Preventing and Mitigating Crisis Phenomena and Risks in the New Global Architecture

Jenica POPESCU [1], Nela-Loredana MEIȚĂ[2]
[1,2] University of Craiova, Romania
jenica_popescu@yahoo.com, loredanameita@yahoo.co.uk

Abstract: *The paper addresses the issue of financial and bankruptcy risks, taking into account the globalization of the economy in recent decades, as well as the role of supranational institutions in achieving this phenomenon and in managing the contagion effects that may arise. The factors that can generate these risks at the local, regional and global levels are analyzed, and this entire approach takes into account the changes that have occurred in recent decades in the world economy, as a result of globalization. It is known that the phenomenon of globalization has brought benefits to the economy by reducing transaction costs, increasing global trade and diversifying supply and production. Even under these conditions, with this globalization, new risks have emerged, and the existing ones have become stronger and more susceptible to the contagion phenomenon. Thus, economies have become more integrated, but more vulnerable in the event of a shock in a particular country, in the sense of increasing the speed with which this shock is transmitted at a regional or even global level. Supranational institutions have made an important contribution to the achievement of the new global economic architecture, but they have also contributed to increasing the contagion effect in situations of tension, and in return they have come up with a series of measures and projects that contribute to mitigating the new types of risks that have emerged. Therefore, the paper addresses exactly this direction of the role of supranational institutions in mitigating contagion risks, which should contribute to the smooth running of the economy and help in managing financial and bankruptcy risks in the context of the new globalized economic architecture.*

Key-words: financial risk, globalization, bankruptcy risks

JEL Classification: D81, E32, G32, G33

1. Introduction

From a conceptual point of view, we can say that risks represent behavioral and situational hypotheses, which are burdened by elements of uncertainty, but with foundations and assessments of certainty, without knowing the exact moment of their occurrence. In this sense, the monetary-financial dimension is impacted, like any economic category, by specific risks, which intervene in various market relations, for intrinsic reasons or as a result of external shocks, and all of these would have a direct effect on market participants. These elements influence the decision-making process, but also the cost or results that may arise from market participation.

Specifically, global financial risks refer only to those phenomena that are related to the financial-monetary system. Here we are talking about phenomena of high frequency and with various forms, which manifest themselves on a global scale, having the ability to significantly influence the evolution of financial markets, regardless of whether we are talking about the stock market, the bond market or the derivative financial instruments markets.

In recent years, the attention of researchers and regulators has been directed, in particular, towards identifying the causes and effects of the crises that have occurred within the international financial and monetary system. The major interest has been

represented by the attempt to define doctrinally the functioning of financial market systems, in the context of an increasing number of competing factors that can influence the dynamics of events, but also in the context of new global realities, enhanced by the globalization phenomenon so present in financial markets. However, none of the doctrines developed to date has solved the mysteries of the correlations between economic indicators and risk-generating factors, given the market behavior characteristic of crisis periods in the financial and monetary area.

2. Scientific literature

Risk has been frequently addressed in the literature, with numerous interpretations given, depending on the field. Authors such as Lemos (2020) have paid attention to this phenomenon, and according to him “risk is not an element of uncertainty or volatility, but is a concept formed by three elements…the difficulty being to understand the impossibility of predicting the future” (Lemos, 2020, pg 3). So, the challenge is to face risk by understanding the impossibility of predicting the future. We should learn from the past, but at the same time accept that not all past lessons address all the problems that arise in our path.

Another approach in the literature on risk supports this idea of the impossibility of predicting the future and adds by saying that “no definition of risk captures a time horizon” (Selvik, Abrahamsen, 2020, pg 5). Having these considerations about risk, we specify that at the economic level the opinion of most authors focuses on uncertainty and the impossibility of predicting a certain outcome. Thus, a comprehensive formulation belongs to Aven and Renn (2009): "risk is a situation or event where a certain value is questioned, and the event and its impact are uncertain" (Aven, Renn, 2009, pg 7).

Moving from the definition of risk to the attention that has been paid in recent years to the process of its management, we can state, based on practice and specialized literature, that in recent decades, risk management has experienced a wide development. Thus, nowadays there is no field of management in which risk is not taken into account and is not given a scientific dimension.

Taking into account the general context of management as a science, we can say that risk management represents the process of systematically approaching risk within an organization, regardless of its size. On the other hand, considering that management could be defined as an “art”, then we can say that risk management could be defined as “the art of keeping uncertainty under control”. In other words, on a more plastic note, risk management should counteract the effect of Murphy’s laws. Therefore, “if something bad can happen, then it will happen” (Bârsan-Pipu and Popescu, 2003, pg. 34) could be paraphrased as “if a risk can occur, then it will occur”. Also, Murphy’s second law, which can be adapted for the notion of risk: “leave it to its own devices, things get worse and worse”, can be paraphrased as follows, considering risk terms: “risks left to their own devices will manifest themselves more and more strongly”. Thus, these paraphrases lead to a succinct definition of the mission of risk management as that of analyzing and predicting risks, in order to subsequently identify means for dealing with them.

According to Gheorghiță (2013) “risk can be associated with a balance that can tilt either towards success or towards failure. Such an interpretation coincides exactly with the notion of “break-even point”, which is widely known in entrepreneurship. This combination of words characterizes in the market economy the moment of transition from losses to profit and vice versa, or the moment of equal opportunities. “In situations where traditional methods of ensuring profit are exhausted, the conscious entrepreneur takes the risk.” Gheorghiță (2013, p. 18). Thus, this author brings into discussion the issue of risk at the level of a company, being rather an association with the risk of bankruptcy.

In turn, Mocanu (2016) has an important contribution regarding the field of risks, highlighting the elements that can be omitted when considering the concrete approach to risk. He believes that there is a difference between the way an analyst sees risk and the way a decision-maker in a company perceives risk. Analysts view risk from an epistemic perspective, while decision-makers view risk from a deontic perspective.

A reference work is also that of Movilă (2018), which focused exclusively on financial risk at the company level and on the way in which decisions are made at the company level, detailing the model applied at the conceptual level. At the same time, equally important for the approach taken was the work of the authors Sârbu, Mardari and Cobzari (2018), who focused, in turn, on financial risk at the company level and on how it can be mitigated, taking into account different theories.

Moving from the approach to risk at the microeconomic level to systemic risk, given the amplitude of the effects, we retain the work of Aglietta (2001). "Well-localized accidents had the gift of propagating throughout the entire system [...]" (Aglietta, 2001, p. 85), leading to strong and generalized negative reactions at the market level, which were concretely reflected in liquidity problems or in the abrupt decrease in prices for various financial assets.

3. Factors that generate risks at the global financial and monetery markets level

The factors that can contribute to the generation of risks are numerous, both in origin and in form of manifestation. In this sense, we have constructed Figure 1 through which we present some of them, which would be the way in which they manifest their influence and how they materialize in risks at the level of financial and monetary markets on a global and regional scale.

These factors are: monetary, economic, strategic, social and cultural factors, geopolitical factors, environmental factors, but not least, the factors that reside in the new architecture built at the level of the world economy as a result of the promotion of globalization in various sectors of activity and, in particular, on financial and monetary markets. All these factors can contribute to the emergence of production shocks, institutional shocks, liquidity shocks, climate shocks, perception or behavioral shocks, informational shocks or other types of phenomena that can have a rapid and immediate effect on international financial and monetary markets.

The economic factors that can lead to the emergence of perceptible risks in the international financial dimension refer, first of all, to aspects related to the macroeconomic performance at the level of each state. Also, economic factors can contribute to the emergence of perceptible risks in the production processes, in the investment process and in the processes that lie behind the flows on the capital markets and the flows that can materialize the investments of the participants in the economy. Therefore, the macroeconomic indicators, in most of them, depend to a large extent on a series of variables in the economic environment of the respective state, such as: economic growth, productivity in certain sectors, the inflation rate, the unemployment rate, the level of the minimum or average wage. All these variables are related to economic efficiency, which, many times, is not properly highlighted by the market participants. Thus, being in their desire to speculate, they do not always take into account the real value of the assets they trade and sometimes induce different developments in the market compared to what should have been.

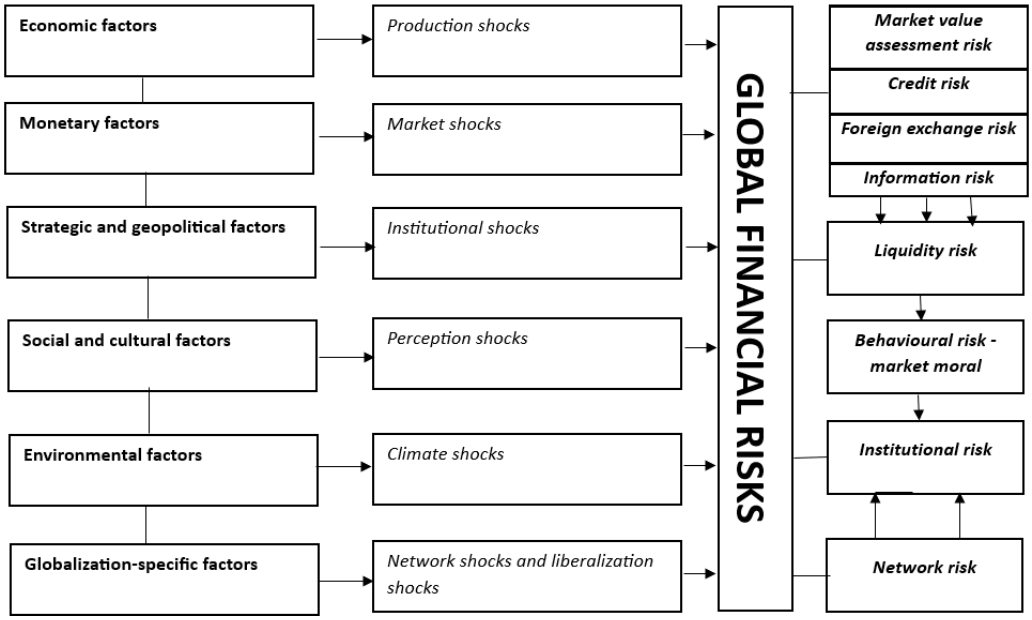

Figure 1. Factors that generate risk at global level

Source: authors' own processing after Grigorescu and Ghic (2012)

Monetary factors (Popa, C., 2008, p. 49) refer to the qualitative perspective of short-term capital flows, but also to the exchange rates that take place on foreign exchange markets, taking into account comparative advantages. Movements on the foreign exchange market (appreciations and depreciations) can occur both for reasons related to market formation and against the background of sudden changes in important macroeconomic variables, in the short term, but which have a major impact on the perception of participants in the foreign exchange market and the financial and banking markets. The power of capital depends on its cost, each investment being marked by the evolution of the currency and the direction of the interest rate movement for the reference currency or for the main currencies.

Considering the latest experiences on contemporary markets, political and geostrategic factors have become very important in terms of the elements that generate uncertainty at a global level. These factors influence the global financial phenomenon, especially when we talk about the following aspects:

- the allocation of resources is influenced exclusively by the global power poles, the current world order being reconfigured mainly on the basis of power vectors;
- the preferential arbitration of strategic advantages at the global level generates a series of military actions or social conflicts, having a direct and immediate impact on the global financial and monetary markets;
- the price of assets on the financial market is strongly linked to the geopolitical and strategic evolution regarding the global energy markets;
- international cooperation is assessed through an indicator that is included in the process of analyzing environmental variables when formulating the market behavior of economic agents;

Social and cultural factors refer, on the one hand, to the intrinsic psycho-social side of the behavior of market actors and, on the other hand, to the social climate of the studied areas. Elements related to cultural meanings can lead to the most diverse reactions and attitudes, it being known that an investor will react differently to an area

with which he has certain affinities or to which he has connections, regardless of the potential return. On the other hand, social stability represents one of the important pillars of the process of evaluating environmental conditions, when considering an investment process.

Environmental factors can have a significant impact on the global reaction of financial markets, by simply affecting different agricultural crops, by changing pollution prevention legislation in an unpredictable way, or by the occurrence of completely out-of-the-ordinary phenomena with a major impact on the quality of life (we are talking about natural disasters with an impact on the economic sector, on social or political life in different areas of the world).

The specific factors of globalization that have an impact on international financial markets refer, on the one hand, to the positive effects that the world has felt in recent years (e.g. poverty reduction, technological transfer, etc.) and, on the other hand, to the negative effects, which are known as network shocks (the impossibility of resisting the flow of new information that has emerged with globalization), which have arisen or have been amplified in this new context (we also include here the increase in crime or terrorism). Also, the free movement of goods and capital represents one of the contemporary realities, which can be said to be included in the category of specific factors, since the complex of influences that it could have on the international financial-monetary system is known. On the other hand, the destructive impact of the increase in crime and terrorism on financial markets should not be neglected, as it is obvious that nothing could prevent a panicked investor from withdrawing from certain areas where these phenomena have become exacerbated. Thus, all the measures taken in recent years in terms of combating terrorism and crime are welcome and help the financial markets.

Considering this complex of fundamental factors that can influence specific manifestations on financial and monetary markets, we can state that the main risks at a global level are the following: credit risk, currency risk, valuation risk, information risk, institutional risk, liquidity risk, behavioral risk (atypical market evolution) and network risk.

4. Prevention and mitigation of crisis phenomena and risks

After the gold standard was abandoned, amid the growing level of integration of financial markets, in the context of globalization and the rising contribution of technology to the functioning of financial and monetary markets, especially through the increase in the speed of access to information, the markets crystallized in the form of a certain institutional and functional system, different in form from what we knew before and particularized by numerous variables, but unstable and continuously subject to numerous fluctuations. The errors that occurred in this new form were based on the modification of some of the old or newly emerged variables, which were not well integrated into the new system or for which the global definition was imprecisely achieved. The very high risks that arise because of opening speculative positions, without economic foundations, have often generated unjustified increases or decreases in the market value of the respective securities. However, when the first negative signal appeared, it was observed that the conservation tendency of market participants prevailed, and the markets encountered a major lack of liquidity, which led to the cessation of transactions in a certain direction.

The first category of forms of manifestation of these imbalances is related to the dynamics of the various components of the financial-monetary markets, within which, for different periods of time, a series of dysfunctions regarding the evaluation, trading or behavior of the participating agents occurred by over-reacting in a certain direction. In most functional crises, the lender of last resort was the one who managed

to save the situation and close the problem in the market, providing the necessary liquidity and calming fears in the short term, at least.

The stock market crash of 1987 (October) is a very good example of a functional crisis, which occurs because of the collapse of prices and the rapid decrease in liquidity, with an amplitude so high as to affect the entire international financial and monetary system. A similar situation occurred in the USA in 2007, with the fall of Lehman Brothers, when the stock markets recorded sharp declines, and short-selling orders required a large amount of liquidity. The tensions in the United States economy were transmitted within a few days or weeks to the European and Asian markets, generating increased financial risks. All of this translated into declines in stock exchanges, depreciations of weaker currencies, and increases in interest rates, representing financial risks that affected both individuals and legal entities participating in the economy.

In order to finance the sell orders in return, a very large amount of liquidity was required, which was impossible to ensure in those conditions of uncertainty and fears on the part of market participants. However, the situation was saved by the intervention of the FED, which aimed to ensure the necessary liquidity to save the financial and banking system. As a result of this intervention, the blocking of transactions and the reaching of a much more serious point of tension were avoided.

The action that the FED took in 2007 and later, in 2008-2009, calmed the markets and managed to give more confidence. The FED intervention plays a major role in mitigating functional crises, all existing variables being reduced to a matter that refers to the behavior of market participants, who are often engaged in speculative action. In this situation, reducing fears by supplying the market with liquidity helps to restore portfolio positions and direct the attention of participants to a more rational area, giving them time to analyze the fundamentals of the actions taken and not to respond impulsively.

Also, the contagion effect was again strongly present in 2011-2012 in Europe (sovereign debt crisis) and worldwide in February-March 2020 (economic lockdown due to the Covid-19 pandemic). Thus, it was observed that the phenomenon of globalization led to this disadvantage of increasing the contagion effect for financial and bankruptcy risks.

From another perspective, the manifestations of this syncope were correlated with the impact on the investment process not only in various developed economies of the world, but also in developing countries. As a result of the development of technological infrastructure, functional crises quickly transformed into systemic crises characterized by the generalized impact on market indicators and the contagion of different market segments, even if previously they were not very correlated. Against the background of the free movement of capital, speculators amplified and maintained the level of crises, which led to the emergence of devastating effects in the economic chain, at regional and national levels, in various ways: bankruptcies of financial and banking institutions, excessive depreciation/appreciation of national currencies, rapid growth of unemployment or inflation, significant deterioration of the balance of payments
and so on.

Systemic crises (Popa, C., 2008, p. 109) represent a major problem since the collapse of the Bretton Woods system and the widespread adoption of floating exchange rates. They made their debut with the sovereign debt crisis in emerging countries. The restrictive monetary policy promoted by the United States of America in 1980 had as a secondary effect the emergence of the first systemic crisis in the modern history of finance. Given that the United States of America promoted a restrictive monetary policy, creditors on international markets reacted and increased interest rates generally, which led to a rapid increase in debt costs for many countries

internationally. Among the most affected countries are the countries of South America, which were heavily borrowed on international markets, and the reference currency used was the US dollar. In 1982, Mexico ceased payment services, and this caused a blockage for all Latin American countries, this crisis also spreading to countries on the African continent.

In this context, the International Monetary Fund intervened massively to support these countries in order to overcome the imbalances generated, and the rationale behind the intervention was based on the premise that regulating the macroeconomic imbalances produced at regional level, supporting national currencies and increasing liquidity in bond markets would help the countries save themselves. However, the behavior of bond market participants was far from the one desired, as they sought to save their capital or assume speculative positions. The mass exit of investors from the bond markets in Latin America led to an increase in interest rates to unprecedented levels, with maturities even trading at levels above 100% per annum.

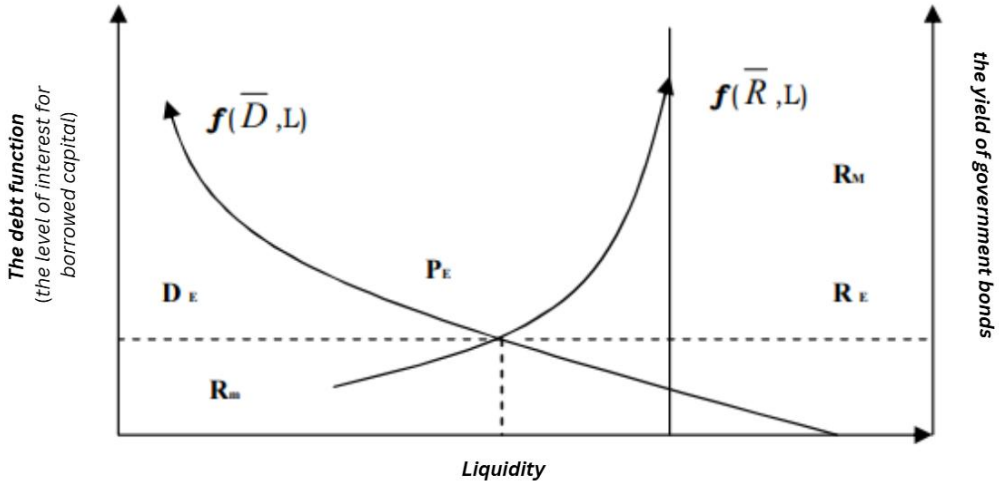

Figure 2. Model of a debt crisis
Source: authors' own processing after Popa, C. (2008)

Given the above, we have constructed Figure 2 through which we have schematically highlighted what the model of a debt crisis would be. Thus, the essential particularity for such a crisis is the direct dependence on at least one macroeconomic variable that is considered for the analysis relating to a country: for this situation "market liquidity is correlated with at least one internal macroeconomic variable" (Popa, C., 2008, p. 117), and here we are talking about the interest rate. Two functions are presented on this graph: i) f(D, L) - the indebtedness function, which is defined by the average interest rates for the loans that have been contracted and ii) f(R, L) - the market appreciation function, which is defined by the average market yields that have been recorded by the issued government securities.

To begin with, starting from the minimum yield Rm, against the background of the positive outlook on a state, given the medium and long-term expectations, the yields of government bonds are registered on a positive, optimistic trend, characterized by the increase in the appreciation function f(R, L). This brings, in addition to higher

liquidity on the bond markets, a much larger volume of investments attracted by good prospects. All of this comes with a higher degree of risk. Thus, the PE equilibrium point is the moment of deviation from the value considered as real of the yield required by the market, so that later the onset of overvaluation appears, which ultimately leads to speculative situations.

On the other hand, the function of indebtedness is included in the maximum of the equilibrium interest rate, which is lower than the average yield of securities in the secondary market. With the emergence of overvaluation of securities, at the first negative signal in the market, even in the case of an informational signal, there is a high risk of trend reversal, and the promised returns subsequently disappear, everything falling into the area of speculation. The withdrawal of investors leads to a rapid increase in the interest rates requested by market participants, but also to a decrease in existing liquidity and the state's ability to finance itself. The exponential increase in interest rates leads, as we have mentioned, to the inability of debtors to continue financing themselves, and they become insolvent, even in the short term. In these situations, problems also arise related to supporting the exchange rate, given that the existence of very high interest rates only makes financial market operations no longer function normally, and the depreciation of local currencies is only a consequence of the inability of the real economic sector to deliver the returns promised, under conditions of initial stability. Thus, we move to another area of crises, that is, currency crises, which are synthetically explained by Figure no. 3, according to the dynamics of the exchange rate, this being considered the essential parameter to explain the generalization of a currency crisis at the market level. The two functions represented are: i) the economic productivity function (f(P,Cv)), which is correlated with the real purchasing power of the population, and the market liquidation pressure function (f(L,Cv)).

In Figure 3, the shape of the curve highlights the appreciation of the exchange rate in a manner superior to productivity or economic efficiency, which is ultimately intended to satisfy market participants by involving their own capital. In this way, the hypothesis of a speculative bubble is built, the stake of economic efficiency transforming into the stake of short-term speculative gains. When the breakeven point (PE) is reached, this becomes evident in the market, as the pressure to liquidate positions in the respective currency increases for market participants, leading to a massive depreciation and in a very short time frame. In this context, the role of financial and monetary bodies in ensuring the stability of the national currency and avoiding over appreciation or over depreciation in real terms to help the economy of the respective country must be highlighted again. Interventions to support the national currency cannot be carried out efficiently without affecting the free movement of capital or without affecting other variables in the real economy.

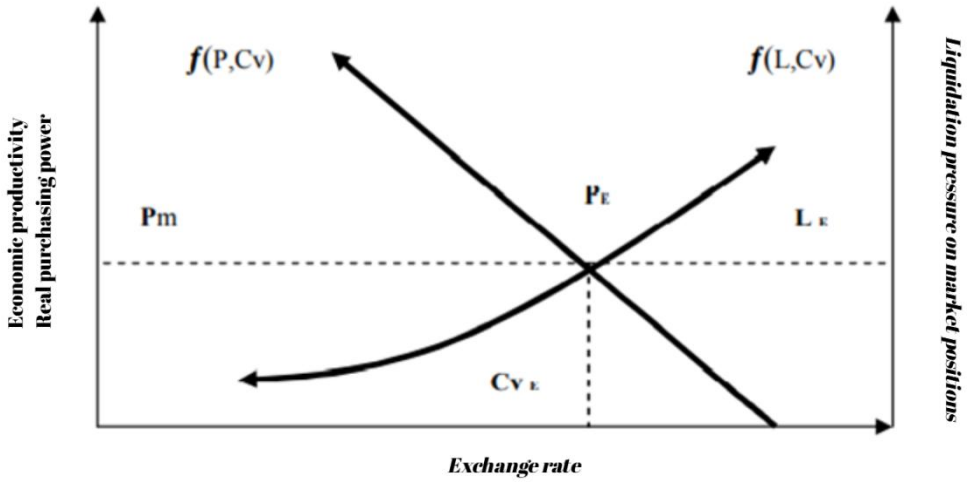

Figure 3. Synthetic representation of currency crises

An example in this regard can be considered the virulent crisis that has gripped Southeast Asia since 1997. The cause of this crisis stemmed from the deficiencies in the free movement of capital, where there was not enough strength to combat speculative capital, with a speculative bubble that was maintained over several years and led to crises in numerous markets.

Behind this crisis were large-scale real estate and stock market speculations, carried out against the background of very easy access to credit from the banking system. Real estate prices rose, local currencies in Southeast Asian countries appreciated sharply, without real basis, and the illusion of secure profits led to the emergence of significant short-term capital investments. In the period leading up to 1997, a series of fundamental systemic risks came together and achieved an extremely dangerous combination in these Asian countries. In this context, the focus was on credit risk, which was increased by excessive liquidity in the interbank market and by banks' tolerance for borrowers of questionable quality, their lending policy becoming extremely imprudent. These attitudes were compounded by the high volumes achieved in the foreign exchange markets and the unjustified appreciation of local currencies against international reference currencies, adding to the whole scenario an increased exchange rate risk. Thus, the next risk and the next crisis that will be discussed relating to market value, here we are talking about market risk. This was manifested both in the real estate market and in the stock or securities markets.

Given the liquidity vector for the market in general, the forms of crises related to market value can be synthesized to a certain extent by Figure no. 4, taking into account two quality functions. The first of these functions is that of market information f(Gi, L), this being a logarithmic function, asymptotic in relation to the degree of liquidity. The second function is that of market pressure f(Vt, L), this being intended to be a representation of the trading capacity of the markets, considering the speed of circulation of the available information, but also the speed of execution of the decision-making process.

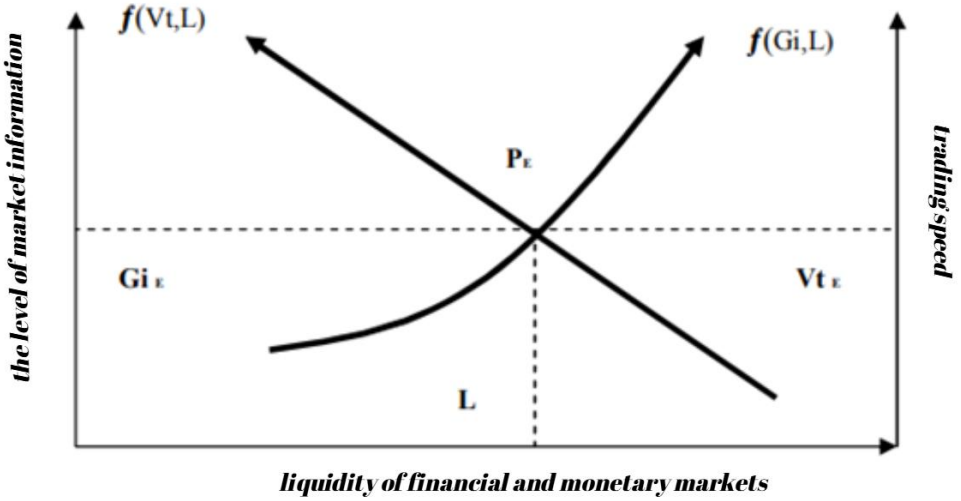

Figure 4. Representation of market crises based on functions
Source: authors' own processing after Popa, C. (2008)

In the event of poor communication, market participants may have a radicalizing attitude, which can lead to an exponential increase in the speed of trading, as capital flees, resulting in a drastic decrease in the level of liquidity.

The development of the international monetary and financial system in recent years has demonstrated that when trying to resolve crises, there is an incompatibility between stimulating economic growth, avoiding bankruptcies and maintaining unemployment within normal limits, on the one hand, and regulating budgetary imbalances, on the other. With the increasing openness of economies, but also against the backdrop of positive perceptions, the dynamics of investments towards developing countries becomes difficult to control and is a positive phenomenon in the short term, but which can generate problems in the long term, especially when we talk about the sensitivity of the lending function. According to monetarist principles, when creditors and investors have priority in liquidating investments in the currency under pressure, massive capital withdrawals will continue, and the depreciation of the national currency will not be stopped. This is where the IMF intervenes, through various loans that attempt to stabilize the balance of payments, but these do not resolve the imbalances caused by the massive capital movements previously made and do not contribute to the functional restructuring of the financial-banking system and the entire economic system in the country in difficulty. However, the IMF and the World Bank, as well as other supranational institutions, have developed in recent years a whole series of programs that contribute grater to combating crises and to better helping states in difficulty.

Considering the experiences of the last three decades, we believe that the mechanism of crisis development in relation to the responsibilities and policy implications of supranational bodies can be synthetically represented according to Figure 5.

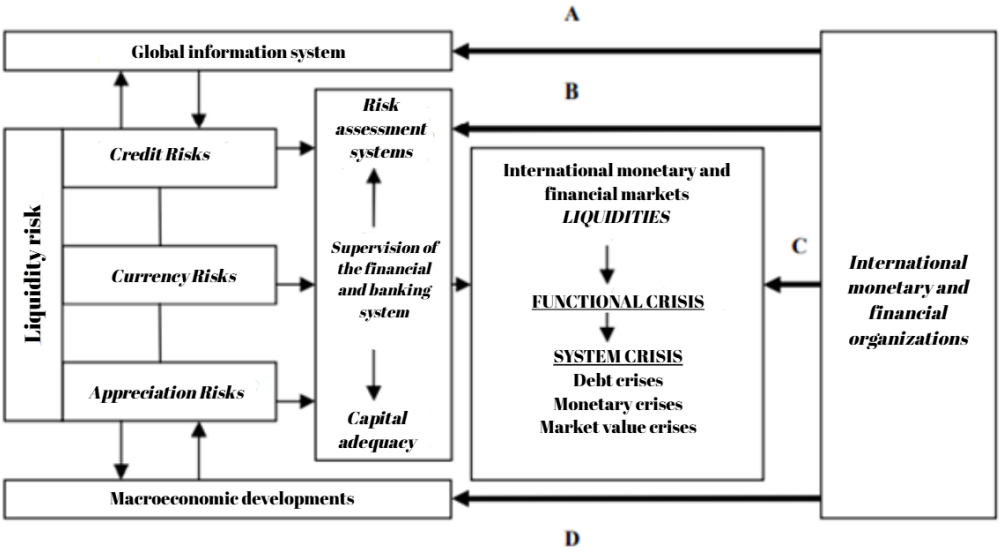

Figure 5. The mechanism of crisis development in relation to the responsibilities and policy implications of supranational bodies

Source: authors' own processing to synthesize types of crises and risks

The functional approach starts from liquidity risk, considered the central pillar of crisis propagation and, at the same time, the easiest element that can be noticed in the market pressures that can generate these crises. Credit risk, currency risk or market value appreciation risk are related to liquidity risk, as represented in Figures 2, 3 and 4, when we look at it from the perspective of the primary forms of crisis emergence at a global level. In most cases, the fall of markets occurs as a result of the development of a liquidity deficit, and the contagion effect comes to amplify the problem and is supported, in turn, by the insufficiency of monetary values, in the effort of market actors to exit certain financial assets. According to Figure no. 4, the emergence of asymmetric information leads to the exacerbation of the market reaction, the main consequence being the rapid increase in the volume of sales transactions, directly impacting the market liquidity at a certain moment.

Considering these potential global risks, financial and monetary institutions have two options: i) supervision (following the three derived risks according to Figure 5) or ii) market intervention, which can be prevention or mitigation depending on the phase of the crisis. These two actions (prevention and mitigation) consist of involving financial and monetary bodies in a broad process that has the following components (also presented in Figure 5): information relations (A), supervision and governance relations (B), intervention relations (C) and macroeconomic adjustment, assistance and cooperation relations (D).

The preventive approach is based, first of all, on the formulation of minimum criteria for action and conduct, taking into account various deviations in the behavior of market participants in terms of real economic indicators. Among what has already been developed for short-term strategies, the following are worth mentioning: the development and establishment of international standards for information in financial markets, the adoption of codes of conduct, the stimulation of cooperation in prudential supervision in the financial sector (here we are talking mainly about capital adequacy measures) or the development and promotion of early warning systems. However, there is a lack of concrete actions in terms of plans for harmonizing interests at the macro and microeconomic levels.

The interest that the International Monetary Fund and the World Bank show in prudential banking supervision is very important, especially from the point of view of defining the international architectural framework, explaining risk variables and standardizing data systems. Although it sometimes seems that prudential regulation and supervision contradict market freedom, these two elements are not excluded, until imbalances appear, when the national interest prevails and when measures are taken to restore balance for all markets. The imposition of temporary restrictions on lending and maximum possible exposures, the modification of minimum reserve requirements, the imposition or relaxation of risk variables referring to a certain sector of activity, can be considered as some of the instruments that were rejected a priori when the system of international prudential rules was adopted.

However, although capital controls in crisis situations at the macroeconomic or market level are not part of the global doctrine, less developed states are those in a position to take a series of measures to protect themselves from market pressure, which can often bring even countries with extremely developed economies to their knees. Therefore, the need to implement prudential supervision systems tailored to the level of development of each state is highlighted. To build them, one must take into account the association of risk variables adapted to different realities, but also take into account the needs of the respective state, in the struggle they have begun to balance their economies.

Going further, we can say that intervention relations are also linked to direct actions taken by international financial and monetary bodies, either on certain targeted markets or at the macroeconomic level. Thus, the concept of lender of last resort is once again being discussed, leading to a calming of the reactive attitude on financial markets, especially in the short term, giving local authorities time to take measures and adopt policies that are adapted to the specifics of local markets. Specifically, the International Monetary Fund and the World Bank are the ones that must propose such interventions, but the size of the amounts and the moments should be established by consensus by all members of these supra-national entities. On the other hand, discussions are emerging again regarding the role of loans from supranational entities and their impact on speculative situations. Therefore, the role of a lender of last resort is to unblock the situation of cessation of payments, but it does not always achieve its role of balancing the situation at the level of the respective state. Establishing the balance of payments in the medium and long term is a difficult objective to achieve given market pressures, and this has been the challenge in recent years for the IMF, the World Bank and the EBRD, to develop programs that would help states in the medium and long term, and not only in the short term by unblocking the situation, but by supporting speculators.

It has also been proven that the panic of market players can increase rapidly after the International Monetary Fund or other institutions intervene. Participants rush to liquidate their holdings on the basis of the liquidity provided by these supranational institutions. There are numerous examples in this regard, and the easiest to remember is that of the crisis for the countries of Latin America, as mentioned above. There are discussions and proposals regarding the modification of the functioning and organization of the activity of the International Monetary Fund, and one of these is directed towards the IMF to design an intervention fund to which all participating countries would contribute, but taking into account the level of risk they assume in forming their own portfolio, thus ensuring a much shorter term for converting securities and changing the terms of exigibility in the event of a tense situation. Thus, in addition to mobilizing an additional intervention force, it is possible that participants will be better held accountable.

As shown in Figure 5, the main channels for transmitting crisis effects refer to the information vector (represented by A in Figure 5) and the measure of

macroeconomic developments (denoted by D in the same figure). All of these should be heterogeneously coupled to a system that is intended to be symmetrical, but also uniform from a political and economic point of view. Therefore, the information system is the one that can transmit the pulse and perceptions at the market level, and the sensors connected to macroeconomic developments can certify or deny the evolution of certain environmental or macroeconomic variables considered relevant.

When we consider the information vector, we can say that the involvement of the IMF and the World Bank is important, but not in terms of mitigating the effects of the crisis, but only in terms of the policy of supervision and prevention of crises. A series of problems arise, such as the lack of communication with the financial and banking markets, the direct interventions, sometimes insufficient or late, of these supranational institutions, interventions that often lead to an increase in the pulse and tension in the markets, as has been observed in practice for numerous cases in which the International Monetary Fund intervened.

Until now, the macroeconomic dimension has not been directly considered as a way of propagating crises, being treated rather as a way of mitigating them. However, taking into account the liberalization of capital flows in recent decades, the effects of crises that arise are very quickly becoming global, precisely because the macroeconomic dimension is at the end of the development cycle of crises.

5. Conclusions

The emergence of speculative bubbles is based, in most cases, on formed perceptions regarding the reality of financial markets, regarding the perspective of national or regional economies. All of this is amplified by the phenomenon of globalization and integration in recent decades. Subsequently, a series of attempts at economic balance or country or region may become ineffective, especially when the regulatory and control system is not coherent.

Each crisis involves particular unforeseen aspects, so it could not be treated on the basis of predefined macroeconomic policies, as one might think, in the form of a single or multiple recipes. The financial neoliberalism that was promoted by the International Monetary Fund was often more market-oriented, being in contradiction with the desire of states to adjust various macroeconomic indicators that signaled fundamental problems. Therefore, if the market interest prevails, then we can affirm that there is a significant strategic problem. Any economic theory, no matter how liberal it is, never treats national economies as mere aspects related to financial-monetary markets.We can say that any financial-monetary crisis requires a significant conceptual and technical effort from international financial-monetary institutions, especially in the context of confronting the remarkable changes in global realities and in the context of defining new environmental variables that are specific to markets. Global problems target the entire economic and financial environment, regardless of the way they manifest themselves and regardless of the effects they have, both in the short and long term. A number of recent problems, such as global warming, terrorism, the energy crisis, can very strongly affect the stability of the entire international financial-monetary system, and in this regard, it is necessary to develop the models used and consider new, more complex and comprehensive variables.

References

Aglietta, M., 2001. Macroeconomie financiară, vol. II. Editura C.N.I. „Coresi”, București.
Arinichev, I.V., și Bogdashev, I.V., 2017. Estimation of bankruptcy risk of small business companies basing methods of machine learning. *RUDN Journal of Economics*, 25(2), 242–254.
Armeanu, S.D., Vintilă, G., Moscalu, M., Filipescu, M.O., și Lazăr, P., 2012. Utilizarea

tehnicilor de analiză cantitativă a datelor pentru estimarea riscului de faliment al corporațiilor. *Economie teoretică și aplicată*, 19(1), 5–66.
Aslan, A., Poppe, L., și Posch, P., 2021. Are sustainable companies more likely to default? Evidence from the dynamics between credit and ESG ratings. *Sustainability*, 13(15), 8568.
Atif, M., și Ali, S., 2021. Environmental, social and governance disclosure and default risk. *Business Strategy and the Environment*, 30(8), 3937–3959.
Aven, T., și Renn, O., 2009. On risk defined as an event where the outcome is uncertain. *Journal of Risk Research*, 12(1), 1–11.
Bărbuță-Mișu, N., și Madaleno, M., 2020. Assessment of bankruptcy risk of large companies: European countries evolution analysis. *Journal of Risk and Financial Management*, 13(3), 58.
Bârsan-Pipu, N., și Popescu, I., 2003. Managementul riscului. Concepte și abordări. *Buletinul Științific al Universității Creștine „Dimitrie Cantemir"*, București.
Brîndescu-Olariu, D., 2017. Potențialul indicatorilor capacității de plată în anticiparea falimentului corporativ. *Review of Management & Economic Engineering*, 16(3).
Chen, C.W., și Tseng, C.P., 2012. Default risk-based probabilistic decision model for risk management and control. *Natural Hazards*, 63(2), 659–671.
Crouhy, M., Galai, D., și Mark, R., 2005. The Essentials of Risk Management. McGraw-Hill.
De Bandt, O., și Hartmann, P., 2000. Systemic risk: A survey. *ECB Working Paper Series*, No. 35.
Dumitrașcu, I., Dumitrașcu, D.D., și Dobrotă, G., 2021. Predictive model for the factor influencing international project success: a data mining approach. *Sustainability*, 13(7), 2–18.
Durana, P., Michalkova, L., Privara, A., Marousek, J., și Tumpach, M., 2021. Does the life cycle affect earnings management and bankruptcy? *Oeconomia Copernicana*, 12(2), 425–461.
Gagea, M., 2011. Modele calitative/cantitative în managementul riscului financiar. Teoria riscurilor și aplicații. Editura Universității A.I. Cuza, Iași.
Gheorghiță, M., 2013. Riscul – componentă inevitabilă a activității de antreprenoriat. *Studia Universitatis Moldaviae (Seria Științe Exacte și Economice)*, 67(7), 113–116.
Gopalan, R., Gormley, T.A., și Kalda, A., 2021. It's not so bad: Director bankruptcy experience and corporate risk-taking. *Journal of Financial Economics*, 142(1), 261–292.
Grigorescu, C.J., și Ghic, G., 2012. Modelarea deciziilor financiare. Editura Pro Universitaria, București.
Horváthová, J., și Mokrišová, M., 2018. Risk of bankruptcy, its determinants and models. *Risks*, 6(4), 117.
Jorion, P., 2003. Financial Risk Manager Handbook, 2nd Edition. John Wiley & Sons.
Lemos, F., 2020. On the definition of risk. *Journal of Risk Management in Financial Institutions*, 13(3), 266–278.
Lin, H.C., Chjang, F.S., și Lin, H.C., 2010. An investigation of the contagion effect in Asian stock markets under extreme rate of return using copula approach. *Journal of Economics and Management*, 6(2), 247–270.
Mocanu, M., 2016. Diversitatea și capcanele definirii riscului. *Infosfera – Revista de studii de securitate și informații pentru apărare*, 8(1), 62–71.
Movilă, I., 2018. Metode de analiză a riscului financiar al întreprinderii în condițiile incertitudinii. În *Tradiție și inovare în cercetarea științifică*, 159–162. Biblioteca Științifică a Universității de Stat Alecu Russo.
Popa, B., Popescu, J., și Scarlat, C.F., 2022. Financial and bankruptcy risk of economic entities. Analysis models. *Finance – Challenges of the Future*, 24, 50–61.
Popa, M.A., 2019. Bankruptcy risk assessment for the energy companies listed on the

Romanian capital market. *Annals of the University of Petroșani*, 19(1), 171–178.
Răscolen, I., și Rakos, I.S., 2019. Bankruptcy risk analysis based on the patrimonial balance sheet. *Ovidius University Annals, Series Economic Sciences*, 19(2).
Selvik, J.T., și Abrahamsen, E.B., 2021. Explicit and implicit inclusion of time in the definitions of risk and reliability. *Safety and Reliability*, 40(1), 9–27.
Sârbu, V., Mardari, D., și Cobzari, L., 2018. Riscul financiar al întreprinderii. *Simpozion Științific Internațional al Tinerilor Cercetători*.
Shimko, D.C., Tejima, N., și Van Deventer, D.R., 2019. The pricing of risky debt when interest rates are stochastic. *World Scientific Reference on Contingent Claims Analysis in Corporate Finance*, Vol. 2, 120–148.
Stanciu, C., 2013. Sistem de avertizare timpurie a crizelor financiare bazat pe variabile macroeconomice și variabile financiare. Editura Universitaria, Craiova.
Svetlova, E., și Thielmann, K.H., 2020. Financial risks and management. *International Encyclopedia of Human Geography*, 5, 139–145.