

# Is the Financial Crisis in Europe Special?

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**Abstract**—Italy, Greece, Spain and many other European countries are currently struggling with major financial problems. But the question is whether in the history of Europe the moment, when the financial system works, was able to a few year operations without ending in a spiral towards the impact. When we studying the economic and historical contexts we find, that "special" was a time of prosperity.

**Index Terms**—Prosperity, economic and historical contexts, crisis in Europe.

## I. INTRODUCTION

In general, the company knows two basic kinds of political and financial arrangements. Capitalism and Socialism. Both species have been and are in the world used and practiced. It is necessary to admit that capitalism is present in large quantities, not only today but also in the perspective of history. However, a problem occurs when one considers the sustainability of the financial system in general. Generally, if something is not a person, then he has to look for other options, how the thing can be done differently. History is full of mistakes, attempts at reform, which more or less failed. Match with the state deficit is a theme for many generations, but none of them have learned anything from the mistakes of the previous one.

## II. THE JOURNEY FROM THE PAST TO THE PRESENT

### A. Capitalism

Capitalism is an economic system in which the means of production are privately owned and operated for profit. Economic parameters (e.g. prices) are determined by the free market (supply and demand), and even the price of labor, not only managed state intervention (as controlled or planned economies).

The state usually leaves the possibility of such a system to regulate economic laws such as the Labour Code and the Commercial Code. Anarchokapitalismus is the name for the system of capitalism without the presence of any state regulation.

### B. Communism

Communism<sup>1</sup> (from Latin communis = "common") is primarily a political ideology advocating and requiring joint

ownership and rejecting class differences between people. Its proponents are communists, usually organized into political organizations-parties, often named as a communist.

The main features of the communist "economy" are common property, where everyone involved in the business operations.

## III. ECONOMICS, POLITICS - HISTORY AND FUTURE

In subsequent rows we will try to put into context the historical moments, important financial reforms in Europe. It will attempt to find the root causes of failures in the financial sector and draw basic hypotheses as to why the system failed at the time and what we remember.

### A. France

Although France was one of the richest countries in the world, could not fully satisfy the needs of his ruler. He constantly suffered from lack of funding. Lavish balls, buildings, parades, army, all lead to large expenses, paid by the state. Deadly for the state, showed two things: construction and subsequent operation of Versailles [1].

France has long been teetering on the brink of national bankruptcy. The economic situation has deteriorated significantly since the early 80 years of the 18th century. There began to be implemented reforms to stimulate production (abolition of internal customs duties, certain fees burdensome production) in France. But aristocracy hates reform, because they must pay great taxation. The reforms, however, have failed. They saw that they had nothing to eat, but the king still has a lot of money. Started riots.

France finds itself in the revolution. From this, comes a strong personality revolution - Napoleon. Napoleon unleashed a cycle of wars.

We can identify a situation, where the poor crowd stands up against wealthy king. This sentence is for an article worth remembering.

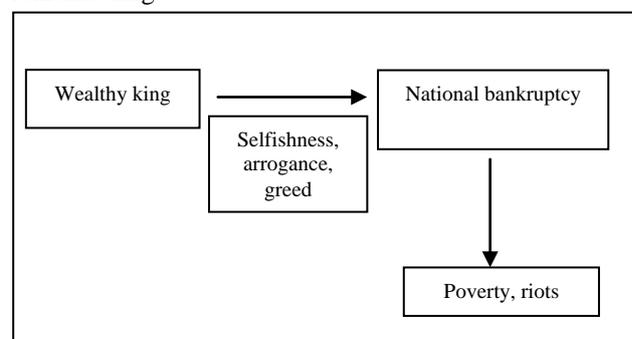


Fig. 1. System of revolution.

### B. Austria

If we look at the situation in Austria, we find that it, too, had to be reformed because its budget was just before the bankruptcy [2]. Tax reform (1789) during the reign of Joseph

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<sup>1</sup> If we look into the 15 century, we find that erupted in the Czech Lands "Husick é" revolution. Poor people revolted against the king and the church. The way in which this revolution funded, was very folk. There were located the tanks, and people throwing their money that they gave to all, in every city. We can say, that at that time was the first germ of socialism. Again, however, we can see a different access to public finance.

II. Situation in the country was calm and save.

Joseph II was in such a bad financial situation, considering that the sale of many gems (palaces, castles) to nobility, in order to save the state money. Joseph II wanted to sell the Prague Castle in order to obtain finance.



Fig. 2. Prague castle.

If we continue in the old line we find that a definitive end to Napoleon's campaign in the political field was the Congress of Vienna (1815).

TABLE I: FINANCIAL REFORM IN EUROPE

Country	Austria	Russia <sup>2</sup>	England <sup>3</sup>
Reform	1789	1703	1832

Across Europe, we see (18<sup>th</sup> and 19<sup>th</sup> century) a diversification of funding in two areas - the common people and the state. The state, represented by the monarch and the nobility living their "dream" of power and does not care about subdirectories of their actions (Marie Antoinette<sup>4</sup>). Government has to change financial policy when the situation was very serious. But it was late.

There's one more, an important moment in the history of Europe. All economies in Europe have stood on its feet, not because of austerity, but thanks wars. Thanks to large investments in the war industry and later in the reconstruction of countries.

Hypothesis no. 1

At the beginning of the 18th century the first wave of "industrial revolution" that swept much of Europe. However, the ruling class did not use favorable economic situation and cast many countries into poverty.

Hypothesis no. 2

Responsible "officials" did not take benefit of raw materials - gold, silver. The simplest example is in the form of Spain, who in the early 19th century poor state.

Hypothesis no. 3

From a historical and economic perspective, we can say that in this period occurs the first time the effect of "rescue war", which gave the opportunity for economies recover. This fact is alarming [3]. Here we can not speak of a stable

<sup>2</sup> the mercantile policy = manufactories and business support, tariff protection, trade relations with the Western powers, invited foreign experts

<sup>3</sup> High unemployment and prices catch up with some of the workers to the brink of famine. Spontaneous destruction of machines (called "ludistické" movement) tried to prevent workers layoffs. British cabinet minister attempted to improve the social situation of a fundamental reform of the electoral system in 1832.

<sup>4</sup> Queen of France (1774-1793) as the wife of Louis XVI. Unpopular because of her extravagance and insensitivity toward the masses, she was tried by the Revolutionary Tribunal and executed.

economy setting, the system which would overcome decades. The financial system is always collapsed or faced collapsed. The reforms did not help.

IV. 20TH CENTURY

Congress of Vienna returned to Europe a few years of peace, but also prepares position cruelest part of human history - World War. We all certainly know that in history lessons, pupils are taught, that there were two world wars.

Lenin on the outbreak of the First World War, said post:

*The war broke out in accordance with Lenin as a result of the extreme sharpening of contradictions between world powers in the struggle for spheres of influence, colonies, material resources, outlets and markets.*

However, I am of the opinion that the war was only one. It lasted from 1914 - 1945. Break in the form of peace in 1918 - 1939 in retrospect we can call it "economic war". Germany was under constant pressure from the treasury - reparations, internal uncertainty. The question is what would happen if the financial situation of reparation and Germany has been resolved differently, but under the circumstances, the Second World War a direct consequence of the war first. And it may be because the financial situation at the time, because happy, working people would certainly have left so easily manipulated.

Is not so well-known fact that Hitler had big financial problems? If he does not steal state reserves of each conquered state, then within a few months the whole of Germany went bankrupt.

After the arrival of communism in Europe, we see how the country outside the "communist influence" slowly recovering from war damage, but the new Communist countries are still in a very poor financial condition [4].

Hypothesis no. 4

Europe in the 20th century underwent major upheavals. Many of them, however, can be described as the pursuit of fiscal consolidation - reparations, a new war.

V. BIG BANG AFTER THE WARS

A. Postwar Era

After the Second World War, we witness the unfolding democratic countries that invest in their development, regeneration. This condition may be called the "first postwar impulse".

The second can be found after the fall of communism, when you need to work on the restoration of economically unhealthy countries. Now everything is restored and a new conflict that would cover up the inability to create a stable financial system is not working.

In the postwar period, we can see the struggle between Soviet parts of Europe (Czech Republic, Slovakia, Poland, the Balkans, etc.) and the rest of Europe (Democratic area). Also this situation can be characterized as a "war" since all countries have invested their resources in preparation for possible conflicts "Cold War".

Other investments flowed in research and technology. Not for the vision of progress, in order to "be better" than the other. Competition was unprecedented. Powers raced to

develop a better technique, evidence that they are better.

Hypothesis no. 5

System (whether capitalism, communism) is built not on the market or on the freedom of joint ownership, but mainly on predation and competition. Outlets for both systems (political and financial) are in disputes competitions.

Hypothesis no. 6

Europe is currently located in the longest period of peace in history.

## VI. 21TH CENTURY

Looking at the current situation in Europe we find that since the last "war" (1945) 68 years have passed. At first glance, this is a very long time and we can talk about stability in the region. But here we must consider the effect of the Soviet Union, which collapsed in 1989 (significant independence of republics in Europe). The situation in these "free" countries might be called post-war. Everything had to build again. Just as after the war, it was also necessary investment in the renewal and new introduction of financial principles and rules[5]. Thus we can say that Europe is experiencing the current economic status since 1989.

In the communist era, all performed poorly transactions, investments and conceal the system was not so much to know. Today everything is readable and we know immediately of any situation in which a state gets. Linked to this is the fact that real capitalism, free trade in Europe is only 24 years throughout its history.

It is alarming that the system, which is based on freedom and the individual's conduct after 24 years in utter disarray. Let's look at Italy, Greece, Spain, France, Portugal, Cyprus and more.

Upon closer comparison we find that the basic parameters are the same. There is a layer of very rich (nobility) and very poor. The problem is that if we compare the approach to public finance, it is the same. People who are in power are just as corrupt and greedy as it was 200-300 years ago. The reforms that are being implemented are short term and are intended only to have rescued the situation to the culprits could "live" in peace.

From this we can conclude that the situation is almost always the same. We cannot talk about stability.

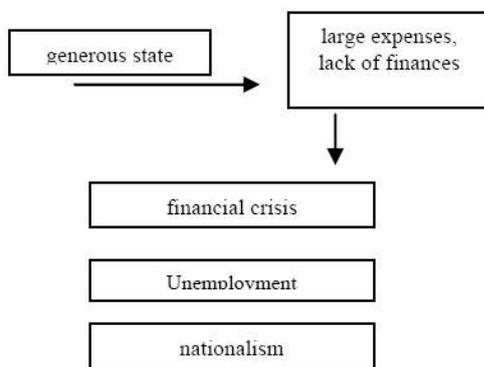


Fig. 3. Way to nationalism.

Very interesting economic fact is that at this time we cannot determine anything from the past. Financial markets are changing at breakneck speed so that it is very difficult to

predict future results. It is very difficult to determine whether the crisis in the W-shaped or V or other symbols, because there are not enough facts for correct decision making.

However, it is necessary to take into account also the political impact of the financial crisis in Europe. There is, in election gets into Parliament nationalist political - Golden Dawn, in Greece. Many political analysts believe, that the success of this political is because, bad policy (Greece), financial situations, improper reforms, but above all - a great debt to the EU [6].

### A. A Very Important Fact

As already mentioned, then in Germany Hitler came to power due to the fact, that Germany was forced to pay huge reparations - was financially dependent on neighboring states. There is a similar situation in Greece.

Greece is dependent on funding from the EU rescue fund. At this stage, a save, which is reflected in unemployment, wages, etc.

TABLE II: UNEMPLOYMENT<sup>5</sup>

Country	Czech Republic	Greece	Germany	USA
Population	10 505 445	11 283 293	81 831 000	312 355 000
Unemployment (percent)	9,4	26,8 <sup>6</sup> (56,6 <sup>7</sup> )	6,9	7,8

If the entire article permeates economics and history, then in the subsequent paragraph will be no different. During the First World War E. M. Remarque (writer) tried to capture the young generation - calling it a lost generation. Lost Generation were young people in the First World War entered the army and fought in trench warfare. The burden of deeds that have experienced there was so large that it is accompanied by a lifetime [7].

Young Greeks today, who are unemployed (56.6 percent 24 years), are name like "lost generation". Their future is difficult and no prospects, since their most productive age spend at home, on the streets [8]. Do not get practice and their application each year decreases. The state's economy is losing an entire generation, and this is fully reflected aspect for another 5 years.

## VII. CONCLUSION

We all know that we need to learn from history. European history is full of financial missteps, missed opportunities and unnecessary losses. All this is happening now. The entire financial system was and still is in Europe built on demand. If, however, the situation does not occur, which causes the demand, it is not possible to keep the system running.

Today, as in France, 18th century, we see how the crowd rebelling against reform and turn their anger against the government and against the rich (banks). Previously, he was the richest king - one person, one reason to revolt. Today is led protest against banks - a symbol of wealth and governments - a symbol of power and change, which harms the poor.

Europe is at peace, but through the revolutions. People

<sup>5</sup> December 2012

<sup>6</sup> total unemployment

<sup>7</sup> Unemployment young people under 24 years

already do not kill monarchs, but with the same force as it once was in an uproar.

In Europe, the situation is already several times. Thanks incompetence, selfishness individuals forfeited and economies of doing with mere cosmetic changes. But this is nothing new.

Like in France people could not finance the king's demands, and then today it is difficult to finance large state apparatus.

World (not just Europe) needs very urgently to find a new system of finance, trade, growth. Current systems are historically untenable. Crisis in which constantly we are, are associated with basic human nature - greed, selfishness. All efforts to restructuring have failed precisely these reasons. If we want to maintain the current status, must then be at least once every ten years, major event.

The financial crisis in Europe is common. Crisis accompanied the history of Europe and increasingly in the absence of fundamental changes, and then it will be accompanied by a long time. Existing systems are bad.

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