

# [Cypriot financial crisis](https://assignbuster.com/cypriot-financial-crisis/)

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One of the uniting factors in Cyprus today is the ongoing economic recession we are facing. Although it reached its peak just a few months ago, the financial crisis which is now melting our economy dates back five years ago when the United States of America (USA) was in the same situation. However, this later spread to other parts of the world and would soon become a global issue. As an economist, I have been writing my articles to give my well researched opinions on how we can remedy our economy. If you are not aware, then you need to know that this crisis began in 2008 after USA put stern measures to salvage its economy in 2007/8.

The only measure which would later directly affect our economy was when the Federal Reserve Bank decided to curb subprime mortgage crisis by hiking mortgages. This affected our country because it led to the ultimate collapse of tourism and shipping industries which had been the back born of our economy (Dods, C., 2009). As a result, there were many job losses which later compelled the government to intervene. First, it increased unemployment benefit funds which became a very great burden to the government. This was the root cause of this recession that made other international organizations like the European Union (EU) to come up with measures which instigated the international agencies to poorly grade our economy.

The situation was worsened when EU implemented its 50% haircut of Russian bonds in which Cyprians had heavily invested. The effects of this crisis were greatly felt in many ways. Notably, it resulted into the closure of Cyprus Popular Bank which is of course the second largest bank of the land. Although it was done as the measure of the last resort, it latter endangered the economy by demoralizing foreigners who had nvested a significant portion of their investments in this bank. Most of them were from Russia which was enjoying good working relationships with us. This was a big blow to our economy because it made such investors lose confidence in our nation.

I think we must appreciate that they have made a significant contribution to our economy. The Cyprus Popular Bank was supporting the national bank in many ways. Its closure made the government to look for alternative ways of restoring confidence to all the people who had invested both the insured and uninsured resources. They were all useful to our people since they could help in determining interest and lending rates as the government tries to tame inflations. We must accept that this is a challenge not only facing our country, but also others like Greece.

However, I would like to commend the efforts made by our government under the able leadership of Nicos Anastasiades and his predecessor Dimitris Christofias. Although it has been so hard for them, it is fair to credit them for their diplomatic relations and foreign policies. There have been interventions from our regional and global development partners like the International Monitory Fund (IMF), World Bank and EU. Although they have been enforcing stringent measures, they have at least remedied the situation and made it better than it could otherwise be. The austerity measures implemented after the European Financial Stability Facility was a major milestone in bailing out our ailing economy.

Although measures such as cutting of the social benefits, civil servants’ salaries and allowances helped to bring normalcy, they were received with lots of revolts. Similarly, the Euro zone and the IMF deal was a good mediation. The measures introduced helped to save our economy from further collapse. It iis true that no country can live in isolation. We need other people as much as they need us.

In this regard, I would like to commend our governance for taking stern measures in controlling this crisis. Both the internal and the external initiatives have been instrumental in helping this economy. Life has been so hard. Cyprians have made a lot of contributions to take the country this far. Therefore, it is upon the government to implement the austerity measures proposed by the Euro Zone and the IMF (James, W., 2012).

It should be fully committed to its terms which include privatization of the economy, restructuring of the Laiki Bank and get outlaw money laundering practices which have been robbing the country of its rightful revenues. I would like to conclude by suggesting that the government should also adopt measures like increased taxation and healthcare charges. On the other hand, it should reduce its expenditures on social benefits and pensions. This will help to increase its revenues and also regulate its expenditures. For instance, increasing Value Added Taxes (VATs) on luxurious commodities like alcohol, tobacco and fuel can enable it to increase its tax collection. However, it is also important for us to know that Cyprus is our country.

We should not leave everything for the government. The contribution for each and every one of us is paramount. Hence, I would like to assert that it is upon the Cyprians to support their economy and save it from foreseen gangers. The cost of living has increased today because of the high rate of unemployment. Despite the numerous foreign interventions received, the only thing we should do is to accept that Cyprus is our nation. Nobody should be charged with the responsibility of developing it because that is our responsibility as patriotic citizens.