UDC 332.1

GLOBAL FINANCIAL CRISIS AS A SYMPTOM OF THE MARKET ECONOMY-TURBULENCES IN THE 21ST CENTURY

A. Hetmanchuk, Ph.D., Wroclaw School of Banking, redakcja@wsb.wroclaw.pl,
A. Sucholinski, Ph.D., Wroclaw School of Banking

The transition of world economy into the financial turbulence phase is established basing on the cause and effect analysis of 2007–2009 financial crisis. Specific character of a new kind of cyclical dynamics of global economy is established and main reason for crisis-like phenomena are determined.

Keywords: bank and currency crisis, world financial crisis, mortgage loan, credit risk, derivative financial instrument, unconventional central banks operations, liquidity.

Statement of problem. Crises as such are nothing peculiar or unusual to the market economy as they have been accompanying it since the very beginning. Over time, they occur at differing frequencies and intensities. Long ago, their rhythm mainly depended on exogenous factors. They primarily included non-economic phenomena, basically natural ones, such as natural disasters, poor harvest, epidemics or political factors including social unrest, revolutions and wars. As the market kept developing dynamically, the course of the current economic conditions depended on natural phenomena to a lesser and lesser extent, whereas the importance and gravity of economic factors, including the endogenous ones, increased. However, only the form, type and range of crises change over time, whereas their original cause remains unaltered: it is the progressing unbalance of the economy understood as an economic system or one/many of major links in its chain. Consequently, it inevitably leads to serious turbulences in the functioning economy along with all their potential outcomes.

For once the specific critical mass of the given system is exceeded due to destructive phenomena and/or their combination, a crisis breaks out, this being a « normal » situation to a certain extent. Whenever a crisis is at stake, in most cases, it is equally profound, lasting and fundamental in nature as the preceding wave of unbalance accumulating throughout years. It may frequently reach a truly monstrous magnitude, since the market mechanism does not allow for any correction in due time. On the other hand, the economic politics is usually capable of rapidly defining the sources of such a highly undesirable phenomenon and defy it successfully. What turns out to be fallible in this respect is both the fiscal and monetary policy. Moreover, prolonged maintenance of irrational optimism and expectations of the market players focused on ongoing accumulation of assets and profits, especially among the financial market investors, will eventually lead to a crisis breakout, since the speculative bubble must ultimately crack. « Quoting a well-known investor, Marc Faber: speculative bubbles emerge when we start believing in a birth of a new era under the influence of geographic discoveries, technical innovations or new markets opening up. Each of those breakthroughs triggers economic growth, and when the latter becomes noticeable, the capital instantly occurs, willing to get the most of the boom, and starts over-investing in the 'new economy'. The herd instinct multiplies this effect, and the greed sooner or later deprives people of the capacity to assess the risk. What may save them from madness is only the cracking of the speculative bubble». One way or another, the crisis is intrinsic to the market economy. In certain situations, the new phase of globalisation favours spreading of a crisis as well as its institutionalisation, even if it was of a national or quasi-regional nature at the very beginning.

Analysis of recent papers. *Financial crises – new faces of economic turbulences.* Financial crises are some of the most spectacular macroeconomic phenomena of the 20th century and the beginning of the 21st century. A very useful definition of a financial crisis was proposed by B. Eichengreen and R. Portes, to name just a few authors. It reads as follows:

«A financial crisis is a disturbance to financial markets, associated typically with falling asset prices and insolvency among debtors and intermediaries, which ramifies through the financial system, disrupting the market's capacity to allocate capital within the economy. In an international financial crisis, disturbances spill over national borders, disrupting the market's capacity to allocate capital internationally». It is more and more common that financial disturbances transgress boundaries of economic and integration systems, seriously disrupting the markets' allocation capacity on a global scale. It seems that they have become an inseparable element of the contemporary economy forced to function under conditions of progressing economic, political and social globalisation.

In the past, banking crises were the most frequent ones. They usually emerged as a result of recession leading to non-redemption of loans granted by banks to enterprises and households. Banking crises are some of the most severe and harsh consequences of loosing financial stability, affecting the economy of a country or an integration grouping. In the 1980s and 1990s, there was also a relatively large number of currency crises. They were predominantly due to excessive foreign indebtedness facilitated by rapidly developing globalisation of financial markets. Banking and currency crises constitute specific variants of the financial ones, and the same may be claimed about foreign indebtedness crises as well as the crisis of the financial system and public finance.

Financial crises, by nature, exert a considerable impact on the state of an economy and its developmental perspectives in nearly all countries and integration groupings, but also on the social and political situation worldwide. Their multidimensional and destructive influence on the level of economic and social welfare is measured by numerous methods, including a scale of economic regression in the dimension of lost benefits assuming the form of the GDP and consumption volume and dynamics as well as a drop in the standard of living of societies. The popular British weekly magazine The Economist, at the end of February 2012, published a special «standard-clock» measuring the number of lost years/economic regression due to the global financial crisis of the years 2007–2009. « It shows that Greece's economic clock has been turned back furthest: it has been rewound by over 12 years. Elsewhere in the euro area, Ireland, Italy, Portugal and Spain have lost seven years or more. Britain, the first country forced to rescue a credit-crunched bank, has lost eight years. America, where the trouble started, has lost ten […] Advanced economies have gone backwards by a decade as a result of the crisis». As a result of the global financial crisis, the economies analysed moved back in development by ten years on the average. It is a striking result, since one could have suspected that the regression scale was much smaller, at least by a half.

Crisis-generating financial turbulences often contributed to the poverty escalation in multiple countries, falling of governments and political coalitions and early parliamentary elections, radicalisation of the public feeling and expansion of extremist trends and fractions, and even outbreaks of more or less widespread military conflicts in various parts of the globe. A financial crisis still constitutes one of the largest challenges for governments, national and supranational supervisory authorities, central banks as well as such international organisations as the World Bank and the International Monetary Fund.

Within the last two decades, effective actions undertaken by central banks striving to stabilise inflation on a low level, for the sake of which the direct inflation targeting strategy has been applied abundantly, have led to a permanent reduction of crediting costs translated into a relative increase of the frequency of speculative bubbles occurring in the stock and real estate markets. It is a particularly important factor contributing to the emergence of financial crises in the global economy, particularly when considering the abrupt increase in short-term capital flows in the global system. On the other hand, the rates of return on traditional investments and deposits are highly unsatisfactory for potential investors, including the institutional ones, e.g. insurance companies and pension funds, that seek much more profitable forms of investing their own funds or those they have been entrusted with by channelling enormous cash flows to capital markets as well

as derivative and real estate markets.

There are also transnational capital groups that often resort to the carry trade speculative strategy which consists in incurring loans of low interest rate in a national currency and placing the funds thus obtained in a currency of a country where the interest rate is higher or purchasing financial instruments of potentially high rate of return. Every now and again, one may also suspect what is referred to as speculative attacks oriented on the given currency exchange rate drop. This phenomenon is characteristic of a crisis which has emerged on a currency background. The typical elements most commonly used to perform such an attack include hedging and investment funds, dealing rooms of large banks and sometimes even investors acting via large banks and major financial institutions. The profit thus attained equals the difference between the rate value before and after devaluation. Successful speculative attacks cause considerable damage to the national economy leading to various consequences including, for instance, banks going bankrupt and an overall drop in investors' confidence.

In last two decades of the previous century, a considerable number of financial crises was reported all around the globe, with their scale and range varying, starting from typically local and nationwide ones, to end up with those having a regional and quasi-global impact. Here are some examples: [1] international banking crisis of the year 1982, [2] the crash of Kuwait's Souk Al-Manakh stock market (1982), [3] the crisis of deposit and credit institutions of 1987 initiated by the NYSE crash, [4] the Kidder Peabody bank crash of 1994, [5] the Mexican crash known as the tequila crisis of the years 1994–1995, [6] the crisis of emerging markets of the South-Eastern Asia in 1997 known as the «Asian flu», comprising Thailand, the Philippines, Indonesia, Singapore, Hong Kong and Malaysia, [7] the Russian financial crisis of 1998, [8] the great defeat and collapse of the LTCM (Long Term Capital Management) hedging fund of 1998 and, last but not least, [9] the dot.com crisis, i.e. the crash of the Internet-based speculative bubble also referred to as the dot-com bubble, comprising hi-tech IT companies and related sectors, which took place in the year 2000. Situations when sudden changes take place at the financial market in relation to insufficient liquidity and solvency of the market entities, consequently leading to a production decline or augmenting the decline which has already occurred, will happen more and more frequently in the global economy. It seems reasonable to claim that the age of financial turbulence is upon us.

Aim of the paper. The purpose of the paper is to provide a brief analysis pertaining to one of the most intriguing phenomena affecting the market economy, being destructive by nature at the same time, namely crises.

Materials and methods. The history of global economy and international economic relationships had never before seen a crisis of a truly global range, affecting the global financial system en block. The financial crisis which broke out in mid-2007 in USA led to extremely serious disturbances and intensified the distrust towards the whole global financial system. Its direct cause was a rupture of an enormous bubble of the American market of high risk mortgage loans. The mortgage loan market in the United States had been developing extremely well for decades, enabling millions of people to make their «American dream» come true and own a house. In the year 2004, an many as seven out of ten Americans were owners of real property.

The mechanism triggering the global financial crisis was a fairly simple one, as a matter of fact. The American banks started granting more and more mortgage loans to persons whose financial capacity proved insufficient to service the loan and interest instalments without too much trouble, whereas the risk of the loan redemption failure was high at the same time. The scale of subprime loan increased considerably in the years 2004–2006, since their share in the total volume of mortgage loans was approaching 20% and was 3 to 3.5 times larger compared to the years 1997–2003 on average, the direct consequence being also an increase in the number of house owners as the home ownership ratio was nearing 69%. For the sake of comparison, in the years 1985–1995, the same ratio came to ca. 64%. It accounted for a nearly 8 per cent leap. Such a considerable increase started in 1996. Both phenomena have been illustrated in Fig. 1.

The loans in question (i.e. subprime mortgage loans) had backed the structured bonds massively sold for investing and speculative purposes by privately-owned financial institutions, including the largest American and European banks. The number of subprime loans which, after being combined in packages (repacked), were subject to securitisation increased from 32% (in the mid-1990s) to 81% in 2006. For comparison, the securitisation process comprised merely 1% of the total volume of mortgage loans granted in 1965.

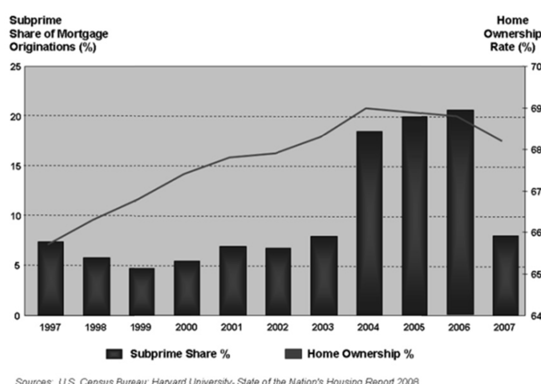

Fig 1. Share of high risk subprime mortgage loans in the overall credit volume of the American economy and the home ownership rate in the years 1997–2007

The awareness of the high risk involved in handling those bonds was relatively small, since the real estate market growth was being observed starting from 1997. Furthermore, major credit rating agencies, such as Fitch Ratings, Moody's and Standard & Poor's, gave them high ratings, thus creating an impression that investing in these debt securities was safe. Under such conditions, the speculative bubble of mortgage loans was expanding very rapidly, ultimately posing an actual threat not only to the real estate market, but also to the entire banking and financial system, since investment banks and financial agencies did not gather appropriate reserve to secure the growing risk of the credit bubble eventually bursting. They would frequently resort to application of a specific financial market product, namely the CDO. The CDO (Collateralised Debt Obligations), being financial engineering instruments after all, were extensively used to transfer the risk from the subprime mortgage market. What is particularly worth stressing is that, in nearly 60% of cases, such debt securities were backed with the ABS (Asset-backed Securities) of a higher risk level. Moreover, the market of derivative credit instruments started developing very rapidly, with the most popular instruments being the CDS (Credit Default Swaps) which enabled the credit risk to be covered with insurance. The grounds for such securities are generally provided by the ABS, including those referred to as junk bonds. Various forms of insurance procured by financial institutions did not cause an actual risk reduction, since they kept performing more and more risky operations in order to constantly multiply the profit. On the other hand, even the most sophisticated insurance forms do not reduce the real risk, as they only move it or transfer to other entities, which, by no means makes the risk disappear. Caused by the new situation and new relationships formed between the market players operating in this sphere, the credit risk related costs were ultimately incurred by investors having purchased in good faith the derivative credit instruments, namely those given high ratings, and when there was no securitisation envisaged – by banks and depositors. Fig. 2 depicts the securitisation market development in the first decade of the new millennium.

Between the years 2000 and 2006, the securitisation market was developing at a very high rate, especially in the two-year period of 2005–2006, with particular dynamism observed in the sphere of such instruments as RMBS and CMBS, i.e. specific forms of mortgage-backed bonds. In 2006, the highest increase was reported for the CDO used to transfer the risk away from the subprime mortgage market.

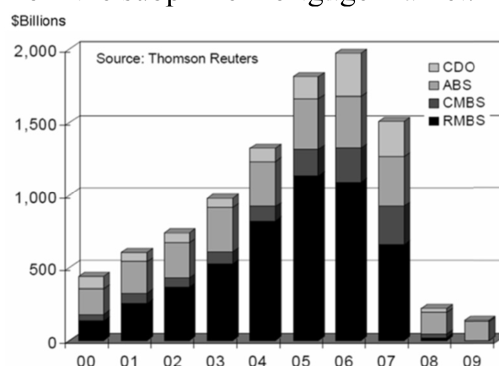

Fig 2. Securitisation market including its instruments in the years 2000–2009

Explanations: CDO – Collateralized debt obligations; ABS – Asset-backed securities; MBS – Mortgage-backed securities; CMBS – Commercial mortgage-backed securities; RMBS – Residential mortgage-backed securities.

The American central bank began the multiannual cycle of the monetary policy alleviation after the American economic recession by decreasing interest rates from 6.5% (as of 16th May 2000) to 1 percentage point (as of 25th June 2003). Such a low level of interest rates encouraged potential borrowers to incur further loans willingly granted by both banks and other credit institutions. Moreover, low interest rates both in USA and in other highly developed countries led to a rapid growth of the credit volume in these countries as well as caused a sudden increase in prices of various assets, such as, for instance, shares, real estates or raw materials. The pursuit of maximised rates of return without sufficient assessment of the actual value of assets and the investment risk involved eventually started the process of detaching market evaluations from their foundations, the outcomes of which could be observed as speculative bubbles emerging in various markets.

The situation changed completely in mid-2006. On 29th June 2006, Fed raised the base interest rate to the level of 5.25% causing a considerably higher interest encumbrance for massive numbers of debtors, and at the same time, the attractiveness of free capital investment in real estate dropped. Many borrowers (USD 376 billion in subprime loans of the ARM type, i.e. adjustable rate mortgage) were also forced to face a change in the principles of charging interest on different products. For a large group of people, the crediting costs became too high compared to their earning capacity. Consequently, more and more borrowers started going bankrupt and banks were forced to struggle with a problem referred to as bad credits on a wide scale. The first wave of interest rate increases triggered millions of mortgage foreclosures due to unpaid liabilities caused by insolvency. Many borrowers simply stopped settling their mortgage-backed financial liabilities. In 2007, ca. 1.3 million households discontinued paying off credit instalments. Real estate prices suddenly stated falling. Under such conditions, banks commenced mortgage foreclosures and attempted to sell the encumbered houses by generating additional real property supply, which actually accelerated the process of price declines in this market even more. In mid-2007, subprime obligations turned out to be securities without backing. The increasing individual insolvency of mortgage borrowers who had incurred high risk loans triggered overall turbulences related to the irregularity of pay-offs and shortage of cash in the credit market. The consequences included instability of financial institutions and a massive threat of non-redemption of the liabilities incurred.

The crisis dealt the most powerful blow on a wider scale much later. Not until the turn of August and September 2008 did information on further credit institutions going bankrupt or facing the threat of bankruptcy, particularly the ones most significant from the perspective of national and international financial systems, start flowing in a continuous stream. On 15th September 2008, Lehman Brothers, one of the largest financial institutions in the world, announced bankruptcy. Already in the year 2007, this bank managed capital of more than USD 28 billion and could legally apply the leverage ratio of 30 to 1, which meant that they could invest borrowed capital 30 times higher than their equity capital. Such a strategy ensured enormous profits when applied under the conditions of economic boom, however, in times of the crisis induced turbulences, it only contributed to the tycoon's fall. As a consequence of the subprime mortgage crisis and the related crisis at the market of mortgage-backed securities, an investment bank of 158 years of tradition collapsed which caused the value of companies listed at the New York Stock Exchange to drop by USD 400 billion. Despite the capital increase of several billion dollars, which took place in June 2008, Lehman Brothers still generated loss. The value of the bank's shares dropped from 67 to 14 dollars, i.e. by ca. 80 per cent, within one year. On 12th September, LB's Wall Street stocks were subject to price reduction by 41.79% and their value came to 4.22 dollars. Further price declines took place on the successive days and the company's shares dropped by another 10 per cent once their price

reached 3.79 dollars. The date of 15th September 2008 is commonly perceived as a symbolic beginning of the financial crisis, which flooded the entire world. According to Alan Greenspan, former Federal Reserve Chairman, the collapse of Lehman Brothers became the flashpoint of the most severe crisis in the history of finance. The worldwide disappearance of credit supply from the market within just a few hours or days after the fall of such a large investment bank as LB was an unprecedented event.

The scale of the phenomenon in question as well as the speed of its propagation occurred to be a huge surprise for experts and shook the foundations of the most powerful economies of the world, these including the American economy in the first instance, which was completely understandable, but after about several weeks only, other significant economies, including the European ones, sustained serious damage. The huge wave of global financial crisis rapidly spread upon the economies of Germany, the United Kingdom, Italy, Spaine, Japan or Russia as well as a number of other countries such as Argentina, Belgium, the Netherlands, Iceland, Ukraine or Hungary. The outcomes included the economic growth stoppage, slowdown and recession. The financial crisis became global.

Another important aspect of the real estate market breakdown in USA was also the mechanism of mortgage banking expansion generating fallible indications for risk management, mainly due to the revaluation of collaterals. A specific characteristic, or even a typical feature of the process of granting long-term credits, became the systematic avoiding of credit risk by most financial market players. The difficult market and the increasing competition were enough of motivation to offer mortgage credits without appropriate backing in property, frequently exceeding the purchasing value of the given real estate.

Moreover, the loan sellers, namely bank's agents or employees, were usually remunerated progressively by the job, hence the more loans they sold, the higher the margin they received, however, none of them incurred the credit risk. Under such circumstances, the risk was completely taken over by the creditor and/or the potential credit insurer. On the other hand, the credited party was also relieved of the risk when no own contribution was required to be granted the loan. At the same time, the crediting parties were addressing more and more extensively a group of borrowers characterised by increasingly inferior borrowing power and actual capacity to service the loans incurred. Creditors tried to transfer the risk, or even literally offload it upon other market players by means of a more and more popular process of issuing securities backed with a pre-selected group of assets. Owing to the mechanism of securitisation based on repurchase of liabilities using the funds obtained by issuing bonds, not only were they able to transfer the credit risk to institutions being unprepared to handle this kind of risk, particularly the structural, legal and third party risk, but they could have also triggered a decline in the banks' interest in a long-term crediting policy, including the credit administration, the potential vindication and the advisable restructuring.

In the risk transfer process, the related fees were charged by such entities as special purpose vehicles (SPV), credit rating agencies (CRA), swap partners, the issue agent and distributor as well as investment banks, however, all of them were also avoiding the risk. Furthermore, the conflict of interest between rating agencies remunerated by debtors as well as the lack of transparency and supervision in their actions only increased the risk of mutual distrust between the credit market players, thus multiplying the hazard of financial turbulences. The increasing complexity of debt instruments subject to rating assessments often turned out to be a facility in granting ratings understating the actual investor's risk level. Credit rating agencies assessing the debtors' credibility would commonly inflate the ratings (inflated ratings), intentionally misguiding potential creditors, creating a pseudo-objectified substructure and an impression of safe investing in otherwise toxic debt securities. On the other hand, the fact of being given an investment rating was indeed of major importance for the success of releasing a new issue to the financial market. For the debt rating is decisive in the process of evaluating securities being issued, and the higher the assessment of financial instruments, the lower the costs of acquiring capital by their means.

Besides the direct micro-economic sources of the financial crisis of 2007–2009, also macroeconomic factors played a significant role in its outbreak and expansion. These were mainly related to the global imbalance asymmetrically increasing for at least a decade. One of the sources of this harmful phenomenon could be found in the accumulation of savings in emerging economies, especially in Asian countries and those which exported petroleum, under the conditions of relatively poorly developed system of financial agency hindering the investment of unallocated funds in domestic economies. On the other hand, the savings rates reported by highly developed countries, with the American economy to be mentioned in the first place, were clearly too low compared to the financing needs of the economic growth and development of these countries. The situation evolved to finally reach a point when a fair share of the current turnover deficit in the United States was covered through purchasing American debt securities by Asian central banks and, to an increasing extent, by public institutions managing currency reserves in petroleum exporting countries. The globalisation processes deepened these unfavourable trends even further, especially when considering the fact that China, with its immerse human and economic potential, joined the global economic elite.

Countries could not succeed in the struggle against the global economic crisis, simultaneously becoming overindebted and taking to extremes their own financial credibility, which had been damaged for some time anyway. One may speak of five Eurozone countries being most indebted against GDP. They are Greece (150.3% of GDP), Italy (126.1%), Portugal (117.5%), Ireland (111.5%) and Belgium (102.5%). Their debt considerably exceeds the European Union average (84.9%). In response to the aggravating financial crisis, they could no longer resort to fiscal easing without having contributed to further escalation of the indebtedness crisis and ruining the public financing system. Moreover, the financial efforts undertaken by states usually require a comprehensive, multiple stage legislative procedure involving the parliament, and therefore they are characterised by little flexibility compared to rapidly changing circumstances and conditions. In order to regain financial credibility, a country needs at least two years, and the current situation must be responded to on day-to-day basis.

Under such conditions, the gravity of the struggle against the global financial crisis was clearly shifted towards central banks, mainly established to fight inflation and to ensure long-term stability of the money purchasing power. However, central banks operating all around the world can make use of one important feature and advantage compared to fiscal authorities, namely they can respond rapidly and decisively, resorting to such options as extraordinary purchase of bonds prior to their maturity deadline or « printing additional cash » and hence increasing its supply by electronic means on a relatively low actual risk of strengthening inflation processes in a short period of time, since when the economic growth is weakening, the threat of price acceleration is becoming less imminent. Such emergency solutions have recently been applied by the largest central banks in the world, just to mention the American Fed and what is referred to as quantitative easing (QE) in the successive 3 parts (QE1, QE2 and QE3), whereas EBC resorted to an unlimited bond-buying programme at the beginning of September 2012. The foregoing are truly unconventional efforts, undertaken under pressure of the current extraordinary facts and circumstances occurring in the global economy rather than resulting from the monetary policy strategies envisaged under normal conditions. However, such an option is not completely free of flaws and threats, particularly long-term ones. Central banks operating at the first frontline of the struggle against crisis provoke the question about the way to maintain their credibility as they are some of the most important public trust institutions performing anti-inflation functions. One may even question the very efficiency of the monetary policy as such, particularly with regard to the rapidly increasing balance total of central banks and long-term consequences of the liquidity aid schemes, and especially the threat of a high inflation wave. Experts were considerably differing in their perception of this matter, some being affirmative with others purely polemical.

However, due to editorial limitations imposed upon this article, they have not been analysed in detail. Only one of such opinions commenting upon the said actions has been quoted below as the authors of this article felt obliged to stress certain issues, being concerned about the same hazardous scenario possibly repeating itself, resembling what happened in the global economy in the years 2007–2009.

Fed's activities were directly criticised by S.S. Roach, former Chairman of the Asian branch of Morgan Stanley. He claims that «…the Fed has turned to the quantity dimension of the credit cycle – injecting massive doses of liquidity into the collapsed veins of zombie consumers. To rationalize the efficacy of this approach, the Fed has rewritten the script on the transmission mechanism of discretionary monetary policy. Unlike the days of yore, when cutting the price of credit could boost borrowing, « quantitative easing » purportedly works by stimulating asset and credit markets. The wealth effects generated by frothy financial markets are then presumed to rejuvenate long-dormant « animal spirits» and get consumers spending again, irrespective of lingering balance-sheet strains. There is more: Once the demand problem is cured, according to this argument, companies will start hiring again. And then, presto–an unconventional fix magically satisfies the Fed's long-neglected mandate to fight unemployment. But the Fed's policy gambit has taken the US down the wrong road. Indeed, the Fed has doubled down on an approach aimed at recreating the madness of an asset- and credit-dependent consumption model – precisely the mistake that pushed the US economy toward the abyss in 2003–2006. » The authors of this article agree to a large extent with the analysis proposed by the former Morgan Stanley chairman. As long as the international economy keeps struggling with the effects and consequences of the global financial crisis, any reliable answer will be extremely difficult to provide, and this will remain to be a challenge for economists, analysts and politicians for the incoming years.

Conclusions. Crises have been inextricably linked with the market economy since its very beginnings, ultimately becoming an intrinsic part of the mechanism of its cyclical development. The processes of globalisation, along with the latest, high-end phase involving information technologies, constitute potential grounds for crisis-like phenomena to intensify in a dimension previously not experienced, characterised by general systemic nature, transgressing borders of countries and integration groupings. The mega-crisis of the years 2007–2009 revealed serious shortcomings of the international economy functioning as a global economic system, including structural, regulatory and, last but not least, coordinating deficiencies of global scale in particular. Numerous other drawbacks became apparent as well, just to mention the imperfect risk management in banks and financial agencies as well as uncontrolled growth of complex financial instruments, which led to a very profound, global breakdown of the financial system. If it had not been for the interventions of governments, monetary and supervisory authorities, which clearly involved very high costs being incurred, banking and financial systems of numerous countries would have most probably collapsed.

The experiences of the 2007–2009 financial crisis triggered a global discourse on the necessity of introducing changes to the global architecture of the financial market and supranational supervisory regulations as well as altering the way of thinking about risk, financial engineering instruments and stability of the entire financial system in its global dimension. For one conclusion seems absolutely unquestionable: the global economy has entered the age of financial turbulence.

Literature

1. Bień K., Chądzyński M., «Gdy wzrost gospodarki słabnie inflacja mniej straszy», [2nd October 2012], www.obserwatorfinansowy.pl.
2. Eichengreen B., Portes R., « The anatomy of financial crises», NBER Working Paper 2126, January 1987.
3. «European economy guide», [15th November 2012], www.economist.com.
4. «European government debt – graphic of the day», [1st November 2012], www.thomsonreuters.com.
5. Federal Reserve Bank of New York, Historical Changes of the Target Federal Funds and Discount Rates, [5th January 2013] www.newyorkfed.org/markets/statistics.
6. French D., « How to Fix the Housing Crisis», [4th November 2011], www.mises.org.
7. H. Kozieł, «Instrumenty finansowe

gospodarczej zagłady», [4th August 2011], www.ekonomia24.pl.

8. «Lost economic time. The Proust index», The Economist, [25th February 2012], www.economist.com.

9. «LTCM – geniusz, potęga, upadek», [14th January 2005], www.parkiet.com.

10. Neumann J., Perez E., Eaglesham J., «U.S., S&P Settle In for Bitter Combat», [5th February 2013], www.online.wsj.com.

11. Orłowski W. M., Świat do przeróbki. Spekulanci, bankruci, giganci i ich rywale, Agora SA, Warsaw, 2011.

12. Ostałecka A., Kryzysy bankowe i metody ich przezwyciężania, Difin, Warsaw, 2009.

13. Pieńczykowska J., «Na kontach mamy aż pół biliona! Ale kiepsko ulokowane», [9th October 2012], www.polskatimes.pl.

14. «Quantitative Easing», [5th January 2012], www.investopedia.com.

15. Reinhart C.M., Rogoff K.S., «The Aftermath of Financial Crises», [19th December 2009], www.economics.harvard.edu.

16. Roach S.S., « Macro Malpractice», [30th September 2012], www.project-syndicate.org.

17. Siemionczyk G., «Waszyngton rozlicza agencje ratingowe» », [6th February 2013], www.ekonomia24.pl.

18. Sławiński A., Rynki finansowe, PWE, Warsaw, 2009.

19. Smith M. H., Smith G., Thompson C., « When is a Housing Bubble Not a Housing Bubble? », [7th January 2012], www.economics-files.pomona.edu.

20. Smoczyński W., «Świat na bańce», [13 October 2009], www.polityka.pl.

21. Soros G., Nowy paradygmat rynków finansowych, MT Biznes Sp. z o.o, Warsaw, 2010.

22. Thlon M., «Rozwój sektora kredytów subprime – druga odsłona American Dream», [23rd October 2008], www.ekonomia24.pl.

23. Thlon M., «Świetność i upadek. Historia banku Lehman Brothers», [22nd October 2008], www.bankier.pl.

24. «Upadek banku Lehman Brothers zapoczątkował najgorszy kryzys w historii finansów», [5th August 2010], www.forsal.pl.

25. «USA: Ministerstwo sprawiedliwości żąda 5 mld dol. od agencji ratingowej S&P», [5th February 2013], www.wyborcza.biz.

26. «What is economic crisis? definition and meaning», [6th January 2013], www.businessdictionary.com.

27. «What is securitization? », [9th January 2012], www.investopedia.com.

На основі аналізу причин і наслідків фінансової кризи 2007–2009 рр. встановлено перехід світової економіки у фазу фінансової турбулентності. Виявлено специфіку нового виду циклічної динаміки глобальної економіки та визначено основні причини розгортання кризових процесів.

Ключові слова: банківська і валютна кризи, світова фінансова криза, іпотечні кредити, кредитний ризик, похідні фінансові інструменти, нетрадиційні операції центральних банків, ліквідність.

На основе анализа причин и последствий финансового кризиса 2007–2009 гг. установлен переход мировой экономики в фазу финансовой турбулентности. Выявлена специфика нового вида циклической динамики глобальной экономики и определены основные причины разворачивания циклических процессов.

Ключевые слова: банковский и валютный кризисы, мировой финансовый кризис, ипотечные кредиты, кредитный риск, производные финансовые инструменты, нетрадиционные операции центральных банков, ликвидность.

Рекомендовано до друку д. е. н., проф. Єрмошкіною О. В.