

# **Jaromír Beránek – Comparison of the Market Regulation in the EU and in the USA in the Context of Economic Crisis**

## **Abstract:**

Once the U.S. real estate bubble burst in 2007 and most of the major American banks ran into a financial distress following the rising number of mortgage defaults, few foresaw that these problems would grow into the biggest global crisis since 1930s. Soon it turned out that the fall was inevitable. Due to the lack of regulation an uncontrolled growth in bad credits occurred over the years preceding the crisis outbreak. Financial institutions, silently supported by credit rating agencies, started pushing complicated and opaque investment instruments into the hungry market, and investors gladly bought them, motivated by the promise of high bonuses.

The ongoing process of globalization and international linking of financial markets significantly accelerated the evolvement of the crisis and contributed to its spread around the world. Burdened by the immense costs of bank bailouts governments of many countries faced a threat of an imminent bankruptcy, and were forced to seek international aid. In the EU, the USA and on the international scene, several initiatives arose, striving to create effective regulatory reforms and to strengthen tools for a timely identification and prevention of systemic risk, thus eliminating possible future crises.

This master's thesis describes the systems of financial regulation in the EU and the USA as they existed before the start of the crisis, analyzes the causes of its emergence and deals with the process of preparation and adoption of changes to the regulation and supervision in response to the crisis. It recognizes the contribution of international initiatives and the intergovernmental cooperation of countries affected by the crisis, seeks parallels between the legislative proposals in the U.S. and the EU countries, and in the light of progressing European integration it reflects the contemplated creation of a fiscal union and the future of euro itself. On the example of the bailout and reorganization of General Motors under the baton of President Obama's Administration, it illustrates the importance of active government interventions by rescuing of affected economy sectors.

With the respect to its limited extent this work deals with selected questions only that have most determined the development of the crisis and the preparation of regulatory reforms. In the theoretical part it is grounded on monographs of Czech economists and the knowledge of the author. In the section on reform measures and on the reorganization of GM it utilizes the generally available internet resources and information from public authorities and news agencies. The key benefit of the thesis consists in the comparison of the reforms passed in the EU and the USA and in the effort to put the discussed phenomena into a broader context.

## **Key words:**

Financial crisis, debt crisis, economic crisis, financial regulation and supervision, bankruptcy, reorganization proceedings, Chapter 11, General Motors.