Government as a Reason to Economic Crisis in Europe Union Countries

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ABSTRACT

Occurrence of financial crisis in 2008 showed Europe Union has accompanied with fundamental problems, which even most scholars, daresay this horrific economic shocks is able to make difficulty the convergence of countries in Europe zone. In spite of emphasizing on market by economic liberalism, most experts believe that market failure cause to happen the deepest global crisis after Great Depression (1929). They credit, the governments have an undeniable role to finance led globalization. Although we cannot ignore the importance of the role of attendance of government in economy, we believe that sometimes governments are a reason to face difficult problems in economic situation of country. As result, the aim of this study is to investigate what have been done by governments and have been reasons to make mistakes, cause the worsen situation of crisis and lead to bankruptcy of some countries of Euro zone between 2007 and 2010. Lack of political integration among European government and cooperation of national government, the absence of mighty government to make decision and policy and undisciplined financial plans, as well as, loss of proper rules and low are occasions, which are reasons in order to show government could not efficiently, and powerfully perform. They not only could not solve the imposed crisis from financial markets from USA but also intensified the conditions of these communications where as some Europe countries move to bankruptcy.

KEYWORD:
Economic crisis, Europe Union, Market failure, Government

INTRODUCTION

Since economics has been born up to now[1], societies have confronted business cycles, which this recessions and booms could affect the process of development and attaining the aims of different aspects of development in terms of time. Nevertheless, nobody believed that occurrence of price bubble of housing market, in the United States before 2007 and bursting it in July 2007 would be the origin of the most harmful recessions in the world economy after the Great Depression in 1929. The global crisis, which was started from financial market in 2007, was enlarged to real economy, affected on production process, and finally involved the goods and services, labor, and capital markets in the last quarter of 2008. Recent financial crisis caused the world faced a harsh and rapid down fall in production of industries, reduction of international trade, lack of mobility and attract of foreign investment, and debt crisis.

Although, most economists expose that insufficient regulation, and sovereignty of banks and financial markets as major reasons to start the crisis, the most important problem is that we should accept the truth which crisis has been turned into today’s tragedy of human and development progress. Widespread unemployment, losing income and housing, reduction of power of consumption and saving, extreme poverty, especially in female and child groups, and so many matters, influence ability and capacity of society to achieve development by all the dimensions[2]. Based on this view, this research looking for illustrating the recent crisis, as a tornado has destroyed the economic infrastructures, is due mass of erroneous policies and incorrect management to control the economy. When we talk about the managing and controlling the economy, we will advert unconsciously the word of government.

Each economy will be built on two pillars: market and government[3]. As we know, market is a social system which purchasers and vendors interchange information, goods, and services, which are required for each society. Smith [1] has explained that markets act under perfect competition without any failures by itself. In other words, market is always efficient. Nevertheless, the occurrence of Great Depression caused the thinking that societies need a supervisor to lead the economy toward the recovery and improvement after the economic shocks and prevention of it from happening again in the future. Keynes in his book “The General Theory of Employment, Interest, and Money,” demonstrates the not only, invisible hand of Smith cannot push the economy into the best situation but also can cause
it to fall into the bankruptcy trap[4]; Marangos [5] explains that in view of post Keynesians, intervention of government has been causing the development of cultivated societies and has been diminishing the expenditure of evolution. Moreover, Holcombe [6] classifies although, in people thinking, the government got large in twentieth century because the economic shocks like Great Depression and political matters such as the second or the cold war. Even in the twenty-first century the growth in size of government is continuing. He confirms that existence of big governments in developed countries can be a good reason to show markets cannot conduct own duties.

The experience of financial crisis (2007-2009) displayed the theories of perfect and efficient market are flawed, which means the impressive appearance of government could not be ignored [7-10].

Overall, this research will represents what is causing to accept the intervention of government is the lack of ability of market to manage the macroeconomic variables, in the other word the inefficiency of free market have led us to assent of government intervention. In addition, the lack of ability of government in order to control the economy can lead the economic situation to worsen and even the economic recession like what happened in Europe Union. As a result, in next section will be reviewed the last studies about the economic recessions and the role of government to control them. In third part, the finding of this study will be analyzed and finally the session four will conclude the total discussion.

LITERATURE REVIEW

The first years of twentieth-century, people of the world experienced too agonizing and frightful situation when the Great Depression was a tragedy for these years. Between 1930 and 1936, the rate of unemployment fell into 25%. The financial crisis in these years started from the United States and affected whole the world for one decade. Although Ahamed [11] believes that this crisis befell because of making mistake decision by the presidents of central bank of England, France, Reichsbank of Germany, and Federal Reserve of New York, maybe, investigating of the reasons of occurring the financial crisis in these years is not more important versus failure to provide the appropriate solution to eradicate the downturn. Since lack of ability to recover, the economic situation in during the years between 1929 and 1936 caused the World War II was considered as the only solution to reform the recession condition by politicians. The result was death of more than 50 million people in worldwide. This issue was more irritating than occurrence the crisis in 1929. That is why, repeating the financial crisis in 2007 the world entailed fear and anxious to be pulled into other wars.

Moreover, financial crisis in 2007 in developed countries illustrates, in spite of what is being claimed; development is not a reason for being protected of economic fluctuations and tensions, especially when in definition of development, the prevailing view is the economic growth[12]. The increase of the number of unemployment with decrease of national production in the United States in during of 2007 and 2009 is a strong proof on this asseveration. Transmission of recent crisis to Europe Union also showed that although the economic interconnectedness has more profits, in economic inappropriate situation, the crisis could have the harmful effects. Chiefly, in situation, which the smaller economy is dependent on large economies and unstable economy of developed countries, can worsen the conditions of economies, which have the lower rate of economic growth and even cause the bankruptcy of the economy. Greece, Ireland, Italy, Spain, Portugal, and Cyprus are examples, which can approve our statement. Akerlof and Shiller [13] explain what caused the repetition of the recent financial crisis by 2007 is, forgetting the lessons which we have learnt from Great depression.

Keynes in his book, “The General Theory of Employment, Interest, and Money,” has offered his theory based on the prominent role of government in a strong capitalism economy. Then, the thinking of appearance of government, as a necessary bad, formed in whole the world. Keynes clarifies how a strong and qualified government can make appropriate policy and even borrow to cost in economic stagnation to hire the force labors who are unemployment [4].

Although the prescription of Keynes was never completely executed in during the crisis, from the end 1940s, the solution of Keynes was performed for all the countries of the world then by finishing the Second World War, governments, as proper manager to reconstruct and plan of society’s development, could reduce the rate of unemployment. As a result, the appearance of government to manage the economy is one of the undeniable factors in business cycles. Though Thatcherism and Reganism thinking at first of eighties was a reason to forget this factor, many experts believe this issue was the beginning of the numerous economic shocks like financial crisis in 2007.

However, what will be considered in this thesis is a new point of concept of development, which includes the economic growth, but it will not have the privileged and dominant position. In this view, what we name development is the boost and improvement of the level of satisfaction of people and will be consisted the different dimension of economic, social, political, and cultural matters. When one country is being named developed, occurrence of powerful economic shocks and economic crisis will not easily cause an economy face risk of bankruptcy. The significant point that we should bring up, here, is that governments can have considerable effects to decline the negative effect of economic crises. Nevertheless, it is necessary to remind that sometimes governments, themselves, cause to create fluctuations in crisis. This problem can be a reason to be worsened the level of standard of living of residents and lessen the satisfaction of people. The experience of countries of Euro zone is a documentary reason that displays the incompetence; the lack of ability and even the inefficiency of European government have been causes of deteriorating the situation. As the result, most experts believe that the resent economic crisis has been the crisis of government. Then we can strongly say what occasion to improve the economic conditions of countries in crisis, is the presence of one powerful with the global managing.

Economies have always been facing the economic boom and recession. East Asia in nineties, Indonesia by1998, and Argentina in 2001 are good samples, which have experienced an economic crisis, against countries like China
and India are trying the optimistic growth rate, although the level of population in these countries is too high. In classical theory, Smith’s invisible hands are the core and key to attain economic growth and public equilibrium. However, Keynes refuse this issue and believe what lead the economy to good or bad situation is not always the logical factors but also, the animal spirits of human can be the reason for economic fluctuation and involuntary unemployment[4].

Akerlof and Shiller [13] explain that animal spirits will cause that we feel the necessity of appearance of government. To clear this opinion, they use children psychology’s view and specify that children, at first, are very obedient but in adolescence will gradually change into insurgent and rebellious people, and then their parents cannot behave easily to them. At this time, the key role of parents is to consider the collection of limitations for their children, which their animal spirits cannot act rudely and recklessly. However, we should remember these restrictions must allow to children learn independently and function innovatively. In other words, the role of parents is to prepare a happy home, which guarantees the freedom of children also prevents their reckless animal spirits. As result, government, as parents, in capitalism societies should intervene as far as the freedom of residents is not restricted. Government should play a creative role in economy. They express although some economic factors have been considered as a cause to economic shocks and crisis, happening the recent financial crisis by 2007 showed that the occurrence of financial crisis could be because of changing in thinking and kind of attitude and perceptions of human into their environmental situation. Altering in self-confidence, temptation, jealousy, anger, and human errors are issues which though are intangible, we could not ignore them in investigation of reasons of falling Dow Jones’ value, bursting of housing bubble, increasing the unemployment rate, and bankruptcy of Lehman Brothers. Akerlof and Shiller [13] describe the rational behavior of human is the only reason to intervene the government in financial markets, determination of aggregate demand level, and whole the economy, but the animal spirits will incur the economy, without government, suffer difficulties like unemployment and even the financial markets also confront falling in value of their properties. Then government is necessary to determine the game rules. Then, capitalism should be debated as a game, which winning and losing depends on rules, and government is the only reference and referee to assign the game rules.

Against, Labonte [14] believes experience of the government of the United States, between 1950 and 2009, has demonstrated that intervention of government is beneficial to increase the economic efficiency when market failures or externalities happen. They argue: “in the absence of market failures there is little economic justification for government intervention, which lowers efficiency and probably economic growth.”

Nowadays, incident of financial crisis changed the market failure to one of the hottest topics in economies. Many economic experts have claimed that we have passed one of the worst, deepest, and most complex crises after Great Depression because of market failure to lead the US mortgage markets to the serious global crisis at first and then encompassed the European financial markets.

Morey [15] believes that market failure when happen which markets do not work in efficient situation, then their equilibrium are inefficient. Economy will be affected negatively by market failures. In this situation, optimal allocation of resources will not be attained and the social cost to produce the goods and services will hike. As result, the economy will face a waste of resources. Common property resources, Externalities (positive or negative), Public commodities, Information asymmetry, Imperfect competition and Market power, and The lack of market are six categories of market failure. Moreover, Páramo [16] had shown that, Information asymmetries as type of market failure, has raised inefficiency of securitization markets and behavior of investors, rating agencies, intermediaries, and originators, which has had direct effect on financial markets to face crisis. Thus, Whalen [10] points interesting point based on context and contours of contemporary Post-Keynesian Institutionalism which, conventional economics maintains that the proper role of government is to serve as a correct entity—that is, to correct for market failures such as the existence of externalities.

The investigation on markets of Islamic countries by Hasan [17] have shown Markets have many weaknesses and fail the society on many fronts. Still, they are great social institutions of value and benefit since times immemorial. Preventive and corrective measures may mitigate their failures and increase their advantages. Islamic view of markets requires their regulation based on its ethical norms focusing on consumer protection. Public intervention in market operations for keeping them on the right path is an Islamic imperative. Apart from regulating market, Islam assigns government to look after societal interest through provision of merit goods, fulfillment of basic needs, caring of the environment, improving income distribution and mitigating poverty.

Aikins [18], by concentrating on reasons of the financial crisis in the United States in 2008, clarifies that although we could not neglect the benefits of the governmental interventionist efforts, in order to stabilize the economies. Ineffective systems of legislations of government will certainly cause problems with market failure for each economy, which the downturn is the result of government intervention in this situation.

Breitenfellner and Wagner [19] have described that the recent financial crisis will be one of major economic concern for years. Although it has vastly influenced the financial system, also have had numerous consequences for the development process of global economies. They clarify the role of government intervention could not be removed because of aiming at limiting the damage to the financial system. In their study, they investigate governments as lenders of last resort.

Hiebert [20], Ozkan [21], and Chua and Pang [22] argue that the global economic integration, interdependence and global collaboration are needed to form an framework by effective global regulatory and a stable international financial system. In other words, not only a local government is required to control, manage, and recover economic situation after each crisis, but also global government is able to prevent the future crisis. In addition, economists like Johnson [23], Wolf [24], and Stiglitz, Sen [25], defend policy making by US government to expand
spending and the money supply. The U.S. budget deficit has increased, which eventually may lead to increased taxes, interest rates, and inflation. The aim has been to prevent future crises by modifying regulations and improving institutions.

In contrast, Candelon and Palm [26] and Panico and Purificato (2012), by studying on Euro area and European countries like Greece Ireland in duration of recent financial crisis, have found that the major source of problems, have been the existence of elements of uncertainty as to the actual behavior of the actors of the process of coordination between monetary and fiscal policies. In the other hand, inside the market failure, mistake of government to make policies and the discrepancy of fiscal and monetary policies have been the reasons to arise the economic crisis in this zone.

Ding, Wu [27] have examined how the trajectory of bank performance is influenced by government intervention. Five Asian economies (Japan, South Korea, Hong Kong, Singapore and Taiwan) are covered, over the period 2007–2010, in which the global financial crisis occurred. They result that might improve, depending on the performance indicator, the economy, and whether banks are internationalized. It would seem reasonable to rely on short-term perspective of government intervention to cope with the financial crisis. The crisis can be just another opportunity to improve the current financial system. Based on this thinking which government is only beneficial by considering some conditions, Dritsaki [28] examines the relationship between economic growth, exports and government debt of Greece over the period 1960–2011. In this study is shown that public debt is an increasingly major problem for Greece and it is result of unexamined public expenditures, bureaucracy, tax evasion and corruption. Moreover, Baltas [29] has specified after the start of the economic crisis in 2008, the intensive fiscal imbalances and high debt of the government of Greece hung on with deeper recession and despite slow improvements in competitiveness. These have become a threat to the country’s solvency and the stability and possible survival of European Monetary Union. On the other hand, government had been a reason to intensify the situation of Greece in recent crisis.

Finally, in this section, is concluded that each economy is formed based on market and government. Government is needed to manage, control, make policy, recover the situation after economic shocks and crisis, and in general improve the standard of living. Nevertheless, this point should be considered that the lack of ability of government to manage and control the economies and absence of economic knowledge to make policy and having so many mistakes are causes, which could worsen the economic situation especially in duration of economic shocks and crisis. This subject will be analyzed in next section.

**Finding**

165 years ago, Victor Hugo, who has written the “Less Miserables”, used the phrase of the “United States of Europe” for the first time. He hoped that European people experienced days, which the war between Germany and Russia or the united King down, and France will be impossible like the war between Boston and Philadelphia. He wished a day, which the ballot of people was replaced by bomb, and a European Parliament acts in the role of national parliaments[30].

Victor Hugo’s dream, to be close to the first stage of realization, it must pass through a sea of blood. In the War of 1870, thousands of French and German died. First World War, between 1914 and 1918, caused the most dreadful butchering in the history of humankind to create the two great totalitarian in twentieth century, Nazism and Communism. By ending the Second World War in 1945, the world was slaughtered and the political geography of the land was transformed by this war. Consequences of the two world wars affect still on the crises in the twenty-first century.

Thus, the twentieth-century Europe was annihilated by nationalist instincts and caused hardship, torment and suffering for the world. However, by the end of the Second World War, the efforts were started to attain the dream of Victor Hugo. The origin source of this scourge was the bloody rivalry between the French and German nationalism, as a result, there was only one solution: creating the economic relation between them. It was the only way, which these neighbors getting to know each other and provide the friendship between them.

The first innovative activity was the unification of Europe with foundation of “European Coal and Steel community” in 1951. A few years later in1957 six European countries, including France, West Germany, Italy, Belgium, Netherlands and Luxembourg, established the European Economic Community. Both the convergence of the member states also the number of members has increased up to now. The economic community by advancing economic integration and the creation of new institutions in the Europe Union as well as with 28 countries has been changed in to one of the most powerful economies in the world.

In economic view, in duration of the last century, the most tragic event, which has been occurred up to now, has been the Great Depression in 1929. Not only this incident imposed the terrible economic situation and people of the world suffered from the vast inflicted jobless and recession but also it point out that the inability of economists and politicians to solve the problem and recover from this economic crisis. However, this tragedy was a perfect teacher for us to learn what can prevent or reform the similar status. The most significant and important point we learned from global crisis 1929 was the need for government. It was born with the publication of John Maynard Keynes ‘book “The General Theory of Employment, Interest, and Money.” Keynes in his book depicted how a creditworthy government can in sensitive situation and economic shocks and crisis condition, on time, borrow to spend and cost to recovery of the economy.[4] In this time, we can indicate that only government can help unemployed people get back their job. In Keynes’s theory there is an important point, which has been neglected and that is “animal spirits” what Akerlof and Shiller [13], have mentioned in their theory. They believe that “animal spirits” need government to control and lead the people in each society.

Moreover, it would be pointed out that the happening of recent financial crisis in 2008, which started from the USA and developed to Europe Union and in the finally to whole
the world, caused to slow down the economic growth process. Even according to the annual report of UN and DESA in 2012, the world has experienced the weakened economic situation [31]. Many developed countries have struggled with a double-dip downturn. Debt crisis, bankruptcy of some Europe countries and high rate of unemployment are some problems, which the developed countries face them, was the result of forgetting the lessons of the Great Depression in 1929. Maybe it is better to say Thatcherism and Reaganism forced us to forget it. Thatcherism in Great Britain and Reaganism in America were emphasizing that the intervention of government in economy should be as little as possible. Now three decades after this ideology we experienced critical situation of society and economy in worldwide, which has been consequence of ignoring the animal spirits and lack of attendance of government.

Although the recent crisis affected most countries of the world, in Europe, since 2010, countries faced a drastic economic and financial crisis so that it began from Greece and suddenly spread to other members, including Portugal, Ireland, Spain, Italy, and Cyprus. The important issue in analyzing the reasons of happening the crisis and solution to recover the economic situation after the recent recession is to consider and attend the neo-classical aspect of occurring the crisis concurrent with the economic result. Lancet [32] believes that high rate of unemployment and poverty, and also decrease of public services due to austerity program affect directly on human health. Consider the figure 3.1; it explains that between 2008 and 2010 the health expenditure of government has decreased in some European countries like Greece.

![Fig. 3.1 Trends of Health Expenditure in Greece (percentage of Government Expenditure). Source:[33]](image)

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Depression and suicide are problems, which nowadays we have faced in countries, involved the crisis that most of them are members of Euro zone. Figure 3.2 shows that in duration between 2007 and 2009 the rate of suicide among member of Europe union, as Greece has increased while we face the sharp fall in the employment rate for this zone.

![Fig. 3.2 the Relationship between Suicide Rate and Unemployment (2002-2010). Source: Eurostat Statistics Database Data age-standardized to the WHO European standard population](image)

However, clearly the estimation of the conclusive impacts of the recent global crisis is too difficult, and its effects will be still felt after recovering [34]. Nevertheless, the world may be hit hard by the recent economic crisis if policy makers in different societies make the inadequate policy and decision. The interesting point, which has been clarified by the economists, is the government have led some countries to the economic crisis [35]. After Asian financial crisis 1997, economists hoped not to repeat any crisis in the world by constructing a framework of regulatory and supervisory[36]. Nevertheless, integration of financial markets or financial globalization is causes to lead the economies into intense capital movement and crisis of an economy.

Occurrence the crisis in developed countries, especially in Europe zone entailed which governments concentrated on fulfillment of the financial policy package includes injection of capital and liquidity. This decision of some European government did not have appropriate results only caused the government debt although the governments tried to counter the worse economic situation by considerable fiscal incentive policies and massive support to banks and economic individuals, which were bankrupt. Figure 3.3 explain exactly this issue for Italy. As you see in this figure, the ratio of borrowing of Italian government to GDP in 2009 is about -5.368, which is the maximum amount between 2007 and 2010.

![Fig. 3.3 Trends of General Government Net Lending / Borrowing (percentage of GDP). Source: [37]](image)

However, it seems government of Europe zone could not be successful, but also they were a reason to worsen the conditions of economics. This hastily decision of governments was a starter to face difficulties to repay their debt. Raised budget deficits and public debts are the significant aftermath insofar as many economic experts believe the recent economic crisis has acted as the debt, crisis especially in Europe Union members. When, this problem was highlighted the austerity programs make hardship for residents of these countries and every day their protests, against their government, spread even in countries such as Greece, Italy, Ireland, Spain, Portugal and Cyprus, people asked to change the officials in various departments. Greece is a good example, which has experienced an increase in government debt. Figure 3.4 demonstrates that in duration the recent economic crisis between 2007 and 2009 Greece have experimented the intense increase of government debt with declining in economic growth, which
affected directly on public expenditure of government as health expenditure. This doing can be a factor to decrease the rate of economic growth increasingly. These results have been found for other European countries like Italy, Portugal, Spain, Cyprus and Ireland, which their figures have been drawn in appendix 1.

![Graph](image.png)

**Fig.3.4 the Relationship among Economic Growth, Government Debt and Health Expenditure in Greece between 2007 and 2009. Source: [33]**

Consequently, Governments around the world are faced with new demands, new expectations and a fast-growing array of new technologies and tools. To be efficient and effective in today’s complex, interlinked and fast-changing environment, governments need to redesign their structures and processes to capitalize on a new set of actors and tools. Fountain, Bertucci [38] explain that many questions have arisen over the past years regarding the central role of government, particularly in the wake of the economic crises and amid large-scale global challenges including rising unemployment, population shifts and climate change. In addition, the youth revolutions in Egypt and Tunisia to the events in Libya, Syria, Bahrain, Iraq and Yemen – governments in the region need to think fast about building a brighter future where they avoid past mistakes, and face new global economic and technological realities.

As a result, we can strongly say although at first, Euro zone’s financial markets were influenced by the financial crisis in the United States. Gradually, European government worsened the situation and led their economies into deep recession. In other words, when a government makes a mistake and decision hastily is not awareness about the right policy in suitable time and position; it fulfills inefficiency its responsibility. Rodríguez-Pose and Maslaukaite [39] believe the last decade, Central and Eastern European (CEE) countries have experienced the swift economic convergence versus Western Europe, but the important point shows that the rapid growth is not according to the similarly fast enhancement in life satisfaction. They mention institutional differences also macroeconomic are the most important factors behind the shortage of convergence in life satisfaction. Institutional factors as government expenditure, corruption and decentralization, making policies achieved at improving institutional quality capable of bringing about substantial improvements in the overall life satisfaction of the people in the region. In addition, macroeconomic demonstrates that GDP growth is still an origin of increasing welfare but the happiness bonus associated with it is becoming smaller.

**CONCLUSION**

We can strongly say the first years of twentieth century people of the world experienced too agonizing and frightful situation when happening the Great Depression was a tragedy for these years. Financial crisis in 2007 in developed countries illustrates, in spite of what is being claimed, development is not a reason for being protected of economic fluctuations and tensions, especially when in definition of development, the prevailing view is the economic growth. Moreover, Transmission of recent crisis to Europe Union also showed that although the economic interconnectedness has more profits, in economic inappropriate situation, the crisis could have the harmful effects. Chiefly in situation, which the smaller economy is dependent on large economies and unstable economy of developed countries, can worsen the conditions of economies which have the lower rate of economic growth and even cause the bankruptcy of the economy. Greece, Ireland, Italy, Spain, Portugal, and Cyprus are examples, which can approve our statement. Akerlof and Shiller [13] explain what caused the repetition of the recent financial crisis by 2007 is, forgetting the lessons which we have learnt from Great depression.

Keynes in his book, “The General Theory of Employment, Interest, and Money”, has offered his theory based on prominent role of government in a strong capitalism economy. Then, the thinking of appearance of government, as a necessary bad, formed in whole the world. Keynes clarifies how a strong and qualified government can make appropriate policy and even borrow to cost in economic stagnation to hire the force labors that are unemployment [4]. By finishing the Second World War, governments, as proper manager to reconstruct and plan of society’s development, could reduce the rate of unemployment. As result, the appearance of government to manage the economy is one of the undeniable factors in business cycles. Though Thatcherism and Reganism thinking at first of eighties was reason to forget this factor, many experts believe this issues was the beginning of the numerous economic shocks like financial crisis in 2007. The significant point that we should bring up, is that governments can have considerable effects to decline the negative effect of economic crises and shocks. Nevertheless, it is necessary to remind that sometimes governments, themselves, cause to create fluctuations in crisis. This problem can be reason to be worsened the level of standard of living of residents and lessen the satisfaction of people. The experience of countries of the world especially some European countries is a documentary reason, which displays the incompetence and inefficiency of governments, has been cause of deteriorating the situation. As result, most experts believe that the resent economic crisis has been the crisis of government.

Finally, never the role of government to manage the political, social, and economic issue is ignored but also the impress of government should be changed into improvement of its duties. In other hand, Governments will need to reconcile and derive to create value. They must stay linked in order to be responsive to quickly changing situation and citizens’ expectations. Now more visibility on the allocation of public resources and challenging governments are demanded by residents to be more efficient and equitable through accountability and transparency.
APPENDIX 1

The relationship between GDP, Health Expenditure and Central Government Debt:

Ireland:

Cyprus:

Spain:

Portugal:

Italy:

REFERENCES


