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THE MAIN ORIGINS OF THE FINANCIAL CRISES

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Crises accompany the whole history of human society. Initially, they were manifested as crises in the underproduction of agricultural products, from the middle of the 19th century – with the development of the capitalism– as an imbalance between industrial production and effective demand. During two centuries of the formation and development of the world industrial society, crises occurred in the economies of many countries. There was a decline in production, the accumulation of unrealized goods on the market, a fall in prices, the collapse of the mutual settlement system, the collapse of banking systems, the ruin of industrial and trade firms, a sharp leap in unemployment.

In the XIX century and the first half of the XX century, the world faced several international financial crises. Economic crises until the twentieth century were mostly confined to the borders of one, two or three countries, then they acquired an international character. In the postwar period, under the Bretton Woods currency system, there were several currency crises associated with the adherence of countries to a fixed exchange rate of the national currency. At that period there were few bank crises, and they did not have a wide economic effect.

The financial crisis is a deep disorder of the state financial system, accompanied by inflation, instability in the rates of securities, and that is manifested in the sharp inconsistency of budget revenues with their expenditures, instability and falling exchange rate of the national currency, mutual non–payments of economic entities, etc.

At least, there are two types of international financial crisis. The first type – currency crisis – involves the loss of confidence of speculators to the national currency, which leads to the flight of capital. In other words, several countries may be subject to currency crises while the rest of the world still maintains both financial and macroeconomic stability. As currency crises often lead to the introduction of capital control, which prevents the servicing of debts in foreign currency, the loss of confidence in the national currency is often accompanied by the collapse of borrowings in foreign currency. Currency crises are divided into the following four groups:

•The simplest, actual currency crisis, or the balance of payments crisis;

•External public debt crisis (financial), leading to foreign exchange crisis;

•External debt crisis of private borrowers (bank), which may also lead to a foreign currency loan;

•Internal crisis, i.e. nominated in national currency, of debt (private or public)[1, c. 64].

A crisis of the first type is fixing the exchange rate of the central bank at a level that contradicts other goals of monetary policy. The ability to maintain a fixed rate in this situation is determined only by the size of the central bank's foreign exchange reserves. The creation and storage of foreign exchange reserves, of course, involves costs. The funds that are spent by central banks for the acquisition of gold and foreign currency could bring a higher interest income when investing in the domestic market and be used to finance domestic investment. That is why the volume of foreign exchange reserves, as a rule, does not exceed the value of imports for several months and the export of capital within a few days.

The second type of currency crisis is due to excessive accumulation of public debt, when investors have doubts about the ability or desire of the government to service its debt regularly. An unexpected loss of confidence in the borrower state by creditors causes the latter to return their unexpectedly riskier investments ahead of schedule, which in turn is equivalent to an attack on the currency and can lead to depletion of reserves and a currency crisis. The currency crisis, caused by an excessive increase in the external debt of private entities and banks, can happen even when the public debt is in order.

The fourth type of currency crisis is closely related with the previous ones, firstly, because with excessive accumulation of public debt denominated in national currency and inadequate state budget revenues for servicing this debt, the debt will most likely be financed through monetization of budget deficits, and this in eventually lead to inflation and devaluation.

Another type of crisis is related to the loss of confidence in the real assets and is called contagious crisis. By definition, a contagious crisis occurs when a financial meltdown in one country speeds up the financial collapse in other countries and generates a worldwide recession. Examples of global contagious crises:

1) Great Depression in the United States of 1929–1933. The boom in the stock market, followed by the extremely strong fall in US stocks, put the US on the brink of disaster.

2) Financial crisis of 1973. So–called "energy crisis" led to an increase in oil prices. The cost of a barrel increased during the year from $ 3 to $ 12. The real incomes of the working people have fallen everywhere.

3) The financial crisis of 2007–2008. The crisis that began in the United States in 2007 arose on the basis of cheap credit resources, access to which was provided even to unreliable borrowers [2, c. 8].

The example of economic crisis in Belarus is the financial crisis of 2011.

The financial (economic) crisis of 2011 in the Republic of Belarus is a complex of phenomena in the country's economy caused by the long negative trade balance and the costs of the elements of the administrative and command system in the economy and exacerbated by the rush demand for foreign currency and wage increases before the presidential elections 2010 year.

The crisis manifested itself in the shortage of currency, the fall in the profitability of imports, the growth of prices and the drop in the purchasing power of the population as a result of more than 50% devaluation of the Belarusian ruble. Despite the devaluation and the introduction of anti–crisis regulation of the economy, the crisis phenomena did not disappear, and inflation exceeded the forecasted values many times over.

As a result of the crisis, the National Bank's rate of the dollar for 2011 increased from 3000 to 8500 Belarusian rubles (before denomination), the aggregate devaluation for only ten months was 189% [3]. Due to the lack of currency in the exchange offices in March–April, a black market was formed, where the dollar rate reached 8000–9000 rubles by September. For individuals, a presidential decree of October 6, 2011 introduced the requirement to produce an identity document when buying foreign currency (canceled in May 2017).

The cause of economic crises is the basic contradiction of capitalism – between the social character of production and the capitalism form of appropriating its results. The division of labor, the specialization of production, co–operation in industry, bind capitalist enterprises into a single economic mechanism, for the normal functioning of which it is necessary to observe certain proportions between industries. But the domination of private property and the anarchy of production generated by it, fierce competition, the exploitation of labor by capital lead to a permanent disruption in the proportions of reproduction. Some of these violations are eliminated spontaneously, while others are amplified and accumulated.

As the production of goods crosses the border, set by narrow limits of effective demand of the consumers, economic crises take the form of a general overproduction of goods and the overaccumulation of capital. Economic crises complete one capitalist cycle and clear the ground for the next by correcting the disturbed proportions between the accumulation of capital and consumption, the production of means of production and the production of consumer goods. Economic crises sharply exacerbate class contradictions, since the entire burden of the disasters that they bring falls primarily on the shoulders of the working people. This causes an intensification of the class struggle, during which the self–consciousness of the working class, its organization and cohesion grows.

Economic crises lead to huge economic losses for society, since during these years a part of the production is idle and hundreds of thousands and even millions of working people are losing their jobs.

First of all the timing of the offensive, the depth and duration of economic crises depend on the degree of violations of the basic proportions of reproduction during economic upsurge. But, in addition, financial crises are capable of self–generation, since in the course of them the purchasing power of workers usually falls (due to rising unemployment and shorter working hours), which further complicates the conditions for the sale of goods and prevents the restoration of a temporary equilibrium between capital accumulation and consumption.

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