

The effects of the Global Crisis on the Loan System

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Abstract

This paper offers a broad introduction to the workings of the global financial system, the dynamics of the main financial markets, the nature and goals of the key financial institutions and the crucial role played by central banks and regulatory agencies. An important part of the paper focuses on the 2007-2009 global economic and financial crisis, reviewing its causes and consequences, as well as evaluating the merits of the numerous government intervention schemes in the U.S. and Europe. In the end, however, such a blister would not be possible either without an inadequate regulation framework.

Key words: global crisis, loan system, financial crisis, financial market, central bank.

JEL Classification: G01, G21

1. Introduction

The temporary liquidity bottleneck could by the actions at first be overcome. Nevertheless, the crisis is not yet put up, because it just concerns not a pure one liquidity crisis, but around a loan and solvency crisis from not yet to foreseeable dimensions. Above all they are unclear Back effects of the financial crisis on the "real" economy, thus on investments, production and above all the private consumption.

But how could it at all generally come? For a first several ropes, that transported this process, must crisis analysis be brought together: to the one, the interest level plays a crucial one in the USA Role and with it the global interest rate differential, the new finance market protagonists and instruments are to the other to name, that dominate this "game" decisively. Building, the potential repercussions become on this analysis the finance crisis on the "real" economy sketched and in conclusion some, the "favourable"

opportunity appropriate regulation suggestions presented.

2. Interest politics and global interest rate differential

Starting point of the analysis is the bursting of the new economy - blister before good seven years. The American consumers chose the international economic network: the US market its consumer for one fifth of the global consumption responsible is, the most important home market of this is world and consequently the private consumption absolutely has one in the USA critical world-economic meaning. That was notwithstanding interest level in the USA still higher than in other countries, exactly in the direct comparison with Japan. The Japanese one central bank pursued as reaction to a stubborn one namely deflation de facto zero interest politics. This with it walking around global interest rate differential provided the necessary and steady one capital stream in the USA. The interest rate differential was an important factor, so that its role as a global "debtor and consumer the USA further-plays last authority" on high accomplishment balance deficit could.

At the end of this years-long one(s), from low interests supported it came upswing phase at the American real estate market this summer now however to one for a long time prophesied correction. The trend reversion consists at first those they real estate prices no more into the infinite climbs but a cooling found out. The global liquidity, that to big extent in the US-market flowed, became into the hands of American home candidates given, even if these under normal circumstances for not financially sound would have been considered, so-called "Supreme Mortgages", too German: second-class mortgages.

No personal capital for such loans was required not rare odder abandoned the

acquaintance payments for years, what it boom, major-driven, kindled even further.

What from the immobilize-crash in the USA a global credit crisis could do, new finance market instruments were, this itself in the last years of big popularity pleased. The mortgage banks in the USA tried over the bonds, its cancellation risks of this from time to time more than questionable, To pass on real estate credits, in that on the other hand others banks the separate credits focused and at investors in it to whole world as special bonds, it sold. The most popular instrument products structured such; the so-called ones were "Collateralized Debt Obligations" (CDOs). That is a promissory note that in several trenches-after kindness and cancellation risk the underlying credit pool-was apportioned.

The bigger the cancellation risk, the bigger the risk prize. This deceptive at such constructions was, however, that even the trenches, that seemingly quite good against losses protected was and in so far as from the pertinent rating - marked agencies wrongly with topmost music became, pulled in effect with a market collapse became. Speak, an IKB or Saxony LB that as well itself such CDOs secure allegedly had swamped, suddenly stood in it's for tax and supervision reasons to Ireland evacuated investment vehicles, named also "Conduits", before red numbers.

The crucial protagonist group in this game of the global one(s) the speculative hedge were concatenation of credit risks funds as well as investment banks. This most narrowly into the credit network entangled protagonists, the hedge funds, therefore fall also already by the dozen about. That would be essentially not further problematically; they would become with the insoles exclusively its customers-in normally extremely moneyed privateers-works.

However, their business model is based on the so-called one to the one "Leverage", that is they work with credit levers, in that it on the insole capital a multiple about foreign capital picks up.

Become with the so multiplied total capital then among other things the high-risk trenches the structured finance products bought. The credits for their levers get it of the big credit institutes that even in normally also such funds drive. To the other, there is their model in the

transformation of periods: Long-term, little fungible and partially illiquid and intangible assets become in normally at short notice financed. The systemic dynamite lie justified in this "Term Mismatch" now on the one hand and on the other hand in the intangible investment structure.

The credit cycle with the inter result closes with it, that the global credit system over Conduits and speculation businesses into the break-in of the US-American mortgage market entangled is. The interconnection explains also the interventions the big central banks: the credit system threatened literally, to dry up. The mistrust of the credit institutes can among each other potentially to the drying up of the interbank market leads and there still is the danger that they Credit-giving banks her/its/their positions "herd-nicely" liquidate must. then, many have to structure products, for them, it up to now at all no market prices gives, compulsory-sold becomes and would cause a chain reaction. However, the real size of the too expectant credit and solvency crisis is absolutely foreseeable,

3. Stake and its real consequence

Not only the USA even have interest in a strong demand in the USA but the entire world economy, all in front the big export countries like China, Japan, the OPEC states and Germany. Consequently, the real estate boom was in the USA for long time, at least short-term interest of the entire participant.

While from official side conciliatory a "cleaning thunderstorm", this, is spoken of to a more realistic reappraisal of the risks leads and greeting in this respect is, the reactions of the governments speak and grade banks another language.

The reason for it is in the central meaning of credit money for the real economics. The nature of the credit funding if it is to be accelerated economic activities, this regulatory agencies buying power level is lifted. In the reverse conclusion, the current restraint means with it credit award a lowering of the buying power. The credit cancellations is not moreover restricted on the real estate market but can itself on CDOs with credit cards and auto credits as well and with the funding of private-equity-investitures stretches. Now

what he/it as liquidity crisis of sides still. It is played down banks, can change fast into a solvency crisis; with entire economic consequences in form one, at first US-American, economic situation break-in absolutely with global dimension.

Admittedly, the grade banks can reduce the money in price further, they have however nevertheless only restricted direct control over them money quantity. The willingness of the banks, that them from the grade banks, to call accessible done liquidity, it can don't influence directly. Moreover, also the central banks know not, where the risks lie and they have which size. Short: the means and instruments of the central banks, the crisis, to catch, are restrict.

4. A time window for new rules

The limited money politics therefore must through more strongly preventive working, political measures are supplemented-in these senses must the crisis used as chance for the regulative protagonists becomes. At first place, Hedge would have to funds and this other market protagonists and its owners (big banks, investment banks) are regulated clearly more strictly. After this youngest experiences with these protagonists signal in the meantime also the USA and Great Britain willingness, the rules, to intensify. However, this industry is to the biggest share to find in different finance locations, why itself for an effective control at first only the increase of this it offers domestic banks - and finance market regulation.

The finance market crisis threatens worldwide the prosperity. However, in her latest pointing cooperate false developments of the markets and policy which often go back far back in the past: the global deregulation of markets without suitable political-institutional imbedding and control; the retreat of the state in many lands which has subjected more and more economic activities to the imperative of the capital markets; the process of independence of the finance sphere; the growing dissimilarity with the accumulation resulting from it of the assets which go hunting after more and more unrealistic yields and worth increases.

5. References

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