CRISIS, ANTICRISIS AND THE NEW WORLD ORDER

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Abstract: *The world economy is still fighting against the most violent crisis since 1929; at first, it appears on the financial markets, where toxic products and innovations exploded with their profits and risk. Housing bubble in the USA turned into a free fall; deregulation and warning signs were ignored by FED, and not only. Globalization and international unbalanced tandem USA-China brought a „made in USA crisis" on international markets and turned it into a global and general one. Ştefan Mâşu, Ph.D in economic studies, identifies the responsibilities of the main actors both at microeconomic and at macroeconomic level. Now it is time for governments to act and vigorously engage in recovery and reform: simultaneously and not successively; a global response to a global crisis. The strongest and most effective initiatives are expected from there where the crisis should have been predicted, if not avoided: USA.*
The world will never be the same as before: new regulations are required, more supervision will be introduced, the international financial system with its key pillar IMF will be reshaped, the role of the Central Banks will be reviewed; financial markets and their products will be more controlled. All these objectives and actions should restructure the capitalism itself: a new ideology, a different approach of the role of the state into a liberal capitalist market, a state which proved not to be able to regulate itself. The author calls for a new moral to meet the requirements of a New World Order which is already showing its signs and signals.

Keywords: liberalism, free economy, economic stability, monetary policies, financial products, fatal innovations, floating rates, currency basket.

1. Introduction

If a free society fails in helping the numerous and
the poor, she cannot save the few and the rich.
J.F. Kennedy

Now, after having gone through more than two hundred books, as part of my documentation for writing the book,[2] *Crisis, Anti crisis and the New World Order,* followed by many other papers written by famous researchers, I reached a conclusion that makes both unhappy and worried.

It is not the governments that rule the world; the world is governed by the multinational companies. While the States are in control of the politics in the fields of education, health, infrastructure, law, taxation, public investments, etc, for short

[1] Economist, PhD
[2] Ştefan Mâşu, Petre Buneci, Gheorghe Veronica, *Crisis, Anticrisis and the New World Order*, Solaris Printing House, Bucharest, 2009.

holds on to the concern regarding the population and its welfare and security, multinationals control the economic power and take decisions disregarding governments, population, although these decisions can affect them both. Among the first one hundred world economic entities, there are more multinational companies than governments; the cumulated turnover of the first one hundred multinationals is superior to the cumulated GDP of the first one hundred and thirty two countries, while the first greatest fifty multinational companies carry out over one third of the world export.[1]

In addition to this:

- Media controls public opinion and their owners can have a different agenda from the governments and even from the public who are the target for the information.
- The succession of the events supports the terrifying and hard to believe hypothesis that the Americans themselves have organized the September 9 2001;[2]
- Vaccinations against hepatitis B, influenza, diphtheria, etc. were used for "vaccination" of substances and products produced in the US military laboratories, causing millions and tens of millions diseases and deaths, as collateral effects.[3]
- The development of the AIDS virus was financed by the US Department of Defense in 1989 and by the WHO. In 1977, WHO has injected AIDS „ trafficking" the vaccine against hepatitis B, for more than 100 de million of Africans to „resolve" the issue of demographic growth.[4]

We should not be surprised if 20-30 years later, or earlier, documents will be found similar to the ones revealing the facts mentioned above, documents stating that crisis between 2007-2010 (which will continue until the recovery in 2011, 2012) if it was not provoked, it was at least avoidable. A World Government is „necessary", a World Governing and to this aim, governments have to have more and more serious debts, crisis frequency has to be multiplied, crisis which occur anyways as part of economic cycles having well determined causes, because these economic, financial - banking disturbances can be convenient for the interests of certain groups, or may generate effects in agreement with these interests, so that it is possible for these disturbances, these crisis to be allowed to happen accompanied by all their devastating effects in the same way infestations for research purposes have been ordered and millions of people died for „security superior reasons". Anyways,

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[1] Pascal Boniface, *50 idées reçues sur l'état du monde*, Armand Colin P.H., France, Sept. 2007, pp. 63-65,
[2] Pascal Boniface, *op. cit*., pp. 21-27,
[3] Anne Givaudan, *Les dossiers sur le Gouvernement Mondial*, S.O.I.S P.H., France, Jan. 2009, pp. 137-233,
[4] Anne Givaudan, *op. cit.*, p. 195.

at least one American personality, Allan Greenspan, former President of F.E.D. knew about the crisis and chose (or others chose for him) to keep quite. Until when?

2. Liberalism and Free Economy

Adam Smith's invisible hand proved to be a utopia.
Mario Sepi, C.E.E.S President.

The economic liberalism concept has been shaken by 1929-1933 crisis that brought to light the incapacity of the „market capitalism", of the liberal individualism and „minimal" state, to provide the dynamic balance of the economy and society. As Jean Michel Quatrepoint presented in his paper *La crise globale*, this global capitalism was falling apart, was the victim of its own excesses and contradictions.[1]

As Paul Jorion remarked in his paper *La crise. Des subprimes au séisme financiere planétaire*[2], capitalism, examined from a historical perspective, presented in the past 50 years, alternate periods of at least 10 years of working relatively smoothly, followed by a period of crisis of 5 years or more. This observation complements the earlier analysis, leading to the "optimal" hypothesis - according to which capitalism is characterized by a cyclical process, with a "natural" alternation for good times and bad times, and therefore there is no reason to be concerned even in the present situation we are going through now. There is also a totally different interpretation, i.e. the "pessimistic hypothesis", according to which, crisis contain the germ of capitalism breakdown, leading to the conclusion that this crisis might be the end of capitalism. Karl Marx belongs to the group of pessimists with his conceptions according to which, capitalism presents a precondition of its disappearance when one of its major crisis emerges. It seems that the first who transformed the ideas of free economy into a doctrine were the French **physiocrats** F. Quesnay in *The Economic Picture* and Mirabeau (the father), Dupont de Nemours and Turgot, who started from the principle that „wealth has to be created freely". Having a more universal dimension, Adam Smith advanced the idea of „a natural organization of economic life" in his capital paper *An Inquiry into the Nature and Causes of the Wealth of Nations*, 1776.[3]

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[1] Jean Michel Quatrepoint, *La crise globale*, Mille et une nuits P.H., France 2008, p. 29,

[2] Paul Jorion, *La crise. Des subprimes au séisme financier planétaire*, Fayard P.H., Paris, 2008, p. 266,

[3] This is the translation of the French version of Adam Smth's paper, with the original title *Wealth of Nations* ; regarding the term „physiocfrat", it belongs to Dupont de Nemours and can be translated by the „power of nature"(phusis - nature, kratos - power). See Michel Guenaire, *Il faut terminer la revolution libérale*, Flammarion P.H., France, March 2009, pp.111-114.

For Adam Smith, **the individual interest** played the role of an engine: „ Any man, as long as he does not break the law, has total freedom to follow the path shown by his own interest and to take his industry and capital wherever he wants." Private interest becomes the soul of economic liberalism and, the last tone substitutes „Supreme state". „Laissez faire, laissez passer" is the slogan taken and consolidated Adam Smith to the extent where he identifies himself with it, although there are some authors who state that this famous slogan belongs to the physiocrat Jean-Claude Marie Vincent. So, there is an „invisible hand", a spontaneous order of movements in economy.

Both at world and European level, one created the framework for the establishment of institutions which have encouraged and stimulated a more and more intense, active participation of the **actors specialized** in commercial exchange and in what is the object of our paper, in providing the financial framework of flux and capital transfers and their protection.

The actors of the „liberal revolution"**,** very well trained in the beginning, are those who have translated the liberal capitalist theories into figures and results, are the same ones who have put dynamite into the system, through excess of liberty, exhausting the self control capacity and entering an area of no control, the most favored conditions for crisis.

F.R.B. – Federal Reserve Bank

It has been created in 1913, having the mission to provide an **optimal long term growth** of the American economy and to maintain employment, however, the 1929-1933 Great Depression has demonstrated that FRB - private institution with public independent function - has not found the formula for framing its objective within an adequate monetary policy. **C.E.B. (Central European Bank)**

From January 1 1999 onwards, The Central European Bank (C.E.B) is the body in charge with the European Monetary Policy of the EURO zone, through interest rates aiming at orienting the economy; when an economic „superheating" is found out, the E.C.B. raises its **interest rates**, in order to limit the inflation tendencies, while in case of a recession risk the bank reduces the interest rates in order to stimulate the economic agents to make loans and to re-launch the economy.

C.E.B.'s doctrine is different from the F.R.B.'s; it has got one primary objective - price stability and it aims at maintaining a real, positive interest rate and consequently, C.E.B. and F.R.B have reacted differently when the crisis [1] has started.

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[1] Bertrand Jacquillat, Vivien Levy - Garboua, *Les 100 mots de la crise financière*, PUF P.H., Paris, 2009, pp. 7-8; for instance, in Dec. 2008, the BE.C.B. has granted loans of 75 billion $ to 50 banks in the Euro zone, satisfying entirely their request for American currency. (op. cit).

Central Banks

There is a Central Bank in each country whose objectives may vary, from country to country, although recent years experience leads to a harmonization of their objectives and to a multilateral coordination, of the Basel Agreement type.

In the middle of the crisis and in the context of contraction and restrain from credits, the „credit crunch" phenomenon has placed Central Banks in the centre of debates and criticism, and made them (equally) responsible for (lack of) supervision of the financial actors and, especially, when they decided to intervene, even though they had no choice, for socialization of a loss generated by private, identifiable actors.[1]

[1] Stock Exchanges

Stock exchanges, given their signaling nature, have entered, from the very beginning, in the vicious circle formed by the main actors of the financial market Stock exchanges, given their signaling nature, have entered the vicious circle formed by the main actors of the financial market, and creating an authentic domino effect.

Nicolas Crespelle, asks himself quite rightly, where has disappeared all this big money lost in the stock exchange; now, when retro actively formulated, the answer is simple, but how comes the phenomenon was not seen before the stock exchange crash? All this big money, says the above quoted author, has never existed, because the values did not have a correspondent in money, they were only written in files. However, all these values that disappeared for ever, have served to a long series of loans that entered the real economy, contaminating it.

[2] Investment Banks

Initially, this institution used to intervene, from case to case, at a client's order, to purchase stocks at the stock exchange, to be remunerated with a small percentage (hundreds of percentage, given the great values), a **basic point** (BP). Little by little, they entered more structured products, more complex operations and eluded the bank regulations, until they started „feel the taste" to act on their own on the exchange markets, producing the leverage effect, whose mechanism we will discover further, in a subsequent chapter[2]. They become „business banks".

[3] Sovereign Wealth Funds

Long time discrete, managing state reserves, mining or oil incomes in a state account, Sovereign Wealth Funds (S.W.F.) have come to light, around mid 2000, at the same time with the explosion of prices for raw materials which brought them

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[1] Nicolas Beniès, *Petit manual de la crise*, Syllepse P.H., France, Jan. 2009, pp. 45-53; also, Morad El Hateb, Philippe Jumel, *La finance mondiale*, *op. cit.*, chap. „La phase finale et les Banques Centrales", pp. 199-233,

[2] Nicolas Crespelle, *La crise en questions*, Eyroles P.H, France, 2009, pp. 164-165.

fabulous incomes, so that these funds sit on mountains of cash today; hence "appetite comes while eating" and sovereign funds have entered deeper and deeper into less "orthodox" market transactions.

[4] Investment Funds

Symbol of excesses in financial market operations, of speculation brought to the extreme, of "financial chivalry", with sophisticated and ultra daring raisings these funds, most often +15% in 2007, average performances of these funds have become negative in 2008 (-35%).

They represent, in a majestic way, the descendent path, from glory to disaster, a phenomenon of an unmatched scale, having extraordinary significations for the economy, but also for the society as well, including the elite; „Hedge" funds are to be found among the actors bearing the greatest responsibility for the financial disaster of the years 2007-2009.

[5] Rating Agencies

Three big agencies dominate the market, owning 80% of the world rating market: Standard and Poor's, Moody's Investor Service and Fitch Rating; they regularly release opinions, synthetic evaluations under the form of notices, on the capacity of a beneficiary to reimburse the installments of a debt, both in point of capital and interest, on time; rating agencies have lost credibility, by giving superior ranking to some agencies and products presenting major risks, attracting diverse and serious suspicion around them.

3. Monetary policies and economic stability in the context of crisis

The Dollar is our currency, but it is your problem.
John Connaly, former Secretary of
State for de Stat of U.S. Treasury

A. The International Monetary System Is Shaking

One year before the financial banking came to light, Pierre Leconte, this expert recognized on the financial markets in Switzerland, London and New York, shocked his readers, and not only them, announcing nothing more than that "the great monetary crisis of the 21st century has already started "[1], a crisis in the very center of stability of the world economy – unbelievable; the great 21st century crisis already happening in the first decade and being evaluated as such – unthinkable; a "currency war" in a moment of glory of the liberal capitalism – unconceivable .

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[1] Pierre Leconte, *La grande crise monetaire du XXI siécle a dejà commencé*, Jean - Cyrille Godefroy P.H., Paris, 2007.

The Bretton Woods (S.M.I.) system, although based on a fixed currency exchange, allowed exchange rates changing, against the main currency, the **dollar**, defined against a certain weight in gold[1], depending on the economic situation.

The eighth decade of the 21st century has been shaken by the heavy devalue of the dollar and by the International Monetary System, marking the transition to a monetary system based on **floating rates**, controlled by the Central Banks, established against other currencies or against a **currency basket**. The year 1971 remains in History for the U.S.A unilateral suspension of dollar convertibility in gold.

The present International Monetary System has been completed with the establishment of the euro zone, starting with January 1st, 2002. However, Pierre Leconte believes that the date that has changed the recent History of the International Monetary System, and that of “History, in general” is June 2003, although few were aware of that, when Alan Greenspan, President of the Federal Reserve at that time, has established 1%, interest rate for the dollar, for short term, the lowest rate ever. Ever since, what seemed incredible became reality; only in the first 6 years after 2000, the U.S. has released more new dollars than in the entire period since the American nation has been constituted, in 1776.[2]

B. Monetary Policy and Its Perception

Together with the other economic policies (fiscal, budgetary), monetary policy plays a special role in the development of an economy, usually non inflationist and sustainable in the long run. The way monetary policy influences the economy is explained by Napoleon Pop[3], through the **Central Bank’s specific role**, regarded as essential and “became a monopoly”, in the creation and good operation of the monetary basis, an expanding economy need.

Without getting into technical details, a Central Bank can change the data of the national economy or, in the case of some bid and strong countries, of the world economy, from their own headquarters, like F.E.D. or the National Chinese Bank, using the **exchange rate policy**.

Currency rate interests, different again partner currencies and interest of the reference country are also in the Central Bank laboratory. Paul R. Krugman, Nobel Prize for economy explains this function of the exchange rate, through a very

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[1]An ounce of gold evaluated at 35 $ and vice versa 1$ = 1/35 of an ounce of gold, which is being evaluated at more than 1000 $ at present,

[2] Pierre Leconte, *op. cit*., pp.11-13,

[3] Napoleon Pop, *Virtues of the Monetary Policy* , Expert P.H., Bucharest, 2008, pp.48-56.

inspired metaphor, showing that "exchange rates are like some locks due to which production areas, with different efficacy levels, can communicate."[1]

By maintaining the dollar underestimated, F.E.D. has proved to be a good disciple of J.M. Keynes[2], when he developed the multiple aspects of stability, stating that it all depends on what target a Central Bank or a government establishes: either stability of prices or stability of exchange rates; the Americans chose the stability of their national currency in terms of purchasing power and not in terms of exchange rate against other foreign currencies.[3]

The need for a **prudential policy**–appreciate Michel Aglietta and Sandra Rigot[4]-„is a step forward against the so called Greenspan doctrine of „risk management", keeping its good parts." Financial stability and stability of prices are different objectives. The world knew financial crisis after 1990, in non inflationist situations, even in deflationist circumstances; at the same time it is necessary to have a long term perspective and proceed to long term anticipations aiming at preventing and controlling inflation, bearing clearly in mind that "financial instability is independent from long term inflationist anticipations."

C. The War of Currencies

Keeping her Yuan under evaluated, China entered, in her rhythm, slowly but surely in the group of great world powers, having a word to say for the future of the world economy. China either reevaluates her currency, substantially, and in the absence of an internal market capable to absorb the excess of products, ceases to be the engine of the world economy, or China continues to be rich through her exports, encouraged by an under estimated currency.

But the world balances, or better said unbalances, do not rely only on the axis U.S.A - China, U.S.A.- B.R.I.C., U.S.A.- emerging countries. The war of currencies, or better said the **war of banks** and of the monetary policies also play an important role on the axes U.S.A.– E.U, F.E.D.– E. C. B., respectively.

Having different opinions on the dilemma: **fight against inflation or fight for economic growth,** F.E.D. and E.C.B. have given, through their different reference

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[1] Paul R. Krugman, *La mondialisation n'est pas coupable: vertus et limites du libre -échange*, chap. „Le libre - échange est - il depassé ?", La Découverte P.H., France, Oct. 2008, pp. 195-214,

[2] John Maynard Keynes, *Sur la monnaie de l'économie*, *op. cit.*, chap. „Les objectifs possibles de la politique monétaire", pp. 105-136. See also, Mugur Isărescu, *Economic Reflections. Markets, Money, Banks*, vol. I, Expert P.H., Bucharest, 2001,

[3] Anton Brender, Florence Pisani, *La crise de la finance globalisée*, La Découverte P.H., France, Apr. 2009, chap. „Politiques monétaires et strategies financières des pays émérgeants excedentaires", pp. 46-64,

[4] Michel Aglietta, Sandra Rigot, *Crise et rénovation de la finance*, Odile Jacob PH., France, March 2009, sub chap. „Le besoin de politiques macroprudentielles", pp. 132-139.

rates, different answers for the crisis, with different results. Based on a three year model where exchange rates, interest rates, inflation, oil, budgetary policy, have been introduced, Marc Touati predicts that the U.S.A will recover growth earlier, especially in 2010, while the euro zone will remain in 2010 as well, under the limit of 2%, the major responsibility being attributed to the E.C.B. monetary policy options, which, in their turn, are affected by Europe's structural problems: taxation, public expenditure, unfinished harmonization, etc.[1]

As for George Soros, he does not take the crisis out of the context, but he places it in the middle of the world financial crisis and together with it, in what he predicted to be "the World Capitalist Crisis".[2] In another paper, a more recent one, Soros also comes to the conclusion that the world economy has been "devastated an unreasonable and uncontrolled financing" and that, as opposed to P. Leconte, „ the financial sector has to be under control."[3]

The decision makers will have a concept of a "basket" of : monetary, fiscal, banking, budgetary measures to be wrapped in legal regulations they are to propose and, depending on the situation, to impose by political will.

4. Financial products adventures: fatal innovations

Innovations support the imaginary denial of risks …and their real accumulation.
Frédéric Lordon

An entire literature becomes thicker and thicker every month, especially beginning with 2007-2008 and continues to be added with more and more new papers, dictionaries, glossaries regarding types of risk operations and products.[4]

We are hoping that the reader perceives the specification that we are talking about "extraordinary risks", for the reason that those risks regarded as "ordinary", the banks do not have the obligation to warn or inform their clients about,

[1] Marc Touati, *Krach, boom, ……et demain*, DUNOD P.H., France, Feb. 2009, cap. „Le match des banques centrales", pp. 137-156,
[2] George Soros, *La crise du capitalisme mondial,* Plon P.H., Franţa, 1998,
[3] George Soros, *La verité sur la crise financière*, Denoël Impacts P.H., France, 2008,
[4] See, especially:
- Bertrand Jaquillat şi Vivien Levy-Garboua, *Les 100 mots de la crise financière*, PUF P.H., France, 2009,
- Catherine Kariotis şi coautori, *La crise financière en 40 concepts clés*, Revue Banque P.H, Paris, 2009,
- Delphine Lautier, Yves Simon, *Les 100 mots des produits derivés,* PUF P.H., France, 2009,
- Nicolas Crespelle, *La crise: 50 questions,* EYROLES P.H., France, 2009,
- Colectiv autori, *100 clés pour comprendre la nouvelle economie*, L'ECHO P.H., Brussels, 2009,

the accepted premise by the law being that a client entering this market takes responsibility in knowing the current risks in advance.

To what extent the investors, especially regular, small and middle class families acquired a minimum culture necessary for participating, as an actor, in a frantic market and this is another matter, thus facilitating a more or less good intervention, well or badly intentioned, of the great, specialized, highly professional actors.

We are going to make reference to the risks associated to the **real estate** values, i.e. titles, papers, print values, standards or rights values, susceptible to be spread in a large number, such as shares, bonds, funds and related parts.

Speaking of **related parts**, these are defined as financial tools, whose prices are derived from that of the underlying: either an asset (stocks, bonds, precious metals, raw materials) or a reference rate (exchange rate, interest level, index) or event (Credit incident, natural disaster).

Under such an option, the customer is the **buyer of an option** that is entitled to a fixed-term maturity, or to buy (**call option**) or sell (**put option**) a specified quantity of commodity (underlying) to a predetermined price called the **exercise or strike price**, unlike the price paid for that option which is called **premium**.

Innovations didn't stop here and even became inventions, being called in the field of financial risk, by definition, a speculation (risk) against a risk, amplifying it, to be compensated with the hope of a matching profit. This is how **compound options** have been invented, options where the underlying, the basic product is itself an option, in this way we are achieving an option over an option.

It is the case of the famous options called **Credit Default Options** (C.D.O.) allowing the wearer of the initial risk (risk seller) transfer a credit risk to a third party (risk buyer), against a premium. At maturity, when the credit default event occurs, the risk buyer must pay an amount in cash or buy a "credit distress" at a predetermined price, with physical delivery. The risk of chain reaction in credit markets was very high and exceeded the estimates, inverting the calculations of the better or less well-meaning players, and intermingling interactively with the lack of liquidity (cause and that effect), was to be found with its part of contribution in the explosion of the "bubble"[1] and trigger of the avalanches.

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[1]It is more of a literary translation of the French word „bulle" which, does not give the exacty meaning , so we prefer to explain it: „bubbl" (bulle) is a significant increase of the price of an asset, in general finacial or of a pack of assets, continuously, progressively, with an innitial increase generating expectations and anticipations of subsequent increases, in the frameork of a self maintaining system, thus attracting new buyers interested more in the obtainable profits resulted from assets resale, rather than in the intrinsic benefit (a psychosis similar tot hat of pyramidal games is created, n.a.) ; However, the „bubble" can be followed by a reverse4 of the expectations, by a brutal or significant fall of prices (krach), triggering, in most cases, a finacial crisis, and this crisis in her turn, endangers market operation, paralysing the economy, we are afcing a „systemic" risk",

According to Nicolas Benies, in his crisis *Manual*, **the leverage effect** is considerate to be a distinctive and defining technique for the **„Hedge" funds when he makes** a distinction between investment funds specializing in equity (capital investment funds) and funds specializing in negotiable instruments (cash and derivative products) and the quoted the author concludes "the latter will bear the name of **"Hedge funds",** they will resort to "leverage" as a short-term borrowing to finance speculative purchases.[1]

The great, enormous advantage of leverage is that it gives the opportunity to engage big businesses with little capital generating huge profits. And this is the very great danger: overthrow of the market trend turns the beautiful hope, the minute calculus and the ineffable mirage of spectacular gain based on which the operation was imagined into a disaster. **„Private Equity",** for everybody's understanding, is a way of financing the risking capital, designated to the businesses unlisted on the stock exchange, or for those which, quite exceptionally withdraw from the listed; these investments intervene, most frequently, in the initial development stages of the enterprises, in situations where the future perspective is uncertain and the predicted risks are high. The success of such investments depends on the timing of exit or sale of participation and the quality of management of "private equity", especially for indirect investments via a fund.

Being regulated less severely than shares traded on the stock exchange, investments in "Private Equity" expose the investor to additional risks, especially to lack of transparency in accounting, limited access, lack of public information, etc.

It didn't take long until it became clear that during this crisis, unrecorded not only in point of amplitude, but especially in point of effects and implications against the whole mechanism of this society at the beginning of the 21st century, was born by and through the **subprime crisis.**

From financial instruments and credit form, subprime has become a phenomenon: American mortgages to families in need, with low solvency were differentiated from the beginning by their philosophy, the traditional mortgage loans, called "raw" (the first solvency), of type "A", consisting of the lowest risk. The presence of a mortgage permitted the lender, in the event of default, to make seizure of the property (real estate), to put it up for sale and to compensate from the sale price; it is estimated that approx. 6 million American families from the poorest stratum of society, already indebted by previous credits, made use of the benefits of this system that looked like fallen from heaven. If in 2003 the volume of these loans

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[1] Nicolas Benies, *Petit manuel de la crise*, SYLLEPSE P. H., France, 2009, pp. 56, 58; with humour and inspiration the author adds: „Hedge funds imposed a short term dictatorship.", op. cit., p. 57.

was $ 330 billion, in less than four years, and in mid 2007, the figure had reached $ 1.300 billion.

Bertrand Jacquillat Garbo and Vivien Levy-also agree that the development of "subprime" is the result of a deliberate policy, pursued in the U.S. since the late 1990s, to "democratize" the property and ensure access to property ownership starting with housing of a category of people excluded until then (very poor, highly indebted, migrants), including those known as „NINJA" (No Income, No Job, No Asset).[1]

When F.E.D. offered a 1% interest rate, it gave almost a subsidy, since the nominal level of 1% equals a negative real rate, with such monetary policy, a credit boom in general and in property in particular was created easily and quickly. Unlimited mortgage expansion (its volume doubling in six years) has resulted in what the literature calls "housing bubble" or "real estate bubble" phenomenon of classic self-feeding.

Since 2006, the gear is moving in the opposite direction: price lowering of real estate proprieties generated a decrease of the value of mortgaged goods under the value of loans, guarantees do not cover loans and banks even if they execute the running goods, can no longer cover losses; already balances begin to show serious imbalances, classic "counterparty crisis".

This "counterpart crisis" instead of remaining circumscribed to the U.S. mortgage banking segment, she passed out, aided by American financial engineering suicidal imagination: claims were removed from bank balance sheets, thus they have "washed" accounts and have been repurchased by other financial institutions or investment funds, via the phenomenon of "titling" as the crisis emerged from her womb of simple "counterpart" crisis and contaminated the whole financial system and the whole mechanism of the society. Titborn from ling was born from mortgage debt, then expanded to other loans and underlying. The first operation is assigned to FHA, in February 1970, when MBS - Mortgage Bank Securities, appeared - bought by Ginnie Mae (G.N.M.A. - Government National Mortgage Association)[2] but the true History has been rewritten only in the past few years.

One plunged into logic of institutional and geographic propagation of "subprime crisis", also accentuated by the **opaque character of the products** that have become more and more complex, finding the **oversight and supervision** agencies,

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[1] Bertrand Jacquillat, Vivien Levy-Garboua, *op. cit.*, pp. 32-34,

[2] See Laure Klein, *La crise des suprimes*, RB P.H., France, Dec. 2008, pp. 17-19. Then the system diversified by introducing new tools: A.B.S. (Asset Backed Securities), R.M.B.S. (Residential Mortgage Backed Securities), C.M.B.S. (Commercial Mortgage Backed Securities), C.D.O. (Collateral Debt Obligation), A.B.C.P. (Asset Backed Commercial Paper).

especially the rating agencies unprepared, the letter being subject to serious suspicion of complicity and lack of deontology.

To make 'the bride more beautiful" , the banks ensured the mortgages, at the already famous Freddie Mac and Fannie Mae, and because they were bodies affiliated to the American government, it was natural and logical for them to get the best ratings from the rating agencies. In this way, a title born from a "subprime" credit, was almost rated as AAA (triple A), a rank given to the most secure credits, having the lowest risk. This was done by rating agencies and bank, "with no shame", says Marc Touati without hesitation.[1]

"Subprime" crisis has affected banks, investors, credit raisers („rehausseurs", fr.),, rating agencies, so that finally, they entered the real economy, already "coughing" because the raises in prices of oil and raw materials, strong inflation pressure, significant real estate speculations, and, it is important to point out, of profound international unbalance (American trade deficit, Chinese excess, low dollar rate against euro and other currencies, underestimation of yen and other Asian currencies.

5. Crisis and chronology

There is, indeed, something that will definitely change the world and this something has happened in America.
Mugur Isărescu, N.R. B. Governor

Since the ninety nineties, financial engineering has started restructuring everything at hand and mortgages in the first place. The principle is relatively simple: the bank creates a special vehicle collecting the credit contracts, then issues via same vehicle a series of obligations where each installment is attached to a certain credit file; this has allowed decoupling the amounts borrowed and generating an explosion of credit.

Numerous investment **funds** started borrowing to buy these attached obligations. Since these have a higher interest than the loan, the investment was a high profit generator. The banks were part of this "game", creating SIV***, (Structure investment vehicles***), their own investment channels. In order to secure themselves against any default, they covered their assets through what it was called „***Credit Default Swaps" (CDS)***, derived products covering against any kind of losses or

[1] Marc Touati, *Krach, Boom……..et demain ?*, Dunod P.H., France, 2009, p. 46. The author adds that the infernal machine stopped here and that rated with AAA,these titles became eligible for monetary or treasure SICAV -urile monetare sau de trezorerie, banks proving to be active and hardworking in offering their clients „dynamic" monetary SICAVs.

perturbances related to a certain title. In this way, the risk was diminished close to zero, at least theoretically.

By interchanging all these products, the banking system has create a "bubble" of huge speculating operations, evaluated by the International Regulation Bank (I.R.B) to over 700.000 billion $, respectively the 50 times more than the U.S. GDP, of which 62 billion only for the C.D.S.[1] This prodigious carousel swang, with no problem, as long as the initial borrowers were paying their debts. Unfortunately, the slow increase of interests practiced by F.E.D. (Federal Reserve), starting with 2005, broke the machinery. Credit holders were no longer able to reimburse their debts. More than that, the value of assets available as security (e.g. houses, buildings) collapsed, so that creditors have not been able to recover the loan amount.

At the beginning of 2007, real estate companies and loan institutions realized that the number of clients unable to pay their debts is rising. These clients, who were "fragile", and who were less forced to buy a house on credit, found themselves „suffocated". The extraordinary thing about this crisis is that, since the very beginning the **American bankers knew** that this story was to end badly. They delivered „**subprime" credits,** meaning that they named them in this way because they knew that it would be difficult to be reimbursed.[2]

Christian Chavagneux states, in his article entitled „Subprime Crisis" in the *Alternatives Economiques*[3], magazine that the present crisis has resulted in a long recession, much more serious than the one in the1930s.

In the banking system, S.I.V. was among the first victims, and, first of all the investment funds built by Bear Stearns Bank. In order to recover the situation, the bank decided to feed her SIV capital. But instead of doing it with using her own capital, this bank borrowed from other banks. The crisis triggered in August 2007. The banks started asking questions and realized that they were in the same situation. Consequently, they turned the tap for loans off and started collecting more cash to secure their guarantee deposits and redemptions

Not all the banks had access to the „credit windows" of the Central Banks, only the Commercial Banks that presented treasury certificates as security. For increasing the volume of credits, Central Banks enhanced the range of certificates accepted as security, but still no success.

Other similar institutions started to be confronted with difficulties. Two giants of American refinancing mortgage Freddie Mac and Fannie Mae[1], pillions' of the U.S. financing system have known a collapse of their stock value.

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[1] Jean Pierre Avermaete, article from *Money Talk*, 13th issue, November 2008,

[2] Olivier Pastré, Jean -Marc Sylvestre, *Le roman vrai de la crise financière*, Perrin P.H., 2008, p. 9,

[3] Christian Chavagneaux, articol în *Alternatives Economiques,* November, 2008, p.167.

These „mono liners", ensuring sensitive derivatives, have suffered significant losses. The crisis started to enhance; Freddie Mac and Fannie Mae rescuing cost, officially, 200 billion $, but in reality, the bill was 5200 billion $, half of the American public debt. Henry Paulson, the Treasury Secretary at that time, said that the collapse of the two institutions would have meant "a systemic risk" for the entire financial market. According to Jean Pierre Avermaete in his article from Money *Talk,* the governments remained passive, in the beginning. Only the supervising instances reacted, but their means were insignificant and their competences limited, so that their interventions did not resolve anything.[2] It had to wait till mid August 2008, for the Central Banks to react, jointly, to "refresh" the green note; the dollar started to recover. The American government decided to be directly involved.

A week later, the Lehman Brothers Bank went bankrupt, lacking capital inflow. The authorities refused to help them, which was a mistake. On the same day, September 15, 2008, Merrill Lynch is bought by the Bank of America for the "small amount" of 50 billion $. In December, Bank of America announces firing more than 35,000 employees in the next three years after having taken over Merill Lynch. The next day, the authorities found themselves obliged to make available 85 billion $ (60 billion euro) to rescue American International Group (A.I.G.), the greatest insuring company in the world for 79.9% of their shares. [3]

During the same week, the American government proposed the Congress a rescuing plan conceived by Paulson, the finance minister, rejected by the Congress. However, a week later, this plan was approved, due to a lot of pressure, and in the context of presidential elections. The famous Paulson plan cost the tax payer, in fact, 700 billion de dollars.[4] It is the most important state intervention since the Great Depression onwards.

On September 21, 2008, Goldman Sachs and Morgan Stanley abandoned their status of investment banks and became commercial banks, so that they could benefit from Paulson's plan.

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[1] Fannie Mae, play on words for FNMA, initials from Federal National Mortgage Association , and it was created by the Federal State in1938 and partially privatized 30 years later. Freddie Mac , a more laborios play for words on FHLMC, initials of Federal Home Loan Mortgage Corporation, was created in 1970 , following roughly the same pattern , mainly to be a competitor for Fannie Mae, because her monopoly started creating problems. For details, see Paul Jorion, *La crise*, Fayard P.H., Paris 2008, p. 73,

[2] Jean Pierre Avermaete, articol in *Money Talk*, issue. 13, November 2008,

[3] Jacques Attali, *La crise et après,* Ed. Fayard, France 2008, p. 99,

[4] *Le Monde Diplomatique*, Dec. 2008 -Jan. 2009, article *The President's People*, p. 70.

We will remake, together with other authors, the almost complete chronology of the main moments between of the eruption of the crisis between 2007-2010 and of the major earthquakes generated:

- **July 2007**: bankruptcy of the two investment funds of the Bear Stearns bank, the first significant victim of the subprime credits;[1]
- **July 2007**: BNP – Paribas freezes three of her funds, exposed to subprime ;
- **November 2007**: Sovereign Fund in Abu Dhabi buys 4,9% of the CITIGROUP American bank, injecting 7,5 billion dollars;
- **December 2007**: China Investment Corp (C.I.C.), the investment fund of the Chinese government injects 5 billion dollars in Morgan Stanley Bank;
- **December 2007**: on the brink of bankruptcy, Northern Rock, the eighth British bank is nationalized;
- **January 2008**: Bear Stearns is bought by Morgan Stanley at the price of 2 $/share, a rescue action orchestrated by F.E.D.;
- **April 2008**: The American government nationalizes „de facto” A.I.G., the first American insurer , by granting a 85 billion dollar loan, in exchange of 79,9% of capital;
- **May – June 2008**: Henri Paulson, State Secretary for the U.S. Finance Department, makes the announcement for the 700 billion dollar plan for buying the dubious debts of the banks;
- **June 2008**: Freddie Mac and Fannie Mac, the two giants of bank refinancing crash on the stock market;
- **July 2008**: Putting the American Treasury, the bankrupt giants Freddie Mac and Fannie Mac, owner of 5.400 billion dollar mortgage credits;
- **July 2008**: the Belgian, Dutch and Luxemburg governments rescue FORTIS banking and Insuring group from bankruptcy, taking over 49% each from the branch in the respective country ;
- **August 2008**: G- 20, meeting in Washington, claims transparency and regulations in international finance, as well as MIF and World Bank reform;
- **September 2008**: Lehman’s Brothers investment bank, a Wall Street „jewel” , submits balance and F.E.D. refuses to give support;

[1] This brutal eruption comes after another series of financial crisis „downloads”, since mid’80s: the „Savings and Loans”crisis, with the collapse of mortgage market, in 1986-1992; the Swidish finacial crisis with the speculating attack against the crown, in 1990-1992; the French real estate crisis with a decline of (-30% la -40%) real estate prices, in 1991-1996; the real estate Japonese crisis, in 1990-2000; Asian crisis starting with the fall of Thai Bahtului, then crisis propagation in Russia, Brazi, Argentina, in 1997-1998; the stock market crash in 2000-2002, technological crisis and over endebting of enterprises; Enron, Worldcom, Vivendi, etc. bankruptcies; followed by the climax of subprime crises, the central object of the present paper (see *DIPLOMACY*, Hors Série, Apr.- May 2009, pp. 31-32).

- **November 2008**: Merrill Lynch bank is bought by Bank of America, cu 50 billion dollar;
- **December 2008**: Bernard Leon Mad off, 70 years old, former NASDAQ owner , Wall Street famous financer admits a more than 50 billion dollar fraud, generating losses among his elite friends Palm Beach–Florida, Santander Spanish bank, BNP French bank –Paribas and other big banks,[1] the greatest financial fraud of all times;
- **April 2009:** G 20 Assembly in London regarding the directions for the New Economical;
- **July 2009:** U.S.A. in full recession. Amount of deficit announced for 2009 is more than 2 trillion dollars;
- China-S.U.A. Bilateral Summit. China obtains the American deficit indexation.
- **August 2009**: Increased rates for the shares of AIG, Freddie Mac and Fannie Mae Santander Bank on the stock exchange;
- **September 2009:** In Basel, Central Banks Governor decides a shy reform of their own structures.
- G 20 Assembly in de la Pittsburg finds out that no serious action is taken in order to control the financial system, but there are exaggerated long discussions on the banker's bonuses.
- **End of 2009**: Over 20 billion Americans lost their houses. The number of American unemployed is double compared to 2007. The unemployment rate is 18.7% in Spain, 16.3% in Latvia, 7.7%, in Germany, 9.3% in France, 10% in Ireland. In Japan, the public debt is over 200% of the GDP.
- **January 2010**: Economists and investors joint in Davos shatter hopes recovery of economy from the worst recession since the 2nd World War.

Thus, the financial crisis starts in 2007, in the U.S., and as for a first regarding the way it spread , Jacques Attali, this crisis becomes literally **planetary**, „thanks to the internet of insurance companies and investment banks." A crisis, similar to the one in 1929 in point of spreading, but having far greater amplitude.[2]

In January 2008, England, Ireland, Spain and Iceland were invaded by the crisis, and in March 2008 Canada, Mexico, Japan, the Baltic countries (Estonia, Lithuania, Latvia) are added, and in June 2008, the cyclone includes also so Denmark, Portugal, South Africa and Vietnam, devastating same year, in September, France, Italy, Australia and Hong Kong, so that in January 2009 to include Germany, Belgium, Greece, Ecuador, Chile, Ukraine, Slovenia, Hungary,

[1] At the end of June 2009, Madoff was convicted to 150 years of prison,
[2] Jacques Attali, *La crise et après?*, Fayard P.H., Paris, Nov. 2008, p. 56.

Croatia, U.A.E., Pakistan, Taiwan, Singapore, Poland, Czech Republic, Romania, Serbia, Bulgaria, Russia, China, Brazil.[1]

Beginning with the spring of 2009, the **crisis generalizes** in the entire banking network of the planet, in the whole world economy, exactly because of globalization, contradicting the timidly enough emerging hopes in mid 2008 regarding the effects of the U.S. crisis being limited to U.S.A and Europe, by disconnecting the emerging economies.

However, Michel Aglietta believes, and we share his opinion, that the present crisis will not put an end to globalization,[2] that globalization will have different manifestations, there will be changes and centers of gravity shifts, a different system of articulation and interaction for national and international actors, another **World Order**.

6. Anticrisis; relaunching and reform

With a paralyzed banking system incapable to transmit the signals of Central Banks, with enterprises confronted with debts, having, on the one hand un cashed payments and on the other hand, with families consuming at the lower limit, ultra prudential psychosis, under the circumstances **GOVERNMENTS are the only ones that can spend**, Michel Aglietta argues.[3] Getting out of the crisis means, for the concerned governments, **assuming certain public expense** which, in such a recession period, has the virtue of relaunching the engine of economy, only to the extent to which these expenses are made in areas related to economic growth. Logic becomes tougher here, because, in order to spend, **governments have no other solution than making debts**, at present; after compensating the recession and recovery to a modest growth, obviously more reduced than the potential, governments will be confronted with a (new) problem, that of public debts, which will be significantly higher, especially because the potential creditors of these governments will be tempted to ask for higher interests than before. It is an assumed price for getting out of the crisis.

With his giant authority, Jacques Attali pleads for „emergency programmes", for "re-establishment of orders in each national economy", beginning with the one where the crisis started from, the U.S. economy; the reputable expert and analyst puts forward a draft programme insisting on the **sustainable support of private demand, increase(!) minimum wages, fiscality reform**; he equally accentuates the necessity to support the industrial sectors in difficulty, the same way banks were

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[1] DIPLOMACY, Hors Série, Apr. - May 2009, p. 18, indicating I.M.F as a source,

[2] Michel Aglietta, *La crise - Pourquoi est on arrivé là ? Comment en sortir ?*, MICHALON P.H., France, Nov. 2008, pp. 45-58,

[3] Michel Aglietta, *La crise*, Michalon P.H., France, Nov. 2008, pp.120-122.

supported; massive support of interbank credit, mentain banks liquidity and solvability and even “dare nationalize, even partially, certain banks, taking over their control.”[1] Situation is, extraordinary anyways, and so is the crisis, because „ private indebt will have to be compensated by a public debt”, to avoid the danger of a generalized deflation.

Ideally, the very moment a relaunching and sustainable programme is elaborated, this one to be used for simultaneous conceiving of **structural reforms**; these involve a short term budgetary cost, adding up to the burden, but they are substantially beneficial in the long run, both for the community and for the public finance. “They should be the must be ingredient of relauching plans.”[2]

In one of the *Time Signes*[3] issues, Cristina Peli has the inspiration to quote Gordon Brown, the British Prime Minister: „We are in front of a global financial crisis, which is, perhaps, for the modern world the first global financial crisis, in the real sense of the word”, and it is also for the high British dignitary who, perceiving the dimensions of an immense responsibility, to synthesize the imperative of an un preceded structural reform. Taking into account the fact that the crisis was born and developed based on the absence of legal regulations corresponding to the new market “products”, it is the legal regulations where the change should be made and adequate solutions to be found, so that Gordon Brown concludes: „ It is clear that the existing national supervision is inappropriate and that **a global regulations** is necessary (s.n.). We have to reform the regulations and the global institutions for this new era.”

The term „global crisis” designates beyond the amplitude of a geographic dimension, the final result of a process, it is true of a very rapid one, of „globalization” of the crisis: from one country, U.S.A. it has spread lightening in the whole world and from one sector, the financing - banking one, it has spread at the same speed, up and down, in the entire world economy.[4]

Unfortunately, the stages cannot be separated, the respectively responsible of the human kind cannot wait for the crisis to be gone and start thinking, in peace, and conceive a new legal system; the crisis goes on, the disease generalizes and the governments and institutions involved are obliged to intervene, on the go, incessantly, without having time to think or chance to make mistakes and taking into account that the crisis is still in progress, neither the structure, nor the

[1] Jacques Attali, *La crise, et après ?*,Fayard P.H., France, Nov.2008, pp. 172-174
[2] Etienne de Callatay, *Les confesions d'un économiste ordinaire*, Trends P.H., Belgium, 2009, p. 158,
[3] Cristina PELI, *Time Signes*, Jubilee issue 2008, Bucharest, article „ Finacial crizes”, pp. 28-29,
[4] Guillaume Duval, *La mondialisation de la crise*, article from *Alternatives Economique*, issue, 275, Dec. 2008, p. 14.

magnitude of the "treatment" are not entirely evaluated, nor the curing "prescription" is not finalized.

If more than ten years ago, George Soros, was already having in mind an „**international programme**", „a global open society", achievable only through cooperation of sovereign states and their political action[1], there is no wonder that at the end of 2008, in full generalized crisis, a proposition (of French origin) „incredible but true", has in mind the establishment of a **Global Government**, having the role to prescribe a "global cure" , monitor its unitary application and to elaborate a **prevention system,** including the role of the **state as factor of intervention,** as a substitute for the failed concept of self regulation of the system through the market tools of the equally failed as the free capitalism.

The present crisis puts an end to the History after the second World War dominated by the euphoria of making the ideological dream of the Western world come true: liberal capitalist or liberal capitalism generating phenomena that are convenient for the capitalist mentality: global interaction and globalization. A major specification needs to be made, regarding the distinction that has to be made between **relaunching plan** and **reforms.** Not only that these categories are not incompatible, but they match in the present crisis context, however they are different in point of content and concept. Nicolas Bouzou[2] shows, regarding relaunching, that theory and practice offer two ways of **economic relaunching**: using **monetary policy,** respectively Central Banks intervention over the discount rates, interest at their level, the same way E.C.B. acts at the upper level of decreasing the interest level in 2008 and 2009; a second way is **using the State Budget,** usually by lowering the taxes and increasing the expenses for investments and social minimal. All the governments that have launched anti crisis economic plans, have, in fact, elaborated packages of a combination of the two action modalities.

During recession, relaunching had an "anti inflammatory effect" and of soothing the "pains", while a system need surgery, which is carried out through reform or new regulations capable to change and transform the structural elements.

Until 2007-2008, the engine of financial capitalism was (it is the case use the past) was the industrial production of tickets and securities, out of which only the printed paper remained; this was happening while the "stupid" were working in factories, in agriculture, with the stupid believe that material production provides for the basis and future of the society. Due to banking **secret** and **lack of transparency**, false billions come and go, "washed" in a different location;

[1] George Soros, *La crise du capitalisme mondial, op. cit*., p. 254,
[2] Nicolas Bouzou, *Krach financier*, Eyrolles P.H., Paris, 2009, pp.104-105.

everything being homologated and certified by the rating agencies, with A, AA or AAA.

At the beginning of 2009, the E.U Commission admitted that 16 countries in the Euro zone are already in **technical recession.** In 2009, recession determines the loss of 3.5 billion jobs; the **unemployment rate** is estimated to be over 8.75% of the active population in the E.U. and 9.5% for the Euro zone. The **Public Debt**, that reached a level of 70% of the GDP at the level of 2009, already buries the objective agreed in Maastricht, that of recovering the balance of public accounts, beginning with 2010.

As I have said before, the crisis enhanced, through the banking network channels, from U.S.A. in Europe and then to the rest of the world. Beginning with the second half of year 2008, the crisis is **global**, including all the economic sectors, affecting the great majority of national economies.

At the same time, the capitalist market economy cannot be operational without finances in order to offer a crediting system and support investments and at the same time a system nationalizing all the banks cannot be imagined. The **only solution** remains **regulations** with a view of obtaining control and monitoring.

„International markets became a monster that has to be disciplined" - stated Germany's President, Horst Kohler, former General Manager of the International Monetary Fund (I.M.F.), in May 2008. At the meeting in November 15, 2008, in Washington, Heads of States and Governments of the greatest world powers (G-20), decided to open the construction site for the runways for a new Bretton Woods", a message launched, in his atypical way, in September the French President, Nicolas Sarkozy: „Let's take from the beginning our entire global financial and monetary system, in the same way it was done at Bretton Woods, after the second World War."[1]

Be 9, 10, 12 or 20, the number of propositions advanced by the analysts, they all go around some great ideas that sprang from the indispensable principles of the change, grouped by Claude Beraliane in four great orientations, inspired from the final document of the G-20 (G-8 plus special guests) reunion, in November 2008[2], including economic relaunching, thus remaking the entire assembly of relaunching ***and reform*** we were talking about earlier.

- ***Integrity of financial markets***, the big world banks have to meet and create "monitoring colleges" for all the financial transnational societies;

[1] Adrien de Tricornot, *Des pistes pour un nouveau Bretton Woods*, article in *Le Monde*, Hors - series, Bilan du monde, 2009, Paris - Brussels, p. 32,
[2] Claude Beraliane, *Crise, le pire est à venir,* Ed. de la Lagune, France, 2008, pp. 165-169.

- ***Reform of financial institutions***, I M.F and the Worls Bank in the sense of strengthening financial stability and re-establishment of the crediting flow towards the emerging countries;
- ***Exigency and rigurosity*** in operators functioning; there is more and more talk about vigilance, caution, control, supervision;
- ***Support for the global economy***, using relaunching policies, confirming the fact that getting out of the crisis and the recession depend mostly on the content and amount of the assembly of measures attacking simultaneously both components of the problem: relaunching and reform, reform and relaunching.

7. Mankind: Where to?

Today it is decided what is the world going to be like in 2050 and it is prepared the way it will be in 2100.
Jacques Attali

And yet, when is the crisis coming to an end?

We cannot talk about a certain date; economists are checking their statistics, curves, trends, series; analysts corroborate indicators and build scenarios for getting out of the crisis, giving minimum and maximum terms; politicians make promises and engage themselves, trying to calm the spirits down.

Entering the topic directly, we are expecting, and we will see why, getting out of the crisis to happen not earlier than the summer of 2010, but not later than 2011/2012; and if we notice that three years are already gone since the first symptoms of authentic crisis, end of 2nd semester 2008, we will see that those who took into account a 4-5 rears crisis were not wrong at all.

Although very serious and destructive enough, the present crisis is more than a cyclic one; it marks a change in the economic regime, in the way it happened in History in 1873, 1882, or 1930, involving structural changes beyond the share of (simple) circumstantial policies, having considerable consequences.

This crisis will represent a rupture in the process of growth and will determine the birth of a **new world**; being similar to the 1929 crisis, a structural crisis, the actions taken, have to have a perennial character capable of generating a new economic regime; the danger of **cumulated deflation** is real and serious; a serious fight against national and global “**financialization”,** of a permanent and effective control over **capital flows** as well as of **structural policies stimulating productivity** are necessary .

The **relaunching** plans started in U.S.A., Europe and in the other countries must be coordinated at European and global level and have to reach 10% of the G.D.P.; the climate and the environment will become proprietary objectives; consume will have to be launched through **salaries** and the **middle class** will have to enjoy an effective and important support.

As far as the financial and bank field, supervision and regulations will be strict, the self – regulating system will come to an end; the responsibilities of **supervising authorities** will be reinforced and **rating agencies will be submitted to public control.**

The **state** will elaborate policies supporting SMBs, whose loans will be guaranteed with a view of modernizing and restructuring and will elaborate policies **stimulating consume** and investments, providing jobs, including in the public structures, as well as in social security, based on the **flexi security principle.**

At international level, the new world, emerged from this great crisis, will have a structure different from the one we have today, it will come up fast it is on its way on entering the scene and will mature in 10-15 years after the getting out of the crisis.

As we could see from a previous chapter, the construction sites are open; the working areas are attacked simultaneously at national, regional and international level. Here is the bone structure of a new economic body, the new international beacons of the new system:

- New international regulations, a new, under the aegis of the I.M.F. to which the emergent countries should also be associated;
- Global norms regarding the environment and the social sector;
- U.A.S. resolve inequities, purchase power and public investments problems;
- China enhances her internal market;
- Global regulations regarding capital flows and reorientation of savings flows;
- Financial market become marginal;
- Elimination of "offshore" zones;
- Energetic revolution and "climate" fight.

When Michel Guenaire[1] proposes to turn the page and "to put an end to the liberal economy", he means that " the main the main task of the economists – pointed out by John Maynard Keynes, in a conference, at Oxford, on November 6, 1924 – „is to make the distinction between the agenda and the non agenda of public power"; thus, the essential is to make a clear and professional separation on **what will the State do** and especially, **what will the State not do.** And the above quoted author fundaments his theories by saying that within the "State" one should find the institutions of an **efficient government**; starting with the State, the capacity of intervention of the governments will have to be reinstalled, having the objective of breaking the dead-end represented by the economic liberalism, hostile towards any role played by public authorities.

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[1] Michel Guenaire, *Il faut terminer la revolution liberale*, Flammarion P.H., France, Feb.2008, pp. 162-173.

Where economy ends and where morality begins, that is a problem of „**moral order”**[1], of **global leadership** as pointed out by the C.I.A report[2] or a global agenda for **global leaders**,[3] which, without willing to, will make reference to Club of Rome or, Bielderberg group, the Committee of the 300 or David Rothkopf's Chaste. But this is increasingly more a **problem of the State** who **must have the knowledge, capacity and willingness** to administrate the social – moral ingredients in the “economic recipe” of the system; **here is the greatest lesson of the present economic – financial crisis.**

X X X

January 2010. At Davos, within the prestigious informal meeting, attended by numerous famous personalities in the economic, political, financial field, media, etc., the interventions concerning the crisis and anti crisis dominated this year's debates. Special notice should be given to the interventions of the majority of the decision makers in the banking system that were supporting the idea that the measures concerning banks supervision and control should be moderated, and that any restriction of actions of the banks may have negative implications.

Let us not forget that among the great multinational companies mentioned in the introductory chapter, there are many international banks and that these are the ones holding and ventilating the MONEY, grant or do not grant credits, guarantees and mortgages, finance or do not finance projects, sell or do not see financial products, sensitive for the population.

While the crisis diminishes, the “fury” of the reform, control and supervision, runs the risk of slowing down under the pressure and lobby actions of institutions, circles and envisaged persons. A reform without increasing control and supervision, without more precise regulations in the financial banking field as well as a reform without restricting and making fiscal paradises transparent, if not eliminating them, is no longer a reform. Without a reform, the world economy opens the doors wider for the new crisis which will not wait very long at all.

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[1] André Comté Sponsville, *Le capitalisme est-il moral?,* Albin Michel P.H., France, March 2009, p. 59,
[2] Alex. Adler, *Le nouveau rapport de CIA*, Robert Lafont P.H, France, Feb. 2009, p. 288,
[3] Serge Enderlin, *L'après petrole a commencé?*, Seuil, France, April 2009, p. 74.