

FINANCIAL CRISES AS A BASIS FOR OBSERVING THE ECONOMIC FRAMEWORK FOR OPERATING THE ECONOMY OF TRANSITION COUNTRIES LIKE THE REPUBLIC OF SERBIA

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Abstract: *Although financial crises have common elements, they appear in many forms and affect the economies of many countries very strongly. Such influences have a strong influence, especially on transitional countries such as the Republic of Serbia. While fundamental factors such as macroeconomic imbalances, internal or external shocks are often observed, many questions remain about the exact causes of crises. Financial crises sometimes appear to be driven by "irrational" factors. These include sudden attacks on banks, contagion and spill overs in financial markets, arbitrage restrictions in times of stress, the occurrence of asset crashes, credit crises and sell-offs, and other aspects related to financial turmoil. Indeed, the idea of sources of movement in the financial market has long occupied a significant space in the literature trying to explain crises.*

Keywords: *crisis, business, legal entities, state action.*

1. INTRODUCTION

Today, it is no longer a question of whether you can make money from social networks, but a question of how or whether they can help the public good, such as the issue of traffic safety [1-5].

You can monetize social networks in these four ways:

- Work for the company,
- By becoming a Freelancer (link to article),
- Influencer Marketing,
- Selling services or products through social networks Working for a company or agency implies fixed working hours and a stable source of income.

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It is good for starting work because you learn the basics from more experienced members of the company, while the disadvantage is that the earnings are often not high at the beginning and that the flexibility can be at a lower level [6-9]. Freelancing as a way to monetize social networks is similar to working for a company, only in this option you work directly for your clients [10-15].

The way of working is much more flexible and the salary is higher on average. The downside is definitely uncertainty, that is, the option to run out of clients. An influencer is a person who has an influence on his audience on social networks [16-25] all of which can be seen as part of numerous economic activities of all economic activities in one country.

Observing primarily financial crises and some of the factors that can cause crises, but the challenge remains to definitively identify their deeper causes, which are such that they can be connected to numerous economic activities in one economy [26-30]. Many theories have been developed over the years regarding the basic causes of financial crises, and they should be viewed in relation to the operations of numerous legal entities [31-35].

2. AN EFFORT TO STUDY THE IMPORTANCE OF THE SO-CALLED BALLOONS AND CRISES THAT AFFECT THE ECONOMY OF NUMEROUS ECONOMIES

Sharp increases in asset prices, sometimes called bubbles and often followed by crashes, have been around for centuries. Asset prices sometimes appear to deviate from what the fundamentals would suggest and show patterns different from those predicted by standard models with perfect financial markets. A bubble, the extreme form of such a deviation, can be defined as "a portion of an asset price's roughly upward movement that is inexplicable on fundamentals." Patterns of booming asset prices, often followed by crashes, feature prominently in many accounts of financial instability, both for developed and emerging market countries, going back millennia.

Some asset price bubbles and crashes are well known. Such historical cases include the Dutch tulip mania of 1634 to 1637, the French Mississippi bubble of 1719-20. and the South Sea bubble in the United Kingdom in 1720. In some of these periods, the prices of certain assets rose very rapidly in a short period of time, followed by sharp corrections. These cases are extreme, but not unique. In the recent financial crisis, for example, house prices in a number of countries followed this inverse U-shaped pattern.

Formal models that attempt to explain asset price bubbles have been developed for some time. Some of these models consider how individual rational behaviour can lead to collective mispricing, which in turn can lead to bubbles. Others rely on microeconomic distortions that can lead to mispricing. Some others assume the "irrationality" of investors. Although there are parallels, explaining asset price crashes (such as fire sales) often requires consideration of different factors than explaining bubbles. Some models that employ rational investors can explain bubbles without distortion.

They argue that asset price bubbles are "justified" agents' expectations about future returns. For example, in Blanchard and Watson (Blanchard and Watson), under rational expectations, the price of an asset does not have to equal its fundamental value, leading to "rational" bubbles. Thus, observed prices, although exhibiting extremely large fluctuations, are not necessarily excessive or irrational.

These models were applied with relative success to explain the Internet "bubble" of the late 1990s. Pastor and Veronesi (Pastor and Veronesi) show how the standard model can reproduce the valuation and volatility of Internet stocks in the late 1990s, thus arguing that there is no reason to refer to the "dotcom bubble".

Branch and Evans, applying learning theory where investors use recent (rather than past) data, find that shocks to fundamentals can increase return expectations. This may cause share prices to rise above levels consistent with fundamentals. As prices increase, investors perceived risk decreases until the bubble bursts. In general, the theories suggest that bubbles can occur without distortion, uncertainty, speculation or bounded rationality. But both micro distortions and macro factors can also lead to bubbles. Bubbles can refer to agency issues.

For example, due to risk shifting, as when agents borrow to invest, but may default if rates of return are not high enough prices can escalate rapidly. Fund managers who are rewarded more on the upside than on the downside (somewhat analogous to the limited liability of financial institutions), bias their portfolios towards risky assets, which can cause a bubble. Other microeconomic factors (e.g. interest deductions for household mortgages and corporate debt) may add to this, leading to debt review bubbles and other biases in tax policy relative to recent financial crises).

Social networks for business purposes, the author presented in figure 1.

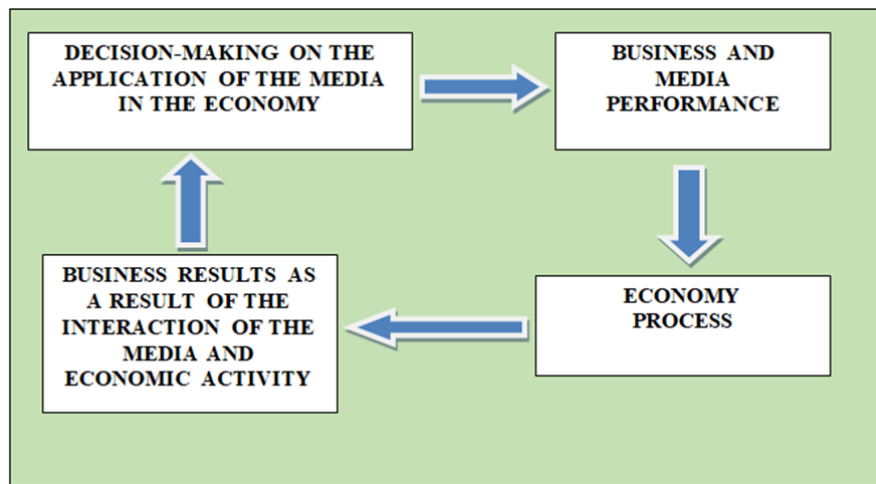


Fig. 1: Presentation of the connection between media and results in the economy.

3. CONCLUSION

The functioning of the economy in the conditions of the crisis, above all the financial crisis, have common characteristics, that is, similarities. Their appearance is that they appear in many forms and have a very strong effect on the economies of many countries. The author pointed out as the first conclusion that such measurable influences, especially on transitional countries such as the Republic of Serbia, are manifested in strong action. While fundamental factors such as macroeconomic imbalances, internal or external shocks are often observed, many questions remain about the exact causes of crises. Overcoming crises in the economic system should be interpreted in such a way that it is solved first in companies, then in the framework of local self-governments, and then in the framework of the actions of republican authorities in a country.

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