MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE
SUMY STATE UNIVERSITY
Educational and Scientific Institute of Business, Economics and Management "BiEM"
Department of International Economic Relations

Shebeda Anastasiia Sergiivna

QUALIFICATION PAPER

on the topic "THE GLOBAL FINANCIAL AND ECONOMIC CRISIS AND ITS IMPACT ON THE STATE AND STRUCTURE OF THE FINANCIAL SYSTEM OF THE EUROPEAN UNION"

Specialty 292 "International Economic Relations"

Student 4 Course ________________ Shebeda Anastasiia

group ME-71an

It is submitted for the Bachelor's degree requirements fulfillment.

Qualifying Bachelor's paper contains the results of own research. The use of the ideas, results and texts of other authors has a link to the corresponding source ______________ Shebeda Anastasiia

Research advisor senior lecturer _______________ Shcherbachenko Viktoriia

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ABSTRACT

on bachelor's degree qualification paper on the topic

«THE GLOBAL FINANCIAL AND ECONOMIC CRISIS AND ITS IMPACT ON THE STATE AND STRUCTURE OF THE FINANCIAL SYSTEM OF THE EUROPEAN UNION»

student Shebeda Anastasiia Sergiivna

The main content of the bachelor's degree qualification paper is presented on 35 pages, including references consisted of 22 used sources, which is placed on 2 pages. The paper contains 1 table, 1 figure, as well as 1 app that is presented on 1 page.

Keywords: GLOBAL FINANCIAL CRISIS, FINANCE, GLOBALIZATION, FINANCIAL MARKET, ANTI-CRISIS POLICY, SOCIO-ECONOMIC DEVELOPMENT.

The purpose of the bachelor's degree qualification paper is to substantiate the theoretical foundations of financial crises, identify features of their development in Ukraine and the world, determine the effectiveness of anti-crisis policy and analyze the impact of financial crises on socio-economic development.

The object of research is financial crises.

The subject of research is theoretical approaches and economic consequences of financial crises.

In the process of research depending on the goals and objectives, we used the general methods of scientific cognition, the system approach, the method of scientific abstraction was used to reveal the essence of financial crises; historical method in the study of the peculiarities of financial crises at different stages of human development.

The information base of the work is legislative and regulatory documents on the functioning of the currency market of the Verkhovna Rada of Ukraine, the

Cabinet of Ministers of Ukraine, the National Bank of Ukraine, the reporting data of the National Bank of Ukraine, analytical reviews and reports of international financial organizations, data of information and analytical bulletins, as well as periodicals publications and scientific publications of domestic and foreign authors.

According to the results of the study the following conclusions are formulated:

1. The crisis has confirmed the importance of transparency with regard to the financial markets; most central banks have been required to improve their communications and transparency, the optimal level of which is difficult to determine due to the discretion granted by law.

2. Governments are confronted with many types of crises with serious economic and social impacts. Managing crises is their responsibility as they play a vital role in building the resilience of their economies and societies.

The obtained results can be used in the process of development of the strategy of foreign economic development of European Union.

Results of approbation of the basic provisions of the qualification Bachelor work was considered at:

1) II International scientific-practical online conference "International Economic Relations and Sustainable Development", which took place on May 21, 2021.

The year of qualifying paper fulfillment is 2021

The year of paper defense is 2021

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APPROVED BY
Head of the Department
_________ Petrushenko Yuriy

«__» ____________2021

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(Specialty 292 "International Economic Relations")
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Shebeda Anastasiia Sergiivna

1. The theme of the paper is «The global financial and economic crisis and its impact on the state and structure of the financial system of the European Union» approved by the order of the university from «19 » April 2021 №0193-VI.

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3. The purpose of the qualification paper is The purpose of the study is to substantiate the theoretical foundations of financial crises, identify features of their development in European Union, determine the effectiveness of anti-crisis policy and analyze the impact of financial crises on socio-economic development.

4. The object of the research is financial crises.

5. The subject of research is theoretical approaches and economic consequences of financial crises.

6. The qualification paper is carried out on materials statistical databases, analytical materials and official reports of the World Bank, data of open reporting of ministries and departments of European Union; scientific developments of

domestic and foreign scientists; periodicals; materials of international conferences; resources of the global Internet.

7. Approximate qualifying bachelor's paper plan, terms for submitting chapters to the research advisor and the content of tasks for the accomplished purpose is as follows:

Chapter 1 THEORETICAL ASPECTS OF GLOBAL FINANCIAL CRISES, to 30.04.2021

Chapter 1 examines the theoretical foundations of the global financial crisis, its essence and causes.

Chapter 2 THE IMPACT OF THE FINANCIAL CRISIS ON WORLD MARKET CONDITIONS, to 24.05.2021

Chapter 2 deals with model for monitoring the impact of the financial crisis to the economic security of the state, features of the financial crisis on international trade, the main indicators or the world market on the period of financial crisis.

Chapter 3 THE MECHANISM AND SYSTEM OF ENSURING THE FINANCIAL SECURITY OF THE STATE IN THE GLOBAL FINANCIAL CRISIS

Chapter 3 deals with analysis of the causes and consequences of the largest modern crises and their impact on the European economy, ways to minimize the negative effects of the global financial crisis on the development and state of the financial system of Europe, the application of the model of political prevention and adaptation to global financial crises.

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INTRODUCTION

Today, the issue of financial crisis is very relevant, because the nature and types of financial crises are quite diverse in their causes and manifestations, so there is no single point of view that would be acceptable to all on most issues of this problem. The world financial system is a dynamic and complex mechanism on which the development of national economies and the world economy as a whole depends.

The enormous scale of losses and the variety of causes allow us to classify the financial crisis as a multifactorial phenomenon that requires a systematic approach to its prevention and analysis. If we analyze the scientific literature, we can conclude that the financial crisis is a diverse economic category that is in a state of development.

The development of international economic relations, which takes place constantly and quite dynamically, often leads to an increase in the process of proliferation and the emergence of obstacles to overcoming the effects of financial crises. Financial crises are becoming global and crossing the borders of national economies, occur much more frequently and have more devastating consequences. Financial globalization, which continues to develop, only contributes to the spread and development of periods of global financial instability, and this requires their monitoring, systematic analysis and study.

In order to reduce the negative consequences of global financial crises, it is necessary to implement effective preventive tools and identify pre-crisis factors in a timely manner.

In the economic literature, presented vision of the preconditions, development and consequences of financial crises. Baranovsky, V.P. Kuzmenko, M.I. Turgan Baranovsky, A.I. Sykhorukov. Foreign researchers Lisondo, Reinhart, Glick and Moreno paid great attention to the consequences of currency crises and ways out of them. M. Kondratiev, E. Slutsky, K. Marx, W. Mitchell, J. Hicks, K. Juglar, J. Keynes, Geier, Mole, J. Mills explored the essence of crisis processes in politics and economics in general. P.V. Trunin and MV Kamensky, considering financial instability and banking crises, concluded three main types of financial crises.

Not so long ago, a number of important works of Ukrainian scientists appeared, which consider the modern world economic system through the prism of the civilizational development of mankind, world integration processes, modern trends in international monetary and financial transactions. This is primarily a study of Yu. Pakhomov, O. Belarus, O. Plotnikov, S. Crimean.

The purpose and objectives of the study. The purpose of the study is to substantiate the theoretical foundations of financial crises, identify features of their development in European Union, determine the effectiveness of anti-crisis policy and analyze the impact of financial crises on socio-economic development.

To achieve this goal, the following tasks were identified:

• to reveal the essence of the concept of "financial crises";

• find out the causes of financial crises and their classification;

• identify trends in financial crises in EU and the world;

• to establish the nature of anti-crisis policy in the context of world experience;

• to develop proposals on ways to minimize the impact of the current financial crisis on the socio-economic development of EU.

The object of research is financial crises.

The subject of research is theoretical approaches and economic consequences of financial crises.

Research methods. In the process of research the general methods of scientific cognition, the system approach, the method of scientific abstraction were used - to reveal the essence of financial crises; historical method - in the study of the peculiarities of financial crises at different stages of human development.

Methods of normative analysis, comparison and statistical method are used to analyze the effects of crises and develop proposals for ways to minimize their consequences. The theoretical and methodological basis of the study are the scientific provisions of modern economic theory, concepts of economic development, theoretical conclusions and generalizations of domestic and foreign economists, contained in monographic, special and periodical literature; normative-legal documents on the researched question.

The structure of the thesis. Thesis consists of an introduction, three sections, conclusions, a list of sources used.

SECTION 1 THEORETICAL ASPECTS OF GLOBAL FINANCIAL CRISES

1.1 THE GLOBAL FINANCIAL CRISIS: THE ESSENCE AND CAUSES

The development of international economic relations leads to the fact that financial crises go beyond national economies. Previously, they were not so large-scale, as there was a low level of economic ties between the countries. But now the financial crisis is affecting the world economy on a large scale.

At the present stage of development of scientific thought there is a significant amount of scientific and practical work on the interpretation of global financial crises as a negative socio-economic phenomenon depending on the direction of research and the nature of the crisis. The views of economists on the understanding of this phenomenon are different due to the fact that global financial crises are multifactorial and correlate with other types of crises. Representatives of various scientific schools give their explanations, definitions and justifications for the causes of financial crises.

Thus, according to A. Schwartz, one of the representatives of modern monetarism, financial crises arise due to the disorder of the banking system. The financial crisis is seen as a crisis in the banking system, the main features of which are banking panic, declining confidence in banks, a high percentage of non-repayment of deposits. Therefore, to overcome the effects of the financial crisis and reduce losses from it, A. Schwartz suggests that central banks support solvent banks with liquidity instruments.

K. Kindleberger sees in his attention the connection between the emergence of financial crises with business cycles and economic crises, which are caused by external factors (war, new technologies and goods, changes in public policy). He also considers, in co-authorship with Minsk, that the "currency crisis" and "financial crisis" are synonymous, the only difference being that the term "currency crisis" is the initial stage of the financial crisis, which then goes into a stage of falling asset prices, mass bankruptcy of the financial and non-financial sectors, violation of foreign exchange markets.

The global financial crisis can be caused by various factors that have individual characteristics and are difficult to predict. Among the main economists are violations of the banking system, external factors (natural disasters, wars), new technologies, rapid poorly predicted changes in economic policy, shifts in the proportions between the financial system and the production system, globalization. In all cases, the negative consequences of financial crises are lower stock and real estate prices, falling exports, lending and GDP, a speculative boom followed by depressive phenomena.

Thus, the global financial crisis covers not only financial markets, but also money and credit, international financial relations and is manifested through rapid interest rates, reduced loans, increased debt, large-scale fall in securities, uncontrolled fall of national currencies. Therefore, the introduction of effective and efficient measures to prevent the global financial crisis in a timely manner can significantly affect its course, as well as reduce possible losses from its actions and consequences.

1.2 FINANCIAL CRISES AS DISTURBING FACTORS OF A STABLE REAL SPHERE

The world financial market is a component of a dynamic system, and therefore should be considered as part of a higher-level system (world economy) and at the same time as independent goods that serve common purposes in interaction with the environment (with the process of social formation). Multilevel relationships in its structure cause different relationships between segments of the financial market and its actors, which generate synergetic processes in a crisis.

Thus, crisis shocks in one segment manifest themselves in various forms on all others, spreading to national financial markets and international financial centers. The activities of individual segments of the financial market have a joint cumulative impact on economic processes, and they are subject to appropriate influence, showing direct and feedback financial market with social reproduction. Such an approach makes it possible to reveal the nature, factors, forms of manifestation and mechanism of the crisis in the global financial market in its interaction with the economy.

Financial crises are a form of economic crisis. In cyclical crises, the accumulation of all three forms of capital begins to manifest itself: commodity (growth of unsold products), productive (increase in underutilization of production capacity, growth of unemployment) and money (increase in the amount of money not invested in production). In the 1970s and 1980s, the emphasis in the research work of Western scholars on the problems of economic cycles and crises began to gradually shift to the sphere of finance as the most unstable sphere of the economy.

The resurgence of interest in the hypothesis of financial instability was due to the fact that the consequences of financial crises led to a more in-depth study of this issue in the context of the implementation of various economic crises, including global (global).

Consider the approaches of a number of scientists to the definition of "global financial crisis". Thus, M. Bordeaux and J. Landon-Lane understand the international financial crisis as a banking crisis, which, often accompanied by currency or debt, occurs on several continents and countries, including developed and developing countries [3]. The financial crisis is an acute, short-lived, severe deterioration of all or most financial indicators, including a sharp drop in interest rates on loans, falling exchange rates of financial assets (stock, real estate and land) and an increase in the number of insolvent (bankrupt) financial institutions[4]. L.V. Among the components of the financial crisis, Anikin singles out the budget, banking, money supply crisis, stock exchange and currency crisis, which, in his opinion, covers the foreign financial sector of the economy and manifests itself in deteriorating current account balances, sharp depreciation of the national currency (devaluation). and balance of payments deficits on capital transactions, depletion of foreign exchange reserves [5]. It is of interest to study crises from the standpoint of F. Mishkin's theory of information asymmetry. According to him, the financial crisis is a nonlinear disorganization of the financial market, in which the problems of unfavorable selection and moral hazard deepen so much that financial markets lose the ability to effectively redistribute resources to entities with the best investment opportunities, resulting in a sharp decline in economic activity [6].

Ukrainian scientists also studied the nature and determinants of financial crises. Thus, V. Mazurenko states that the global financial crisis is a sudden, synchronized disturbance of the balance of international financial markets, which occurs due to the spread of destabilization of systemic financial relations of the epicenter, which extends to other regions and manifests itself in a spontaneous, unexpected fall in assets , real estate, assets, etc.), deterioration of the dynamics of most fundamental macroeconomic indicators and due to the disorganization of the processes of formation and distribution of centralized funds of states causes a sharp increase in external debt and the probability of default on private and sometimes sovereign debts [7].

Theories that explain crises have a strong influence on the definition of crises. Although financial crises can take many forms and forms, the crisis literature has made specific definitions of many types of crises. For example, a currency crisis involves speculative attacks on the currency that lead to devaluation (or sharp devaluation), or forces the government to maintain the currency by spending large amounts of international reserves, or sharply raising interest rates, or imposing controls on capital.

A sudden stop crisis (capital account crisis or balance of payments crisis) is defined as a significant (and often unforeseen) decline in international investment inflows or a sharp cancellation of aggregate investment inflows into the country, which is likely to occur with a sharp increase in their credit spread. Because existing changes are measurable, they can be used in quantitative methodologies.

Other crises are related to unfavorable debt dynamics or shocks in the banking system. An external debt crisis occurs when a country is unable (or unwilling) to service its external debt. It can take the form of public, private or public and private debt crises. An internal government debt crisis occurs when a country fails to meet its domestic fiscal obligations in a timely manner, either by explicit default, or by creating inflation, or by devaluing its currency, or by using some (other) form of financial containment.

In systemic banking crises, actual or potential panic withdrawals and depreciation may force banks to temporarily suspend the convertibility of their liabilities, or force the government to intervene to prevent this by significantly increasing liquidity and raising capital. Because such variables are not very easy to measure, they can only be used for qualitative methodologies. There are other classifications, but they are likely to coincide regardless of the type of crisis, such as a number of banking crises associated with sudden shutdowns and currency crises. The essence of the financial crisis is so complex that even in the current state of science it is almost impossible to create a universal theory that would perfectly explain it. Any hypothesis about the origin, the causes of financial crises is a model.

And the correctness of the hypothesis about the future state of the crisis as an object of study depends on how correctly determined the parameters of this object and their relationship between themselves and the external environment. Models of any system can be of two types - empirical and theoretical. The causes and nature of global financial crises in general can be classified into endogenous (internal) and exogenous (external): modern concepts regarding the theory of financial crises and views on the causes of crises mainly explain the causes of crises by the fact that due to some external factor (exogenous) is realized inherent in the nature of the economy internal mechanism that leads to crises.

Modeling of endogenous factors using analytical models allows only to describe the causal functional relationships during crises, but not to identify the essential characteristics of the crisis as a phenomenon that at the macro level is not only the cause of problems in the economy, but also due to inefficiency of economic and the financial system of a particular country, the world at a certain stage of development of the world economy, at a certain level of economic growth dynamics (Fig. 1.1).

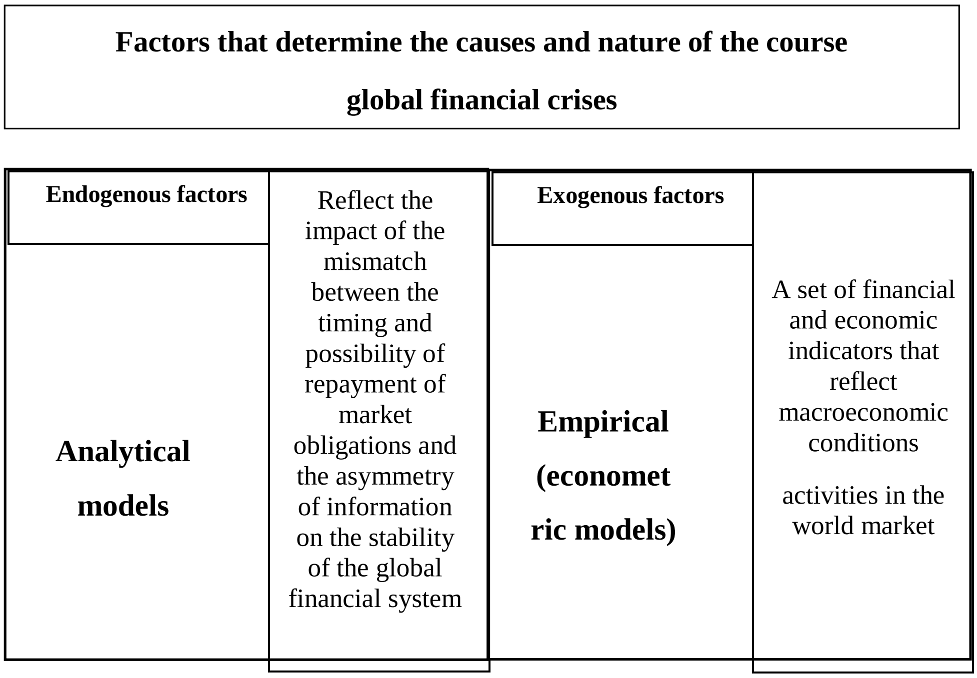

Figure 1.1 - The main groups of factors that determine the causes and nature of global financial crises

Therefore, we consider it appropriate to focus on the study of empirical models of financial crises as a way of expressing the relationship between theoretical views and practice, as the only possible way to model those elements of the system for which you can not build universal theoretical models due to lack of information about them. internal mechanism - the system of the global financial crisis. Empirical models are mathematical expressions that approximate (using certain approximation criteria) experimental data on the dependence of system state parameters on the values of the parameters of the factors influencing them. Empirical models do not require any idea of the structure and internal mechanism of connections in the system.

The crisis in the global financial market is a multifactorial phenomenon caused not only by problems in the development of the financial market itself, but also by a set of cyclical factors that lie in the contradictions of the process of social reproduction. The peculiarity of the crisis in the global financial market is its global coverage: the crisis manifests itself simultaneously or at different times in all its segments and affects all actors in the world economy: international institutions, government agencies, the corporate sector and households [15].

There are several approaches to the causes of financial crises in the scientific literature. According to one view, the cause of crises in the financial market lies in economic development: in overproduction and capital accumulation (K. Marx, A. Kolganov, etc.), falling investment due to reduced marginal efficiency of capital (J. Keynes), violation of the proportions of reproduction and the separation of the financial sphere from the real sector (R. Greenberg, A. Porokhovsky, L. Krasavina, O. Lavrushin, etc.).

Other economists see the causes of financial market crises through the prism of the sphere of circulation. The causes of crises include: erroneous monetary policy (monetarists), excessive inflow of savings to developed countries from developing countries (B. Bernanke, A. Greenspan), instability of the financial system (H. Minsky), liberalization of the financial market and regulatory shortcomings (J. Stiglitz, P. Krugman) and others. Theories of non-economic causes of the crisis distinguish the influence of sunspots (W. Jevons), political (W. Nordhaus), psychological factors (L. Tweed, J. Schumpeter, W. Kushlin, etc.), "herd behavior" of market participants, information asymmetry (J. Akerlof, F. Mishkin) and others.

SECTION 2 THE IMPACT OF THE FINANCIAL CRISIS ON WORLD MARKET CONDITIONS

2.1 THREATS TO THE ECONOMIC SECURITY OF THE STATE IN THE GLOBAL FINANCIAL CRISIS

The global financial crises are objective and rapid, but they can be managed in terms of forecasting them and reducing the negative consequences. According to the Summit Declaration. The Group of 20 has so far paid insufficient attention to the growing risks of financial markets, and some measures need to be taken to resolve the global financial crises early. The numerous global financial crises described in the paper arouse interest in determining the main macroeconomic indicators, on the basis of which it will be appropriate to develop a control system for early warning of crises in the financial sector.

At the present stage of development of economics, there is no generally accepted list of key macroeconomic indicators of early warning of financial crises. Therefore, there is a problem of selecting appropriate macroeconomic indicators, which is a rather difficult task in analyzing the instability of the global financial system. International organizations are developing various methods for assessing the financial condition of national economies, but it should be noted that these approaches are mainly methodological in nature.

The International Monetary Fund has developed many databases based on the analysis of which financial instability can be prevented, in particular: financial stability indicators (FSI), external debt statistics; special data dissemination standard (SDDS). The SDDS contains indicators for assessing the development of the external, financial, real, budgetary and tax sectors of the economy and population demographics.

There are also other methods for assessing financial instability, such as indicators of financial instability according to Eichengreen and Rose and indicators of financial instability according to the methodology of the Institute of Economics in Transition. However, these methods relae to the calculation of indicators for national economies and do not answer the question of which countries are most likely to have a financial crisis in the future. Global financial crises develop as a result of the development of debt, banking, currency, stock crises and others, which first arise at the national level, and then spread and acquire signs of the world.

Based on the analysis of scientific sources, the main macroeconomic indicators are summarized, which signal the onset of these types of crises on common and individual grounds (Table 2.1).

Table 2.1 - Main macroeconomic indicators of financial crises

Type of crisis	**Basic macroeconomic indicators**	
	Idividual	**Common**
Debt crises	Share of government social spending in% of GDP	Balance of payments Exchange rate (significant fluctuations) Inflation index (growth rate) Dynamics of real GDP (slowdown) External debt to GDP (growth) Budget deficit level (growth) International reserves of the country (fall)
Banking crises	Currency valuation of the banking system Consumer price index (growth) Increase or high level of capital outflow from the national economy High or rising real interest rates High share of short-term liabilities High level of risks in the banking system (lack of available capital, weak coverage of liabilities by liquid assets, high share of overdue loans in banks' loan portfolio) Ratio of loans to GDP	
Currency crises	The level of external debt Availability of additional sources of funding for liabilities The level of lending to the economy	
Stock crises	Inversion of profitability of operations Correlation of prices for stock market assets Abnormal fluctuations of stock indices	

According to the methodology developed by the World Bank, there are low rates.

And the most complete indicator is the ratio of total external debt to GDP, it helps to assess the country's ability to service its external debt. If the value of this indicator exceeds 50%, it is critical [7].

The exchange rate not only reflects the dynamics of these key indicators of the national economy, but also affects their changes [7]. The exchange rate is used to compare the prices of individual countries, affects the redistribution of national product between countries, is a means of internationalization of monetary relations. The exchange rate indicator is calculated as the ratio of the standard deviation of the exchange rate to the square root of the time period in years [5].

International capital leaves the country under conditions of low competitiveness, strong corruption, a weak banking system and a low level of confidence in public policy.

Therefore, we can identify the following main macroeconomic indicators that can signal the onset of the financial crisis:

- Payment balance.
- Exchange rate instability.
- The ratio of external debt to GDP.
- The ratio of growth rates of international reserves of the country and imports.

But this list is not exhaustive. According to the needs of the specific situation of each country, other indicators may be included in this list. Identifying the dynamics of these indicators will make it possible to identify the onset of the financial crisis or its specific type (currency, debt, etc.) and develop effective solutions to prevent the crisis from entering the world arena.

2.2 FEATURES OF THE FINANCIAL CRISIS ON INTERNATIONAL TRADE

The years after World War II were extremely calm and were accompanied by almost no banking crises. If such crises arose, it concerned only currency crises. The gold standard and the Bretton Woods agreements have stabilized global economic friction. In 1971, it was refused to fix the exchange rates of countries against the US dollar.

Since then, banking crises have become more frequent, and the share of countries experiencing banking crises has grown rapidly. The Japanese banking crisis of the early 1990s, the Latin American crisis of the 1970s and 1980s, and the Asian and European financial crises were well marked as peaks [23].

The crisis has hit international trade the hardest. International trade declined for the first time after fifty years of steady growth in trade. In 2009, both developed and developing countries saw a decline in trade, but developed countries had a relatively larger share in reducing the overall decline in world trade, there was a decline in exports and imports. Despite the fact that developed countries accounted for a larger share of the overall decline in trade in 2009, the exports of some developing countries also suffered severe blows during the financial crisis.

The OECD (2010) identifies three direct ways for the financial crisis to affect international trade. International trade is affected by the financial crisis:

1) World demand and income

2) Trade financing

3) The composition of goods traded internationally.

The complex effect of international trade is also quite different in terms of the level of economic development. In general, exports of developing countries should be different from exports of developed countries [23].

SECTION 3 THE MECHANISM AND SYSTEM OF ENSURING THE FINANCIAL SECURITY OF THE STATE IN THE GLOBAL FINANCIAL CRISIS

3.1 POLITICAL PREVENTION AND ADAPTATION TO GLOBAL FINANCIAL CRISES

In the late 1970s, financial innovations took various forms and stimulated a powerful financial boom that ended in a crisis. The New Financial Architecture (NFA) concerned the integration of financial markets with easy government regulation, which was characteristic in the past. The NFA has laid the groundwork for institutions and imperfections that could be seen as the deep financial roots of the recent crisis [18].

As a result of these financial innovations, complex and opaque financial products have become available in the financial markets. They lacked transparency, which prevented them from giving a correct estimate of prices and, consequently, lost liquidity when the boom ended. The explosion of these securities, which flowed through banking institutions at high speed, led to large profits, while destroying the transparency that is so necessary to ensure market efficiency. Large investment banks, such as Lehman and Merrill Lynch, at the time received high ratings from international rating agencies, which allowed them to borrow at low prices. Instead of exposing the risk, the agencies systematically masked it.

The recent economic crisis has been extraordinary in nature, as well as in severity and size. The true nature of the underlying situation seems difficult to unravel, as trading in OTC derivatives, especially those in the form of secured debt obligations (CDOs), confuses those trying to paint a clear picture. Secured debt obligations are financial structured products that combine the following assets, mortgages, bonds and loans, which serve as collateral for the CDO. The creation of asset-backed securities has allowed banks to significantly increase leverage. These structured finance products have been particularly attractive assets for banks because they can be off-balance sheet without capital adequacy requirements.

Derivative financial derivatives are financial contracts that determine their value based on the results of the underlying asset, the most common of which are stocks, bonds, interest rates, commodities, currencies or other. The risk of derivatives comes from the use of leverage, ie investors can benefit significantly from small changes in the price of the underlying asset. However, on the other hand, they can suffer significant losses in the event of opposite price movements.

The Third Basel Accord is a global regulatory standard for bank capital reserves. According to the Basel III rule, banks must have 6.0% of Tier 1 capital (RWA) and 4.5% of equity, in addition to introducing additional capital barriers during periods of high credit. There was no need to keep the percentage of the value of these assets as a reserve of capital. CDOs, which included loans of various qualities, and other derivatives were widely distributed among the dominant institutions in the financial system. In fact, their creditworthiness and cash flow were questionable, but they were considered relatively safe because rating agencies gave them a high rating. This situation was unstable. When the entire financial network became tense, questioning the viability of many financial instruments in late 2007, this led to the withdrawal of these funds from Wall Street investment banks and related institutions [17].

It was impossible to support the "market" of secured debt. Wall Street investment banks have been able to avoid regulatory restrictions. A "shadow bank" was built next to the regulated sector. These banks do not take deposits and do not have access to central bank financing or debt guarantees. They deal only with short-term financing of asset-backed commercial securities and provide long-term loans or cash loans secured by collateral, such as mortgages. Shadow banks with less risk aversion did not object to the fact that customers were not entitled to apply for loans.

The conduct of economic and financial policy is significantly affected by the significant consequences of the financial crisis. Careful analysis of the consequences and best responses to crises has become an integral part of the political debate. Crises demonstrate the link between the financial sector and the real economy. As part of the financial sector reform, outstanding OTC transactions should be transferred to central counterparties, which should lead to better risk management and resilience in line with greater OTC market transparency [21].

3.2 WAYS TO MINIMIZE THE NEGATIVE EFFECTS OF THE GLOBAL FINANCIAL CRISIS ON THE DEVELOPMENT AND STATE OF THE FINANCIAL SYSTEM OF EUROPE

Political economists typically focus on three broad factors. These factors are often complementary in nature, though they can push governments in opposing directions. State power and interests is one important factor. The power and interests of leading states in particular is often a key determinant of the content and scope of regulation. Leading states will broaden, shrink, or veto international regulatory initiatives depending on how they stand to benefit or lose. Leading states will often use international coordination to level the playing field and avoid the competitive consequences of unilateral regulation, as well as lock in their preferred regulatory solution at the international level.

Power in international financial regulation comes from many sources. States can derive power from the importance of their financial markets, firms, and currencies. Leading states can use the threat of denying access to their markets or domestic regulatory changes to prompt responses elsewhere. Leading states may also enjoy a form of ―soft power‖ that comes from the status of being regulators of leading markets, a status that gives them prestige as a model to be emulated. Leading states may also possess significant influence over international institutions and standard-setting bodies. Pressures for convergence will typically arise when divergence produce negative externalities for leading states. In spite of the damage the crisis inflicted on their financial markets, firms, currencies, and prestige, the U.S. and Britain both remain important powers driving international regulatory change. In some areas, such as remuneration, the U.S. and Britain have been able to narrow or veto more ambitious regulatory initiatives.

In other areas, such as hedge funds, changes to U.S. and British preferences, which removed their earlier veto, were critical in ensuring tighter regulation. In Britain, concerns about the competitive impact of unilaterally imposing a levy on banks led the new coalition government to delay implementation and seek to reach a global accord to level the playing field. The EU has also shown itself to be able to exercise greater influence. The emergence of the euro as an international currency, regulatory harmonization and financial market size has helped the EU become a more important player in international regulatory debates.

The EU‘s current efforts to influence the IASB are perhaps the most obvious example of its growing capacity to shape international financial regulation. However, the above discussion also clearly revealed that the EU‘s ability to exercise leadership has been and likely will continue to be constrained by different regulatory philosophies that exist between key member states, notably between Britain on the one hand, and France and Germany on the other. East Asia has also shown that it too is an emerging power in international regulatory politics. The transfer of wealth toward East Asia in the last decade has given the region both more global financial clout as well as the ability to chart a more independent course [16].

The current crisis has reinforced this power shift by undermining the dominance of U.S. and British financial firms and markets as well as damaging the soft power that originated from the reputation of New York and London as leading financial centers. The Asian financial crisis led many policymakers in the region to gain interest in Anglo-American regulatory models. The current crisis, as illustrated by China‘s recent decision to suspend a pilot program for a CDS market, may be having the opposite effect and it may even stir others to emulate the more cautious approach to financial regulation adopted by some countries in the region. Leading East Asian powers have been brought for the first time into the leading international regulatory forums, but with the exception of the deployment of macroprudential tools, they have yet to take on a strong leadership role in this area. In fact, while critical of the selfregulation and those parts of the Basel II regime associated with it, the views of many Asian officials have been largely in line with those criticisms offered by officials in the U.S., Britain, and Europe. China, for instance, intends to complete implementation of Basel II by the end of 2010. Indonesia is also currently implementing Basel II. The hesitation of officials in China and elsewhere in Asia to break from the BCBS-centered standards reflects in part the use of such standards by reformers to promote financial sector reform, as well as much lower levels of domestic politicization pressures of the kind that resulted from countries with taxpayer financed rescues of failed banks. Still, there are some signs that some in the region to take a much stronger revisionist stance. For instance, the so-called BRIC countries – Brazil, Russia, India, and China - have signaled their growing political resolve to shape economic affairs by issuing their first joint communiqué in February 2009, which has been followed by additional statements in later summits [27].

China has also become increasingly outspoken in area of international monetary reform by floating proposals that would replace the current dollar standard with an SDR standard. Domestic politics is another important factor that often features in political economy analysis. The complexity of the issues involved, their more indirect and less obvious distributional consequences, and an often insulated policymaking context mean that debates over international financial regulation are typically confined to a narrow range of actors. The most active and consistent participant are private market actors for whom the distributional costs are more immediate. Private market actors also may have concerns about adjustment costs to new regulation or may see international coordination as a way to gain. Private market actors typically oppose intrusive regulation and support market-drive solutions. For these reasons the light touch regulatory trend in the pre-crisis period is often seen as an example of ―regulatory capture. The influence of the financial sector is based on the resources it can mobilize for lobbying and campaign finance contributions as well as its control of technical expertise and the prestige that comes from its enormous profitability. ―Revolving doors‖ between the private financial sector and public office also ensure that interests of financial market participants receive attention. Yet the exception to this general pattern of societal involvement occurs during, and in the wake of financial crises when financial regulation becomes more politicized in wider society. Large-scale use of taxpayers‘ money heightened politicization to an unprecedented level, unleashing popular pressures in favor of stronger regulation, particularly in the U.S. Congress and European Parliament. Evidence of misconduct and malfeasance, such as that uncovered in the CRAs as well as allegations of fraud brought against Goldman Sachs in spring 2010, have also intensified politicization. Remuneration in the financial sector, bank levies, and the introduction of the Volcker Rule are a few initiatives that vividly illustrate the impact that such politicization can have on regulation. Interestingly, the severity of the crisis also generated support for new regulation from among private market actors, though primarily for defensive reasons. Political economy analysis also typically points to the importance of ideas. Ideas help to inform the way public officials understand how the economy works, the key economic issues they face, and the appropriate policy templates to remedy these issues [23].

The content and scope of regulation policy templates will often stem from a particular set of ideas. Ideas will become particularly influential when they have hardened into an orthodoxy or ideology. Certain forms of regulation may become delegitimized or unthinkable within a particular climate of opinion. Regulators may develop blind spots as a result of particular orthodoxies. International coordination becomes more likely when actors converge on a common set of ideas or ―focal point. Yet when the legitimacy of a particular set of dominant ideas is called into question, international coordination can become more challenging as actors grapple with competing diagnoses and policy templates. One more important ideational shift has been the elevation of fairness to an equal status as competitiveness in the value hierarchy of international finance. In Britain, for instance, the pre-crisis consensus rested on the need for light tough regulation to support the City‘s international competitiveness. Little concern was paid to how the enormous returns this generated the City of London contributed to rising inequality. Yet taxpayer-backed financial rescues have prioritized the importance of fairness and generated initiatives such as the introduction of bank levies and demands and measures to induce restraints on pay and bonuses. With high levels of unemployment, stagnant wages, and slow growth in advanced market economies, the corollary of rising profits in 2009 for the financial sector has been a fall in the share of income going to labor. For many voters this seems unfair: the financial sector that caused the crisis and was then rescued by taxpayers is now reaping a disproportionate share of the rewards from government stimulus efforts. Meanwhile, rising debt burdens and gaping budget deficits, in many cases brought on by efforts to rescue the economy from collapse, are leading governments to impose deep cuts in public services and public-sector pensions and wages – seemingly at the insistence of the financial sector. It is thus no small wonder that many governments in rolling out their austerity plans have sought to extract a sizeable contribution. A failure to do so would likely generate sizeable political unrest. In terms of international cooperation, the pre-crisis orthodoxy clearly shaped the content and scope of international financial regulatory initiatives, ensuring the dominance of the Anglo-American light touch regulatory model, at least in key international financial forums. Yet the pre-crisis orthodoxy also created significant blind spots, notably in the area of macroprudential regulation. The crisis has clearly called the pre-crisis orthodoxy into question [14].

This has permitted a range of new initiatives reflecting a diversity of regulatory views to emerge. In some areas, such as hedge funds and OTC derivatives, the discrediting of the pre-crisis orthodoxy has enabled governments to reach broad agreement on tightening regulation in areas where such action had been previously vetoed. The discrediting of the pre-crisis orthodoxy has also helped breakdown stigmas associated with some policy tools such as capital controls. Yet even in areas where politicians and regulators have reached some kind of new consensus, such as the need for macroprudential regulation, there remain serious disagreements about the operational details. A more serious ideational obstacle to international regulatory cooperation comes from differing views among G-20 members as to how to evaluate the trade-off between growth and stability. While the self-regulatory norm of the Anglo-American model has been discredited, the model continues to be associated with greater innovativeness, dynamism, and faster growth, which attracts much interest. On the other hand, China‘s capacity to avoid the worst effects of the crisis has led many to gain interest in its more cautious, highly regulated model, which, while producing a relatively unsophisticated financial sector, has produced greater stability. The EU, Japan and other countries in Asia have also sought to project models based on more highly regulated financial systems. The trade-off between faster growth and greater stability promises to feature prominently in debates to redesign the contours of international financial regulation [17].

The more highly regulated model, while less likely to trigger large fluctuations in financial stability and macroeconomic activity, may produce slower economic growth. On the other hand, regulatory models that permit more financial innovation, higher leverage and the greater ability to take on risk may be associated with more rapid economic growth, though at the cost of greater financial instability. How governments evaluate this trade-off at the national level will depend largely on domestic social and normative priorities. International regulatory coordination then becomes a game not only of seeking to lock in one‘s domestic approach internationally to avoid the material costs of an unlevel playing field but also of projecting one‘s domestic approach as the model to be emulated internationally so as to avoid the normative and social costs of adjusting one‘s approach to the priorities of others. At this point we are, as Helleiner suggests, in a kind of interregnum where the old orthodoxy has been discredited but a new orthodoxy has yet to be consolidated. In other words, there is currently no clear focal point for international cooperation. Much of the debate among the G-20 has reflected US, British, and European efforts to project their domestic social and normative priorities internationally, and to accommodate the growing power and clout of China and others in the region. Given the divergent social and normative priorities of these actors, and as well as of those emerging markets recently included as new members in key international forums, it is possible that the interregnum could be prolonged and that the global financial system evolves into a more decentralized and fragmented order. If reforms to international financial regulation fail to meet the expectations of leading players, then, as Helleiner suggests were are likely to see ―centrifugal tendencies‖ grow in intensity. The US, Britain, Europe, and Asia could chart an increasingly independent course that diverges from the G20-led reform agenda, by eschewing universalist standards and codes in favor of alternative national and regionally defined forms of financial governance. Indeed, 33 we are already witnessing growing unilateralism in the form of disputes over bank levies, the Volcker Rule, and bans on naked short-selling. At the moment, power considerations, domestic politics, and ideas appear to be pushing countries away from multilateralism and toward more national and regional responses [21].

CONCLUSION

So, summing up, we see that such a phenomenon as the financial crisis is quite complex, that even in modern conditions of development and state of science there is virtually no universal theory that could explain the causes and show possible ways to avoid it and would be universal at all times at all stages.

In world practice, the following tools and measures are used to overcome the effects of financial crises: anti-inflationary policy, fiscal stimulation, export expansion in emerging markets, periodic narrowing of lending and reduction of economic and financial risks. Today, taking into account the experience of overcoming the consequences and combating the latest financial and economic crisis, it is important to use modern directions of anti - inflation policy: minimization of deflationary processes; significant reduction of expenditures and deficits; credit constriction; limited interest rate policy; search for mechanisms to exit the single economic space, the single currency area and protect domestic markets.

The current global crisis is systemic in nature and calls into question old approaches to the organization of production and reproduction processes, changing the role of the traditional industrial economy from leading to structurally peripheral and technologically ancillary. In terms of the distribution of goods produced, the crisis has not yet shown a tendency to increase the concentration of wealth, the stratification of countries into rich and poor, and some societies - the richest segments of the population and low-income groups.

Economic policy in Ukraine must take into account the state of the anti-crisis legacy, which will determine the economic dynamics of the country for a long time. The lack of institutional and structural reforms remains the biggest problem, which hampers the country's economic development in general and hinders the implementation of effective economic policy in particular. It is this factor 39 that objectively puts the government (executive branch) in front of a choice between economic logic and political expediency.

To date, Ukraine has not created a sustainable economic recovery, and thus - is the preservation of both the productive sector and the level of welfare of the population, which, in turn, has a limiting effect on aggregate demand, suppresses the business environment. Therefore, another economic collapse in 2014. did not become something extremely unexpected and even vice versa - was largely predictable, especially in the face of increasing external negative influences.

To overcome the effects of the financial crisis, it is necessary to develop a set of interrelated measures for the interaction of non-financial and financial sectors of the economy and to coordinate the actions of all economic entities for their implementation and public authorities. The main role should be played by the implementation and development of the state strategy of social and economic development, which would provide a fairly clear development of some sectors of the national economy, energy, import and export policy, etc., and the actual implementation of monetary policy by central banks.

It is clear that the fight against the crisis is a grueling and time-consuming process, but only if there is a coordinated, consistent macroeconomic policy by all branches of government will it succeed.

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APPENDIX A
SUMMARY

Шебеда А.С. Дослідження впливу глобальної фінансово-економічної кризи на стан та структуру фінансової системи Європейського Союзу. – Кваліфікаційна робота бакалавра. Сумський державний університет, Суми, 2021.

Кваліфікаційна робота бакалавра присвячена вивченню наслідків фінансово-економічної кризи на стан та структуру фінансової системи Європейського Союзу. Аналіз, оцінка глобальної фінансово-економічної кризи на прикладі країн-членів Європейського союзу. Визначені проблеми та перспективи їх запобігання. Визначено основні напрями вдосконалення державного регулювання у сфері фінансово-економічної кризи Європейського Союзу.

Ключові слова: глобальна фінансова криза, глобалізація, фінансування, фінансовий ринок, антикризова політика, соціально-економічний розвиток.

Shebeda A.S. Study of the impact of the global financial and economic crisis on the state and structure of the financial system of the European Union. - Bachelor's qualification paper. Sumy State University, Sumy, 2021.

Qualifying bachelor's dissertation is devoted to studying of consequences of financial and economic crisis on a condition and structure of financial system of the European Union. Analysis, assessment of the global financial and economic crisis on the example of European Union member states. Problems and prospects for their prevention are identified. The main directions of improving state regulation in the field of financial and economic crisis of the European Union are determined.

Key words: global financial crisis, globalization, financing, financial market, anti-crisis policy, socio-economic development.