

FRANJO ŠTIBLAR

THE IMPACT OF THE GLOBAL CRISIS ON MONTENEGRO AND THE WESTERN BALKANS



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PREFACE

The current global financial crisis is most certainly the biggest since the Great Depression in the 30s of the last century. It has set challenges for both economic theory and policy and has initiated a reconsideration of the dominating economic policy norms in developed countries, as well as those in economies in transition. The exact thing that seemed inconceivable only several years ago has happened – the collapse of the capital market, mass bankruptcies of the largest banks and other major financial institutions which were the pillars of the global financial system in the past, as well as enormous damage to some of the largest global companies. So far, no one has been spared from the consequences of the crisis, including the developed countries, the economies in transition and the developing countries. It has also struck all the sectors of production and service, some to a greater and others to a lesser degree.

The crisis itself has opened up numerous questions, which still remain without unambiguous answers. Why did the crisis occur now, which measures should be undertaken to overcome it and what else to do so as not to have it repeated in the future? The book "The Impact of the Global Crisis on Montenegro and the Western Balkans" deals with these topics.

The timing of the book is right – it has appeared at a moment when we still do not know how deep and how long the crisis will be. Therefore, the author of the book correctly raises the question of whether it is in fact a recession or a depression.

In a very systematic and comprehensive manner, this book explains the reasons behind the global financial crisis, examines the institutional and regulatory weaknesses that aided to it, as well as offers a solution for the crisis through presenting a new vision of macroeconomy. The book clearly shows that the crisis did not occur "overnight"; instead, it is a consequence of an accumulation of problems and misguided economic policies over a longer period of time. Special attention is dedicated to the psychological element, a significant factor in both the creation and spread of negative expectations, which has been often neglected in the earlier economic literature.

PREFACE

However, the author did not restrict himself to examining the causes and the results of the crisis, he has also provided clear recommendations on what needs to be done from the aspect of the general rules of economic policy management. This includes suggestions not only how to stimulate economic activity, but also what action is needed in the fields of social policy, health and pension reform so as to mitigate the consequences of the crisis, and thus overcome it more quickly.

In addition to that, a systematical overview of measures used by some countries in "combating" the crisis is included in the book, including suggestions as to what can function well under the current conditions, and what cannot. Also, the book examines the proposals of eminent professionals on what needs to be done and the author raises the interesting dilemma of "privatization" versus "nationalization".

A special quality of this book is the fact that it also tackles the effects of the global financial crisis on the Western Balkan countries and Montenegro. It is the first book which analyzes the possible consequences of the global financial crisis for the region and clearly indicates the influence of external factors and internal disbalances and problems that helped to spread it.

I am convinced that this book will be useful reading for economic experts, students, economic policy creators as well as ordinary citizens who would like to become better acquainted with this subject. Non-expert readers might find especially interesting the part which relates to the questions of how an individual should decide on borrowing, saving and property management under the current conditions. Therefore I can honestly recommend this book to all interested parties and I am convinced that it will capture a wide reading audience.

Ljubiša Krgović



Dr. Franjo Stiblar graduated both from the School of Law and from the School of Economic at the University of Ljubljana, Slovenia, obtained master degree from the Institute of Economic Sciences in Belgrade and Ph. D. in Economics at the University of Pennsylvania, Philadelphia, USA, under Nobel price winner L.R. Klein. He is professor at the School of Law, University of Ljubljana and its former Dean, professor of graduated studies at the University of Bologna (Italy), scientific advisor at the Economic Institute of the School of Law in Ljubljana, member of the international project LINK under University of Toronto and UN, international public scholar at the Woodrow Wilson Center in Washington DC, member of working groups for financial system at the CEPS institute in Brussels and member of the Council in Central Bank of Montenegro. He published several books *Ekonomija* (2002, with A. Bajt), *Statistika* (2002, with A. Bajt), *The Balkan Conflict and Its Solutions* (2007), *Zavarovalništvo Slovenije v 21. stoletju* (2008, with F. Sramel), *Svetovna kriza in Slovenci* (2008) and many scientific articles in different journals at home and abroad. Macroeconomics and Balkan are among his research interests for decades.

This book contains very detailed proposals for the time of global crisis:

FOR INDIVIDUALS

- how to distribute income and allocate savings

FOR MANAGERS IN ENTERPRISES AND FINANCIAL INSTITUTIONS

- how to govern their corporations in time of crisis

FOR ECONOMIC AND MONETARY AUTHORITIES

- how to intervene to mitigate the negative consequences of global crisis

