

Editorial

Ten years ago the global financial crisis broke out with the bankruptcy of the U.S. investment bank Lehman Brothers on September 15, 2008. According to the BIS timeline, that bankruptcy initiated the third stage of the crisis and was preceded by the 'prelude' (June 2007 to mid-March 2008) and 'events leading up to the Lehman Brothers bankruptcy' (mid-March to mid-September 2008) (BIS, 2009). But these first two stages were mostly related to problems in mortgage and financial markets in the U.S. economy. In the third stage, the 'crisis of confidence quickly spread across markets and countries' (BIS, 2009, p. 23). The following two stages, 'global downturn' (late October 2008 to mid-March 2009) and 'first signs of stabilisation' (from mid-March 2009), were marked by global macroeconomic and financial spillovers working through trade and financial channels. In 2009 the GDP growth declined in comparison to its eight-year average by 4.4 p.p. in the world economy and the trade volume of goods and services by 16.7 p.p. (data from IMF, 2018).

The early studies of the global financial crisis were focused on crisis resilience since there was a lot of heterogeneity in the impact on individual countries (see, e.g., Bussière Cheng, Chinn, & Lisack, 2015; Didier, Hevia, & Schmukler, 2012; Dąbrowski, Śmiech, & Papież, 2015). Many countries responded to the crisis with expansionary macroeconomic policies: policy rates were cut to very low levels and fiscal policies were relaxed. The direct effects included sharp cuts in interest rates and the build-up of public debt. The interest rates were decreased to virtually zero in advanced economies and major central banks had to resort to the use of unconventional tools. Even though central banks in emerging market economies retained some leeway for conventional monetary policy, the policy rate cuts were equally deep, e.g. the policy rate decreased by more than 3.5 p.p. on average in BRICS countries between September 2008 and December 2009 (data from the BIS Statistics Explorer). The fiscal stimuli inflated the public debt by almost 20% of GDP in advanced economies and 4% of GDP in emerging market and developing economies between 2008 and 2010. After ten years from the outbreak of the global financial crisis some countries have not fully recovered from it (e.g. Croatia, Finland, Italy) and/or experienced a very low rate of economic growth (e.g. France, Latvia, Serbia) (data from IMF, 2018). Thus, more recently, research has shifted towards medium-term and long-term implications of the crisis (see, e.g., Ball, 2014, Summers, 2015).

This issue is focused on direct and indirect effects of the global financial crisis. The articles contribute to the discussion on the impact of the global financial crisis on such issues as the relation between international trade financial development, economic growth and business cycles and macroeconomic policy.

The article by Paweł Kawa and Marta Wajda-Lichy, entitled *Trade-Finance Nexus: Was it Distorted in the Aftermath of the Global Financial Crisis?*, investigates directly the relations between international trade and financial development. Their findings lend support

to a positive answer to the eponymous question: indeed in almost all middle-income countries and half of high-income countries structural changes are found. The evidence of a strong increase in finance development and 'trade plateau' in middle-income countries in the wake of the crisis are presented and some explanations are offered.

The next two articles discuss economic growth and business fluctuations in middle-income European economies. Nenad Stanišić, Nikola Makojević and Tijana Tubić Ćurčić investigate the process of economic convergence in their article entitled *EU Enlargement and Income Convergence: Central and Eastern European Countries vs. Western Balkan Countries*. Using the unit root tests that allow for endogenous breaks in time-series, they find that the majority of the Central and Eastern European (CEE) economies converge in income per capita to the average level in the EU15. This, however, is not the case of Western Balkan countries, possibly because they embarked on structural reforms later than CEE countries.

Cyclical behaviour of GDP growth, rate of unemployment and inflation rate in Central and Eastern Europe is examined by Bartosz Pawęta in his article entitled *Impact of the Global Financial Crisis on the Business Cycle in the Visegrad Group*. The pre-crisis and post-crisis periods are compared with respect to the duration, amplitude and intensity of business cycles. It is demonstrated that the impact of the global financial crisis both on economic growth and fluctuations was far from being negligible.

The next three papers discuss the issues related to macroeconomic policy. Tomasz Uryszek in his article entitled *Fiscal Sustainability of Local Governments in the Visegrad Group Countries* investigates whether fiscal balances of local governments in the Visegrad Group countries are sustainable. His main finding is that all the countries considered showed some potential to have primary surpluses at the local level, especially in the post-crisis period, but the actual fiscal policies of local governments need to be tightened to make them sustainable.

In their article entitled *Assessing the Fiscal Sustainability in Ukraine: TVP and VAR/VEC Approaches*, Victor Shevchuk and Roman Kopych focus on the case of Ukraine. Specifically, they examine the relation between the primary budget surplus and the difference between real interest rate and real GDP growth, and find that Ukraine lacks fiscal sustainability.

In the aftermath of the global financial crisis, major central banks reduced their policy rates to very low levels and adopted an unconventional monetary policy. The interesting case of the Swiss National Bank (SNB) that set its policy rate below zero is discussed by Elisabeth Ziegler-Hasiba and Ernesto Turnes in their article under the title *Negative Interest Rate Policy in Switzerland*. Not only do they present the negative interest rate policy of the SNB, but also discuss its implications for the real economy and the financial markets. They contribute to the debate on the relation between monetary policy, financial stability and asset price bubbles, i.e. the controversy on the 'leaning against the wind' policy versus 'cleaning up' policy.

Jacek Lewkowicz discusses foundations and research apparatus of law and economics in his article under the title *What is Law & Economics and how could it have contributed to preventing the Global Crisis?* The main point is that law and economics provide an approach that allows to analyse legal issues with economic tools. His claim is that on the one hand the legal framework in which economic agents operate should be included in economic analysis to a greater extent, and on the other hand research

apparatus of law and economics is still not good enough to allow for analysis of legal regulations and informal institutions.

This issue includes five other articles that are included in the 'Other Articles' section.

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