Also, the European nations have adopted actions focusing on reducing the bonding rating and inflationary in solving their debt crises.

The European zone governments combined their budget deficits for the year 2013 in line with their target so as to reduce the debt deficits.