

MINISTRY OF EDUCATION AND SCIENCE OF UKRAINE  
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## **QUALIFICATION PAPER**

on the topic "GLOBAL FINANCIAL CRISES, ITS MANIFESTATIONS, CONSEQUENCES  
AND PREVENTION MEASURES"

Specialty 292 "International Economic Relations"

Student IV Course

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group IE-72a.en

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

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ABSTRACT

on bachelor's degree qualification paper on the topic  
« GLOBAL FINANCIAL CRISES, THEIR MANIFESTATIONS, CONSEQUENCES AND PRE-  
VENTION MEASURES »

student Artem Chetvertak

The main content of the bachelor's degree qualification paper is presented on 31 pages, including references consisted of 41 used sources, which is placed on 5 pages. The paper contains 2 figures, 2 graphs.

Keywords: world economic crisis, crisis in Ukraine, economic collapse.

The purpose of the bachelor's degree qualification paper is to analyze the global crisis, especially the Ukrainian economy, and ways of overcoming it. To achieve this goal it is important to solve the following tasks:

- to study the nature of the cyclical nature
- to analyze methods of possible solutions to the crisis;
- to study the nature of economic crises;
- to study the characteristics of crisis phenomena of economies;
- to identify the features of economic crisis in Ukraine;
- to describe economic crises during the pandemic.

The object of the bachelor's degree qualification paper is socio-economic processes and the content of crisis phenomena.

The subject of this research is the study of the system of industrial relations during the economic crisis.

The following methodological procedures were used in this qualification paper: analysis and synthesis, historical method, statistical method, observation and comparison.

The information base of the study is monographic works and articles of domestic and foreign economists in professional economic publications.

The year of qualifying paper fulfillment is 2021.

The year of paper defense is 2021.

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«\_\_» \_\_\_\_\_ 20\_\_.

TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 " International Economic Relations ")

student IV course, group IE-72a.en

Artem Chetvertak

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4. The object of the research is socio-economic processes and the content of crisis phenomena.
5. The subject of research is the study of the system of industrial relations during the economic crisis.
6. The qualification paper is carried out on materials as: educational literature, fundamental theoretical works, the results of practical research by domestic and foreign authors, research articles, and reviews in specialized and periodicals. topics, reference books, other relevant sources of information.
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 crisis phenomena in the economy » - 16 April 2021.

Chapter 1 deals with the history of crises as one of the driving forces that gave impetus to the emergence and development of a free international market, an analysis of the main reasons for the allocation of several types of crisis, and their differences and how they are interrelated.

Chapter 2 « Exploring economic crises based on experience different countries » - 7 May 2021.

Chapter 2 deals with identifying the main reasons of crises 2008-2010 and 2020, analysis of ways out of crisis situations in Ukraine and other countries.

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Chapter	Full name and position of the advisor	Date, signature	
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1	Senior tutor S. Tarasenko		
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Research Advisor: \_\_\_\_\_

Svetlana Tarasenko

The task has been received: \_\_\_\_\_

Artem Chetvertak

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## Introduction

The development history of many countries has repeatedly confirmed that economic growth is never smooth and even. And after several years of recovery and prosperity, there is always a recession or even a collapse. Business cycles and economic crises have long drawn the attention of scientists trying to predict further economic fluctuations.

The general globalization and integration of the world's leading powers has made their economies completely interdependent. This dependency was particularly pronounced during the global financial and economic crisis of the 21st century. However, this problem has not lost its relevance today. After all, it is no secret to anyone that Ukraine and the whole world are on the verge of yet another crisis.

The aim of my work is to analyze the global crisis, especially the Ukrainian economy, and ways of overcoming it. To achieve this goal, the following tasks are solved: studying the nature of the cyclical nature and the nature of economic crises, studying the characteristics of crisis phenomena of economies, analyzing methods of possible solutions to the crisis.

The research focuses on socio-economic processes and the content of crisis phenomena.

The subject of this research is the study of the system of industrial relations during the economic crisis.

The nature of the economic crisis has been studied by many scientists and economists. As a result, the degree of scientific elaboration of the problems of economic crises is quite high.

The following methodological procedures were used in this thesis: analysis and synthesis, historical method, statistical method, observation and comparison.

The information base of my work was based on reference materials, educational literature, articles and magazines, as well as electronic sources and statistical data from various agencies.

The structure of the thesis contains an introduction, two chapters, each divided into three parts, a conclusion and a list of the sources used.

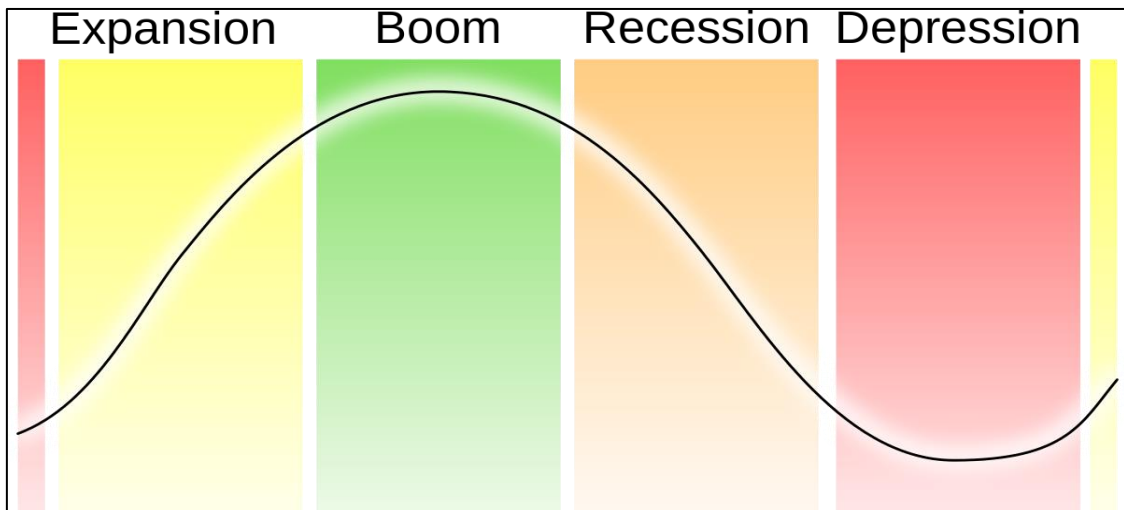


# 1 Theoretical aspects of crisis phenomena in the economy

## 1.1 The nature of economic cycles, their classification and frequency

Since the beginning of capitalism, the economies of many countries have grown steadily. This trend was reflected not only in the increase in the volume of production, but also in the increase in national prosperity and the production potential of countries. However, this growth is neither steady nor gradual. The economy is subject to fluctuations called business cycles.

Business cycles are periodic fluctuations in a company's business activity. The essence of the business cycle is the gradual ups and downs of doing business over a period of time. The individual business cycles differ considerably in terms of duration and intensity. However, they all go through the same stages that scientists refer to as different. Economists distinguish four phases of the business cycle: boom, peak, decline and bottom of the cycle.



Every business cycle begins with an economic recovery.

A boom is a phase in the business cycle when economic activity begins to in-

crease. The phase begins with the recovery and resumption of business. This is expressed in the conclusion of new economic agreements, a gradual and very weak increase in the demand for labor. Unemployment is gradually falling to natural levels, and consumer demand is growing.

The increase in the volume of production of goods and services is sure to peak. The peak is the highest point of the cycle. This phase is characterized by ultra-high employment and production at full capacity. The actual production volume reaches a maximum at this point in time. As a rule, prices rise and business growth stops and stops after resources are fully used.

The peak is followed by a decline. The recession is a significant slowdown in business. Production and employment are falling. As a result of falling demand, prices for goods and services are falling. Investments turn negative because at this stage of the cycle companies not only do not invest in new capital, they also increase unused capacity. Many companies suffer losses or go bankrupt.

The cooldown ends at the lowest point in the cycle. The lower part of the cycle represents the period with the lowest income and economic levels. At this stage, the rate of decline slows down and gradually stabilizes. The decline in production and the rise in unemployment are peaking. The prices are minimal. Only the strongest companies survived. The potential for future growth is growing - the investment volume increases with low interest rates. The transition to the recovery phase takes place after a certain time, when the investment pays off.

Their causes are equally important in studying business cycles. It should be noted that the idea of cyclicity appeared in world science as early as the times of ancient Greece and ancient China. However, the nature of the business cycle is still one of the most controversial issues.

Despite all the diversity of aspects of the study of this subject, two groups of theories can be distinguished when analyzing the real reasons for the cyclical development of the economy: external and internal theories.

Within external theories, economists explain the nature of business cycles based on external or external factors that are outside the economic system. These factors include cycles of solar activity and sunspots, wars, revolutions and other political events, the discovery of large deposits of valuable resources and the development of new countries, the pace of population growth and migration, and significant discoveries in technology.

In addition, many scientists focus on innovation. They argue that major technological innovations such as railways and automobiles have a major impact on consumer investment and spending, and thus on production, employment and prices. Such major innovations, however, occur infrequently and thus contribute to the instability of economic activity.

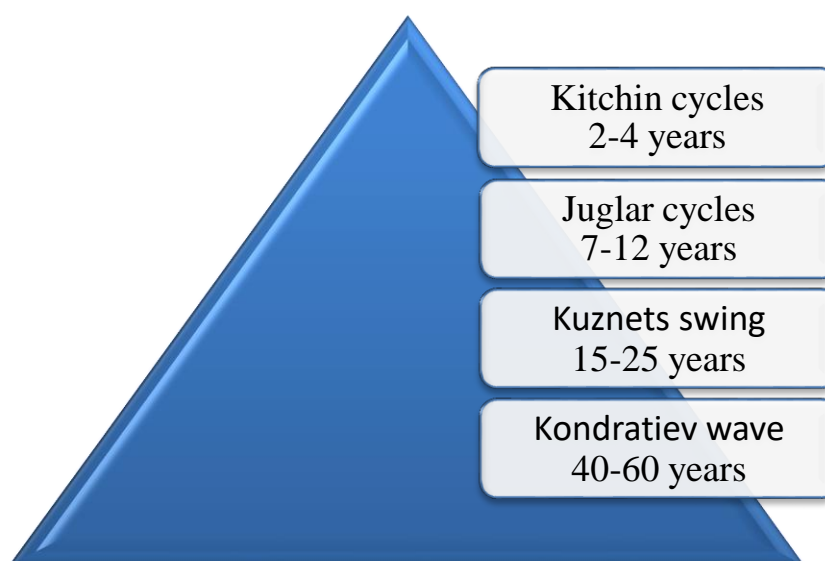
Other scholars see political and random events as the main reason for the cyclicity. For example, wars can be devastating from a purely economic point of view. Uncontrollable demand for military equipment during hostilities can lead to overemployment and acute inflation, which is usually followed by an economic recession after peace prevails and military spending declines.

There are also economists who view the cycle as a purely monetary phenomenon. If the government spends too much money, inflation will boom. On the contrary, a relatively small amount of money accelerates the decline in output and the growth of unemployment.

Internal theories pay attention to the mechanisms that arise in the economic system itself. Internal factors can periodically lead to a recession and an increase in economic activity. One of the decisive factors is the cyclical nature of the renewal of the investment capital. In particular, the beginning of an economic boom, accompanied by a sharp increase in the demand for machinery and equipment, clearly shows that after a certain period of time, when this technology is physically or morally worn out, it will become obsolete.

In modern conditions, internal and external factors are intertwined. The more progressive explanation of the nature of cycles increasingly reflects the real processes of internationalization and globalization that take place in both national and global economies .

After analyzing the cyclical nature of the economy, the classification of the cycles should be examined. In the entire history of its development, economic science distinguishes four main types of economic cycles, namely, short-term Kitchin cycles, medium-term Juglar cycles, Kuznets swing and Kondratyev's long waves.



Picture 3 – Classification of economic cycles

First, the economy identified medium-term business cycles with a characteristic period of 7 to 12 years. The cycle with this amplitude was later named after the French economist Clement Juglar for his great contribution to the study of the nature of industrial variability in France, Great Britain and the United States. However, this cycle has other names: "business cycle", "industrial cycle", "medium cycle", "large cycle".

Clement Juglar viewed the business cycle as a natural phenomenon, the reasons for which lie in the area of money circulation, particularly in the case of credit. The crisis - the main phase of the cycle - was assessed by Juglar as a healing factor that led to a general fall in prices and the liquidation of companies that were founded to

meet the artificially high demand. He believed that all economic activity caused by banking activity was repeated every ten years. The duration of the Juglar cycle coincides with the duration of the cycles, which is the main reason some economists have seen regarding the physical wear and tear of the active part of fixed assets.

In the 1920s, the English economist Joseph Kitchin discovered a new wave cycle with a period of 2 to 4 years, which was later named after a scientist. Kitchin focused on studying short wavelengths of 2 to 4 years based on studying financial accounts and selling prices. Joseph Kitchin himself explained the existence of short-term cycles through fluctuations in world gold reserves, but in our time such an explanation cannot be considered satisfactory. In modern economic theory, the mechanism by which these cycles are formed is usually associated with time delays in the movement of information, which influence the decisions of companies.

In the 1930s, studies of the so-called "build" cycle appeared in the United States, lasting approximately 15 to 25 years. J. Righolman, W. Newman and other analysts compiled the first statistical indices of total annual housing construction and found long intervals of rapid growth and deep recessions or stagnation one after the other. In the 1930s, American economist Simon Kuznets, who analyzed these studies, associated waves of 15 to 25 years with demographic processes such as the influx of immigrants and the building of change. Hence the name of the cycles: "demographic" or "construction".

Nowadays, many authors consider the rhythms of Kuznets to be technological, infrastructural cycles. Important technologies are comprehensively updated within these cycles. In addition, the major real estate price cycles in Japan in 1980-2000 and the duration of the major half-wave of price increases in the United States align well with the Kuznetsian cycle.

The first attempts to develop the theory of long waves took place at the beginning of the 20th century. However, the greatest contribution came from the Russian

scientist Nikolai Kondratyev. Kondratyev waves are periodic cycles of alternating ups and downs of the modern world economy that last 40-60 years.

Kondratyev linked the beginning of the rise with the massive introduction of new technologies into production, the inclusion of new countries in the world economy and the change in the volume of gold production. The overall picture of growth was also described as follows: The introduction of technical innovations goes hand in hand with the expansion of the investment process, which in turn stimulates production and demand and contributes to rising prices. During this period, unemployment falls, wages and labor productivity rise. These processes affect the entire economy and change people's lifestyles. In the early days, local wars can give economic growth further impetus. As the cyclical escalation progresses, wars become more destructive. Many great social upheavals occur at both the end of recovery and the end of the cycle.

Evidence that the economy is nearing the peak of the great cycle is the shortage of certain goods, which begins with a backdrop of abundance, shifts in the structure of income distribution, rising production costs and a slowdown in profit growth. . A situation arises that is currently known as stagflation.

There are several explanations for the reasons for the exhaustion of the lifting energy. Some see the reason in the marked increase in consumption, others in the change in the purchasing power of money, with the third reaching the "climax" associated with the life cycle of products and industries, the emergence of which was the result of significant innovations in the past Years.

Each boom is followed by a relatively short period of time as the economy prepares for the long recession to come, but at the same time the semblance of prosperity lingers: people are still hopeful and easy to borrow. Since the real situation is no longer the same, there is an accumulation of debt that can collapse at any time. This will inevitably happen, and the impulse may result from an insignificant event. The discrepancies tend to be accumulated: overcapacities are found, companies are being

massively liquidated, unemployment is rising, prices are falling. Kondratyev specifically stressed the depressed state of agriculture as one of the main obstacles to long-term decline.

## **1.2 The essence of economic crises, their types**

In a developed capitalist economy, the process of reproduction of the national product has the following peculiarity: after certain time intervals its normal course is interrupted by recession, depression and stagnation. The phase of recession in the economy is also known as the crisis phase. This phase is extremely important for the economy as, after the crisis, the composition of companies will be renewed, the strongest and most efficient companies will survive, new inventions will emerge and new economic opportunities will open up. However, the crisis is also a major social upheaval: people are losing their jobs, their incomes are falling and the living standard of the population is falling. Crisis prevention or mitigation is therefore one of the most important tasks of the state.

The economic crisis is a major recession across the economy and a financial disruption that translates into rising unemployment, reduced consumption, the bankruptcy of many companies and a sharp drop in investment.

All types of economic crises can be classified according to three criteria, namely the extent of the disturbance of the balance of the economy, the regularity of its disturbance and the nature of the disturbance of the reproductive shares.

Depending on the extent of the imbalances in the economic systems, crises are divided into general and partial. General crises affect the entire economy. Some of them apply to every sector or sector of the economy. The financial crisis - a deep collapse in public finances - is thus reflected in persistent budget deficits. During the currency crisis - the shock of the currency system - there is a sharp drop in trade and bank credits, a massive withdrawal of deposits and bank failures, the pursuit of cash by residents and entrepreneurs, falling stock prices and bonds, and a drop in bank in-

terest rates ... because the Crisis in the stock markets is characterized by a sharp fall in stock prices, a significant reduction in their emissions, a deep recession in the activities of the stock exchange.

According to the regularity of the imbalances in the economy, a distinction is made between regular, medium-term and irregular crises. Regular crises occur regularly at regular intervals. Intermediate products do not start the entire business cycle and are in a state of interruption. They are less deep and less durable. Irregular crises have their own specific causes. Sectoral shock affects one of the sectors of the economy and is caused by a change in the structure of production and a break in normal economic relations.

Particular attention should also be paid to the structural crisis that is part of the illegal crisis. The structural crisis is caused by the disruption of normal relations between industries, which is reflected in the unilateral development of some industries to the detriment of others and the deterioration of the situation in certain types of production. During the structural crisis, the economy is exposed to profound disparities between sectors and the production of the main types of material products that are essential for balanced development. Structural crises cause long-term shocks and their resolution requires a relatively long period of adaptation to the changed conditions of the process of social reproduction.

Depending on the nature of the violation of reproductive relationships, a distinction is made between two types of crises. The overproduction crisis is the release of an inordinate amount of useful things that cannot be sold. This type of crisis is characterized by the presence of large quantities of goods in excess of consumer demand. The overproduction crisis usually arises from the inability to determine aggregate demand and the inability to plan total production in the free market. As a result, a particular manufacturer usually does not know what and how much the market needs.



The crisis of underproduction of goods is its acute shortage to meet the effective demand of the population. This is usually associated with non-economic reasons and with the disruption of the normal course of economic reproduction under the influence of natural disasters or political measures (various bans, wars).

### **1.3 Causes and consequences of the crisis in the economy**

Economic growth is a key macroeconomic problem. Its dynamism fully characterizes the level of development of the country's economy, the standard of living of the population and the resolution of problems with limited resources. However, as mentioned earlier, there is no stability in economic growth. The economy is cyclical, causing various problems and even crises.

A multitude of phenomena can serve as the basis for a crisis, which is why there is no uniform view of the causes of the above-mentioned phenomenon. In this article, we will look at the causes of crisis phenomena based on how they occur. Based on this criterion, they are divided into objective, subjective and natural reasons.

Objective reasons arise at a time when the current level of technical, technological and organizational equipment in production is no longer capable of fully ensuring the effective operation of companies in a competitive market. Their elimination and reduction is only possible in the long term. This is due to the fact that the specifics of the formation of objective reasons depend on many different aspects.

Subjective reasons are caused by the influence of the human factor. They mainly contain management errors. Subjective causes are more susceptible to influence and control and can be eliminated in the short term.

Natural causes are characterized by the influence that natural forces can have. These include earthquakes, hurricanes, heat waves, climate change, floods, and other natural disasters. The effect of all these phenomena is reflected in the results of production and economic activities of the company, human psychology, as well as in so-

cial and political processes. Possible reasons for the crisis can also be changes in natural conditions caused by human activities - depletion of depleted natural resources, pollution, creation of technologies dangerous to nature.

It is therefore clear that the problem of crisis is still necessary for the economies of many capitalist countries. However, we should not only focus on the causes of this phenomenon, but also anticipate and analyze the consequences of economic crises.

The consequences of crises can be very different and varied. In the same paper, they are assessed for their positive and negative effects on the economy of the country as a whole, as well as on its individual units.

Let's start with the positive effects of economic crises. First, crisis phenomena force us to mobilize all our strengths and capabilities in order to survive and overcome the current situation, thereby stimulating the implementation of transformations that make it possible to increase the competitiveness of individual companies and the economy as a whole. Second, the crisis is killing unprofitable, obsolete businesses and creating new, promising businesses that can shake the country's economy off its knees. Crises are also paving the way for scientific and technological progress and are the basis for new economic growth. They allow you to gain experience in overcoming crisis situations.

At the same time, the negative consequences of the crisis cannot be ignored. The decline in business activity is mainly reflected in the method of production. There is a decline and subsequent cessation of production and sales of products. This leads to a natural loss of jobs and, as a result, to redundancies and rising unemployment. Along with these processes, the living standards of the population are declining, the national currency is weakening and inflation is manifesting itself.

The consequences of the economic crisis are therefore a combination of destructive, negative and positive elements.

## **2 Exploring economic crises based on experience different countries**

### **2.1 World financial and economic crisis 2008-2010**

The global financial and economic crisis of the 21st century has significantly changed the course of the socio-economic and scientific and technological development of the world powers. An analysis of the general macroeconomic and industrial performance indicators suggests that Ukraine and other countries in the global community have again faced negative economic problems: the economies of many countries have entered recession.

According to many economists, the 2008-2010 crisis should be seen as a chain of crisis situations in the second half of the last century. It was not until the 1990s that there were several crises in the world economy that affected entire groups of countries. Between 1992 and 1993, EU countries such as the United Kingdom, Italy, Sweden, Norway and Finland went through currency crises. Between 1994 and 1995, the severe crisis in Mexico spread to other Latin American countries. In 1997-1998 the global financial crisis began in the countries of Southeast Asia: Korea, Malaysia, Thailand, Indonesia, the Philippines, and then spread to Eastern Europe and Latin America, where it hit Brazil most.

Despite the interdependence of previous recessions in the world economy, the financial and economic crisis of 2008-2010 deserves special attention in its analysis and research. This may primarily be due to the fact that this crisis is characterized by its depth and extent as well as the high rate of spread in the economies of the countries. For the first time since the Great Depression, it has conquered the world.

The impetus that set off the crisis mechanism was the problem in the US mortgage market. Since late 2007, the US financial sector has faced increasing difficulties in the domestic insurance industry. This event became the first wave of the future world crisis. The second wave of the mortgage crisis began in 2008 and has spread to the standard segment, where bank-granted loans refinance government mortgage

companies. The largest companies in the field soon went bankrupt. A severe economic crisis unfolded and pulled more and more states into its orbit.

The most significant aftermath of the first phase of the crisis was the collapse of the fifth largest US investment bank, Bear Stearns, in May 2008. The crisis also affected another equally well-known credit and finance organization. On September 15, 2008, the US bank Lehman Brothers filed for bankruptcy and filed for protection from creditors. At this point, the bank already owed \$ 613 billion.

The Lehman Brothers bankruptcy is the largest in US history. Never before has such a strong financial institution gone bankrupt. The collapse of the fourth largest US investment bank has had a negative impact on major share prices and energy prices in many countries. Oil prices have fallen from \$ 147 a barrel to less than \$ 40. The stock market crash in October 2008 was a record for the US market for the past 20 years, and for the Japanese market in history.

Between 2008 and 2009, the largest investment banks with long histories burned down. Bank of America acquired Merrill Lynch and Solomon Brothers, and Morgan Stanley changed its status, replacing investing with commercial. General Motors and Chrysler turned to their governments for help. In fact, the private debt of several American companies was nationalized. The largest financial institutions - Fannie Mae and Freddie Mac, which hold \$ 14 trillion worth of personal mortgages - have been bought by the state.

Immediately after the US, the economy of the European region was hit hard by the financial crisis.

Iceland experienced the outbreak of the global crisis harder than other European countries and was on the verge of bankruptcy in 2008. The three largest banks in Iceland - Kaupthing, Landsbanki and Glitnir - have collapsed. The country's authorities were forced to nationalize these banks and receive financial support from the International Monetary Fund. As a result, Iceland became the first western country to receive an IMF loan of \$ 2.1 billion since 1976. The government had to resign amid

massive protests. The country's economy has been in recession for more than a year and only recovered from it in 2010.

In the UK, the first step towards the de facto nationalization of large banks was taken in October 2008 when the government recapitalized the Royal Bank of Scotland and Lloyds for \$ 62 billion in exchange for large stakes in banks. Previously, in September, the two largest banks in the UK, Northern Rock and Bradford & Bingley, were nationalized. As of March 2009, half of the country's banking system was under state control.

In Germany, the first company that was on the verge of bankruptcy due to the global financial crisis was the leading German bank operating in the real estate market - Hypo Real Estate. Initially, the bank received State guarantees of EUR 35 billion in aid, but it was not enough. The German stabilization fund SoFFin offered to prevent the bankruptcy of Hypo Real Estate, the purchase of written-off shares from the bank's shareholders, and managed to acquire 47.3% of the shares by May 2009. The federal government has passed a total crisis fight package worth around 500 billion euros, which until the end of 2009 not only provided state guarantees for inter-bank loans, but also direct financial injections to increase the banks' equity. A stabilization fund of EUR 400 billion was set up to finance the anti-crisis package.

France took immediate action even after the global crisis. As part of the maintenance of the country's banking system, the government provided 10.5 billion euros in October 2008 for the six largest banks in the country. Some of the banks that have received loans include Credit Agricole, BNP Paribas, and Societe Generale.

Due to the interdependence and globalization of the economies of different countries, the crisis has spread to all regions of the world. In early December 2008, the Bank of Canada cut its refinancing rate to its lowest level since 1958, admitting that the country's economy was in recession. The Canadian government set up a \$ 3 billion special fund to help stimulate the economy during the crisis.

In Japan, all economic indicators began to deteriorate in the second quarter of 2008. At the end of November 2008, the Japanese government's statistical department officially went into recession. From July to September, the annual decline in GDP was 0.4%, the growth rate of the country's economy decreased by 1.8%.

The financial and economic crisis has not left Ukraine behind. In the autumn of 2008, "Ukraine" finally swept through the "ninth wave" of the global economic crisis. Surprisingly, regardless of examples from other countries or warnings from experts or dangerous trends in their own economies, this natural disaster came as a big surprise to our authorities.

Since the Orange Revolution in 2004, Ukraine has lost its negative foreign balance (which is a surplus of imports on exports). The reason is popular social policy, the promotion of cheap consumer imports, as well as the annual increase in gas prices (since 2000). However, our economy does not seem to have realized this - the declining foreign debt on the balance sheet has been offset by the ever-increasing investment. Money from Western banks was usually borrowed by domestic banks so that they could lend to Ukrainian borrowers. Additionally, they borrowed from the West for about a year or two and issued them for 20–30 years against the purchase of similar apartments. They took new loans to repay the loans taken by foreign banks earlier. In general, the classic pyramid, which safely fell to you in the autumn of 2008 - stopped giving us cheap money when the global financial crisis began.

These were very important results at once. Initially, the hryvnia was in danger of extinction because of a lack of money to compensate. Second, dozens of banks were on the verge of bankruptcy, depending further on the West. Third, domestic ending has stalled, leading to a decline in the consumer market and the construction sector.

In the end, the Ukrainian economy suffered another major blow - a fall in global prices, demand and the main products of our exports - steel, food, chemistry.

The situation in Ukraine became worse in mid-September, but the government tightened the hryvnia exchange rate a few months ago, putting pressure on exporters, and banks tightened monetary policy (which began with the spring.). He was exhausted.

At first this crisis was fully realized.

Previously, the hryvnia rate fell (the inflow of money into the country stopped). Second, widespread redundancies began in industry, banks and businesses. Third, many banks began to delay payments to their depositors at once (the largest - including Promon-Westbank, Nadra). This caused panic in the population. According to the National Bank, in the first week of October alone, the population withdrew about \$ 2 billion from bank deposits.

It was not until October 10 that the government recognized the existence of the crisis and announced the beginning of the fight against it. Later, the beginning of awareness of the situation of Prime Minister Yulia Tymoshenko was declared for political reasons - President Viktor Yushchenko signed a decree on early parliamentary elections and the Prime Minister decided to use the crisis as an argument against holding them.

On October 13, the National Bank banned the early issuance of deposits. "Frozen" was 145 billion hryvnia "people's money". But the move only increased the panic. The national currency has fallen. Partly for objective reasons - exports fell sharply and they stopped lending to us, partly due to speculation - business people and banks were exempted from the hryvnia and moved their funds abroad.

In October, the hryvnia fell from 5 to 6.5 hryvnia. (The current purchase of the dollar in exchange offices has been problematic). Black days came in December. The rate fell to 10 UAH.

The IMF loan saved the Ukrainian economy from a final collapse. At the end of the year the exchange rate stabilized at 8 UAH. But the rest of the picture was more than sad. The country's economy was in a severe recession. Metallurgy and all

related industries were in decline. Thousands of depositors could not accept their deposits. The wages of household workers were frozen (despite the record growth in 2008 - more than 20%). All companies related to the consumer sector (banks, real estate agencies, home appliance retailers, car dealers, travel agencies, restaurants, media, etc.) have experienced massive layoffs, wage cuts and bankruptcies. Hundreds of thousands of people who took out loans in foreign currency found themselves in a desperate situation - after the collapse of the hryvnia, they had to return amounts 1.5-2 times higher.

Politicians, economic analysts and financiers have seen different reasons for the developing financial and economic crisis. Some have blamed US economic policy. Others were looking for reasons to abandon the gold standard. However, all of these statements only reflected some aspects of the crisis without giving an overall picture of what is happening.

It is therefore clear that the 2008-2010 crisis was based on more fundamental reasons. First of all, of course, it is worth mentioning the cyclical factor in the dynamics of economic development mentioned above, which played an important role in the creation of this crisis. However, a number of other internal and external factors had a more significant impact.

The main macroeconomic driver was the excess liquidity in the US economy. Under the influence of excess liquidity, the process of the formation of market bubbles - a distorted, overestimated estimate of various types of assets - exacerbated. At the time of the explosion of this bubble, many connections in the world financial system were shattered.

The reason for the crisis is also the mention of the globalization of the economies of the world's leading powers. Globalization has dramatically changed the realm of world finance in particular, and any specific failure in any context will certainly lead to a collapse of the rest of the system. The bankruptcy of the largest US mort-



gage companies instantly crippled the entire American and then the global financial and credit system. The crisis has spread to all countries and continents, shifting from finance to industry and international trade. It has entered a phase of recession and stagnation.

Against this background, the outbreak of the crisis was also facilitated by microeconomic factors - the development of new financial instruments (especially structured derivative bonds). They were believed to reduce risks by spreading them to investors and giving them an appropriate rating. Indeed, the use of derivatives has effectively masked the risks associated with the poor quality of low risk mortgages and made them non-transparent to a wide range of investors. Finally, for institutional reasons, the inadequate risk assessment by both the supervisory authorities and the rating agencies is worth mentioning.

## **2.2 Crisis phenomena in the modern world and their impact on the Ukrainian economy**

The coronavirus pandemic has created unprecedented challenges for the global economy, the consequences of which will be felt by people around the world in the years to come. The new economic crisis announced by the International Monetary Fund is possibly the largest and most powerful since the Great Depression of the 1930s. The completion date and the consequences can hardly be foreseen as the coronavirus pandemic is still ongoing.

An indicator of the economy, similar to the body temperature measured to detect coronavirus, is the change in GDP (gross domestic product). Like temperature, GDP does not tell us which disease has affected the body, it just signals its presence.

GDP growth is a natural state of the economy as GDP is the total value of everything produced in a given area over a period of time (usually a year). If the world population continues to grow, so will people's needs and production volumes. In

some countries, the standard of living is also improving: people are getting rich and consuming more goods (which also leads to an increase in GDP).

The decline in GDP indicates that something went wrong and that the "body" is facing certain problems.

At this time, the world economy has now fallen into a fever. The consequences could be seen at the beginning of the pandemic. In particular, at the beginning of the coronavirus crisis, auto sales in China fell 92% (the largest auto sales market in the world), Chinese company profits fell 38%, and the Chinese economy fell 6.8% in the first quarter alone. - Maximum in the last few decades.

World trade is expected to decline - by around 13-32% by the end of 2020. However, the new crisis will hit jobs the hardest. In just one month since quarantine began in the US, about 22 million people have reported unemployment - one in eight Americans able to work. This is the highest number of unemployed in the United States recorded by the US Labor Service (since the 1960s).

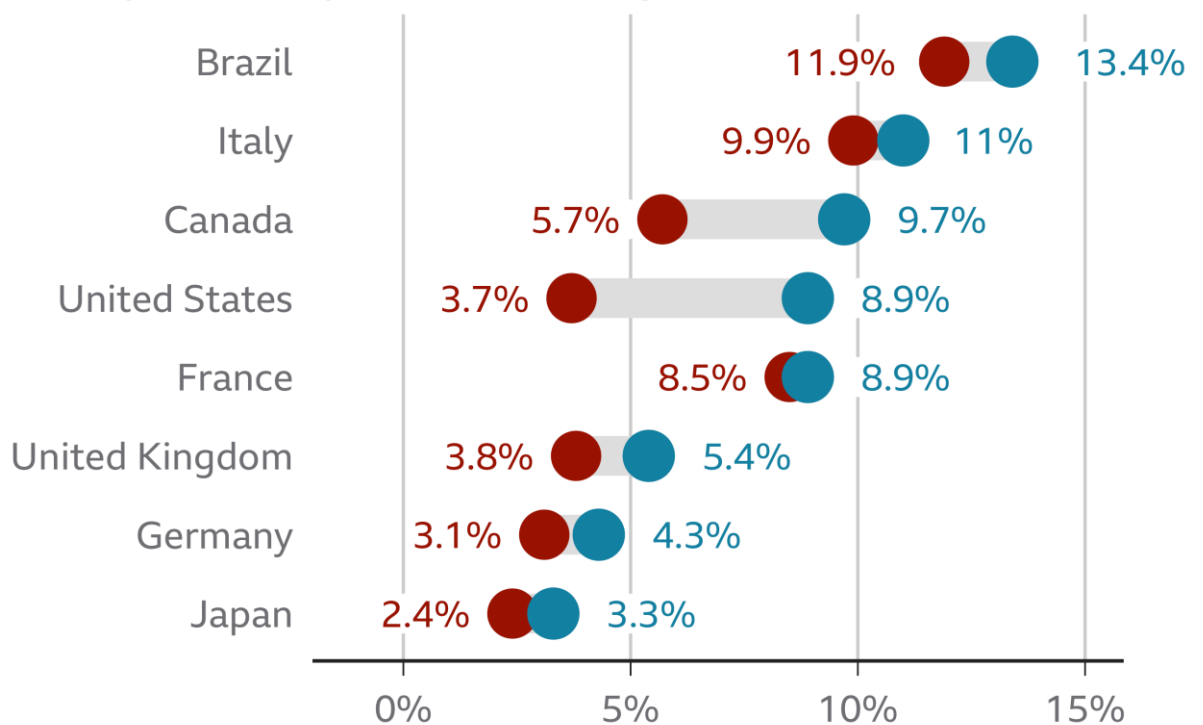
Unemployment is rising around the world and could soon lead to a record spike in the number of people living below the poverty line - more than 500 million people (estimated by Oxfam, a poverty organization) wiping out any work to end poverty in the past 20 years .

Many people have lost their jobs or seen their incomes cut.

Unemployment rates have increased across major economies.

# World economies struggling with rising unemployment

Yearly unemployment rate change, 2019 and 2020 compared



Source: International Monetary Fund



## IMF position

«Thanks to extraordinary policy support and progress on vaccination, the global economy is beginning to emerge from the worst phases of the pandemic, albeit with prospects diverging starkly across countries. The measures may have unintended consequences on stretched valuations and rising financial vulnerabilities. Given large external financing needs, many emerging markets face challenges, especially if a persistent rise in US rates brings about a repricing of risk and tighter financial conditions. The corporate sector in many countries is emerging from the pandemic over-indebted, with notable differences depending on firm size and sector. Concerns about the credit quality of hard-hit borrowers and profitability are likely to weigh on the risk appetite of banks. Therefore, ongoing support remains necessary, but there is a

pressing need to act to avoid a legacy of vulnerabilities while avoiding a broad tightening of financial conditions. Policymakers should support balance sheet repair, by strengthening management of nonperforming assets. Rebuilding buffers in emerging markets should also be a priority to prepare for a possible repricing of risk and a reversal of capital flows.»

The peculiarity of the new crisis is not only that it creates unprecedented insecurity, but also hurts the most painful jobs, changes production and supply chains, destroys entire sectors of the economy, especially tourism (75 million people in the world can work in the tourism sector ), Transport and even energy (due to declining oil demand).

#### Negative oil prices

It has been shown that the decline in global business activity due to coronavirus has been so great that the consumption of petroleum products has dropped to record levels. In other words, the demand for oil fell sharply and the price of US WTI oil fell to a negative value on April 20, 2020 - for the first time in history.

For minus USD 40 per barrel it was possible to "buy" oil futures (foreign exchange contracts), which secure the oil supply in May. The deadline for signing such contracts expired on April 20, and the oil had to be physically collected the next day.

Oil prices have also fallen because there is too much free oil in the world. Its consumption has decreased as the number of flights has decreased, the demand for passenger transport by cars and diesel trains has decreased, the consumption of petroleum products and industrial companies that have closed their quarantine factories have decreased.

The oil producing countries (the Organization of Petroleum Exporting Countries and other large exporters) have agreed to reduce production by 10% since May 2020.

The US Dow Jones industrial average and the S&P 500 suffered the largest one-day drop in interest rates since the 1987 crash, as did the UK's FTSE 100 index, which fell 10.87%.

The Canadian composite S & P / TSX index fell 12%, the largest one-day decline since 1940.

The Italian FTSE MIB closed at 16.92%, the worst in history.

The German DAX decreased by 12.24% and the French CAC decreased by 12.28%.

In Brazil, Ibovespa fell 14.78% after trading in B3 stopped twice during the day. also fell below 70,000 before closing above it.

NIFTY 50 on the Indian National Stock Exchange fell by 7.89%, more than 20% from the last high, while BSE SENSEX on the Bombay Stock Exchange fell by 2,919 (or 8.18) % to 32,778 declines.

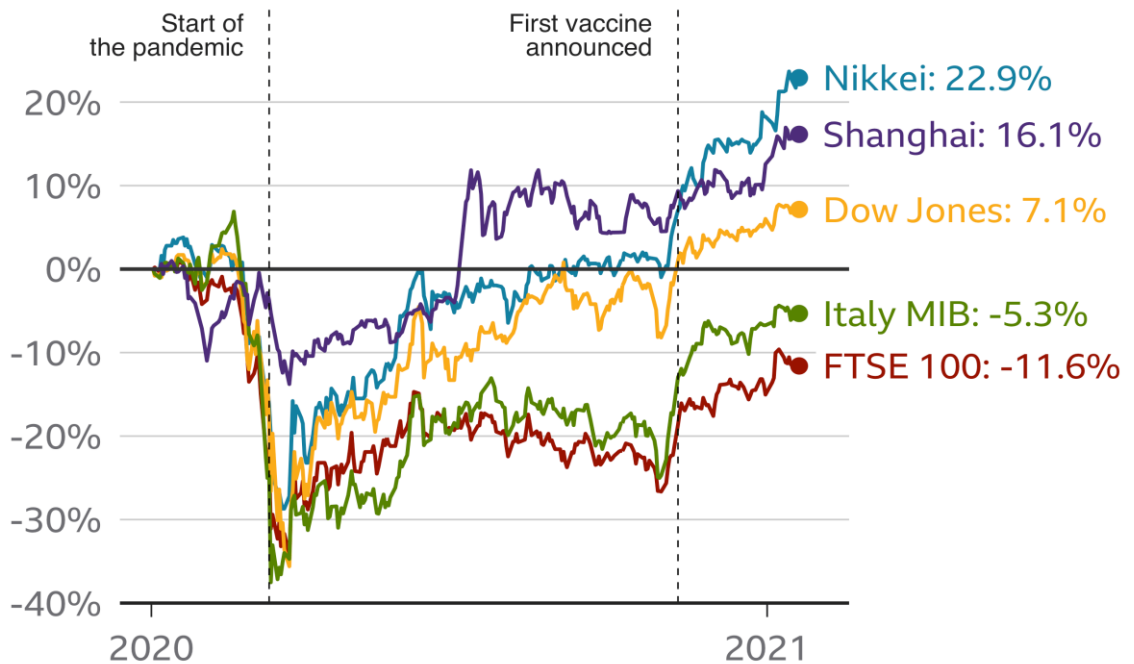
The basic index on the Johannesburg Stock Exchange fell by 9.3% .

MERVAL on the Buenos Aires Stock Exchange fell by 9.5% to 19.5% during the week.

On 12 March, for the second time since 9 March, a circuit-breaker with a voltage reduction of 7% since its introduction in 2013.

In Colombia, the peso reached a record low against the US dollar, when over 4,000 pesos were traded for the first time. The Mexican peso also reached a record low against the US dollar and was quoted at 22.99 pesos.

# The impact of coronavirus on stock markets since the start of the outbreak



Source: Bloomberg, 24 January 2021, 00:01 GMT



## Black Monday 2020

The Saudi Monetary Authority announced a \$ 13 billion SME credit line over the weekend, and South African President Cyril Ramaphosa announced a financial stimulus package . The Federal Reserve has announced that it will reduce its key interest rate for federal funds to 0% to 0.25%, reduce required minimum reserves to zero, and launch a quantitative easing program of \$ 700 billion .

Dow futures fell more than 1,000 points, while Standard & Poor's 500 futures fell 5%, triggering reinsurance. Shares in the Asia-Pacific region and Europe closed lower on Monday 16 March (the S&P / ASX 200 index recorded a daily high of 9.7%, down 30% from the previous month's level of 20 February). The Dow Jones, NASDAQ Composite and S&P 500 industrial averages fell 12-12%, with the Dow

following a one-day rate set for March 12. A record decline and a third at trading. Time (after March 9 and 12). Oil prices fell by 10% , while yields on 10-year and 30-year US government bonds fell to 0.76% and 1.38%, respectively (while their yield curve was normal for the third direct trade session) .

On March 16, the Cboe volatility index closed at 82.69, which is the highest closing price of the index (although in 2008 there were higher intraday peaks). Around noon on March 16, the Federal Reserve in New York announced that it would repurchase \$ 500 billion in the afternoon. Indonesian Finance Minister Sri Mulyani announced additional tax incentives of Rs 22 trillion. The Central Bank of the Republic of Turkey has reduced minimum reserves from 8% to 6% . The Bank of Japan has announced that it will not lower the interest rate below minus 0.1%, but will make more purchases of free-traded funds on the free market . After cutting its key rate by 25 basis points on 7 February, the Central Bank of Russia announced that it would keep the key rate at 6%, while the Bank of Korea announced that it would reduce the base rate by 25 basis points. 50 basic points. Points at 0.75%. The Central Bank of Chile cut its key interest rate , while the Reserve Bank of New Zealand cut its official interest rate by 75 basis points to 0.25%. The Czech National Bank announced that it had reduced the bank's interest rate by 50 basis points to 1.75%.

### **Strike in Ukraine**

The new crisis will be an even bigger blow to Ukraine than to the rest of the world. The Ukrainian economy is small and open. This means that it depends very much on the situation in the world, especially the supply and demand for Ukrainian export goods (metallurgy and agricultural products) and the prices of goods imported from Ukraine (mainly energy sources and finished products - cars, household appliances) , Computer, etc.).

Ukraine's GDP fell by 4.4% in 2020, GDP growth is forecast at 4.6% in 2021, while global economic growth - according to the National Bank, by 5.8%.

This means that the new crisis has widened the gap between Ukraine and the industrialized countries: both in terms of economic competitiveness and in terms of quality of life.

Unemployment in Ukraine is already at a record level: during the quarantine, the number of unemployed only officially rose by 1.21 million (according to estimates by the Ministry of Finance).

The crisis is also exacerbated by the slowdown in the Chinese economy, which is now Ukraine's largest trading partner: lower production and construction volumes in China mean a decline in demand for Ukrainian metallurgy, and lower volumes of Chinese imports into Ukraine will lead to a decline Customs and tax revenues in the Ukrainian budget.

The agro-industry can at least partially protect the Ukrainian economy from a severe downturn.

In every crisis, the agricultural sector suffers from almost everyone. In times of economic crisis, people tend to save money buying goods, but food is always bought.

Agriculture is also much less sensitive to quarantine: its work does not ensure the gathering of large numbers of people indoors, but people have more opportunities to work in the fresh air. It was therefore possible to employ a certain proportion of the people who had lost their jobs due to the quarantine on a farm. The only question is how many people want to work in agriculture.

**What's next?**



The corona crisis offers many more questions than answers. Now, no economist is required to predict with certainty how long the effects of the crisis will be felt and how severe they will be.

The IMF suggests that the new economic crisis could radically change our consumer behavior. For example, prolonged quarantine and working from home can result in some office work being carried out remotely. This will reduce the demand for paper, office equipment and office space leasing. As a result, the real estate market will also change: the demand for commercial space will fall and rental prices may rise (this is how landlords will compensate for the loss of more profitable business customers).

Coronavirus can also change our habits. After the quarantine, people can continue to avoid mass events (which have an impact on the events industry) or, to a lesser extent, visit cafes and restaurants. Use less public transport and spend more time in nature (the demand for hotel services will decrease, but the popularity of hiking, for example, will increase).

It is very difficult to predict how the coronavirus will affect the structure of the economy. The demand for digital services is likely to increase, but the products will remain unchanged.

Better predicting the effects of the coronavirus crisis requires more time and data. Equally important is the presumed and stable situation in overcoming the coronavirus itself. Later predictions by economists, particularly the IMF, are likely to be more accurate and help clarify the uncertain future of the economy. Then it will be possible to really assess the consequences of the unprecedented economic crisis in the world.

### **2.3 Analysis of ways out of crisis situations**

At the end of October 2008, the International Monetary Fund confirmed its willingness to grant Ukraine a loan of USD 16.5 billion at four percent per year for 15 years to overcome economic problems. On October 31, 2008, the Verkhovna Rada passed a second reading of a presidential bill "On Priority Measures to Prevent the Negative Effects of the Financial Crisis and Amending Certain Legislative Acts of Ukraine". On November 10, 2008, Ukraine received the first tranche of an emergency loan of USD 4.5 billion.

According to the Ukrainian Prime Minister, the government drew up 15 anti-crisis programs in early August 2009 .

In order to reduce imports and improve the trade balance, a 13% surcharge on import duties was introduced on 6 March for a period of 6 months. Later, under pressure from the World Trade Organization, the government maintained the effect of this premium only on imports of cars and refrigerators and then decided to abolish it altogether .

In April 2009, after Parliament failed to draft laws to combat the crisis through the efforts of MPs responsible for the president, its standards were approved by government regulations that bypassed parliament . In order to stabilize the financial situation of NJSC Naftogaz of Ukraine, a premium of 2% to the gas tariff was paid to industrial companies, with the exception of those using gas as a raw material for the production of goods . The government recommended increasing the gas rate for the population with more than 2.5 thousand cubic meters per month by 5% and with 10 000 cubic meters by 10% . Electricity costs for those using more than 600 kW have increased 3.5 times. H. was introduced uniform procedure for payment of contributions to the pension fund for all categories of citizens (that is, the increased tax burden on small businesses), reduce the cost of the device and it was decided. to issue government bonds in order to attract funds from the population .

From January to May 2009, the government sought full budget replenishment, continuous pay of civil servants, pensions and other government benefits .

In June, the government launched a home completion program with a readiness of 70% or more , but this decree was suspended by President Yushchenko .

Nowadays coronavirus pandemic has reached almost every country in the world and plunge global economy into worst recession since World War II. Ukrainian government introduced the Government's program for overcoming the economic corona crisis.

The program aims to implement a comprehensive system of measures for stabilization and sustainable economic development, business support and job creation. It provides for the implementation of about 230 measures. The initiatives are aimed at improving access to finance, access to markets, improving regulation, promoting modernization, sustainable development of industries and combating unemployment.

The government program contains three sections:

1. Short-term initiatives in response to COVID-19.
2. Guarantee of safe functioning of the economy.

To support the economy, measures were developed for 6 sectors: industry, agriculture, energy, transport and infrastructure, information and communication technologies, services (trade, hotels and restaurants, education, creative industries, personal services).

3. Support of industries and protection of goods, works and services from their import alternative.

It should not be forgotten that on April 9 2021, the law on providing financial assistance in the amount of 8 thousand hryvnias to entrepreneurs who stop their activities due to quarantine restrictions in the "red" zones came into force. The ministry noted that, in addition to state aid, entrepreneurs and employees may receive additional payments from local budgets of the regions, if such payments are introduced by the decision of local governments.

## CONCLUSION

The study of the problems of economic crises carried out within this course made it possible to analyze the characteristics of crisis phenomena. Based on this study, the following conclusions can be drawn about the tasks I have set:

1. The crisis is only one phase of the economic cycle. And above all, given the nature of economic crises, it is worth paying attention to cyclical processes. Business cycles are regular fluctuations in business activity in a company. These fluctuations are characterized at large intervals by large economic downturns, ie crises.

2. It has been found that the causes of crises can be very different. They can be classified objectively, based on the needs of modernization of obsolete production technologies, subjectively, caused by the influence of the human factor, as well as, of course, characterized by the action of natural forces. The consequences of crisis phenomena should also be seen from different angles, in particular to take into account the positive and negative effects on the economy.

3. The Ukrainian economy is now in a phase of further recession and crisis. These trends are the result of declining investment in Ukraine. The main factors that make our country unattractive to investors are not tax laws and bad roads, but the crisis of the judiciary and the lack of the rule of law, poor successes in the fight against corruption and complications in interacting with taxes and customs. These are data from the European Trade Association, which in December last year conducted a survey among CEOs of companies, of which 78% consider the current investment climate to be unfavorable.

4. An analysis of the options for eliminating the effects of the crisis has shown that a second resumption of economic growth requires highly effective policies in several ways: reducing inflation, adjusting the budget to the impact of the crisis, creating an investment climate, developing competition, stimulating non-resource exports and ensuring balanced human capital policy.

We can therefore conclude that the crisis is a characteristic feature of the country's economy. To overcome crisis phenomena and restore pre-crisis levels of development, several measures are needed, covering all sectors of the economy. Anti-crisis policies should also aim not only to eliminate the consequences of the economic downturn, but also to anticipate relatively future economic crises and their effects on the country's economy.

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## APPENDICES

### SUMMARY

Chetvertak A.V. Global financial crises, its manifestations, consequences and prevention measures. - Bachelor's qualification paper. Sumy State University, Sumy, 2021.

The final paper is devoted to the study of the system of industrial relations during the economic crisis. An analysis of global crises, especially the Ukrainian economy, and ways to overcome it. The possibility of a crisis in 2021 was analyzed and the impact of the coronavirus was considered.

Key words: world economic crisis, crisis in Ukraine, economic collapse.

### Анотація

Четвертак А.В. Світові фінансові кризи, їх прояви, наслідки та заходи попередження. – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2021.

Кваліфікаційна бакалаврська робота присвячена дослідженню системи виробничих відносин в період економічної кризи. Проведено аналіз світових криз, особливо української економіки, та шляхів її подолання. Проаналізовано можливість кризи у 2021 році та розглянуло вплив коронавірусу.

Ключові слова: світова економічна криза, криза в Україні, економічний крах.