Basic critical thinking

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Basic Critical Thinking Basic Critical Thinking The European debt crisis is essentially the shorthand definition of Europe's profound struggle to pay off its built up debt in the last few decades. In the region, five countries, namely Spain, Ireland, Greece, Italy and Portugal have, to different degrees, been unable to generate sufficient economic progress to allow their capability to pay back creditors such as bondholders. While the five countries were considered to be in immediate danger of imminent default, the crisis caused far-reaching implications, which extend far beyond the boundaries of these countries to the entire world (Cline & Wolff, 2012). The European debt crisis is one of the most critical financial huddles encountered by the global economy, but the problem is also perhaps the hardest to appreciate.

The global economy has undergone slow growth since the financial crisis of 2008, which revealed the unsound fiscal policies of European countries and other countries across the globe (Rushe, 2012). Greece, which engaged in vigorous spending for years, was unable to institute financial reforms; thus was one of the initial countries to suffer the consequences of weak growth. This problem is relevant to the modern financial world since it reveals how slow growth causes slow tax incomes, resulting in exceedingly high and unsustainable budget deficits. The magnitude of the problem became evident as Greece announced that the country's debts exceeded the entire size of its economy. In order to curtail the European debt crisis, the European Union established a series of bailouts for the troubled economies, beginning with the 2010 110 billion Euro bailout for Greece, and subsequent bailouts for Ireland and Portugal in 2010 and 2011, respectively (Lynn, 2010). The EU and IMF established a debt restructuring strategy for the countries experiencing debt issues. However, the action plan moved quite slowly

because the EU requires consent from all union members before dispatching bailouts to troubled countries. It is hence critical that the EU develops effective and timely strategies to assist its member countries recover from the debt crisis. The problem essentially concerns European countries' inability to pay off their debts, owing to their dwindling economic capabilities.

The boundaries of the problem situation are essentially the bounds of the European Union, and some of the most viable alternatives include seeking financial assistance from the international community so as to bail out all countries affected by the debt crisis. The greatest advantage of this strategy is that the international community can raise sufficient funds to bailout all affected countries within a short span of time. However, such assistance will not prevent a similar situation from occurring in the future. Alternatively, the EU legislative could develop strategies to enable each EU country to revitalize its economy to enable the countries pay off their debts through economic growth stimulus packages. This strategy is beneficial since it attains dual goals; enhanced economic growth and payment of all debts over time (Cline & Wolff, 2012). However, the plan is bound to take quite some time before countries are able to pay off their own debts. Information regarding the EU's perceptions to international borrowing and growth stimulation is necessary in order to evaluate both alternatives. The most applicable solution is the economic growth stimulation alternative. In order to achieve this, economic wellbeing can be guaranteed by revitalizing domestic industries, cutting back on public expenditures and supporting domestic industries to enhance economic growth. Presently, the solution is relatively effective in revitalizing the countries' economies since most

countries have reduced their expenditure (Cline & Wolff, 2012). However, this solution is somewhat slow; thus requires adjustments such as enhancing foreign direct investment in the countries to enhance economic growth.

References

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