

COVID-19 PANDEMIC AND FINANCIAL CRISES IN THE WORLD

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Abstract:

It should be noted that in relation to the pressures of the last international financial crisis, it may be noted that national governments and regional/international financial organizations managed to avoid the expansion and generalization of the crisis without leading to extreme the protectionism of national markets. The complexity of modern financial crisis required a coordinated response of states and international/regional institutions, any unilateral approach had the potential to increase in the medium or long term the effects of the crisis.

Currently, the issue of financial crisis is a challenge for anyone who is interested to understand the conceptual and logical valences.

Modern economies in the contemporary period are regularly confronted with inflation, unemployment, economic stagnation, trade balance deficits and balance of payments, etc. These macroeconomic imbalances create losses for the welfare of the economic agents. Such situations require exercising the macroeconomic stabilization functions of the state so that the appropriate economic policies manage to reduce inflation, unemployment and to revive the economy.

The current economic and financial crisis, beyond the problems it generates both at micro and macro level, should determine an adaptation of the mechanisms, institutions and monetary/financial policies to the real economy we are facing.

Key words: financial crisis, organization, crisis management, strategies

JEL Classification: E02, E60

1. Introduction

The economic growth - is a goal of all businesses and the government default. As an objective of the macroeconomic policies developed by state, the economic growth is an element of continuity beyond the particular macroeconomic policies applied by a government or another, in the democratic succession of the political parties in power. This is because the economic growth is a process that takes place in the long term; governments are often faced with cyclical. Therefore, the objective of economic growth must be reformulated.

First, economic policies should create an economic and social institutional environment conducive to economic growth. From this perspective, the stabilizing function of the state overlaps the regulatory function, especially as market regulation in particular and economic environment in general, ensure the efficient functioning of the economy, ensuring the conditions for economic growth.

Secondly, (the significant role of the state) it should be remembered that the Keynesian theories believe that the state should be involved in ensuring the balance on a path of economic growth.

Thirdly, reformulation would have the sense of replacing the concept of economic growth with the economic recovery (both processes involve an increase in national income - the achieved one in the case of the economic recovery, namely the potential one for the economic growth). A more complete reformulation, in this sense, of the objective of the economic growth would be to limit the cyclical fluctuations of the economy so as to ensure a sustained and balanced economic growth.

2. Crisis definition and typologies

Economists analyze under specific criteria the crisis, giving it the characteristics of phenomena with adverse consequences for organizations, institutions and social groups affected: inflation, unemployment, stagnation, recession etc.

Political scientists observe the negative aspects of the political involvement, attributing the causes of crisis to phenomena related to the failure of political leadership, governance issues of inconsistency and incoherence of the political system, inability of political parties to resolve social conflicts.

Sociologists identify the crisis origin in the social inequities, in the decline in motivation and initiative, in the revolt against the authorities, in the failures manifested in the social control mechanisms, in the decline of the heritage, community, civic and religious family.

Historians assess the crisis situations at the global level, putting them on account of the imbalances that occur between the components of companies due to the social dynamic phenomena: increasing military power of states, emphasizing engineering etc.

Psychologists consider the crisis as dismantling of the identity of individuals, of their assessment and significance sense due to instinctual impulses, a collective unconscious forces influence, an effect of traumatic experiences due to birth, disease, accident, decline in empathy and parental guidance, social experiences that made individuals to feel like objects, implications imposed by fear and denial of death, etc.

In terms of public relations, crisis or pre-crisis situations are defined as phenomena of disruption of the normal operation of an organization and as blocking times or bad organization of the exchange of information between the organization and its publics, internal or external. Thus, crises appear as phenomena that can cause damage to an organization, both in terms of material losses and the social prestige, by damaging the image (public reputation).

For specialists in public relations, **the crisis is a favorite ground for conceptualizing and implementing communication strategies to limit or stop the damage.**

The works devoted to crisis management consider that it appears as a rupture, as an undesirable situation that interrupts the normal functioning of an organization and that affects its image in the public. Therefore, it is necessary to have a global strategy to welcome the crisis (crisis management), a group of well-trained specialists (crisis unit) and an appropriate communication policy (crisis communication).

As a general feature, the crisis is anything that appears in any newspaper three to four times a day. [1] However, this should not create panic in the management of the organization or to determine a defensive attitude. Probably, the wrong attitude in management is failing to see the crisis also as a positive force, a factor that is part of the existence of any enterprise or organization. Crisis reveals two sides, positive and negative, danger and opportunity. Its negative side (destructive) is a condition *sine qua non* of development. "

The sources of the crisis must not be sought only in the incorrect human decisions. Accidents can occur even under good training of the personnel involved. This does not mean that the leaders of organizations prone to crisis should not do anything to reduce the risk of starting them or to prepare for the event of their occurrence.

Most crises are self-sustaining phenomena, like the snowball. It's what we call the "vicious circle". The example of cash from a bank is conclusive in this regard. Withdrawal of funds by some customers afraid of a rumor creates greater problems of solvency. This will cause increasingly more customers to withdraw funds, even leading to the bankruptcy of that bank.

A related example is the increase in prices of some basic products or services (e.g. transport, electricity, oil, etc). The spiral of rising prices leads to worsening the economic situation, both at the company level and at the population level, which may have consequences (direct or indirect) on the political stability.

The systemic approach of the crisis allows highlighting the potential effects of the systems in the small sub-systems of a global system when they are amplified by the events that occur in the

subsystems of a global social system, events that play the role of dependent variable with effects that are hard to control and to manage..

3. Crisis classification

The crises, beyond any scientific classification, are divided in two types: [2]



Figure no. 1 Financial crisis within an organization

The types of crises can be set according to the criteria that we apply when classifying:

After the type of solutions and how to solve:

• crisis of legitimacy

• crisis of onestity

• crisis of competency

• crisis of development

After the type of environment:

- internal crisis;
- External crisis.

After the field where the crisis appears:

- Political crisis;
- Economic crisis;
- Ideological crisis;
- Cultural crisis;
- Communication crisis;
- Imagine crisis.

After the urgency of solving:

- Immediate crisis;
- Urgent crisis;
- Sustained crisis.

After the level at which the crisis occurs:



Figure no.2 Financial crisis classification according to the level at which it appears

The running time of the crisis divides it in:

- Sudden crisis;
- Slow crisis..

The magnitude divides the crisis in:

- Superficial crisis;
- Deep crisis.

4. Crisis management

The crisis management is an area that has recently captured the interest of organizations, and in particular of their leadership at the international level. Crisis management is, as a general assessment, an extremely complex activity that involves both the anticipation of the crisis, the achievement of some scenarios of keeping under control the variables and solving the linear situations (relations) and the minimization (where possible the elimination) of the non-linear relations and a quick response to the crisis; a firm discipline in compliance with the solution adopted by both the public relations team and the organization officials. Lately, the crisis situations are generated by the disorder of information flows; also, they may be accompanied and may generate information flows disturbed and astounding.

The wisdom gained after the crisis is the best management tool. No company, no matter how financially successful they are, no matter how powerful or prestigious they may be, they are not immune to crises.

In trying to manage a crisis situation, the first step should be taking into account the worst case scenario. The biggest mistake is to believe and to say that “it is not as serious as it seems”. The main concern of companies under crisis situations must be their public and customers to whom they must provide high quality services and products.

5. Some macroeconomic policies in the crisis

The objectives of the macroeconomic policies should form a “magic quadrangle”, as follows:

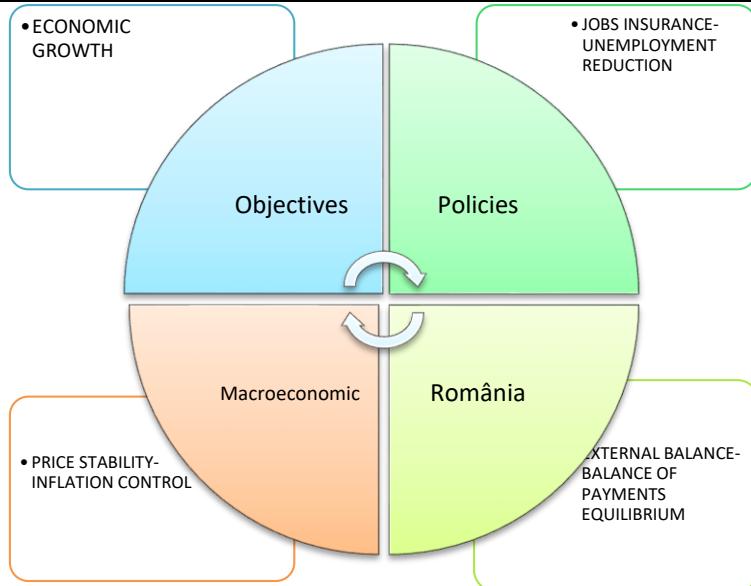


Figure no.2 The objectives of the macroeconomic policies

It is easy to see that these goals are correlated. For example, the correlation between inflation and unemployment has been highlighted for the first time by the English economist Alban William Philips in 1958. Before presenting the different types of macroeconomic policies used by the state, some remarks are required related to the objectives contained in the "magic quadrangle" of Kaldor.

Providing jobs – as the objective of macroeconomic policies pursued by the state it represents a controversial issue. Providing employment for every fit to work citizen was one of the utopias heavily promoted in the economy system of communist command. Left-wing intellectuals often associate this objective with the right to work, which is considered one of the fundamental human rights.

It should not be confused the state responsibility in ensuring the general conditions for each individual to work (with appropriate exceptions) with the duty of the state to provide employment for those who want to work. In a democratic market economy, the right to work primarily means free access to the labor market without barriers (closed shop) or discrimination. This right means an institutional incentive environment to conduct the economic initiative. Ensuring the right to work also means achieving a healthy economic environment in which to create new economic activities while the old ones to develop effectively.

Providing jobs by the state for anyone wishing to enter the labor market would mean sizing the public sector, leading to its dominance in extremis in the economy, namely to the denial of the private base of the market economy system. Moreover, this would mean that the public sector might develop under other criteria than the economic efficiency.

Reformulating this objective as the reduction of unemployment is more productive. In relation to the objective of reducing unemployment several structural and amplitude boundaries are required.

First, it is useful to recall that the full utilization of factors of production (including the labor factor) requires the efficient utilization of them (in optimum conditions) by each economic agent and not the use of all the available factors of production at a time. Therefore, the lower limit of the unemployment rate is different than zero. Moreover, it can be shown that a lower unemployment rate than the natural rate can cause short-circuits on the labor market. These short-circuits on the labor market create conditions for the appearance of an economic downturn.

From the structural point of view, the objective of reducing the unemployment must be differentiated on types of unemployment. This is because, in case of the cyclic unemployment, the best measures, for the improvement of the occupation of labor force, are those that sustain the economic revival. From this perspective, the macroeconomic policies can give good results in what

concerns the reduction of the structural and frictional labor force.

It can be noticed the powerful connection between the objective of limitation of the cyclic character of the economy and that of reducing the unemployment, respectively of avoiding the short circuits from the labor market.

The stability of the prices – as objective of the macroeconomic policies it assumes more approaches. Although many economists and politicians associate exclusively this objective with the anti-inflationary policies, we remind that at the realization of the objective it contributes also the regulations of the competition. Both monopoly and coordinated oligopoly have the tendency of increasing artificially the prices of the goods offered. As an anti-inflationary measure, the control of the monetary mass represents only a surveillance restriction of the implementation conditions of the economic changes. The objectives of the revival of the economic policies which have in view the growth of the aggregate supply, can contribute at the elimination of the inflationary imbalance. Similarly, the moderation anti-cyclic policies from the expansion periods can diminish the recession gap and implicitly it can reduce inflation.

The difficulties concerning the formulation and implementation of the anti-inflationary objective refers to the famous dilemma of the macroeconomic policies – **the reduction of unemployment and the diminution of the inflation**. Things have complicated even more in the last years, because the evolution of the developed economies has been confronted with periods of growth of the inflation and of the unemployment. Still, the positive experience of the European Union which has managed to make from the objective of controlling the inflation, criteria of realizing the monetary union (objective that most of the state members have touched) demonstrates the validity of the macroeconomic policies in what concerns the realization of the stability of prices.

A powerful economy represents a **guarantee of ensuring an equilibrated balance of payments**. Hereby the policies of economic revival can contribute at the recovery of the external equilibrium of the national economy. In addition, the over production specific to the anti-inflationary gap can be sometimes solved with help of export.

From those above, it results that the objective of the macroeconomic policy most frequently met in the considerations of governments is the economic revival. This is because the over passing the economic recession which has contributed to solving many other macroeconomic imbalances. In addition, the social pressures given by the worsening of the wealth make the politicians consider the coping with the economic recession as the main priority.

6. Organizations strategies in the management of crisis

In the elaboration and implementation of a strategy there must be performed the following stages:

- The diagnosis of the state of the organization;
- The planning of actions;
- Communication;
- Evaluation of the response to crisis;
- Adjustment of plans;

A strategy for a good management of the crisis must include a set of correlated actions:

Strategic actions:

- ✓ Drastic changes in the philosophy of the organization;
- ✓ The integration of the crisis management in the fundamental mission of the company;
- ✓ The integration of the crisis management in the strategic planning;
- ✓ The inclusion in the managing board of the crisis management team;
- ✓ Workouts and debates on the line of managing crisis;
- ✓ The simulation of crisis;

- ✓ The existence of well prepared plans for any type of risk identified.

Technical and structural actions:

- The creation of the team that manages crisis;
- The creation of a special budget for managing crisis;
- The development and actualization of policies and instructions for managing crisis;
- The realization of documents regarding personnel, resources and capacities of the organization;
- The creation of a special space destined to the management of crisis team;
- The reduction/elimination of services or dangerous products;
- The improvement of the design and of security measures;
- Taking measures for ensuring the reserve resources necessary to the functioning of the systems;
- The use of expert's consultancy and of crisis management services from outside the organization.

Actions for evaluation and diagnosis:

- The acceptance of the financial and legislative controls (external audit);
- The modification of the procedures which ensure the security of the means and of the personnel;
- The compliance with the regulations regarding the relationship with the mass- media;
- The ranking of the strict activities which must be performed daily;
- The identification of any problem which can show danger;
- Performing studies for the discovery of hidden threats;
- The critical evaluation of the organization's answer, after the crisis passes.

Communication actions:

- ❖ the training of the personnel for the relations with mass media during the crisis
- ❖ the development of the efforts regarding public relations;
- ❖ the development of informing the local community;
- ❖ the development of the relations with the special intervention groups (police, firefighters, mass-media);
- ❖ the amplification of the collaboration with the associations which can support the organization;
- ❖ the use of new communication technologies (Internet, e-mail, mass-media).

Psychological and cultural actions:

- the amplification of the collaboration with trade unions and other organizations;
- the acceptance of those who bring bad news;
- a better view of the crisis impact on the behavior of employees;
- ensuring the psychological assistance for employees;
- the management of stress and panic;
- the symbolic remembrance of the crisis, dangers and past successes.

7. The organization strategies as an answer to the crisis

An organization's reputation is founded on its ability to comply with the expectations of the public. Almost without exception, in situations of crisis, the public loses confidence in the organization. Therefore, strategies are aimed at changing the way audiences interpret the crisis and the position of the organization in this crisis. Essentially, these are intended to restore the image of the organization as still in the crisis. There are five such strategies, namely:

- „**denial**” strategy – shows there is no crisis or that between the organization and crisis there is no connection;
- „**distance**” strategy- accepts the existence of the crisis but tries to reduce the connections between the crisis and the organization, having as aim the protection of its image;

- **the "ingratiation" strategy** – aims at winning the sympathy or approval of the audience for the organization by connecting it to those activities which viewed positively by the public;
- **the "mortification" strategy** – tries to obtain the forgiveness of the public and tries to convince it to accept the crisis;
- **the „suffering” strategy** – follows to gain the sympathy of the public by assuming the sufferings of the crisis and by presenting the organization as a victim of an external unfavorable situation.

Conclusions

The issue of financial crises is extremely complex, including a series of quantitative and qualitative factors, financial, economic, social, ethical, technological and human, which can intervene and influence the financial operations in a country or several countries simultaneously. We believe that it is difficult to appreciate that a traditional model might explain a financial crisis, given that every context of occurrence, conditions of development and crisis settlement programs are unique and unrepeatable.

Every crisis has in its structure certain issues that may be capitalized and can lead to success. Perhaps more obvious are the ways that can lead to total failure of the organization. Finding and capitalizing the potential success is the essence of the crisis management. The essence of the mismanagement of the crisis is to worse situation.

The successful management of a crisis involves admitting that you are facing a crisis, taking reasonable measures to remedy the situation, to be seen taking them and heard saying the right words. The issue at this stage of crisis management is that perception becomes true reality.

For a good crisis management we should, however, keep in mind that the initial state of shock quickly turns to anger when the company at the center of the crisis is not seen to take suitable action and say the right words. People need to be sure (and this quickly) that:

- ✚ all measures to prevent the accident are taken in advance;
- ✚ the company (given the nature of the industry to which it belongs) took the precaution to anticipate the possibility of such an event and knew what to do to remedy the situation quickly;

Crisis management is a set of factors designed to combat the crisis and reduce the damage caused by the crisis. In other words, crisis management attempts to prevent or reduce the negative effects of the crisis and protect the organization, the public involved and the specific field by the possible damages.

The effective management of the crisis includes crisis communication. This is an essential component through which the organization faced with the difficult situation can rehabilitate its publicly image or even to improve it.

The crisis communication occurs between the organization and its publics both during the crisis and after it, having the goal to reduce negative effects on the reputation of the organization.

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