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Participation in the GARNET Projects:
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GARNET Mobility - Brief description of the research project:

**Financial crises in the Global Economy – the role and significance of global
and regional economic organisations**

The rapidly evolving processes in the global economy as well as new challenges with economic, social and cultural implications make the problem of financial crises more serious and significant in the current situation. Traditional recipes which should prevent these negative and threatening trends from occurring in the world economic space have turned out less effective than they initially seemed to be. Furthermore, progressive globalisation and internationalisation of markets, as well as activities of enterprises, bring about additional, potentially harmful effects. An economic collapse in one region may adversely influence other regions in geographically different parts of the world, which could escalate and trigger problems in the whole global economic system. The latest economic experience clearly shows that many significant feedbacks constantly occur between regions, countries, companies and international organisations, creating an entirely new quality in the global economy which also affects everyday life of people all over the world. For these reasons the main objectives of this project are a study of the phenomenon of financial crises in the global economy and an analysis and assessment of the role of main institutional players in the world economy, players whose activity should strengthen the stability of the foundations for long-term economic development. International economic organisations can and should contribute to the creation of valuable and responsible attitudes among all the important participants in economic relations both on the regional and on the global level.

The research focuses in particular on currency crises and their negative consequences in the economies of various countries, consequences which often are the beginning of even more serious economic turbulences. Implications of a currency crisis may trigger an uncontrollable avalanche of further problems connected with the functioning of a number of crucial areas, which in turn may threaten the entire economy of a given country or region, leading to dramatic consequences.

The first part of the project presents the contemporary theoretical output of this field of economic science. It classifies in detail all crisis models, describes their important features and defines macroeconomic conditions under which these dangerous phenomena are likely to occur. The project will examine, in particular, monetary and currency policy, foreign economic policy, investment policy and other crucial operations carried out by selected countries. This part of the analysis will be performed in the context of the functioning of international financial markets. It will

also include a study of non-economic factors that create a “crises-friendly” environment. At the same time the project will explore microeconomic effects of financial crises on enterprises and societies. In the second stage, theoretical aspects will be verified on the basis of specific economic events occurring in different countries of Europe, Latin America and Asia. Empirical data from various countries from different regions will allow the research to be fully representative.

The next stage of the project will focus on an analysis of actions taken by international economic organisations, including IMF, WB, ECB, which by definition should strive for macroeconomic stability of crises-stricken economies in various parts of the world. The starting point of the analysis will be a general presentation of the essence and specific features of these institutions. This will be the basis for the analysis proper which will deal with an assessment of specific, already implemented, stabilisation strategies, economic instruments used and their influence on the economy in the regional and global dimension. In particular, the research will concern proposed changes in macroeconomic policy as a whole (especially with respect to the monetary, currency, investment, budget and fiscal policies) as well as the policy which influences international cooperation of various countries.

The project will also analyse preventive measures proposed and recommended by international economic organisations in order to counteract these negative phenomena. That is why, taking into account the scope of the research, it seems very important and valid to try to answer some questions which are of key importance to the whole project:

- what is the real influence of international economic organisations on the regional and global economic environment;
- do stabilisation strategies pursued by international and regional organisations really fulfil their mission;
- do international and regional economic organisations cooperate in fighting the consequences of financial crises and coordinate their preventive actions;
- what is the role of extra-economic factors influencing the results of stabilisation strategies implemented by international economic organisations.

The last component of the project is an analysis of the current situation in the European Union in the context of its partially functioning monetary union and the role of the European Central Bank. In this case the ECB is treated as a specific example of an economic institution with particular regional significance. Apart from typical attributes of a central bank, we can also point to a wider scope of its influence. The ECB directly influences the economies of not only those countries that are within the euro zone, but also of those that are functioning outside the Community. As it will be the case in the analysis of international economic organisations, the research here will also concern the effects of the ECB's economic policy, particularly various aspects of currency stabilisation. In addition, the entire analysis in this part of the project will be placed within the context of the future enlargement of the monetary union that will concern new countries which joined the EU in 2004.

As a result, the research project presented here strongly corresponds with the thematic scope of two sub-projects, GARNET JERP 5.2.4 Global Economic Governance and Market Regulations, and JERP 5.1.2 The EU and Eastern Europe, which is a significant factor conducive to the studies carried out by the author.