

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

Sliusarenko Anna Diana Dmytrivna

## **QUALIFICATION PAPER**

on the topic "GLOBAL FINANCIAL AND ECONOMIC CRISES AND THEIR  
CONSEQUENCES"  
Specialty 292 "International Economic Relations"

Student                      IV Course                      Sliusarenko Anna Diana Dmytrivna

group ME-82a.аН

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

Research advisor: PhD, senior lecturer

Iryna Marekha

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## ABSTRACT

on bachelor's degree qualification paper on the topic  
«GLOBAL FINANCIAL AND ECONOMIC CRISES AND THEIR  
CONSEQUENCES»

student Sliusarenko Anna Diana Dmytrivna

The main content of the bachelor's degree qualification paper is presented on 38 pages, including references consisted of 39 used sources, which is placed on 4 pages. The paper contains 8 figures, as well as 1 app that is presented on 1 page.

Keywords: GLOBAL CRISIS, STOCK MARKET CRASH, BANK PANIC, BANKRUPTCY, OIL SHOCK, FINANCIAL BUBBLE, MORTGAGE CRISIS.

The purpose of this work is to identify general trends in the emergence and development of financial and economic crises and their consequences for the global community.

To achieve this goal it is important to solve the following tasks:

- to determine the nature and main trends in crises development;
- to analyze the financial indicators of the national well-being of individual countries during the crisis period;
- to analyze the preconditions for the emergence of crisis phenomena and the extent of their development;
- to examine the effects of global crises and their impact on the global economy;
- to observe the ways of resolving financial and economic crises to further implementation in nation's experience.

The object of this paper is a cyclical nature of financial and economic crises. The subject of the study is global crises and their impact on global finance and economy.

The information base of the study is monographic works and articles of domestic and foreign economists in professional economic publications, official sites of statistical data indices: S&P 500, NASDAQ Composite, Dow Jones Industrial Average.

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

1. Economic and financial crises are not accidents, nor are they the end of an economic cycle – on the contrary, a crisis is the beginning of a cycle. Common traits found in virtually all crises are excessive speculation, leading to financial bubbles, emerged due to sharp reductions in interest rates in the hope of facilitating lending and untimely or incorrect intervention in the functioning of the banking systems by the state. Other reasons include manipulation of global energy prices, naivety and lack of transparency on the part of investors, technical failures, and herd reflex.

2. Major domestic implications include sagging banking systems, bank runs, huge losses in market capitalization, loss of public confidence in banks, high unemployment rates, poverty, accumulation of overproduction goods, economic recession, national reforms, high inflation rates, depreciation of the national currency. Global effects include disruption of supply chains, rejection of imports to protect local producers, extensive sensitivity of foreign investors.

Basic results of qualification paper were approbated at III International scientific and practical conference “International economic relations and sustainable development” (Sumy, Ukraine)

The year of qualifying paper fulfilment is 2022.

The year of paper defence is 2022.

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TASKS FOR BACHELOR'S DEGREE QUALIFICATION PAPER

(specialty 292 "International Economic Relations")  
student IV course, group ME-82a.аН

Sliusarenko Anna Diana Dmytrivna

1. The theme of the paper is “Global financial and economic crises and their consequences” approved by the order of the university from «5» May 2022 № 0317-VI
2. The term of completed paper submission by the student is «27» May 2022
3. The purpose of the qualification paper is to identify general trends in the emergence and development of financial and economic crises and their consequences for the global community.
4. The object of the research is a cyclical nature of financial and economic crises.
5. The subject of research is global crises and their impact on global finance and economics.
6. The qualification paper is carried out on monographic works and articles of domestic and foreign economists in professional economic publications, official sites of statistical data indices: S&P 500, NASDAQ Composite, Dow Jones Industrial Average.
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 foundations for analyzing global crises – 11.04.2022

Chapter 1 deals with tasks: to determine the nature, reasons for emerging, stages of the economic crises, to consider works of economic scientists in order to find interrelations between the economy development and the crises evolvement.

Chapter 2 World financial and economic crises in XX century – 27.04.2022

Chapter 2 deals with tasks: to study the formation, development and dynamics of the world crises in twentieth century.

Chapter 3 World financial and economic crises of the XXI century and the evaluation of their implications – 18.05.2022

Chapter 3 deals with tasks: to identify main characteristics of twentieth-first century economic and financial crises, their evolution, pre-crisis conditions and overall trend.

#### 8. Supervision on work:

Chapter	Full name and position of the Advisor	Date	
		task issued by	task accepted by
1	I. S. Marekha, senior lecturer	5.04.2022	5.04.2022
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## CONTENT

Introduction.....	6
<b>1 Theoretical foundations for analyzing global crises.....</b>	<b>7</b>
1.1 Leading economists' perspectives on causes and nature of crises.....	7
1.2 Origin theories and cyclic nature of crises.....	10
<b>2 World financial and economic crises in XX century.....</b>	<b>14</b>
2.1 The Great Depression 1929-1933.....	14
2.2 The 1973 oil crisis.....	19
2.3 Black Monday 1987.....	22
2.4 Asian financial crisis 1997.....	24
<b>3 World financial and economic crises of the XXI century and the     evaluation of their implications.....</b>	<b>27</b>
3.1 Dotcom Bubble 2000.....	27
3.2 Global Financial Crisis of 2008-2009.....	29
Conclusions.....	37
References.....	39
Appendix A.....	43

## INTRODUCTION

In the foreign economic literature the works of A. Smith, D. Ricardo, T. Malthus, K. Marx, S. Mill, J. Schumpeter, A. Spiethoff, D. Forrester, X. Clark, R. Mensch, D. Freeman, W. M. Kondratiev, L. Mendelson, E. Varga, S. Koval. Among domestic scientists, the works of M. Tugan-Baranovsky, V. Geitz, A. Galchinsky, M. Kizim, S. Mocherny, E. Korotkov, S. Menshikov, etc. stand out.

The purpose of this work is to identify general trends in the emergence and development of financial and economic crises and their consequences for the global community.

To achieve this goal it is important to solve the following tasks:

- to determine the nature and main trends in crises development;
- to analyze the financial indicators of the national well-being of individual countries during the crisis period;
- to analyze the preconditions for the emergence of crisis phenomena and the extent of their development;
- to examine the effects of global crises and their impact on the global economy.

The object of this paper is a cyclical nature of financial and economic crises.

The subject of the study is global crises and their impact on global finance and economy.

During writing this work, the following methods and methods of scientific research were used as general: historical, comparative; as special: method of statistical analysis, compilation and grouping; processing of literary sources.

# 1 THEORETICAL FOUNDATIONS FOR ANALYZING GLOBAL CRISES

## 1.1 Leading economists' perspectives on causes and nature of crises

The first global crisis is considered to be the crisis of 1825, which originated in England and later spread to the related economies of France and the United States.

In Adam Smith's "An Inquiry Into The Nature And Causes Of The Wealth Of Nations", we see how the researcher compares the crisis with overheating, which occurs as a consequence of speculative actions.

David Ricardo, although he supported Smith's theories, had his own point of view and argued that there could not be an overproduction of all goods in the market at the same time, and therefore a total underconsumption. It may concern one or several types of goods.

These views mirrored those of Jean-Baptiste Say and Jean Simonde. The first argued that, in the general cycle of production-exchange-consumption, it is not uncommon and logical for disproportions to arise, and for crises to arise. He was inclined to deny the possibility of a global economic crisis. J. Simonde argued for natural causes for cyclical, recurrent manifestation of the crisis. His theory suggests that countries with superior production convert their capabilities to foreign partners, to the global market. Nevertheless, consumption capacity is also limited. Consequently, output far exceeds demand, and that causes a crisis.

Thomas Malthus found correlations between the income level of the population, determined by the subsistence minimum, plus the same problem of overproduction and underconsumption [1].

Overall, in the middle of the XIX century it was Stuart Mill and Karl Marx who first formulated the concept of "crisis" in the clearest terms.

According to Marx, crises are a feature of capitalist economics and its economy of production, while by the end of the XVIII century, before the industrial revolution, there were no such protracted crises.



In his famous work "Capital" Marx described for the first time the phases of economic cycles, their duration, the causes of their emergence and the material background in their foundation. According to Marx's views, the crisis is a natural consequence and an inherent phase of the economic cycle, in which the solution of accumulated problems occurs. Its cause, as in previous theories, lies in the mismatch of production, that is, the productivity of capitalist society, its constant thirst for expansion and the limited solvent demand. In this way, Marx sees the cause of crises in the very nature of economic development [2].

The French Charles Gide and Charles Rist called the Marxist campaign "catastrophe theory". Neo-Marxists such as E. Bernstein rejected these views altogether and claimed that economic crises no longer were as terrible for capitalism as Marx viewed them.

The theory of crises started its formation early in the XIX century. At that time, the cyclical nature of the crisis was proven.

Arthur Spiethoff's works include studies of the causes of cyclical economic processes and the arrival of the crisis. Spiethoff proved that the inflow of free capital occurs in the sectors "that are particularly promising". It is in these sectors that capital formation is possible at the expense of technical development and inventions. Thus, we are talking about a "bucket of capital formation", which is a response to the expansion of a particular sector of economy, and the need to fill it.

Among the conditions for the emergence of the crisis A. Spiethoff calls the overaccumulation of capital and the lowering of workers' wages. After accumulating capital, business utilizes it for some time, perhaps several years. Then profit rate in these sectors starts falling down and the period of production cost reduction begins, which is realized by ordinary standards via three working methods: introduction of machinery which reduces the need for manpower, wage cuts or the dismissal of workers.

Reducing jobs causes a reduction in purchasing power – this is where the crisis comes in. And this continues exactly until the moment of new discoveries and a new "bucket of capital formation", new incomes and a way out of the crisis.

The hidden factor in the emergence of crises is thus the reduction of expenditures. The more obvious factors are company takeovers, mergers, bankruptcy of companies, and then the reduction of the population's income and, accordingly, of purchasing power.

The Austrian researcher Josef Schumpeter in his works investigated the causes of cyclicity, including in those processes that form innovation. It belongs to him the idea of the theory of conjuncture and its fluctuations.

In his paper "The Causes of the Economic Crisis" Ludwig von Mises considers the manipulation of the natural interest rate by banks to be one of the conditions for the formation of the crisis. Such changes are fraught with a growing interest in credit from entrepreneurs as well as from ordinary citizens. However, as a result of their desire to pay back their loans as soon as possible, entrepreneurs raise prices. Consequently, inflation is rising. The population tends to keep their savings in foreign currency or in real estate, which in turn leads to a depreciation of the national currency.

In his work "The Theory and History of Economic Crises and Cycles", L. Mendelson gives the idea of the inconsistency between the interests of bourgeois society, which consisted in the appropriation of capital, and social production. He defines four phases of the cycle: crisis, depression, recovery and rebound.

Economists of the late XX century Stanley Fischer, Rudiger Dornbusch, Richard Schmalensee asserted that crises are consequences of disequilibrium. These disorders can be of the most diverse nature: changes in the domestic policy of the state (monetary or fiscal), rapid technological development and innovations in methods of production, changes in the preferences of the population in the selection of areas of activity. All these changes bring about changes in consumption and, correspondingly, in production volumes and price policy. In connection with the distortions due to the impossibility of instantaneous response demand-supply imbalances arise.

We can finish here mentioning the famous economist John Maynard Keynes, who also investigated the nature of the crisis phenomena. According to his views,

the crisis is seen as a rapid turnover, occurring when the upward trend reverses into a downward direction, whereas in the opposite way it does not happen at the same rapid pace. Keynes was a pioneer who demonstrated the need for government intervention in the economy to overcome the devastating effects of the crisis.

## 1.2 Origin theories and cyclic nature of crises

In terms of theories of economic cycles, various approaches can be observed. The earliest economic cycle theory to emerge, in particular, is the underconsumption one, explaining away recessions caused primarily by destitution of the working class. The theory's author, Thomas Malthus, justified the counterproductive consumerism of parasitic groups as well as of the state.

More active investigation of cyclicity in economics came from the beginning of the XIX century, after the English scientist H. Clark assumed the interval of two economic catastrophes of 1793 and 1847 not random. Since then members from different school of thought differently interpret and explain the nature of economic crises and cycles.

Karl Marx pioneered the problem of cycles. He coined the term "industrial cycle" although this term aimed only to make it more concrete, as from capitalist point of view, the industry is the basis for crises. We should also note that the initiating point in a cycle is the crisis, rather than the economic upturn. The recurrence of recessions and rises in economic conjuncture shapes the mechanism of the cycle.

In the late XIX – early XX century, due to the growing role of monetary relations the new monetary conception arises and gains popularity. Under this new concept, the cycle is the result of imbalances in the equilibrium of money supply and demand. The adherents of this theory are Ralph George Hawtrey and Irving Fisher.

The development of endogenous (i.e. of internal origin) concepts, such as those that directly contradict the neoclassical ones, could be observed. Among the new perspectives, the crisis stems from the instability and weakness of the system itself. Mykhailo Tuhan-Baranovskyi, Arthur Spiethoff, Karl Gustav Cassel are among the adherent economists. Their works discuss issues of capital accumulation, the specifics and interrelation of production to be consumed and the accrual of money supply.

Roy Harrod, Paul Samuelson, John Hicks, and Alvin Hansen are followers of Keynesian cycle theory. It views cycle dynamics as interplay between national income movements, consumerism, and accumulation of capital. It sees the cycle process generated via efficient demand driven by the functions of consumption and investment. Interaction among these variables is considered in terms of sustainable links, defined by the multiplier and accelerator coefficients. The Keynesian theory of cycles serves to provide a framework for government countercyclical policies designed to broaden aggregate demand during crisis recessions and restrict it during price rises [4].

Nikolai Kondratiev made a great contribution to the formation of the theory of great cycles in the late 20s of the XX century. He connected oscillations within the economy to periodic renovation of capital and periodicity of changes in prolonged periods of surplus and shortage of capital. At those periods the industries of the economy that are stagnant or inertial are in crisis, there is almost or absolute no growth in goods production, manufacturing stagnates, congestion and aging of capital in conventional industries reduce the rate of profit. All of this causes paralysis in scientific and technical fields. The implementation of scientific and technological advances is carried out by leaps and bounds.

The birth of diverse views regarding the cyclical nature of crises soon resulted in the formation of three major theories in the writings of twentieth-century neoclassicists.

The *investment theory* locates the roots of economic growth and recessions in cycles of capital investment. In this way, initially at the beginning of the cycle

investment growth is observed, having a cumulative nature. The growth in demand produces a constant increase in investment into the production process. Consequently, employment rises and the level of unemployment decreases. Inevitably, however, there comes a collision of production growth with the need and real possible demand. As a result, production declines. Alvin Hansen stands out as one of the investment theory's advocates.

Joseph Schumpeter's theory of "*waves of innovation*" refers to technical innovations. Basically, such innovations are of a long-term nature and contribute to long-term economic growth of the state, after which their influence weakens until the next innovation occurs. Long economic cycles are associated with this theory, and the works of Nikolai Kondratiev can be attributed to this direction.

The *monetary theory* holds that the wavy pattern of the economic development is associated with the money flows, their expansion and contraction. Popularity is based on the growing role of financial relations between subjects, financial sector complex and monetary issues taken as a whole.

The fourth perspective is the *psychological theory*, based on the mood of the population, either optimistic or pessimistic, as the cause of the cyclicity of crises.

According to the criterion of duration, the following types of economic cycles are distinguished:

- small cycles related to the restoration of economic equilibrium in the consumer market;
- medium cycles associated with changes in demand for equipment and facilities; the material basis of medium cycles is the massive renewal of fixed capital, which occurs in the economy at intervals of 7-13 years;
- large cycles associated with changes in the technological pattern occurring over several medium cycles.

Y. Sokolov gives a classification of cycles according to the names of their researchers presented in his work "The Cycle as the Basis of Creation":

- Kitchin cycles (2-4 years) are generated based on the movement of the relative value of stocks of inventories at enterprises; Typically featured as a shift in inventories, leading to fluctuations in GNP, rising prices, job cuts, commodities;
- Juglar cycles (7-12 years), or investment cycles causes swings in GNP, inflation, and employment; linked to mass renewal of fixed capital; cycles occur as a result of the interaction of a variety of financial and monetary factors;
- Kuznets cycles (16-25 years) or construction cycles, here the driving forces behind them are the shifts in the replicative production pattern; since cross-regional profit disparity brings about mobility of population, population rise serves as a stimulus for housing construction, i.e. real estate investment, leading to the evolution of aggregate demand, thus influencing the aggregate population' income;
- Kondratieff cycles (40-60 years), or technogenic cycles, which are driven by drastic transformations of social production's technological base as well as its structural adjustment;
- Forrester cycles (200-400 years), based on the detection of new energy sources that lead to a breakthrough in manufacturing becoming a prolonged economic growth source;
- Toffler cycles (1000-2000 years), related to birth and extinction of the civilizations, nations.

## **2 WORLD FINANCIAL AND ECONOMIC CRISES IN XX CENTURY**

### **2.1 The Great Depression 1929-1933**

Some theories say that the Great Depression was caused by declining international trade, too much investment in production, which was ultimately unnecessary, and even by rapid population growth. Other theories argue that the decline in the money supply, due to misguided policies of the U.S. Federal Reserve System, and third, on the contrary, that the main cause was the expansion of the money supply in the 1920s. Or perhaps the greatest economic crisis of the XX century was caused by all of these factors altogether.

The boom of the American economy after World War I contributed to the development in retail sales, construction and transportation industries, and especially, to stock trading. Stock market sales proliferated year by year until August 1929, the date the bubble burst when a record number of shares (about 13 million) were traded on "Black Friday", October 25, in 1929, and their value plummeted 90 % the following day.

According to the Keynesian view, the cause of the Great Depression was a shortage of money, since it was in direct correlation with the gold reserves. Meanwhile, the number of new goods grew, cars, airplanes, and radios became available and multiplied in use. Two of these things: limited money supply and increased sales led to deflation, marked out by a drop in prices, resulting in financial volatility. Businesses going bankrupt and credit defaults were the consequences.

Monetary theory holds that the Fed's misguided policies led to the crisis. Marxists, for their part, argue that it is a crisis of overproduction. Other causes include a stock market bubble, overinvestment in production not backed by real demand [9].

Social and demographic causes included population increase. The population growth and swelling of the Great Depression was facilitated by the Dust Bowl

period, which began in 1930 and took a decade, though the effects were much more long-lasting. Black blizzards led to one of the largest migrations in American history, the so-called "Okie migration," totaling about 2.5 million people from Texas, Colorado, New Mexico, Nebraska, and Kansas [10].

Another reason economists call the passage of The Smoot-Hawley Tariff Act, signed by Herbert Hoover. This act imposed a higher tariff on more than 20,000 imported agricultural products. Although the Act was passed with the noble purpose of supporting and protecting local farmers, it had disastrous consequences. In response to such restrictions, the country's exporters raised quotas in response, limiting and raising the duty on American goods [11].

The great fall of the American economy began with the stock market crash of 1929. The Roaring Twenties effectively transformed American society into a society of consumption. Expansion, the invention of new goods, the evolution of attitudes, the dawn of the jazz age, the "new woman," the automobile industry, radio, the struggle for black rights – all led to a restructuring of society. Society was intoxicated with its own growth, the overall wealth of the nation having doubled in the last decade. But rapid growth led to prolonged stagnation [12].

Notwithstanding certain investment and banking industry initiatives aimed at regulating the situation by purchasing stocks, its collapse happened on October 29 when the market lost 30 billion dollars in two days, eventually bankrupting thousands of businesses along with banks, reducing wheat prices and thus mounting unemployment. By year-end, securities prices had plummeted to a loss of \$40 billion. It became even tougher to Europe due to the American credit freezing, bringing financial and political turmoil to a number of states.

A further fall was inevitably followed by bank panic, rising unemployment and GDP falling. By 1932, there was a drop in GDP of 31% from 1929 levels, rising unemployment to 24%. The investment field was virtually empty, falling by as much as 98%. And industrial companies' shares in the total value fell by 80%. As well as 80 % drop were faced by the output of cars, iron and steel industries. Within the following three years, over 5,000 banks bankruptcy proceedings were



instituted. Money circulating had multiplied by more than 12 times. Over 30 million people remained jobless throughout 32 developed countries, including 14 million in the USA. The plight suffered quickly for small entrepreneurs, farmers, and the middle class alike, leaving most of them living in poverty. There was a mass unemployment movement, a "hunger march" on Washington [13].

To see the range of losses that Great Depression caused to American economy let's take a look at the next graph.

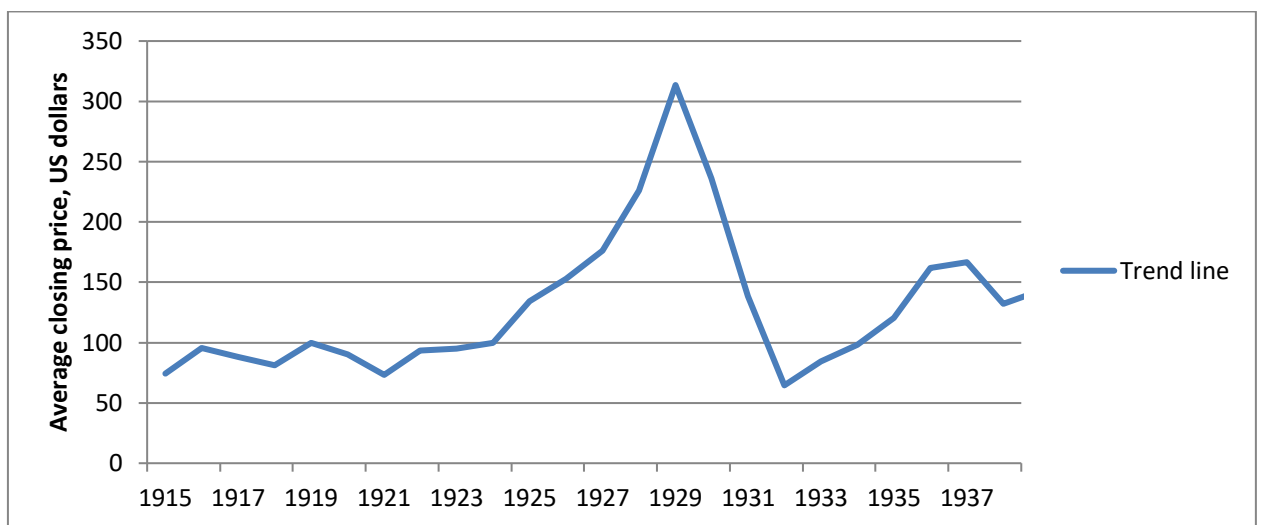


Figure 2.1 – Dow Jones Industrial Average 1915-1938 [14]

Figure 2.1 demonstrates a wild growth of American companies capitalization started close to 1925 and remained up to the second half of 1929 when stock market crash had played its role. In this way we see that by 1932 the stock's value fell to 20 % from summer 1929 index.

Hoover, of course, lost the election against Democrat Franklin Roosevelt, the latter, having a Congressional majority, promulgated a package of state-monopoly measures that permitted the country eventually settled down to health.

"The New Deal" of Roosevelt marked the dawn stage of turning the United States into a welfare state, incorporating unemployment relief, employment generation, business restructuring, minimum wage escalation, shortening working hours, self-imposed labor duty, and limitation of rivalry.

The first stage was the implementation of an emergency program to rescue the banking system, which sought to save up-and-coming banks. Lending institutions were forbidden mix deposit transactions with stock trading, thus making a distinction between the long- and short-term lending. Insurance for small and medium-sized deposits also took place, in order to increase public confidence in banks.

The National Industrial Recovery Act (NIRA) of 1933 was adopted. It called for imposing "fair competition codes" across sectors that fixed product prices, levels of production, allotted markets, set wages, etc. Its main function was to uphold highly competent production.

The Agricultural Adjustment Act (AAA) of the same year aimed at raising prices for agricultural products has also entered into force. It provided financial reimbursement to farmers who cut down their crops and livestock. Initiatives for optimization of agricultural production and mechanization of farming were implemented.

1935-1938 years were the period of implementation of the second phase of Roosevelt's New Deal, and it was already focused on social measures. In 1935, for example, the Wagner Act came into force, which addressed labor unions, strikes, and bargaining. A separate item was social insurance.

In 1938 the Fair Employment Act came into force, setting minimum wages and working day maximums for some categories of employees. The Act forbade child labor.

The law on the regulation of agricultural production became an act of struggle for the preservation of soil fertility. To this end, bonuses for reducing the area under cultivation or for introducing soil-sparing crops were awarded to farmers. Agricultural production was monitored in this manner.

The crisis had disastrous effects on Germany. Production sharply decreased, many bankruptcies of about 30,000 manufacturers took place. The steel industry ceased to work. In five years, exports fell to 4,167 million marks, that is, more than

3 times drop. Unemployment reached 8 million. Germany could not pay reparations.

The governments of the United States, England and France devised a new plan of restitution. The Young Plan provided for a 20 % reduction of annual reparations and payments, the liquidation of all forms and types of control over Germany's economy and finances. The following year, however, Germany refused to make any reparation payments at all, because it was unable to realize them. At this point, the Young Plan ceased to exist in 1932. Germany's economic crisis persisted until the beginning of 1934, at which point it began to show symptoms of recovery. The National Socialist German Workers' Party, led by Adolf Hitler, took power in the Great Depression [15].

England met the crisis at the end of 1929. The worst thing was unsold production –there was nowhere to dispose it. A separate item of the crisis was the problem of credit. Thousands of businesses were closing down, and the unemployment rate climbed. Industrial production had fallen by a quarter of pre-crisis levels by 1932. However, as in America, the state temporarily monopolized the right to control production, output, sales, and prices. This was done at the expense of compulsory sanctions, credit preferences, etc. Mixed public-private enterprises arose and functioned in the times of crisis.

England overcame the crisis with the help of its allies, namely the Sterling area of 25 states, most of which had previously been British colonies, was created in 1931. The economic recovery was facilitated by the abolition of the gold standard of the pound sterling by 1931.

The Great Depression reached France in 1930 and lasted until 1936. Production of wool and silk fabrics was halved. This crisis paralleled the decline in the agricultural sector. Agricultural production fell by 10% [16].

## 2.2 The 1973 oil crisis

What constitutes an energy crisis is when the demand for energy vastly outstrips the supply. Various factors can cause this, ranging from commonplace problems with logistics or lack of physical supply, to political manipulation at national level. During the XIX century, coal was the major fuel of energy for human beings, as industrial production and construction industries were booming. At the beginning of the XX century, the use of petroleum commenced, while petroleum products took the lead in the 1950s over the energy needed by mankind.

Later on, electricity also came into use, but it remained in the background, as oil and coal were still in the lead. In the second half of the XX century, they were joined by nuclear power, which would be used as another energy resource [17].

Organised in 1970 by Saudi Arabia, Iran, Iraq, Kuwait and Venezuela, OPEC was set up in order to push up oil prices in a coordinated yet verifiable way. As OPEC's global trading power began to gain traction during the late 1960s to early 1970s, several other Arab states and countries around the Third World acceded it.

After Egypt and Syria in October 1973 proclaimed a war against the Israelis, OPEC officials convened in Vienna for a meeting. Egypt and Syria, having made some early headway, embarked on losing their war to Israel, aided and abetted by a number of other countries as the United States, Denmark and the Netherlands.

The military environment across the Middle East turned highly acute in Egypt and Syria on October 17 and the OPEC Arab countries opted instead for using the price of oil to exert leverage against Israel as well as its allies. Exports were agreed to be slashed by 5 % per month as long as Israel continued to maintain its presence on Arab lands seized in 1967. Price escalation is shown in the graph below [18].

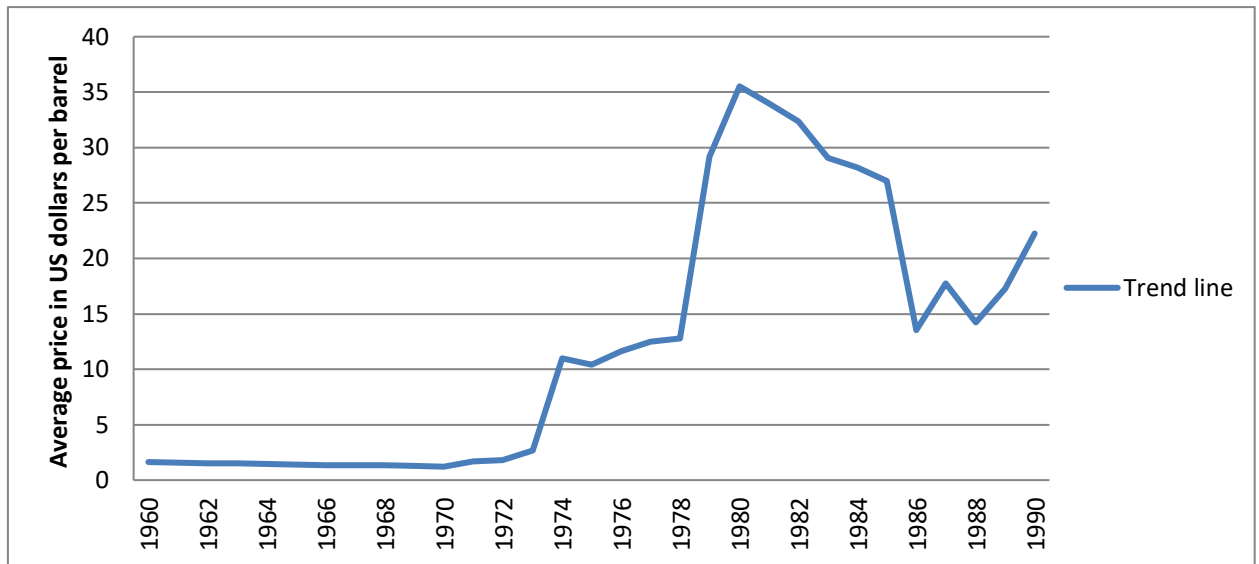


Figure 2.2 – Average annual OPEC crude oil price from 1960 to 1990 [19]

According to the Figure 2.2, we can see that the oil price seemed to be stable for a long period of time. After the creation of OPEC, it started growing slowly and already in October 1973, the oil price rose from 3 to 5 dollars per barrel, which means that the total growth rate was 70%. By 1974, however, it had already risen by 400% to \$12. This unthinkable price increase led to a crisis in America and the Western countries.

Under the United States Secretary of State, Henry Kissinger, a negotiated truce with Israel and Syria came about eventually in March 1974, so the embargo dropped, yet oil prices kept going up. OPEC pressured multiple cuts in oil extraction, and the cost of petrol in the United States rose a dozen fold by 1980, compared to the cost in the summer of 1973. As a result of the pressure from OPEC economically, the Common Market Council of Ministers backed the Arab position. On top of this, close proximity to Israel was terminated diplomatically by practically all African states.

OPEC's role in oil pricing began to diminish during the early 1980s, driven primarily as a result of alternative energy sources being exploited in the West such as steam coal and nuclear fuel for power plants, and new alternatives to oil extraction which were USSR and Africa [20].

What it did do was to deepen Israeli economic reliance on the United States and reveal the magnitude of the developed countries' addiction to oil prices. Simultaneously, at the same time, it was the 1973 oil crisis that facilitated the consequent economic dependence upon the oil pipe and petrodollars of the USSR.

"Oil shock" triggered a shift away at the old model of energy- and input-intensive manufacturing. This development prompted the launch for major economic structural reforms as well as enhanced greenfield investments likely both to reduce fuel usage and to curb dependence on imported fuels. Worsening international economic tensions stimulated closer Western nations' collaboration and the International Energy Agency (IEA) formed in the mid-1970s. Global community sought fresh perspectives on the energy safety issues beyond the national or regional level, to the global system. Industrialized society's energy security at the global level started taking shape to serve international sustainability.

OPEC members emerged in the wake of the energy crisis as serious international actors. These countries succeeded in exerting political and economic pressure worldwide. Following the energy price hike, oil energy exporters made huge profits, yet those gains couldn't possibly reach the Arab countries. The Arab region's economies lacked sufficient absorption capacity to handle that amount of money. Although numerous high-cost and high-profile infrastructure projects were undertaken, Arab oil capital owners' on-the-ground savings failed to turn a profit. Hence, those who had oil wealth accumulated invested in Western banking institutions, Swiss banks among them being the most prominent. Energy funds spilled into European countries, passed via the European financial institutions, evolved into Euro-money, then circulated globally as investments in numerous locations around the world. Over the next decades, this circulation was instrumental in the building up of huge multinational banking chains. The excess "petro-money" fostered cross-border lending, among other things, to developing economies. Politically, as a result of the Arab petroleum money's influx, countries receiving wealth felt obliged by Arab communities having to submit their interests to a governmental system [21].

### 2.3 Black Monday 1987

From 1985 to 1987 the Dow Jones index doubled, it was a great performance and the American market was attractive to foreign investors. By the end of August alone, the index was up 44 %. Ronald Reagan, the president at that time, introduced economic reforms, reducing the tax burden on companies and citizens. Unemployment was brought down to a low of 5 %. Meanwhile, the GNP grew by 28 %.

The news is a strong trigger for decision-making. For example, the Fed's announcement of a larger-than-expected trade deficit in the trade balance, causing the dollar to fall in value, the upcoming election, pressure on the dollar. Other news was political: the Persian Gulf tensions; social news: the income tax hike, and secular news: the first lady's disease. Gradually the Dow Jones Index was down first on October 6, 90 points, then 96 points on October 14, another 58 points the next day, and a further 108 points on the 16<sup>th</sup> of October.

Many investors, seeking to offset losses from the potential fall in the market, put orders to sell SPX futures traded on the Chicago Stock Exchange, leading it to plummet. The fact that the futures and the index are linked together made for interesting speculation. Over the weekend two shocks happened: Treasury Secretary James Baker openly urged the US dollar devaluation to cut the widening deficit in the country's trade balance and the New York Times article on the government protection of the weak dollar and allegations the West Germany is crashing the stock market were the latest spits on shaky investor sentiment amid general volatility and rumors of tax changes in Japan and Germany [22].

The Dow Jones Index had already fallen from 2,246 to 1,738 points on Monday, losing almost 23%. [23].

According to some experts, it was the software that failed to bear the strain, the core of the problem. For as soon as the markets halted to grow, the same

advisory software told brokers they could sell securities, and that is what brokers began to do. Orders to sell were compiled, till things went crazy.

On Monday the Exchange operated exclusively with the orders made by the software for the first half an hour. The manual orders did not start to be processed until that time. By itself, this half-hour lapse made the index drop rather slightly. Then traders started massively shorting futures while processing manual orders. This, in turn, caused the index tumble worse.

The supply outstripped the demand, so vendors steadily lowered their prices. No longer was the system able to process the bid stream. In addition, the system that placed sell orders also failed. Only one day alone saw a drop of 30 % in market capitalization of many billions of dollars. Things were compounded by the trade and budget deficits of the American economy, growing political instability in areas of the United States charge, the growing mistrust of the dollar, etc.

The Federal Reserve reacted swiftly, so the American economy still managed to avoid the most catastrophic consequences. The Fed ensured the requisite liquidity to sustain the economy and financial balance sheet. Over the course of several weeks it regularly acquired securities, warning in advance and in public, soothing up the market. Also, Fed stimulated lending on standard terms by providing banks with liquidity. Securities lending to companies almost doubled.

The globalization and interconnectedness of international markets has finally become evident, however, this is exactly what the 1987 crisis is all about. Great Britain was shaken on October 15 and October 16, after a powerful hurricane, which forced the closing of trading hours earlier. The market immediately went down: FTSE 100 index weakened by more than a hundred points. It was synchronized with the Dow Jones index and for two days its fall was 23 %. Approximately the same losses were in Canadian market – 22.5 % by the end of the month. The Australian and Hong Kong markets were twice as badly affected, with a difference of 4 % – 41.8 % and 45.8 % respectively.



On Blue Tuesday, the Tokyo market lost nearly 15 %. Yet Japan rebounded within just six months, with a large contribution from the Ministry of Finance in the market stabilization processes.

New Zealand suffered the most, because the destruction affected the entire economic system of the country, recovering until 1993. On day one, the market lost 15 %. In February, it bottomed out at 60 % after four months dropping.

The Securities Commission and the Securities Markets Authority acted quickly in order to ensure that the situation did not recur.

In these terms trading protocols were revised for consistency with respect to major trading instruments; drafted trading restraints which automatically halt trading if unsafe circumstances arise; they broadened the scope of duties for some market makers, particularly NASDAQ, to repurchase parts of the bids on stocks held by private investors [24].

#### 2.4 Asian financial crisis 1997

The South East Asian financial crisis which occurred in the latter half of 1997 severely weakened the economic performance across a large number of countries, primarily in Asia, and also affected developing economies.

Impaired currencies and stock market collapses of 50% over six months have occurred for Indonesia and South Korea. Stock markets plummeted across Malaysia, Thailand, Indonesia, South Korea and the Philippines. Dramatic slumps in manufacturing, marketing, business and investment retarded overall national economic expansion throughout a large number of countries.

East Asia's financial crisis of 1997-1998 merged various types of crisis components: from a currency crisis into a banking as well as a debt crisis, with the four ASEAN countries exhibiting the most pronounced coherence.

A record long economic upturn in the United States and a steady economic recovery in Europe equally paralleled the severe fiscal pressures experienced elsewhere in the Asia-Pacific region, resulting with the financial meltdown, the currency devaluations and interest rate hikes in short-term. Markets plunged further in Malaysia, the Philippines, Thailand, Indonesia and the South Korea.

Great downturn led to economic growth recession on the part of many of these countries through manufacturing, marketing and investment. Indeed, the interplay among currency, banking and debt crisis phenomena represents common traits of financial crises in market economies. Yet, conversion into another type is not cause and effect driven by the conditions of the country suffering from the financial turbulence.

GDP volumes of Indonesia and Thailand has fallen by 16.5 % and 15.8 % respectively. Notably, it was back in the third quarter of 1997 for Thailand whose GDP started to fall, versus the first quarter of 1998 for the majority of other nations.

The Philippines was the least badly penalised. A common explanation for this is that the Philippines came to the forefront of foreign investment as a relatively late entrant to the market – hence why the corporate and financial sectors of the economy are less indebted.

Asian governments' currencies depreciated substantially. Indonesia, Korea and Thailand devalued their currencies most at the beginning of 1998 since January 1996. The only country where the currency exchange rate held firm was Hong Kong.

Partly, fears that regional currency devaluations would boost trade and prompt a recovery of growth levels were justified. The aggregate external balances across all five countries recovered sharply during the course of the first half of 1998, turning from a deficit of \$40 billion in early 1997 in favour of a surplus of \$80 billion.

Nevertheless, dollar-denominated export revenues stayed intact, whilst foreign trade balances showed an upward trend, driven by a reduction of about a

third in dollar denominated imports, attributable primarily to a fall in local demand during the crisis period coupled with a rise in the price of imported goods.

As far as exports are concerned, actual gains in physical volumes were taken away owing to the global price slump of key export lines within the region. It should stand out, on the other hand, that the evolution as regards export earnings across all five distressed economies was quite distinctive. Whereas the dollar value in the Philippines as well as in South Korea rose by 20 % and 5 % correspondingly, in contrast, the value of exports shrank by around 5 % to 10 % in Thailand, Indonesia and Malaysia.

Unemployment trends continued to be detrimental. The rate in South Korea, meanwhile, went from 2.25 % prior up to the crisis to 7 % at the end of 1998, recording high levels of unemployment well into the previous 12 years. [25].

The financial crisis has also raised doubts over the availability for private social security schemes, such as the Korean corporate social security programmes. Under such circumstances, the state is compelled to make supplementary social welfare contributions, like grants given to the very poor, expansion and promotion in social transfer payments, the establishment of reskilling institutes.

Major drivers behind the crisis in Asia are weak diversification of production and trade, reliance on foreign funding, government guarantees in the financial sector as well as the investment boom [26].

### **3 WORLD FINANCIAL AND ECONOMIC CRISES OF THE XXI CENTURY AND THE EVALUATION OF THEIR IMPLICATIONS**

#### **3.1 Dotcom Bubble 2000**

The emergence of the Internet, and by extension Internet companies, in the second half of the 1990s excited investors who wanted to make a lot of money from an emerging and promising industry. Perhaps the beginning of this boom was when Netscape made its first public offering in August 1995. Even though the company was in fact originally in the red, on the first day, its shares had more than doubled in value from \$28 to \$58.25 per share.

We can trace that the emergence of a financial bubble is always accompanied by the greed of investors, companies and intermediaries. Everyone profits from everyone. As usual, greed blinds the eyes, making people completely oblivious to the real indicators. Investors missed the tangible metrics like the price-to-earnings and debt-to-equity ratios, as well as the amount of free cash flow.

The whole system was built on sheer speculation, as new companies had no decade-old data indicating the real potential of the company, they had no clear business models; instead they had hits, advertising and the very name containing prefixes ".com," ".net," or "Internet" - already acting as a guarantee of success, this gave companies a 63 % advantage over traditional business models (but no more than that in the wake of hype).

Don Hays, who serves as chief strategist at Wheat First Union, noted that in 1999 the Nasdaq Composite greatly outperformed the top-performing of the S&P 500, which was 90.2 to 32.19 – an outright dominance. However, it is worth noting that the real picture was devoid of miracles. The central thesis of "growth over profits" contributed to the fact that companies increasingly dissolved themselves. They spent huge sums on advertising, they offered their products for free or at a discount in order to attract attention and they incurred huge losses.

What most of them did was the wrong bet. The success of the speculation can be traced in the Figure 3.1 chart below.

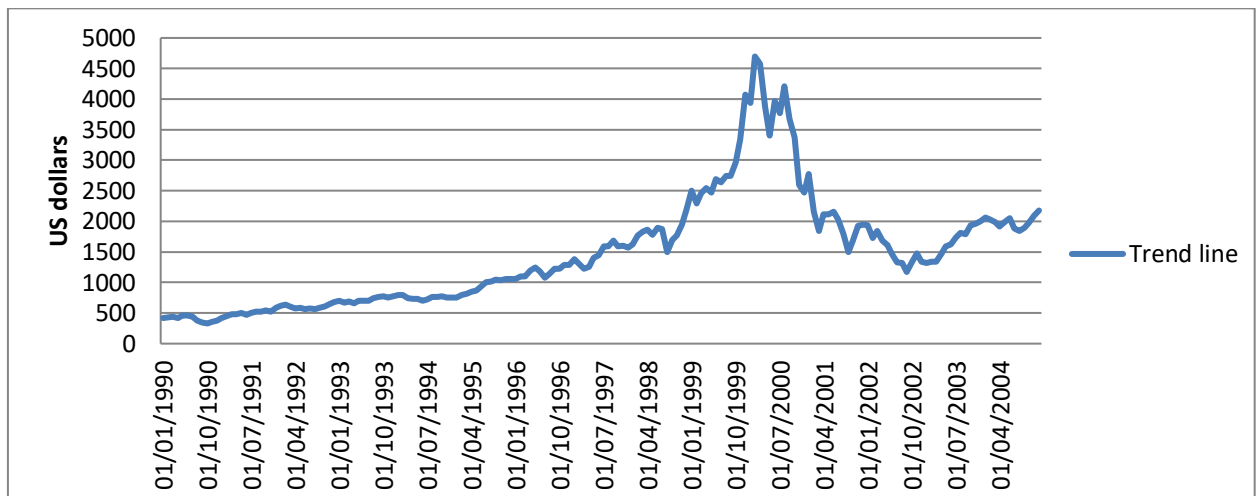


Figure 3.1 – NASDAQ Composite 1990-2005 [27]

According to the NASDAQ Composite statistical data shown in Figure 3.1 we can see that the intensification and gusto of growth in technology stocks can be tracked since the second half of 1995 at 751. While the market reached its peak, its hottest values after 1998 and reached its ceiling in March 2000 at its highest value in 5048.62. The return to such a figure was only attained in 2015. By 2002, the tech company capitalization index had fallen by more than 75 %. This led to an extraordinary market capitalization plunge of more than 5 trillion US dollars [28].

In order to observe the losses, it is worth looking at the number of companies that went public. In 2001 it was only 80, compared to 677 in 1996 and in 1997 and 1999 it was similar at about 470.

The advertising stars Pets.com, 360networks and eToys.com went bankrupt. However, in 2000-2001 alone, 835 medium and small internet businesses either closed down or went bankrupt, which is really telling. The companies were engaged in foolish waste of money, they were "celebrating", and they were spending on marketing, luxury and parties. This did not help them to strengthen their market position.

Japan's economy entered recession. The popularity of the technology sector was followed by a massive sell-off in stocks. One of the first events to reveal the crisis in the US market was the sell-off in technology giant Dell, which alarmed investors and they began to fuss.

Apart from the internet companies, the advertising, insurance, IT and telecoms industries also plummeted, as did the companies that provide tech maintenance and support services. One example is Cisco, whose shares fell 86% [29].

The crisis did not lead to a total annihilation and total distrust of Internet companies. Instead, it has increased the liquidity requirements of such projects. The development of the virtual sector is an opportunity to produce more cash flows without increasing production. As money circulates continuously in the economy, it flows back, credit can be obtained through banks for money not yet received, then spent on tangible goods and services [30].

The Federal Reserve would play a role in causing the US crisis more than once, as we will see later on. Thus, the Fed initially promoted lending by lowering interest rates, but then played its part in the implosion of the bubble when, within ten months towards the middle of the third quarter of fiscal year 2000, it raised rates a total of six times to 6.5 %.

The scandals involving Enron, WorldCom and Adelphia Communications Corporation as well as the attacks on the World Trade Centre contributed to the downfall.

### 3.2 Global Financial Crisis of 2008-2009

The global financial crisis of 2008-2009 has logical corollaries to the U.S. mortgage crisis of 2007-2008. To understand how incredibly lucrative offers and contributions of investors led to the collapse of the world economy take a brief

historical retrospective in the history of the development of mortgage lending U.S. early 21st century.

In 2001, the Federal Reserve increased bank's liquidity by lowering the federal funds rate. This enabled banks to give out more loans. Some experts believe that the turning point for the US economy was when the interest rates decreased to the 1 %. Federal Reserve controls the level of short-term interest rates in US economy – the one that influences the interest rates on mortgage credits. Alan Greenspan acting chairman of Federal Reserve decided to hold interest rates at 1 % in 2003 and 2004. The point here is that interest rates were below the rate of inflation during almost 3 years. It gave people the possibility to buy bigger and more expensive things. And the financial system did the same. That was the green light to the leverage and borrowing because they have become cheap.

If we go back to the 1980s there was the similar situation. In 1970s Federal Reserve held interest rates low which led to the big amount of land in farmers' hands, drilling too many oil wells and the believes that oil prices will rising up forever. But all of this led to the collapse of farmland prices, oil prices and to the bank collapse. At that time big banks made many loans at low interest rates to the Latin and South America. At the end, all of these sectors collapsed in late 1970s, early 1980s.

So, why does the banking system get no lesson from this experience? Brian S. Wesbury who is an American economist focusing on macroeconomics and economic forecasting said the reason is that the 1980s banking problems did not destroy the entire US economy.

Turning to the crisis of mortgage lending, the decision to reduce the interest rate to 1% is not adopted without a reason. The primary purpose thereof was to make loans affordable for the average consumer, including for businesses – significant contribute to the economic growth. Indeed, this was the case. However, there were significant consequences in the future.

Traditionally, investors turned to the Federal Reserve Fund and bought Treasury bills, which were considered the most secure investments. They were

represented by pension funds, insurance companies, sovereign funds, mutual funds, etc. So, now investors could get only 1 % of return value that were no longer profitable [31].

The sharp change in the interest rate is illustrated in Figure 3.2.

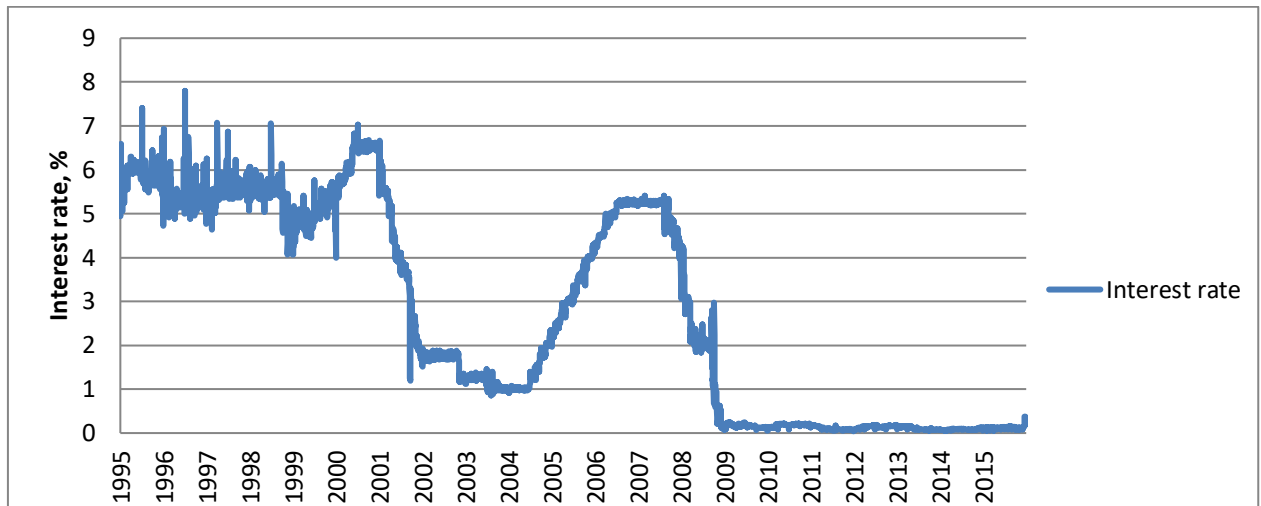


Figure 3.2 – Federal Funds Rate, % [32]

Figure 3.2 immediately traces the reaction of the Federal Reserve to the coming crisis, when the newly increased rate fell again, to support the U.S. economy. This time the interest rate was held at 0.25 % for a long time.

On the other hand, Wall Street banks could now borrow money from the Reserve Fund at 1 %, and so could other countries like Japan, China and the Middle East. The banks could easily borrow, so they decided to use leverage, which means making a lot of money while borrowing great sums.

Low interest rates and favorable economic conditions stimulated demand for new homes. So, investors contact the lender and the lender resells the mortgage loan to the investor and earns his share. At the same time, the investor borrows a lot of money and buys thousands of these mortgages, meaning that every month he gets payments from families on their mortgages.

As the demand for houses grew, the construction business responded by building more houses. Lenders persistently believed that demand for homes would never fall, so they lowered mortgage rates to encourage more people to buy homes. However, over time, as home prices continued to rise, the number of creditworthy



potential customers shrank, and banks revised their requirements for customers. They started issuing more subprime mortgages which were given to customers with bad credit histories, those who could not verify the origin of their income. The rates on subprime mortgages were higher because of the higher risk of default. In this way, it was possible to keep the demand for real estate constant. In reality, though, it was a bloating mortgage bubble that was about to burst.

In 2006 demand for houses began to fall. Firstly, prices were too high, and secondly, the number of potential buyers also declined. Eventually, supply exceeded demand and prices began to fall. Additionally in 2006, interest rates went up, and those who had taken out mortgages found difficulty in repaying their loans. The first defaults on loans began. By June 2008, 9 % of all U.S. homeowners were stuck on their mortgage or in default. For subprime mortgages, defaults were much higher than for prime mortgages. In 2008, about 25 % of all defaulted subprime mortgages were at least 30 days delinquent, compared with less than 5 % for prime mortgages.

Demand for real estate has fallen as many were unable to pay their mortgages. Creditors who thought that in the event of a default the value of the house could cover it now saw that the real value of the house was far below the value of the loan. The bubble inflated and soon burst.

To illustrate the impact of the mortgage crisis on home values in the United States, consider the Median Sales Price of Houses Sold for the United States shown in Figure 3.3.

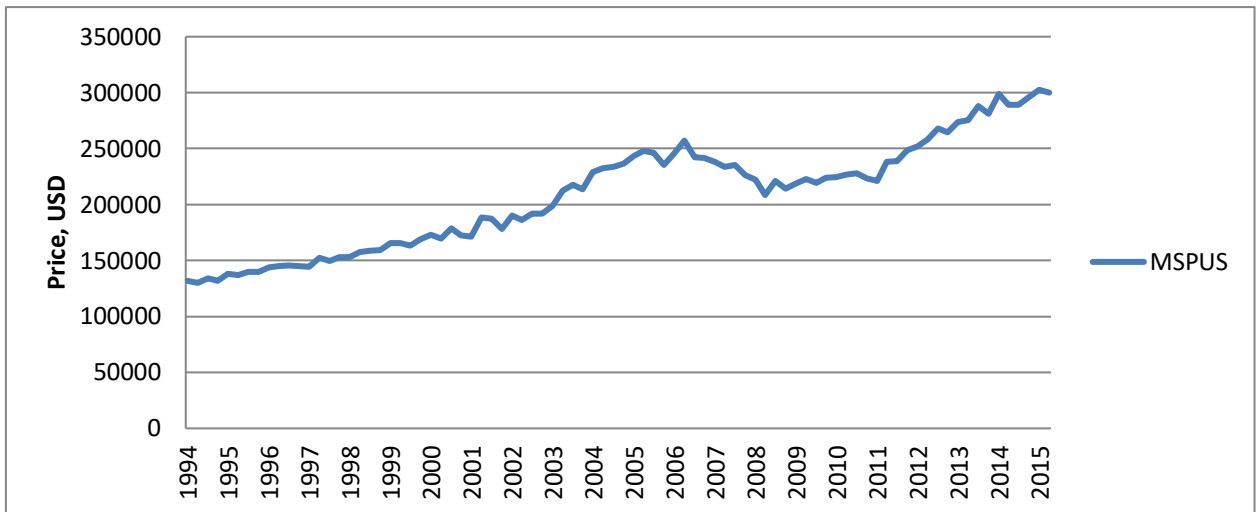


Figure 3.3 – Median Sales Price of Houses Sold for the United States [33]

The graph shows the average drop in home prices. As we can see, prices hit their peak in 2006 only in 2012, after another drop in 2011. This suggests that the U.S. real estate market recovery was not quick.

Insurance companies, investment banks found themselves in deep debt, and many went bankrupt. Among them: Fannie Mae, Freddie Mac, Fortis, Bradford & Bingley were nationalized; Lehman Brothers, WaMu went bankrupt; Merrill Lynch, HBOS, Wachovia were taken over by stronger institutions.

Despite the fact that the U.S. economy was in obvious recession and lost a total of \$12.8 trillion and during the peak of the crisis in October 2009, the number of unemployed was 26.9 million Americans, or 17.5 % of the working-age population. Timely action by the U.S. government helped the economy gradually return to normal. This can also be seen by studying the statistical indicators of major stock indices.

We examine changes in three major indicators, including the S&P 500, the Dow Jones Index and the NASDAQ Composite. We can track historical data and changes in the following figures.

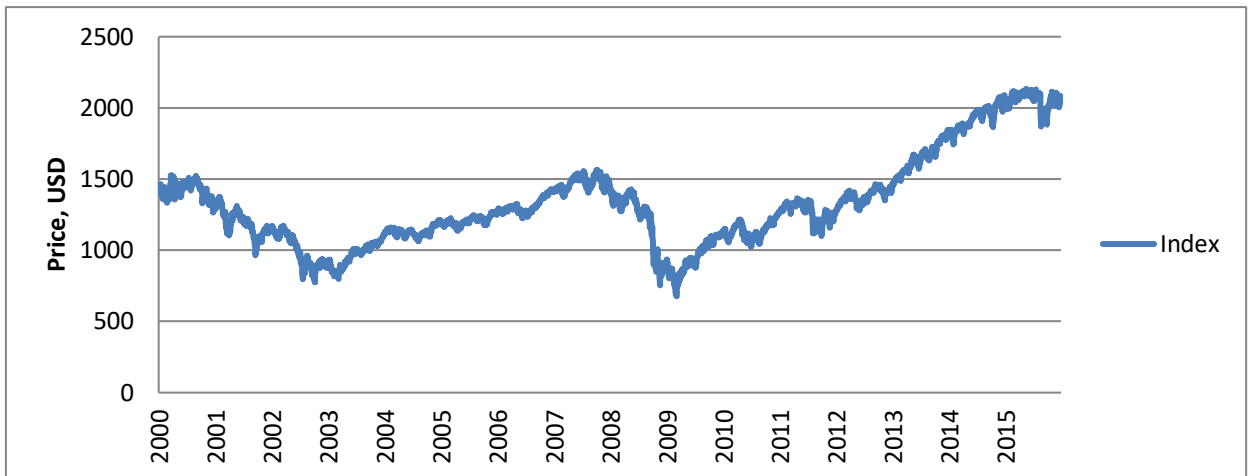


Figure 3.4 – S & P 500 Stock Index, USD [34]

During the mortgage crisis, the S&P 500 index fell by almost 45 %, which is a significant value. The fall of the index S & P 500 during crises or wars is not unusual, because the financial sectors are closely linked and the effects of strong negative impacts have an overarching nature. It is also worth noting that despite the fact that the index fell in value, it did not lose confidence in profitability and gradually recovered after the crisis.

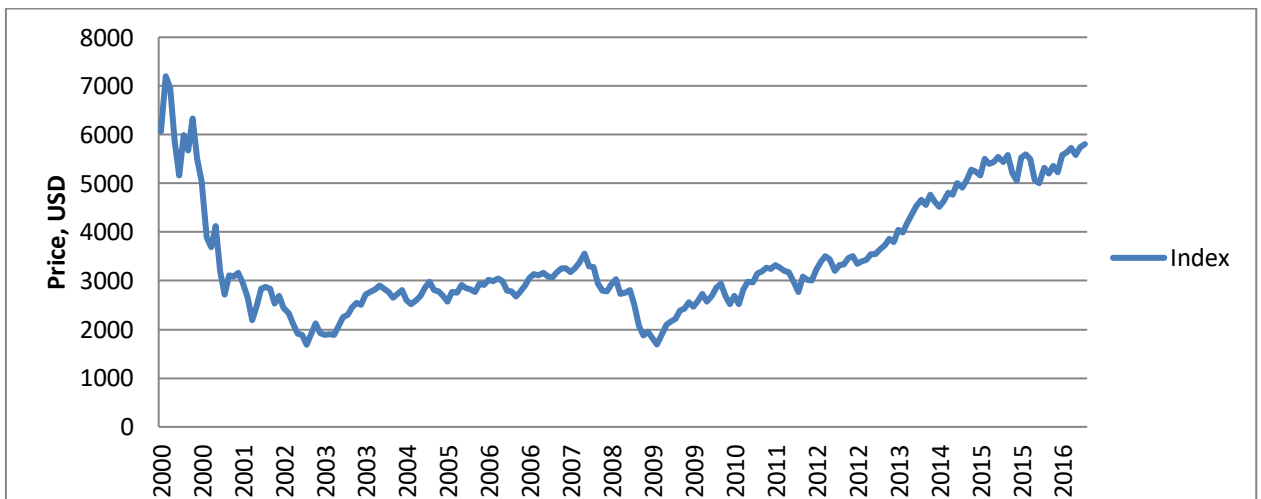


Figure 3.5 – NASDAQ Composite Index, USD [35]

The situation as we can see on the chart is similar to the S & P 500, which means that shares of companies fell in price due to the financial crisis, and reached its previous peak only after 2013.

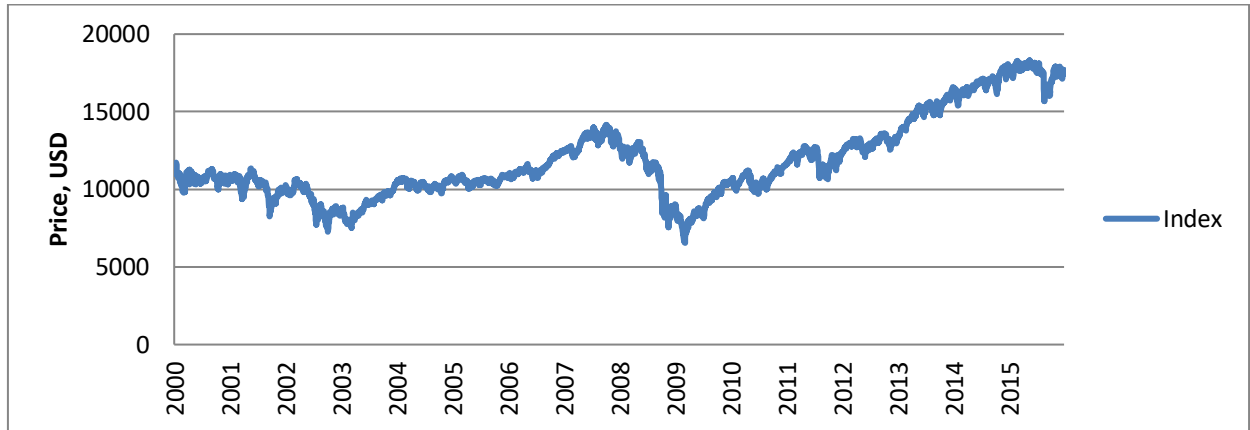


Figure 3.6 – Dow Jones Industrial Average [36]

After the collapse of the bailout program on September 29, 2008, the Dow Jones index lost 770 points, or 6.9 %, the largest single-day decline in the index since the crisis began. This graph shows the similar results as two previous which mean they all show the reaction of entire market to the current changes. The result was that the entire U.S. economy suffered, without mentioning that the financial crisis eventually spread worldwide and brought the global economy to stagnation.

The bottom of the stock market crisis in 2008 was reached on November 20, when the Dow Jones ended trading below 7,600 points and the S&P 500 ended trading below 800. Compared to the beginning of the year, U.S. indices lost an average of 40-45 %. Despite the fact that the indices affect different market segments, their performance coincides. The charts show that the U.S. economy recovered fully only in 2013, when it overcame the previous peak.

Economic development in European economies decelerated in 2007. Eurozone inflation stood at an annual rate of 3.2 % in January 2008 driven by rising energy and basic commodity prices, against a regulatory peak of 2 %.

Causes of the slowdown in the European economy were, among others, the United States slowdown being the major trading partner for Europe, energy and basic commodity prices rising, undermining the ability of European goods to compete. Prior to 2007, the European banks actively lent to US banks, among other things for mortgages. Loss of credit worthiness among Americans and banks'

liquidity contributed to substantial financial losses for European banks in 2007-2008.

Financial panic in the USA and the Federal Reserve's policy of cutting the interest rate triggered a run on loans in the third and fourth quarters of 2007 back to Europe and led to the strengthening of the euro.

European Union inflation reached 3.1 % in 2007, partly due to higher bank rates, which was a contributing factor to the subsequent European credit crisis [37]. But the influence of the crisis varied between the economies, according to the extent to which they relied on foreign demand and credit. Asian economies on the whole have not been overly stressed, albeit there are notable trends across Asian countries and the subregions. Those countries in Asia that are more dependent on exports, notably the Republic of Korea, as well as large parts of South-East Asia, suffered a significant downturn in export demand, with significant side effects affecting the rest of the economy. Economies like Thailand, in particular, were hit by a sharp downturn in the early phase of the crisis due to a drop in external demand. Exports in 2009 fell by 13.9 % and 13.7 % in Thailand and the Republic of Korea and by 21.1 % and 22.3 % in Malaysia and the Philippines respectively. At the same time, those countries that were less dependent on international supply chains encountered far fewer problems, such as India, because its export to GDP ratio is less than that of most countries in East Asia. China's growing manufacturing role has thrown it into jeopardy. At the outset, the crisis hit China's economy hard, as export growth fell to 16.1 % in 2009 [38].

The International Labour Organisation's 2009 report announced that over 50 million employees were at risk of losing jobs around the end of 2009 and that an estimated 200 million people could have fallen below the poverty line, largely people living and labouring in the developing world. These are mainly caused as a result of escalating fuel prices, increasing commodity prices, the fall in stock markets and trends in the depreciation of currencies [39].

## CONCLUSIONS

We have grown up in a society where the crisis is seen as something incredibly scary and invincible, always associated with rising food prices, gasoline, higher unemployment and general human unhappiness. However, from an economic point of view, the crisis is a consequence, not a cause. The crisis is cyclical. According to Marx, the crisis is the starting point of the cycle, rather than its end, since it is the discovery of inaccuracies in the workings of systems that are constantly evolving and undergoing their own evolutionary processes.

Typically, crisis comes after a phase of rapid growth, perhaps accompanied by technical breakthroughs. For example, shortly prior to the Great Depression, people were enjoying life in the roaring twenties, with America gradually becoming a consumer society, women and people of minority backgrounds gaining rights. Meanwhile, there were concomitant factors, such as abandoned and unnecessary farmland, the droughts, the dust storms of the South, migration, stock market speculation, and failed government policies.

We can observe the progressive binding of the financial systems of the world's economies, as vividly expressed in Black Monday 1987, the failure of the system, the behavior of investors, as always aimed at profiteering. This is a downside game. The technical failure, recessionary economies in distant corners of the planet, "on the other side," were so close, and so influential.

Oil crisis 1973 is a glaring indicator of the manipulation and coercion of the political situation through power, when OPEC member states were eager to change the course of history by ridding their adversary of its allies. This crisis is telling because it makes very clear that power is in the hands of the one who has what you want. And to avoid getting into trouble, you need to have an alternative, which Western society later found in Africa and the Soviet Union.

The investment boom at the turn of the millennium is an admirable example of inattention and naivety, which would be repeated in the 2008-2009 Global Financial Crisis, albeit with mortgages.

During the dotcom crisis, the bet was on the new, completely uncertified, completely unknown, unsupported by analytical information, but progressive and guiding to the future, towards expansion. The mortgage crisis twisted on the belief in an infinite demand for houses, with a limited solvent population.

Common traits found in virtually all crises are excessive speculation, leading to financial bubbles and sharp reductions in interest rates in the hope of facilitating lending.

Successful exit from the crises of the XX century was carried out by countries through strong institutions, the circle of support (as Germany and England during the Great Depression), taking control of the financial system and market regulation by the state, reforms to strengthen state institutions (Roosevelt's New Deal), finding alternative sources of oil production, and injections into the banking sector to retain public confidence to banks and to avoid bank runs.

Crisis is an opportunity for development. This is the point at which vulnerabilities open up and it is imminent, so rather than fear, we should study the issue in order to be able to get through it with minimal casualties.

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## Appendix A

### SUMMARY

Sliusarenko A.D. Global financial and economic crises and their consequences – qualification paper. Sumy State University, Sumy, 2022.

The final paper is devoted to the study of world economic and financial crises. The roots and implications of the emergence and nature of crises are described. Interrelations and conditions contributing to the formation of the crisis are deduced. Financial indicators characterized the specific crisis are analysed.

Key words: global crisis, stock market crash, bank panic, bankruptcy, oil shock, financial bubble, mortgage crisis.

### Анотація

Слюсаренко А.Д. Світові фінансово-економічні кризи та їх наслідки – Кваліфікаційна бакалаврська робота. Сумський державний університет, Суми, 2022.

Кваліфікаційна бакалаврська робота присвячена дослідженню світових фінансових та економічних криз ХХ-ХХІ століття. Охарактеризовано причини та наслідки виникнення та природи криз. Взаємодія та умови формування криз сформовані. Проаналізовано фінансові показники стосовно кожної окремої кризи.

Ключові слова: світова криза, біржовий крах, банкова паніка, банкрутство, нафтовий шок, економічна бульбашка, іпотечна криза.