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Crisis Concepts Then and Now – Based on the Results of a Two-Round Research

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Abstract

The economic and financial crisis had a deep impact on all countries of the world, among many others on Hungary, too. The crisis of 2007 is perceived as not a usual crisis since it trembled the basics of classical economics. The bone of contention is the nature, the reasons and those responsible for the crisis. Still, in this discussion we often forget about the most serious fact that the most vulnerable party of the crisis is not the “economic books”, but the men in the street. The aim of this study is to present the explanations of the crisis based on a questionnaire research conducted in Hungary in 2010 and 2013, showing the concepts and the effects of the crisis from the everyday man’s opinion.

Keywords: *world crisis, national crisis, banking crisis, debt crisis, questionnaire research*

1. Introduction

The effects and consequences of the crisis are extensively covered and dealt with in economic literature. There are several interpretations of the concept and the definition of the crisis and still, none of them could fully characterize neither the bubble burst in 2008 nor the path leading to it. Perhaps the most obvious definition for the description of it was given by Árvai – Vincze (1998) ” when it occurs, even the blind can see it ”. Our question is what can we actually see and what can be done at that certain time. In order to answer this question it is essential to review the following most important crisis definitions. According to Bordo and his research team (2001), Hemming – Kell - Schimmelpfening (2003) and Reinhart– Rogoff (2009) in crisis typology four types of crises can be distinguished:

- *Currency crisis* – the shock is caused by a speculative attack on the exchange rate of the currency and the consequences of it are the loss of value and further devaluation of the currency and the situation can only be dealt with by raising interest rates or using existing reserves,
- *Banking crisis* – in this case the shock is preceded by the loss of investors' confidence, this uncertainty triggers a further loss of confidence in the financial system leading to banking panic, freezing of funds and deposits and drastic government interventions,

- *Twin crisis* – a simultaneous and systematic currency and banking crisis,
- *Debt crisis* – in this case shaking creditor confidence in the debtor nations or organizations is triggered and the creditors are not willing to finance their debtors, furthermore, the creditors intend to withdraw their loans and capital causing inability of financing and thereby this may lead to the debtors' bankruptcy.

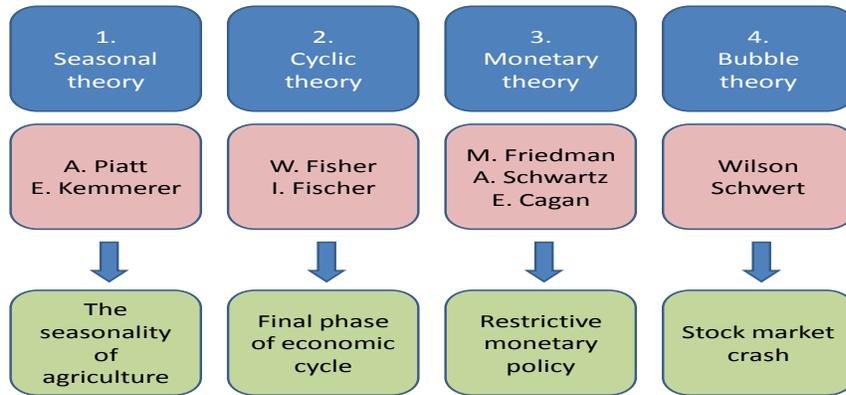
The crises experienced in history so far are grouped from several aspects. Three significant groups are named according to historical learning by Farkas in 2009.

- *Crises which can be traced back to traditional economic cycles* – in which capital is accumulated by the participants during the boom period, in order to expand production, and after the saturation of the market the same players suffer a significant capital loss in the period of decline, after which the market clears, balance is regained, therefore a new economic cycle may begin,
- *Global world crises* – which mean much more than traditional cyclic crises, because they reverse the previous course of capitalism, and -
- *Node/intersection crises* – which mean the complete reversal of the system of capitalism, including the rethinking of its operational system.

Based on this grouping, Farkas says that the crisis of 2008 is rather new and serious, i.e. a mixture of the categories of global and node/intersection crises with numerous, unforeseeable consequences. This listing of crises by Farkas can be complemented with an other type of crisis that was characteristic for the countries of transition in the 90s, the *transition crisis*, in which a totally new economic environment had to be faced by these transition countries. Instead of the previous planned economy an entirely new and competitive economic system emerged as new economic conditionality previously known only from course books for these countries. The new system came along with massive loss of jobs, privatization of state enterprises, massive cuts of enterprises and drastic decline of the welfare state. The Central European countries faced this transition crisis more than 20 years ago but it can be declared that even today we still learn from that experience. According to the research of the business environment in Slovakia as a transitive country, conducted by Marisova et al. (2012), the business environment as a significant part of economy environment of the state, can be improved by the reforms in public administration. The reform of public administration after adoption of the Directive 2006/123/EC on services at internal market, showed positive results for developing the entrepreneurship.

All of the crises in history have in fact been those of some kind of overproduction (Szanyi, 2009). When the heightened production of the participants was maximised by reaching a peak, starting a clearing process in the form of an economic crisis. Crises would go together with a structural change in the economy. “A very important difference compared to previous great crises can be found in the erosion of the ethical norms of economy. During the unfolding crises, especially in the case of stock exchange crises there is always an ethical element,” states Szanyi (2009; p156). The main causes for the development of the crisis can be interpreted several ways by researchers. Based on the economic literature, four specific theories should be mentioned as also demonstrated in the table below:

Figure 1: The theoretical background of the crisis, its representatives, and its causes



Source: own compilation

Furceri – Mourougane (2009) mentions the following reasons regarding the current crisis (quoted by Zádor – Nyers, 2010, p. 38.):

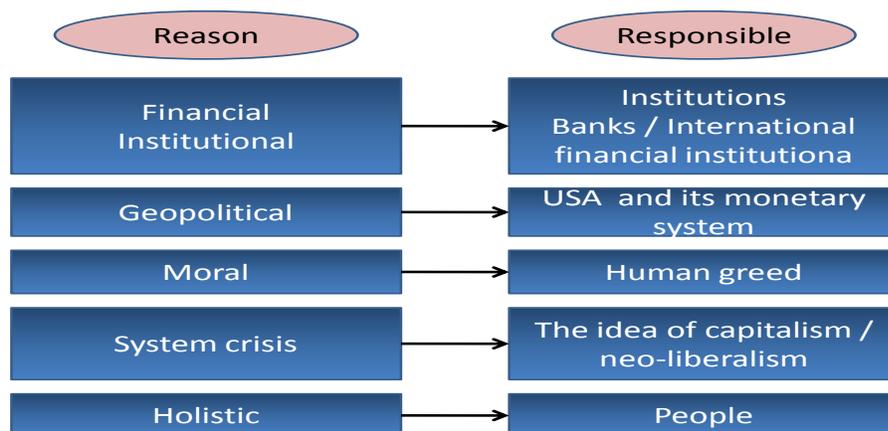
Table 1: The causes of crisis based on Furceri and Mourougane (2009)

Mistakes in economic policy	Regulatory failures	Market failures
Lax monetary policy	Basel capital requirements,	Peer pressure and irrationality,
Maintaining a fixed exchange rate	Deficiencies of authorities,	Problem of principal - agent,
	Lack of transparency of the „provide loan and pass it on” model,	

Source: Zádor – Nyers (2010)

For the reasons, causes and explanation of the crisis in everyday life we may observe several theories. Ranking the causes and those responsible for the crisis is very difficult since each and every explanation may seem real. A broad consensus has been reached regarding the fact that the roots of the crisis are to be found in the US banking system which had been left alone and uncontrolled by regulations. The result of this is a global financial crisis of the whole system and it can be interpreted as a debt crisis, a sub-prime crisis even as a moral crisis of the humanity.

Figure 2: The aspects of interpretation of the crisis



Source: own compilation

Lentner – Szigeti – Borzán (2011) highlights the role of the following interest groups in terms of the outbreak of the financial crisis and escalation in the financial markets:

- banks and other banking businesses on the supplier side,
- borrower’s business, households on the demand side,
- the Government, the Central Bank and the authority body which all have regulatory role.

Bélyácz – Pintér (2011) regards the most important factors (but not limited to) of the present crisis:

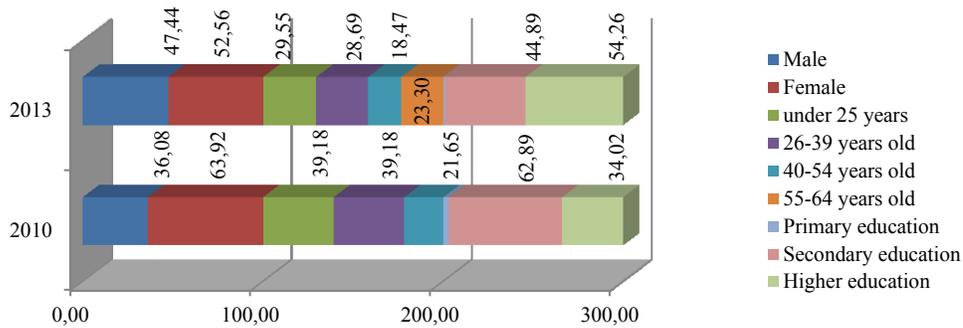
- change in the form of credits,
- bubble formation then bursting of the bubble,
- excessive leverage,
- undervaluing the risks,
- asymmetric information flow,
- lack of transparency,
- inadequate control mechanisms,
- misleading accounting practices.

2. Material and method

Our quantitative research was made as a nationwide survey during the autumn and winter of 2010, and also in the spring of 2013 when everyone had met the effects of the world crisis or experienced them personally. The research was carried out with the help of a standardised, pre-tested written questionnaire, which did not contain open questions to which the respondents could answer using their own words, due to the diversification of the sample. Therefore, for better assessment, the questionnaire only contains closed questions to which respondents can choose replies previously defined by the researchers. Furthermore, we ensured that there are no questions that impede or jeopardise the intentions of the respondents to answer them or that there are no questions that violate their privacy rights.

We tried to get responses to questions which have not been analysed by daily press and the media, so they were based on the respondents' personal opinion and experience. We also attempted to include questions which convey information for the researcher based on substantial experience, therefore we addressed respondents on the basis of a relatively wide circle according to age group, occupation, and education. We obtained the results and conclusions using basic statistics and cross-table analysis. The questionnaire was processed with the help of SPSS (Statistical Package for Social Sciences) 14.0 and Microsoft Office Excel 2007 programmes. In the first survey in 2010 we have distributed 400 questionnaires altogether, out of which 61 were not returned, 48 were returned incompletely, therefore were not to be evaluated, so altogether 291 questionnaires have been processed. In the second survey in 2013 our method was not print or paper-based but was conducted online using the opportunities offered by Google. In the second survey 352 questionnaires have been processed. The composition of the sample is demonstrated in the following table.

Figure 3: The composition of the sample



Source: own research 2010 (N = 291), 2013 (N = 352)

3. Results

The aim of this study is to demonstrate how average people interpreted the categories of crises and how they perceived and categorized them right after the emergence of the first effects of the crisis in 2010 and some years later in 2013. The questionnaire ensures several options for the respondents to interpret the following categories of the crisis:

- global economic crisis,
- national economy crisis,
- social crisis,
- moral crisis,
- educational system crisis,
- healthcare system crisis,
- social system crisis,
- banking crisis,
- debt crisis.

Due to space limitations our current study covers only the following major categories, the correlations of the categories of global economic, national economy, banking and debt crises. The aim of our study was to answer and analyse whether there was correlation between the interpretations of these above mentioned categories and the different age, sex and educational level of the respondents. The existence of correlations were measured using Pearson's chi square testing and the deviations from the expected values were analysed by corrected values of

standardised residuals. In 2013-ban two new categories have been introduced in the questionnaire such as banking crisis and debt crisis so the first round of the research could not cover them yet. The chi square values are demonstrated in the following table.

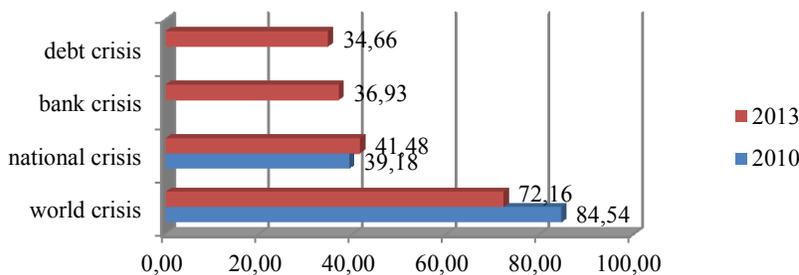
Table 2: The values of Pearson's Chi square test according to the categories and characteristics (*: result can not be interpreted)

	2010			2013		
	Gender	Age	Education	Gender	Age	Education
World crisis	0,0146	0,1174	0,3204	0,7199	0,7573	0,9337
National crisis	0,3337	*	0,0001	0,1154	0,3296	0,3877
Bank crisis				0,9429	0,0194	0,3870
Debt crisis				0,9786	0,1949	0,5925

Source: own research 2010 (N = 291), 2013 (N = 352)

Based on the results of the sample the respondents expressed their opinions diversely. The respondents interpreted the crisis in 2010 and in 2013 rather as a global economic crisis, i.e. they perceived the roots of the crisis not in national but in the global economy. However, this category has apparently lost its importance and it can also be observed that in 2013 the proportion of those interpreting the crisis as a national economy one has slightly increased. The two new categories, such as banking and debt crises altogether have not reached the proportion of 40%, which is quite surprising since several researches and studies name these aspects being the main reason for the crisis. The right example of this are the bank rescue schemes or bailouts and the financial crises of certain countries (e.g.: PIIGS) due to their indebtedness.

Figure 4: The interpretation of the crisis



Source: own research 2010 (N = 291), 2013 (N = 352)

3.1. Comparison of the results of the 2010 and 2013 questionnaires

According to the responses we can state that 85 % of the respondents considered the crisis as a *global crisis*, while in 2013 the figure was only 72 %. In the first round of the research almost all of the male respondents (91%) considered the crisis as a global crisis while the proportion of female respondents was only 81%. In the second round this ratio has reversed and the answer ratio has significantly decreased. The male respondents (71%) interpreted the crisis as a global economic crisis, while the ratio was 73% as for women respondents concerned. The composition of the sample by age also demonstrates a diverse result. The youngest respondents and the respondents of the age group between 26 – 39 years of age in equal proportion marked this category (87% - 87%), while in 2013, similarly to the grouping by gender, we could see figures of 70% and 76%, respectively.

The older generation belonging to the last two age groups chose this category in an even smaller proportion, just 76% of them in the first round and 71% in the second one. Based on the education of the respondents it is considered that in 2010 all the respondents with elementary education interpreted the crisis as a global one while in 2013 the proportion of them decreased considerably to two thirds. In case of respondents with secondary education the similar tendency can be monitored, i. e. 85% and 72%, while the results of those with higher education show about the same (82% and 72%). Statistically verified correlation could be revealed only in one case, in the case of the first round of research between category and gender. As it is demonstrated in the table, when compared to the expected value, the male respondents interpreted the crisis more as a global one, however for female respondents this proportion is well below the expected values, as it is also demonstrated by the values of adjusted standardized residuals.

Table 2. : The interpretation of the crisis as a global economic crisis based on the gender of the respondents

		Mal	Female	Sum
No	Negative answers regarding gender	8,57	19,35	15,46
	Negative answers in proportion of total response	3,09	12,37	15,46
	<i>Adjusted Residual (AdjR)</i>	-2,44	2,44	
Yes	Positive answers regarding gender	91,43	80,65	84,54
	Positive answers in proportion of total response	32,99	51,55	84,54
	<i>Adjusted Residual (AdjR)</i>	2,44	-2,44	

Source: own research 2010 (N = 291)

A significantly smaller proportion of respondents interpreted the crisis as a *national economy crisis*, however the ratio improved from 39% to 41% between the two rounds of conducting the surveys. In the first round 43% of male respondents and 37% of female respondents chose this category. By 2013 this ratio reversed, this category lost its "popularity" as for male respondents concerned, only 37% of them interpreted the crisis within the borders, while the proportion of female respondents marking this category increased to 45%. It can be established from the breakdown by age groups that the respondents of the two younger age groups who interpreted the crisis as a national one the proportions of the first round of 34% and 29% significantly increased to 39% and 36%, respectively, i.e. far more young people perceive the crisis a national one, than they did so, earlier. The opinion of the elderly has also changed remarkably, while in 2010 two thirds of them interpreted the crisis a national economy crisis, by 2013 the results fell to 46% and 48%. The breakdown of the sample by level of education of the respondents varies widely. While all respondents with elementary education interpreted the crisis as a national economy crisis in 2010, three years later their proportion fell to one third. As for those respondents having secondary education the response rate fell from 43% to 37%. Surprisingly, the role of this category increased in the answers of respondents with tertiary education, a 18 percentage points increase can be noticed (from 27% to 45%) It was only in one case when statistically verified correlation could be revealed, in the 2010 sample based on the chi square value, by values of adjusted standardized residuals.

Table 3.: Interpretation of the crisis as a national economy crisis by educational level of the respondents

		Primary	Secondary	Higher	Sum
No	Negative answers regarding education	0,00	57,38	72,73	60,82
	Negative answers in proportion of total response	0,00	36,08	24,74	60,82
	<i>Adjusted Residual (AdjR)</i>	-3,80	-1,57	2,99	
Yes	Positive answers regarding education	100,00	42,62	27,27	39,18
	Positive answers in proportion of total response	3,09	26,80	9,28	39,18
	<i>Adjusted Residual (AdjR)</i>	3,80	1,57	-2,99	

Source: own research 2010 (N = 291), 2013 (N = 352)

3.2. Novelties in the 2013 questionnaire

As it was already mentioned above, two new crisis categories have been implemented into the 2013 questionnaire such as banking crisis and debt crisis. Surprisingly, it was altogether only 37% of all respondents who reckoned that the crisis was in fact a *banking crisis*. This proportion is surprisingly low since it is commonly understood and also proven in numerous studies and publications that the root cause of the crisis is in the regulatory gaps of the banking system. As it was mentioned in the economic literature above, it is obviously the banks being responsible for the excess and uncontrolled lending practice. As for the interpretation of the banking crisis, the answers of both male and female respondents reflect the sample mean, i. e. with slight deviations both sexes considered the crisis a banking crisis (37%).

Examining the answers by age groups its proportion is larger. The two younger age groups, those under 26 and between 26 – 39 years of age interpreted the crisis this way and their proportion is 43%, which can be attributed to the educational system and the news and information broadcast by the media. On the contrary, the elderly did not consider this category an important one since the proportion of their answers is only 35% and 27%, respectively, which is below the sample mean. Based on the education of the respondents there is hardly any difference in answers. The respondents with primary and secondary education performed below sample mean and those with tertiary education slightly above (39%).

Statistically verified correlation could only be revealed at interpreting the results by age based on Pearson's chi square value. As seen in the cross tabulation by the values of adjusted standardized residuals, there is only one age group that can be highlighted and it is the age group of the elderly, whereas the proportion of those interpreting the crisis as a banking crisis is lower than the expected value.

Table 4. : Interpretation of the crisis as a banking crisis by age groups of the respondents

		under 26	26-39 years	40-54 years	55-64 years	Sum
NO	Negative answers regarding age	56,73	57,43	64,62	76,83	63,07
	Negative answers in proportion of total response	16,76	16,48	11,93	17,90	63,07
	<i>Adjusted Residual (AdjR)</i>	-1,60	-1,39	0,29	2,95	
Yes	Positive answers regarding education	43,27	42,57	35,38	23,17	36,93
	Positive answers in proportion of total response	12,78	12,22	6,53	5,40	36,93
	<i>Adjusted Residual (AdjR)</i>	1,60	1,39	-0,29	-2,95	

The crisis was interpreted as a *debt crisis* by 35% of the respondents of the sample. The breakdown by sexes shows is no significant difference between the answers of male and female respondents, with small deviation the answers of both sexes reflected the sample mean. Examining another breakdown by age groups, the group of respondents younger than 26 years of age can be pointed out as they performed above the sample mean with a 42% proportion marking the crisis a debt crisis. The other age groups performed well above the sample mean, 35% of the respondents between 26-39 years of age chose this category, while 31% of the next age group answered similarly. The elderly interpreted the crisis as a debt crisis in the lowest proportion, only 28% of this age group saw the cause of the crisis in indebtedness. The results of the breakdown by educational level show that every age group performed below the sample mean, 33% of respondents having elementary education chose this category and the result is 34% for those with secondary education, while the it was 35% for respondents with tertiary education.

4. Conclusion

Based on the results of the research it is true to say that in 2010 among the respondents, just as the values suggest, the crisis was mostly interpreted as a global economic sequence of events. Three years later this definition has lost its importance mainly due to the economic developments since then. Furthermore, it has also been revealed that national economies handled the crisis in different ways and therefore the economies got infected to a different degree. In many cases the respondents also noticed this and that is why the interpretation of the crisis for them is that of a national economy crisis, however it can only be proved statistically, based on their educational level. The strengthening segment of the results of the interpretation as a national economy crisis can largely be attributed to the information obtained via the educational system as well as news coverages and the media.

A further interesting and surprising fact is that the categories of debt crisis and banking crisis have not even reached 40% in the respondents' answers, which is also surprising whereas it is commonly understood that the main reason for the global economic crisis was the unlimited lending and that is why it's also called sub-prime crisis. The unlimited loans offered for everyone without real coverage and secure income initiated a chain reaction and later the loans were re-packaged by financial institutions still having a direct impact on, in our opinion, even today. As a consequence of unlimited loans offered not only for households but also for the enterprises and states, all they fell into indebtedness, which later developed into the debt crisis. The overwhelming dominance of the category of the crisis as a global economic crisis can clearly attributed to the given and achieved information, however it is just one of the effects, while the real causes and reasons of the crisis are to be searched somewhere deep, on the level of banks and states.

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