

THE MACROECONOMIC BASED FINANCIAL IMBALANCE PROCEDURE OF EUROZONE AND THE STRUCTURAL EXPECTATIONS AFTER 2008

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ABSTRACT

In this study, we attempt to analysis macroeconomic imbalances process especially in Eurozone due to its some different features related to global financial crisis after 2008. The concerned different features put forth the alteration macroeconomic effects on the countries included in Eurozone, certainly that fact result in the being different these countries' structural expectations after 2008. It appears that ways of searching international stability and economic growth have determinative effects on the Eurozone together with some countries' government debts. Euro Plus Pact, as financial procedure based, consider tax competition in international agreement stability towards to economic growth in the scope of public and private financial obligations in limited access finance. In the addition, the other reason of based financial imbalance procedure is to also use the financial billfold-wallet for developing countries granting emergency loans to member states in return for the enactment of macro economic reforms. But it is forgotten that means that the Eurozone countries have some limited fiscal global integrations also to review of each its own national budget, which in the scope of the financial imbalances procedure.

KEY WORDS: eurozone; government debts; financial imbalances; financial crisis.

1. INTRODUCTION

Fiscal imbalances procedures have some characteristic features, according to the level of economic development, especially in developing countries that aim to catch the developed global economic integrations. Fiscal imbalance can be considered a mismatch between government revenues and expenditures as a classic approach, but today's current definitions means to include more than classics' approaches. As financial integration process fiscal imbalances can be taken in two terms as horizontal and vertical imbalance, but they can be considered in the differenced affect levels towards global process. Fiscal imbalances that are priority considered "Vertical Financial Imbalances" can be thought "Fiscal Gap", but as "Horizontal Fiscal Imbalances" means "Equalization" related to social differences. Fiscal imbalances concept taken place in our approach is certainly related to fiscal deficits in spite of the difficult measuring towards the crisis process. Therefore, this process should be detailed country by country due to the intergovernmental attitudes put forth fiscal transfers as largely comparative within descriptiveness analyses especially after 2009 financial crises. In interested in these financial imbalance dynamics the meaningful study has

been held by Comunale and Hessel (2014) in the scope of currency period.

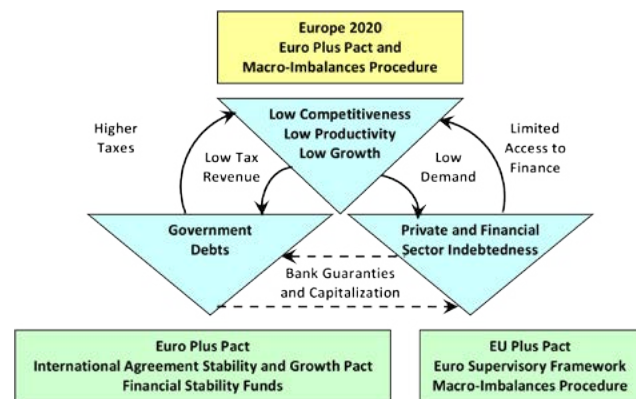
Financial imbalances' dynamics can never be considered as if it is only unique component to analysis global macro crises. All financial crises have the based-macro other components that depends on the social-economic factors. In other word, this fact feed also alternative interpretations of the global financial crisis related to macro based like income redistribution including the role of global imbalances relations with trade and capital flows (Corsetti and Mackowiak, 2006: 1320). Certainly, this phenomenon seems as a major cause of the crisis especially in developing countries. Even more, the related pattern of financial relations that include to financial distribution constitute should be considered to be the global ultimate causes that have been controlled via developing countries toward to determine some financial sanctions. Along with that, international trade is that is accepted one of the key through which the crisis has had a devastating effect on developing economies due to cause tax lost in financial declinations process (European

Commission, 2015: 1-2). Regarding important trade lost, developing countries generally have high trade-GDP lost ratios led to reason more financial lost as a percent of GDP throughout the related process as a conclusion of financial deviation. The structural financial features of every country get established these countries macro-economic aims within economic growth policies that can definitive vertical fiscal attitudes. In these countries, financial different fragilities are very important indicators that put forth by these concerned financial features in macro-economic objectives, and many macro-economic deviations based on financial structures are analyzed in this framework measuring especially in developing countries. Therefore countries that are at Eurozone should be tackled priority in their own financial fragility dynamics, and the principal financial applications, like taxes and government debts etc., this fact have to be well adjusted to the global integrating countries to ensure accomplishing deal with probably financial crisis (Gros, 2016: 2). However, the countries that are in Eurozone have to inevitable consider dealing with the requirement financial imbalances factors that cause the different altered in in the same financial imbalances due to the shared positive expectations (Gros, 2012: 4).

2. MACRO-IMBALANCE PROCEDURE IN EUROZONE AND THE STRUCTURAL RELATIONSHIPS ALONG PROCESS

As Eurozone to EU, it appears that the low interest rates is the most important risk component due to the more effective from banking operations in some countries like Finland, Denmark and Sweden. But, this appearing is not sufficient towards analysis of the macro-imbalances procedure, because of currency effects should be included as meaningful monetary operations for perceiving this financial procedure. In this context the decision making process of Government especially concerned with taxes cannot be considered different from these monetary options in the same process. In the starting points generally the structural analyses focus on the imbalances procedure that is from international reserves to interest rate rules, and fiscal imbalances in Eurozone are appraised by using the shadow exchange rate. Surely, this structural process, especially after bawling out financial crisis like devaluation, ensures the equilibrium conditionals to financial balances components in Eurozone via the alteration foreign exchange rates (Micossi, 2016). In developing countries lower economic growth and productivity cause more lower tax revenues in these concerned countries through the limited access to financial procedure. In addition, it appears that countries in Eurozone should establish stability between international agreement and probably macro-imbalances procedure especially in developing countries that have the highly government debts in order to account imbalances were indeed largely driven by demand booms related to the financial cycle. Figure (1) shows these macro-economic relationships below¹:

Figure 1. Macro-Imbalances Procedures and The Structural Relationships in The Process



Source: Author

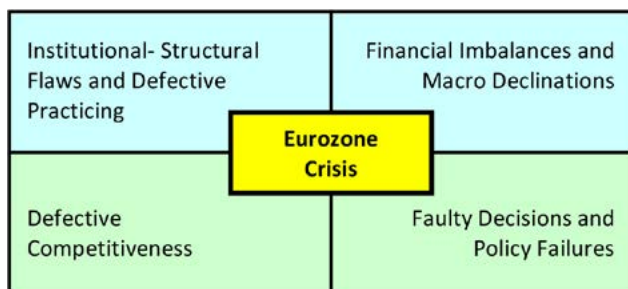
As seen on figure (1), the structural relationships put forth the infrastructure dynamics of macro-imbalances via the reciprocal influence institutional options financial contents. Certainly, in this case the definitive factor is government financial balances through private sector's financial balances location and international agreement stability in the same process. In addition, banks direct, as financial institutions, affect on the sectoral indebtedness are in the relationship facing one another related to capitalization process, which mean to figure the framework of macro-imbalances. A the other conclusion of fiscal imbalances is certainly low productivity with low economic growth in the Eurozone because of different uncongenial structural (Wyplosz, 2012: 9). This means that Euro has not the same effect in all the scope of EU leading especially the expected macro unbalances as budget deficits and current deficits. In the point of view, it cannot easily be said that Eurozone, after the wake of the financial crisis when expressed as a percentage of GDP, has the desired stability extension especially taken considering the different developing (Wyplosz, 2012: 8-9). In this context, Euro Plus Pact may contribute in the optimal structure in Europe 2020 to overtake the Macro-Imbalances procedure if European Unity may present more congenial the financial relationship towards to ensure the financial relationship wholness, which are refered to the scope of figure 1.

On the other hand, macro-imbalances procedure related to Eurozone financial relationship means the institutional flaws with competitiveness, and this concept results in policy failures process. In this context financial and monetary imbalances contains the crisis triggers resulted in which are in especially political making process with wrong decisions. These financial triggers have been the shocks to primary surpluses in devaluations with foreign nominal shocks process and the each structural alteration, especially developing countries, have increased these concerned financial dynamics' effects in the scope of poliitical failures. Absolutely, the institutional flaws have been the important reasons of Eurozone crisis in spite of financial competitiveness and also the each political lack

¹ <http://blogs.ft.com/the-world/2012/01/eurozone-crisis-live-blog-22/>

of success has directly affected the post-collapse path of interest rates. This financial formation in Eurozone give shape to the other financial factors, that means the long-term crisis cost in the competitiveness process in the spite of to be no longer in demand (Higgins and Klitgaard, 2011: 4). From this perspective, institutional flaws means to not put no longer to command popular approval and support the financial competitiveness which state the first step of Eurozone crisis. In addition, the countries in Eurozone have to satisfies the other equilibrium conditions via government budget constraint and of sufficient size relative to the imbalance using the own foreign exchange reserves (Chen et al, 2012: 8). Otherwise, the exchange rate will ne able to increase immediately being lost own currency values directed towards to pull trigger of Eurozone crisis. At this point the governments in Eurozone can postpone financial currency crises only if it has a enough stock of real financial of sufficient currency aimed at overcome. This is a condition emerging markets are less likely to satisfy than developed economies in Eurozone throughout institutional flaws (Chen et al, 2012: 7-8). Namely, it is clear that macro-imbalances in Eurozone are shaped by the not strong financial structure related to financial especially in developing countries considering the debts of governments and private and financial sector indebtedness. Figure (2) express the common relationship values related to financial competitiveness throughout policy failures process in Eurozone that the each of situations put forth financial crisis (Hübner, 2016)².

Figure 2. The Structural Components of Macro-Imbalances in Eurozone



Source: Author

As seen on figure (2), the defective competitiveness with policy failures that are obtained in the public decision making process constitute the infrastructure of Eurozone crisis process. There is also another point to note that Eurozone crisis not only is effected by these concerned dynamics, but this concept is effected via global financial negativeness. Increasing global interest rates and the deviations in the global trade transactions can also put forth macro-imbalances causing relationship in each other these countries (ECB, 2016: 58). In this context Mortgage financial crisis Can be given as a good example directed towards this process. In addition, the dynamics of financial adjustment given that take place in macro-imbalance process should have gone on by using meaningful the

monetary policies with shadow exchange rate and the shadow interest rate (Eichengreen, 2012: 134-135).

The faulty decisions and policy failures in public decision making process are the biggest obstruction put forth on this concerned approaches. In this respect, the development of the Eurozone financial markets and the overcoming of macro imbalances should be supported by a process that has been especailly in the overcame structural by erroneous structural applications. And it is understood that the academic debates have been meant not only mono-causal explanations of the crisis then the political debate, but also it is structural explained the crisis simply with fiscal profligacy of governments. Nevertheless, we should categorize as a public debt crisis in the spite of majority of scholars that have not categorized the eurozone crisis because of the considered financial structure coming up with quite a financial range of root causes (Chen, 2012: 7-8). Therefore Eurozone as an expression of the structural crisis need to put forth the alteration dynamics of financial imbalances and macro declinations and balance the institutional flaws with practicing versus macro-imbalances (Chen, 2012: 11).

3. THE RELATION CYCLE OF MACRO-IMBALANCES PROCESS AND ITS STRUCTURAL FLOW

The macro-imbalances process not only is occurred from the institutional flaws with defective practicing, but includes the relation cycles related to the imbalances dynamics in Eurozone. Also, GDP determines, as the most important indicator, all the evaluation process to deal with imbalances dynamics, which put forth especially the level of economic growth. In addition external imbalances components and negative endogenous policy problems have made an impact on the market competition process that cause price fluctuations as a meaningful causing imbalances process in Eurozone.

3.1. The Cyclic Qualifications of Macro-Imbalances in Eurozone

The reason of meaningful deviation private sector investment has been this concept, which can be categorized as the greatest failure in the history of European integration in terms of economic and social costs. And also the public debts can be accepted, as endogenous financial dynamic, in the term sovereign crises effecting macro-imbalances process. Because the economies of Eurozone countries were economies with relatively low levels of public debt ratios at the onset of the crisis. But Greek financial crisis trigger the other countries of Eurozone manipulating to increase more private-public debts with their liquidity crises (Argyrou, M.G. and Tsoukalas, J.D., 2011: 177). But, it should be forgotten that current account surplus able to be financial crisis matter in fact that some countries in Eurozone have caused the fiscal drag that mean locking in the economy due to policy failures.

² <http://politics.oxfordre.com/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-154>

This case is the reason of structural and institutional failures and this phenomenon can be considered and defined in the scope of the Eurozone as consisting of Germany, France, Austria, Belgium, and the Netherlands. Certainly these structural imbalances have required putting forth some financial reforms together with the new corporate search in Eurozone countries because of this case surely created the conditions for increased divergence including the period the euro preparation years related directly to GDP. So, the common financial applications in Eurozone that include also monetary policies put forth to need institutional alterations related to the other macroeconomics policies but, before all things consider crisis policies in the same period (Perez and Scherpereel, 2016: 1162)s. Along with that the liquidity crisis with debt policies have been in contradiction for a while and this fact is an important reason of the relation cycle of macro-imbalances.

The previously stated public debt ratio was considered possibly miscalculated to move the euro into the crisis zone, but this phenomenon is still a heavy financial burden that effect on the common financial occurring for Eurozone. It appears that Countries that are in Eurozone need more policy responses, and multi-level crises management based on institutionally effecting. It should be suggested by these considered countries a comprehensive analytical framework that may guide current as well as future research in the operating of an incomplete currency union. In addition the macro-imbalances crisis has been limited via political approaches in the basis for a severe political misreading (Ares et al, 2016: 1103). This situation has been resulted in problematic economic policy responses turning into changed the character of financial crisis versus the main steps of the expected original crisis (Dawson, 2015: 980). Even, according to some analysts this structural alterations, occurs the brake effect on the economic growth of these countries in Eurozone and their seemed effects on the actual economic development cause to deviate the concept of the endogenous of optimum currency area criteria (Dawson, 2015: 989-990).

3.2. The Institutional and Political Cyclic Flowing Related to Macroeconomic Imbalances Procedure in Eurozone

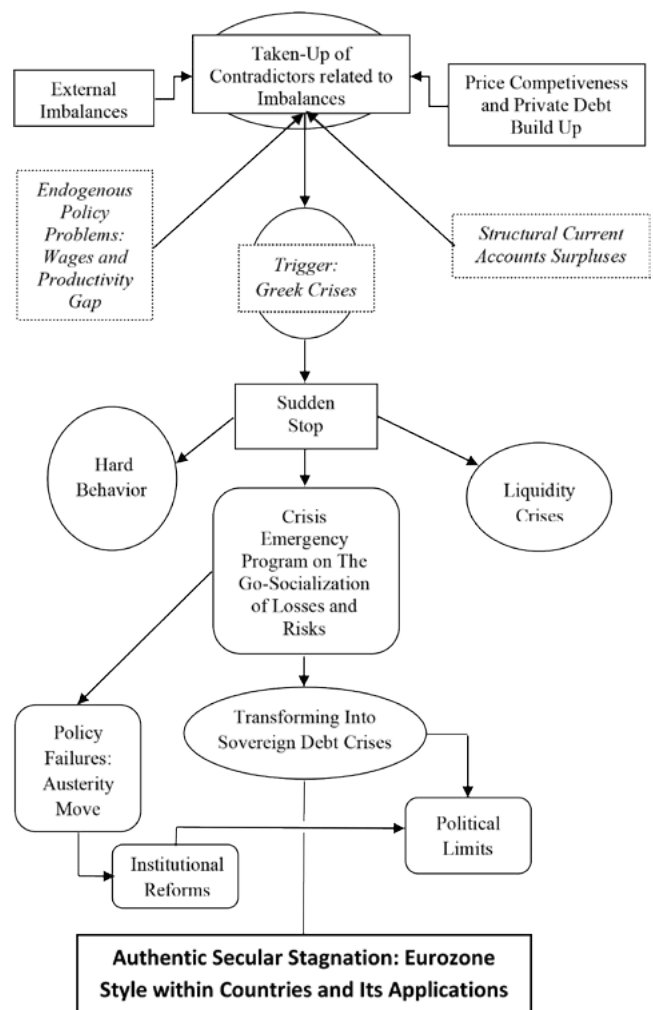
These effects had targeted to put forth actually seen as confirmation of a functioning currency union where private markets arranged adequate capital flows between financial surplus or deficit economies in the spite of the different structural changes with objections in Eurozone countries. As that context the structural financial cycles of macroeconomic related to financial imbalances includes hard the private financial institutional behavior. This point means that of private credit markets turned into more being under financial obligation of the Eurozone as a trigger financial component (Eyraud and Lusinyan, 2013: 572). Therefore, the Eurozone financial crisis, using these

all cycles' dynamics can be categorized, as stated the various national forms of financial crises.

This perception can be stated the different in terms of economic and social cost that means the different forms of crisis perception in Eurozone (Ferrara, 2016: 1238-1239). This structural flowing process include not the probable fiscal imbalances caused by devaluations because of only include the institutional relations, which state that especially institutional relations cause macro-imbalances process. Even more, we need to attract attention that the institutional and political cyclic flowing trigger and cause thought differing factors, and these considered factors are in mutual relationship. On the other hand, it should not forget that it is a crisis of economic institutional governance, and thus an institutional crisis that needs fundamental institutional changes (Drudi, 2012: 2).

Figure 3 the institutional put forth the relations whole of in the political flowing framework related to macro-imbalances process below (Hübner, 2016)³:

Figure 3. The Institutional and Political Flowing of Financial Macroeconomic Imbalances in Eurozone



Source: Author

³ <http://politics.oxfordre.com/view/10.1093/acrefore/9780190228637.001.0001/acrefore-9780190228637-e-154>

Figure 3 emphasizes the macroeconomic imbalances also including financial policies with institutional practicing in Eurozone, which means is in the scope of probable political failures. Especially, we should emphasize that banking practicing takes place important area in lender economies that threatened to develop into imbalances as a the outcome was a wide-range liquidity crisis of the banking sectors. All the financial practicing in Eurozone related to macroeconomic imbalances requires fundamental changes in national policy preferences. This situation must be supported via as well as the ability to fundamentally in the scope of political reforms toward a coherent Eurozone-wide strategy. But, after 2008 financial crisis it has not been this approach take into consideration in full within the applicate policies related to solve imbalances positions. This structural approach can be commented in two term related to Eurozone process.

First, the previously stated public institutional applications within debt ratios require the new definitions that ensure the new global financial move the euro into a critical crisis zone. The negotiations on this concerned topics in Europe financial commission should considered including new financial formations together with new financial institutions (Copelovitch et al, 2016: 830). Because, the elements of macro imbalances cannot be defined in the only approach the global financial variations with their effect levels are consider required into in imbalances process. In other words, to simply characterizing the imbalances emerging Eurozone crisis due to an unforeseen loss of confidence on the side of macroeconomic relations can result in the unexpected some levels? All the institutional analyses should emphasis why it does cause for the loss in confidence toward to the future of Eurozone (Leupold, 2016: 87-88). Namely, as seen on figure 3, all the currently process of the probable imbalances should be tackled together with all the macro relations, and should be deal with the Eurozone crisis is not seen as a simple result of spillover effects from the global financial crisis (Baglioni and Hurrelmann, 2016: 109).

Second, the required most important applications should emphasis the components of Crisis Emergency Program on the go-socialization of losses, which means to prevent the probable risks transforming into sovereign debt crisis (Ruffert, 2011: 1778). In reality, as seen in figure 3 the most of these elements highlight particular mechanism of the macro triggers cause negative effects imbalances process, that are relevant. However, a the alternative procedure, to look at each crisis of member economies separately in Eurozone, can be reasonable way out of

this methodological macro relation whole in this tricky situation (Lane, 2012: 63). In addition, it can be said that another distinguishing feature of the macro-imbalances effects is that the monetary application effects on the real economy were meaningful and effect much deeper than in the earlier monetary policies. As seen on figure 3, as political and institutional feature, this context means to need the institutional-politics reforms of cyclic following, but must be remoting from complex corporate structure remote from the complex structure in cyclic following (Copelovitch et al, 2016: 830).

4. CONCLUSION

The macro-imbalances processes in Eurozone have emerged in both institutional applications and financial-policies practices. All the financial macro-imbalances create different macro effects on the countries that are in Eurozone, and especially after 2008 global crisis, monetary relationships should be obligatory to be interrogated again due to the problems in practice for Euro have increased compared to before. It appears that EU Plus Pact Euro Supervisory Framework Macro-Imbalances Procedure has not sufficient to ensure the optimal Euro practicing via Euro currency policies. Also, the amortization process of transforming into sovereign debt crises for countries in Eurozone, especially when they owe in Euro, cause the important problems in the scope of wages and productivity costs as endogenous policy problems. Certainly this phenomenon is accepted as a meaningful reason for macro-imbalances like Greece. And also the required fundamental changes in countries' national policy preferences affect negatively on the willingness of these considered countries towards the common currency applications. This situation creates complexity to coping with the macro-imbalances to the fundamentally piecemeal political reforms toward a coherent Eurozone-wide strategy. At this stage, what it must be done, it should balance to common formations between national crisis emergency program on the go-socialization of losses and risks and Eurozone currency policies. Taken-up of contradictors related to imbalances have to be supported via the taken into account different currency effects because of Euro currency create the different criteria in the different countries in Eurozone related to the difference in development process. The continuation of national half-hearted reforms should be created a common groundwork via Eurozone currency policies in the obligations framework of Euro Plus Pact International Agreement Stability and Growth Pact Financial Stability Funds for coping with macro-imbalances in Eurozone.

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