

# Lack of Economic and Food Security on a Global Scale

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## *Abstract*

*The COVID-19 pandemic has highlighted the vulnerability and disrepair of international food supply chains. Food insecurity, especially among the poor, has worsened because of rising prices brought on by transportation bottlenecks and supply chain breakdowns. Because both sides in the Ukraine conflict are major exporters of food, fuel, and fertilizer, the situation has worsened. A crisis is often signalled by a shift in economic variables, as a bad economy makes it harder for businesses to produce goods and services and for consumers to spend their money. The global financial crisis is the primary focus of our investigation because of the continued relevance of its causes, effects, responses, and lessons to the modern financial system.*

*The aim of our research is to pay special attention to the global financial crisis because its causes, effects, response, and lessons are most applicable to the current financial system. The research method used is the documentary analysis doubled by an in-depth investigation of the specialized literature.*

*The main findings were that long-term economic reforms, with a focus on employment, should be at the top of the government's priority list. So, this measure could be a measure to prevent economic disasters, such as food insecurity. The core of any strategy to combat or adapt to climate change must be a more resilient, sustainable, and equitable food system. However, the difficulty of establishing such a system should not be understated, especially in developing nations and regions with poor soil, where arable land is scarce or degrading and natural resources like water are scarce or in decline.*

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## 1. Introduction

Economic crises occur when a country's economy experiences persistent difficulties (Sarbu et al., 2021). A time when the economy is experiencing a significant downturn is referred to as a crisis (Burlacu et al., 2021). A crisis is often signalled by a shift in economic variables, as a bad economy makes it harder for businesses to produce goods and services and for consumers to spend their money (Profiroiu et al., 2020). The three most common types of economic crises are as follows:

One, the Banking, Currency, and Financial Crisis.

The difficulty with debt is a secondary issue.

Third, the balance of payments is in crisis.

For a recession to be officially declared, the GDP must have declined for two consecutive quarters. This could be considered an economic crisis if it lasts for an extended period. If these economic shocks are severe and last for an extended period, the economy will enter a depression.

Some of the most common places to begin identifying and categorizing an economic crisis are with changes in interest rates that are too large, the wrong use of different economic policies in a region, the devaluation of the currency, or the loss of jobs.

A financial crisis is characterized by a precipitous fall in asset prices, inability to pay debts by businesses and consumers, and the insolvency of financial institutions. Fearing a decline in their asset value if left in a bank or other financial institution, investors sell assets or withdraw money during a panic or bank run (Burlacu, Ciobanu et al., 2021).

A financial crisis can also refer to the occurrence of events like the collapse of a speculative financial bubble, a sharp decline in the stock market, a government default, or a currency crisis. A financial crisis may affect only one economy, multiple economies in a specific region, or the global economy (Orzan et al., 2020).

Several things can go wrong and trigger a financial crisis. When institutions or assets are overvalued, a crisis can ensue, and the situation can worsen if investors behave irrationally or blindly follow one another. For instance, when rumours of a bank failure spread quickly, a cascade of sales can drive down asset prices, prompting people to dump their assets or make large withdrawals from their savings (Burlacu, Profiroiu et al., 2019). Such events will affect many sectors, including the entrepreneurs that engaged in developing new or innovative business in agricultural or agro-tourism fields (Soare, et. all, 2017).

A financial crisis can be caused by several different things, such as a breakdown in the system, human behaviour that is difficult to predict or control, perverse financial incentives that encourage excessive risk-taking, lax or non-existent regulation, or the spread of a virus from one financial institution or country to another. Failure to address a crisis can precipitate a downturn or depression. A financial crisis may occur, worsen, or accelerate in severity regardless of any preventative measures taken.

There are three distinct phases of the financial crisis, the first of which is its origins. Financial systems typically fail due to a combination of factors, including institutional mismanagement, regulatory gaps, and market forces. When banks, businesses, and consumers stop being able to pay their debts, a complete breakdown of the financial system follows. Long-term, asset values decline while total debt increases.

It's safe to say that, in terms of severity, the global financial crisis of 2008 ranks among the worst in the last ninety years. The result was a collapse in stock markets, the disintegration of financial institutions, and consumer strife.

Although many factors contributed to the crisis, the widespread issuance of subprime mortgages and their subsequent sale on the secondary market were major contributors. Defaults on subprime mortgages drove up bad debt, sending secondary market investors scrambling. All the investment firms, insurance companies, and banks that had taken a hit because of these mortgages needed government assistance because they were about to collapse. There was a stock market crash because of the bailouts. Similar events occurred in other markets, creating a worldwide frenzy and a highly volatile trading environment.

## **2. Methods**

Because the current financial system is where the causes, effects, responses, and lessons learned from the global financial crisis are most applicable, that is the area in which we are concentrating our investigation. The research methodology that forms the basis of this study is based on a combination of document-based analysis and an exhaustive search of the relevant specialized literature.

### **A food crisis has been recently identified, but what exactly is it?**

There is a connection between the economic crisis and the related crises in finance, society, the environment, food security, and even politics and the military. When considering the causes and effects of something, it's impossible to separate the two, as each factor influences and is influenced by the others, as well as by its own growth (Burlacu et al., 2018).

One reason the food crisis isn't receiving as much attention as it once did is because of a shift in how people conceptualize hunger (Bran et al., 2020). Due to the increased mobility of cereals and the globalization of the cereal market, hunger is now more widespread but concentrated among lower socioeconomic groups than it was in the past. As a result of the global price increases brought on by the food crisis, many people with low incomes are being forced to make do with less food than they need (Brown, 2005).

When many people in the world don't have access to sufficient food supplies, we have a food crisis. That people can't afford to buy all the food they need is another factor contributing to the perception of a food crisis (Radulescu, Bran et al., 2020).

Since 2005, the cost of over 80% of commonly consumed foods has increased. Population growth, climate change, rising fuel prices, increased demand for food products in populous countries like India and China, crop damage from natural disasters worldwide, and the global race for biofuels are all contributing factors (Rădulescu, Bran et al., 2022).

An emergency exists in the world's food supply because of factors including rising grain prices, climate change, and the rush to produce biofuels. Already, famine is increasing violence and instability in the world's poorest countries. Wars may break out because of a genuine shortage of food brought on by rapid population growth (Profiroiu et al., 2020).

The production of grains for human consumption is threatened by three factors: the raising of animals for meat, climate change, and biofuel production in response to the severe oil crisis (Mogos et al., 2021). The United Nations reports that for over five years, global consumption has exceeded production.

There are several distinct causes of Romania's current food shortage.

About half of the food consumed in the United States is imported. As a result, any increase in food prices on the global market will quickly be reflected in our domestic market. • The belief that domestic production will save us from the crisis is false, as much domestic food is exported, contributing to price increases worldwide. All of Romania's wheat will be exported to Europe if the country meets its current demand for the crop. • Romanians already spend more than half of their income on food. The typical consumer simply does not have enough disposable income to absorb any further price increases. • Speculation regarding the food distribution chain, which is extremely extensive and made up of a never-ending chain of cartelized middlemen who will take advantage of the opportunity to make more money off consumers (Rabontu & Niculescu, 2011).

### **3. Results**

The COVID-19 pandemic has highlighted the vulnerability and disrepair of international food supply chains. Food insecurity, especially among the poor, has worsened because of rising prices brought on by transportation bottlenecks and supply chain breakdowns. Because both sides in the Ukraine conflict are major exporters of food, fuel, and fertilizer, the situation has worsened.

Still, global food security faces an even greater challenge from climate change. Long-lasting heat waves, floods, and droughts already have a significant impact on agricultural output and food security. As the temperature rises, these shocks will become more frequent and severe. Things will get very bad if global warming exceeds 1.5 degrees Celsius (relative to Earth's temperature before the Industrial Revolution). [14]

The most recent findings from the Intergovernmental Panel on Climate Change indicate that urgent action is required to prevent us from exceeding this threshold. However, mitigation of climate change is only half the challenge. It will cost a lot of money to help vulnerable communities adapt to the new conditions and protect themselves from the effects of global warming, which are already happening.

Global warming will reach 1.5 degrees Celsius within a decade even if everyone does everything, they can to stop it. Because of this, climate zones will shift, sea levels will rise, and the hydrological cycle will become unstable. Due to this, severe weather will become more common and intense. Besides increasing the potential for economic and health problems, a disruption in food and water supplies is also likely to lead to social and political unrest, contributing to a cycle of poverty, hunger, instability, and even war, and driving a massive increase in migration.

These marginally productive agrarian environments are unable to produce enough food to meet the nutritional needs of the people who live there because of the low productivity of farmland. Around 1.7 billion people, or less than 25% of the world's population, live in marginal environments; however, they account for 70% of the world's poor and hungry.

Food-insecure nations are reevaluating their reliance on foreign suppliers and exploring alternative methods of feeding their people. However, without considering sustainability, efforts to improve short-term resilience by shortening supply chains may reduce medium- and long-term resilience by depleting agricultural resources like soil and water.

Resilience comes at a price. Unfortunately, the constraints of biology and climate mean that high-priced technology is essential for effective production. However, many nations face serious challenges due to issues like ineffective leadership, stagnant economies, and excessive levels of debt (Tutundjian, S., 2022).

### **Implications of Romania's Economic and Food Crisis**

The COVID-19 pandemic was what caused Romania to have trouble getting food. During that time, there was a huge rise in panic buying, followed by a rise in food prices and a drop in the number of essential foods that were available.

During this time, the most vulnerable people were hurt the most. This includes the elderly, children, and people with disabilities, who don't have much help or support available to them in general.

The 2022 crisis in Romania is caused by shocks from outside the country. However, how it affects the Romanian economy will always depend on the weaknesses of the Romanian economy. When there is a shock, the weak spots are the ones that break. In economics, the theory says that labour, nature, and capital are the three most important factors of production. Any economic activity uses these three things to get the results that are wanted. In the crisis of 2022, the energy sector, which is heavy on capital and nature and light on labour, is the main source of trouble.

If this crisis is also a recession or not. When energy prices go up, GDP can grow nicely, giving the impression that the economy is growing. In reality, though, such growth means less goods and services, less savings, less investments, and well-paying jobs in every sector of the economy except energy.

The main cause of the current crisis is the lack of energy. Russia is one of the countries fighting in the war, and the fact that it is one of the most important

sources of energy, mostly in the form of oil and natural gas, makes the situation even worse.

People might turn down the heat in their homes by a degree or use gas to cook less, but only a little bit, if gas prices go up. If the price goes up by 50%, maybe only 1% less will be bought. In the past, this has worked well as a fiscal policy tool, because adding taxes that raise prices doesn't have much of an effect on how much people buy. Now, energy companies use this fact to make more money without investing in production or technology; they just raise prices. Any economics book will tell you that as prices go up, profits go up in a free market with captive consumers who don't change how much they buy.

#### **4. Discussion**

There are two things that can be done to keep prices in check.

One is strict regulation of prices, and the other is increasing the supply by putting money into making more energy. The first option, called "regulated price," is when the government sets the price of energy, leaving the market out of the price-setting process. If we ignore the European rules on the energy market, this measure could help solve the problem of very high prices, but the state would have to do a lot of work to make up for the price difference, which is not a small amount. Indirectly, this would mean that making energy would be much less profitable, which would force the government to take over investment efforts as well. There would have to be subsidies worth billions of euros, and investments would need tens of billions of euros. It is not a decision that the government would want to make, especially with a huge budget deficit.

The second option is to reduce barriers to entry for the energy investment market. Profits would soar if the market were truly unrestricted, with consumer prices reflecting the cost of production. With record profits, more cash would flow in naturally. The state's heavy hand in regulating and processing energy investments is necessary for this to succeed. The time it takes to make an investment in this region could be drastically reduced with the help of more transparent legislation and more expedited approval procedures.

The current investment design and implementation process can take up to ten years. To expedite the investment process, all steps dependent on the state should be streamlined, including those that require approval. Existing rules make it more challenging for new manufacturers to enter the market. What this means is that supply can't rise to counteract the high prices through increased competition.

One can take steps to increase the flexibility of their energy consumption. Smart meters, for instance, can report your hourly energy consumption. The hourly fee may fluctuate based on the availability of specific producers. When the sun is shining, solar power can meet the demand and save money. When thermal power plants are in use, the price of electricity rises. With these meters in place, residents could adjust their energy consumption patterns to coincide with cheaper periods of the day. A household could save money by timing its laundry, cooking with electric ovens, etc., for the hours of 12 to 16, if that is when electricity is cheapest

to use. Service delivery standards that incorporate smart meters and associated contracts could be implemented by regulators in this scenario.

When it comes to transportation energy, which is currently met by the chemical energy of gasoline and diesel, the shift toward electricity will gradually reduce the demand, and high prices will only hasten this process. If demand destruction has already begun, it cannot be reversed. Now, there are trials underway to see if intercity freight transportation can benefit from the same trolleybus and tram technology that has been around for decades. Electric networks that allow trucks to travel long distances without using fossil fuels and at affordable prices are certainly feasible within the next five to ten years. There is a lack of available charging stations for electric vehicles, and those that do exist are often in use.

The food supply in Romania has been severely disrupted by the outbreak of war in neighbouring Ukraine. All parties involved reasonably anticipated a price increase, and so that is exactly what happened. Food, energy, and fuel costs eat up a sizable portion of the budget of a typical middle-class family. Because of its abundance of arable land, plentiful water supply, large population, and advanced agricultural infrastructure, Romania is able to export food to other countries. Unfortunately, this opportunity is lost due to the current system of land ownership in the agricultural sector. It was a complete nightmare to get a cadastre of farmland together after the 1990s, and expropriation was a chaotic mess. Having insufficient successions compounds this issue. Therefore, many agriculturally productive lands are rendered useless or untradable due to legal and bureaucratic hurdles.

To avoid confusion and litigation over land ownership in the future, a new set of laws addressing land succession should be enacted soon. Regulations obligating property owners to resolve issues themselves are necessary.

The most important thing for the government to do is to make structural changes to the economy that will have a long-term effect on jobs. So, this policy may be a good way to keep economic disasters like food shortages from happening.

Any plan to stop or adapt to climate change must focus on making the food system stronger, more stable, and fairer. But it's important not to underestimate how hard it is to set up such a system, especially in developing countries and underdeveloped areas where agricultural land is scarce or getting worse and social and economic conditions are hard.

The Global Financial Crisis was the most recent and worst financial crisis. Because of this, it is especially important to look at its causes, effects, responses, and lessons considering how the financial system is now.

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