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THE GLOBAL FINANCIAL CRISIS AND ITS IMPACT ON UKRAINE'S ECONOMY

*Vladislav Vynogradov, student,
Sumy State University, Ukraine*

*Maria Troian, Ph.D., As.prof.
Sumy State Pedagogical University, Ukraine*

Against the background of the recent and current global financial crisis traceable to corporate irresponsibility on the part of some financial sector players in developed countries especially the United States of America in the housing and credit markets, many economists and non-economists are raising their voices against globalization of finance. In simple language, globalization of finance is evident as the integration of the financial systems of many countries of the world. On the other hand, the financial crisis describes various negative changes in the financial system evident as the sudden loss of value of assets, banking sector panics, credit crunch, sovereign defaults and stock market crashes among others (Mazurenko et al., 2021; Bozhenko, 2021; Starchenko et al., 2021; Dudchenko, 2020; Yelnikova and Barhaq, 2020; Goncharenko and Lopa, 2020; Eddassi, 2020).

The recent financial crisis has resulted in major losses on the part of individuals and corporate entities and nations even with reports of high-profile businessmen committing suicide following the loss of huge sums of money. This paper thus seeks to look at the problem of the spread and effects of the financial crisis from the scope of one country to another, especially among developing countries.

We can see many views on the causes of the financial crisis and it can include high personal and corporate debt, the inability of homeowners to make mortgage payments, poor sense of judgement by borrowers and lenders, speculation and overbidding during borrowing period, risky mortgage products, complex financial innovation that concealed default risk, lack of proper government regulation. The other important question on the other hand is whether globalization of finance's benefits outweighs the adverse effects (Ziabina et al., 2020; Chukwu and Kasztelnik, 2021; Medani and Bhandari, 2019; Samoilikova, 2020; Yarovenko et al., 2020; Mazurenko and Tiutiunyk, 2021; Pimonenko et al., 2021; Kryvyeh and Goncharenko, 2020; Matsenko et al., 2021; Lazorenko et al., 2021; Oleksich et al., 2021; Mamay et al., 2021; Taraniuk et al., 2020).

The global economic crisis that started in 2008 has engulfed the entire world and has laid waste to the process of globalization that was blamed by many as being the root cause of the crisis.

After the American Investment Bank, Lehmann Brothers filed for Bankruptcy in September 2008, the entire global financial system was at the risk of collapse

because of the integrated and interconnected nature of the global economy.

However, it would not be fair to say that globalization alone is responsible for the crisis and individual governments had a role to play in ensuring that their economies were well regulated and insulated from global shocks (Shkarlet et al., 2019; Vasilieva et al., 2017; Bublyk et al., 2017; Fila et al., 2020; Gallo et al., 2019). This line of thinking holds the view that though the global economy is integrated, a mixture of policies designed to keep the flows of hot money and capital in check and ensuring proper regulation would have gone a long way in insulating the economies of the world from the aftershocks of the global economic crisis. The growth of trade, deliberate removal of barriers and the advancement of technology have led to the integration of the financial systems of nations with each other. This however has both beneficial and adverse consequences depending on what factors are on display at any point in time not minding the present financial crisis in the world.

Globalization, which is promoted by the growth of technology, migration, trade, tourism, currency convertibility and capital account liberalization makes the mobility of capital higher than it has ever been in the history of mankind. Individuals and firms who own idle funds do benefit from the globalization of finance largely through the possibility of reduced risk and improved returns synonymous with global diversification.

There are signs that are used for predicting crisis such as high unemployment, near-bank collapse, and an economic contraction. financial crises occur following either bank runs or a sudden severe drop of asset prices in capital markets, both of which will consequently cause the collapse of big financial and non-financial firms. Using historical data on financial crises around the world, we show that crises are substantially predictable.

The combination of rapid credit and asset price growth over the prior three years, whether in the nonfinancial business or the household sector, is associated with about a 40% probability of entering a financial crisis within the next three years.

Financial crises are substantially predictable byproducts of rapid expansions of credit accompanied by asset price booms that show that rapid credit growth and asset price growth predict banking crises in 34 countries between 1970 and 1999, these are called “early warning indicators”. One critical early warning is “super-exponential growth” in investment returns — 5% in year one, 10% in year two, 20% in year 3, and so on. This was the level of growth that inflated the bubble prior to 2007.

Financial crisis mostly caused by deregulation in the financial industry. That permitted banks to engage in hedge funds then demanded more mortgages to support the profitable sale of these derivatives. For example, in 2007-2009 economic conditions in the United States and other countries were favourable. Economic growth was strong and stable, and rates of inflation, unemployment and interest were relatively low. In this environment, house prices grew strongly. Expectations that

house prices would continue to rise led households, in the United States especially, to borrow imprudently to purchase and build houses. A similar expectation on house prices also led property developers and households in European countries to borrow excessively. Many of the mortgage loans, especially in the United States, were for amounts close to the purchase of a house A large share of such risky borrowing was done by investors seeking to make short-term profits.

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