

Research Journal of Pharmaceutical, Biological and Chemical Sciences

Global Financial And Economic Crisis In Russia: Trends And Prospects.

Irina Viktorovna Taranova^{1*}, Irina Mikhailovna Podkolzina¹,
Viktoriya Vladimirovna Prokhorova², Oksana Nikolaevna Kolomyts²,
and Elena Mikhailovna Kobozeva².

¹Stavropol State Agrarian University, Zootekhnicheskiy lane 12, Stavropol 355017, Russia.

²Kuban State Technological University, Moskovskaya str., 2, 350072 Krasnodar, Russia

ABSTRACT

The article examines the features of the economic crisis in Russia against the backdrop of the world economic processes inherent in most other countries. According to the author, these features do not always allow us to apply the same recipes that the world community is developing. In addition, in a number of cases there are attempts to write off on the world crisis those phenomena that arose as a result of mistakes in the national economic strategy, and the crisis only aggravated them. Tendencies of economic development in the conditions of the world financial crisis show that effective pricing regulation ensures stable economic growth and price stability is the key to creating a competitive environment. It stimulates higher labor productivity and lower costs. The world market economy regulation system should include tools for controlling pricing.

Keywords: financial crisis, financial market, financial risks, estimated index, currency relations, financial sector.

**Corresponding author*



INTRODUCTION

At the moment, there is no more popular topic around the world than the financial crisis, it is discussed by everyone, beginning with politicians who are not at all burdened with even basic economic knowledge, and ending with experts - financial analysts whose positions, by the way, are quite similar in determining the origins and the analysis of the passed stages, however they differ considerably in forecasts and questions of anti-recessionary measures.

The world has already experienced the economic crisis many times and, in the light of the current political battles, can enter a situation similar to the one that developed in 2008. According to forecasts, it will be more uncontrollable and catastrophic. The global economic crisis is provoked and fueled by the United States and the European Union, against whose monopolistic line Spain and Greece are ready to perform in the agrarian market. The production of shale gas in Europe, which America counted on, is curtailing. It was abandoned by the Baltic States, Poland and Ukraine.

The root cause of the global financial and economic crisis - the sub prime crisis in America (and, to put it more simply, the mortgage crisis for borrowers with low creditworthiness), certainly has its significance in the emergence and development of crisis manifestations in the real economy, financial and social spheres. But, rather, the mortgage crisis played the role of a kind of trigger, and the charge itself (the causes of the crisis) is still looking for a few in a different plane.

The sub prime crisis itself arose from the fact that in the US (and not only there), mortgages were actively issued to borrowers who did not have sufficient reliability, with a dubious ability to pay them. But since the mortgage itself is a loan secured by real estate, the market was "fed up" with liquid real estate, prices began to fall, which ultimately led to the collapse of the mortgage in the US and, as a result, the bankruptcy of many banks and non-bank credit organizations.

In other words, the money that was pledged was significantly higher than the value of the mortgaged property itself, which in itself is contrary to the nature of the mortgage, and policies aimed at a stable increase in the value of real estate, as a result proved to be untenable, as well as attempts to raise interest rates on mortgages, since the share of non-creditworthy borrowers in the total volume of mortgage loans was simply enormous.

But, despite the fact that the mortgage is an important part of the real economy, it should be borne in mind that the mortgage issue is carried out for real values, and it is unlikely that even serious negative phenomena in this area could lead to the collapse of the world monetary system. The world currency market deserves more attention, the daily (!) Volume of operations on which is almost one-sixth of the total US mortgage debt.

In fact, from this monster depends directly or indirectly the economy of virtually all world players (countries). This dependence was aggravated by a new configuration of currency relations, which came to replace the "gold standard of money", when the fixed value of the gold content of paper money provided stable exchange rates.

Today, the money actually lost its commodity base, became more virtual (which is quite consistent with the processes of globalization and accelerating the development of the economy), and exchange rates have shifted from fixed hard to "floating" and changing every day. This created a fertile ground for receiving money from money, in other words, profit from speculative operations. This was not slow to affect the quality content of currency market transactions.

By the time the crisis began, the share of speculative transactions had already exceeded 90% abroad, and 5-7% of transactions related to the real economy could not support the very functionality of the foreign exchange market. Banks de facto have become structures that serve speculative cash flows. The share of "real strong" money in the structure of liquidity of commercial banks approached a meager threshold of 1%, and the remaining near money (in the "almost money") were not slow to show their negative attitude towards confidence in these financial institutions.

It is understandable that for a long time this could not continue, and the global financial crisis, provoked by the mortgage crisis, quickly "gain momentum". In the future, everything began to resemble a swaying boat.

The panic, which naturally arose after (and before) official recognition of the manifestations of the crisis, caused a massive outflow of investments, a significant portion of which is the deposit investments of the population, hastily "taking out" their savings from swinging financial structures. And this, in turn, led the latter to a loss of liquidity and the threshold of bankruptcy.

Banks that are forced to maintain liquidity of their assets have ceased to lend, and the mass of enterprises that do not have the ability to refinance and provide for their production has begun to reduce staffing, and in many cases simply close.

The dismissal began to take an awesome global scale, and the growth of unemployment and, of course, the solvency of the population again hit the same financial structures. The boat began to swing more and more, and now the question whether it will be possible to protect it from complete flooding, has become not only relevant but vital.

RESULTS AND DISCUSSION

One of the factors of the impending crisis was the decline in oil prices. The development of new wells, as well as their exploitation, will rise sharply. Oil companies will not invest in them, oil will enter the market in much smaller quantities. Result - the price of it will rise. The US is ready to review its own bans and start exporting oil, as well as to increase the export of liquefied gas. Western Europe in 2017 can cover a wave of strikes caused by unemployment and hunger. Muslim forces are gaining more and more strength. There are suggestions that they will provoke a civil war in Yugoslavia, are intensifying in southeast Asia. In particular, it is possible that the Philippines from the Christian will turn into a Muslim state.

The Russian economy, one way or another, is connected with the world, so all the crisis phenomena will have real consequences for it. Everyone in their experience can notice that the overall state of both the regional and global economy has a strong impact on the standard of living. This was especially felt by Russians in late 2014 and early 2015, when the national currency of Russia (the ruble) depreciated sharply.

Such a strong influence of macroeconomics on the life of a common man pushes him to keep track of what is happening up there in the markets so that on one not very beautiful day one will not have a completely broken trough. Over time, this person's view of the economy can be formed into some kind of integral model.

Unfortunately, the dollar as a world currency, for a long time considered the main for the storage of capital in all countries of the world, inevitably crashes. Even the current US president admits that such an outcome of events in the second wave of the crisis will completely undermine confidence in the dollar. If in the first wave of the crisis precursors of a recession in the world economy were speculative prices for real estate and basic natural raw materials, then the "first swallow" of the second wave of the crisis will be the fall of the dollar. While financial analysts are engaged in preliminary forecasts of the situation during the second wave of the global crisis, large businessmen and small private entrepreneurs are concerned about the preservation of their capital. Experts believe that this year should not recklessly invest their capital in long-term projects, since in all likelihood they will not survive market positions during the economic crisis of the company and the firm with 3 years of experience and less.

If you invest in the period of the crisis, so in such branches of the economy that occupy a solid niche in the Russian market: fuel, metallurgy, chemical and petrochemical. The construction business is predicted to be heavily damaged, despite the fact that in recent years this sphere of the country's economy has shown excellent investment results. If you make premature conclusions, then you should take into account that:

- All financial markets, the basis of which is the dollar, will lose their solid positions in the world market or fail altogether;

- Those companies that did not manage to win a sufficiently strong place in the country's economy may disappear altogether, i.e. to be ruined;
- Only those large companies, enterprises and organizations that manage to create their own powerful segment in one of the niches of the market for goods, services or production will manage and weigh the country's economic market.

Let's analyze the tools and materials available to us. The first thing to pay attention to - the Buffett index, it is believed that it is he who predicts the pre-crisis state of the economy. The essence of this index lies in the fact that the total market value of US companies is taken and is divided by the US GDP.

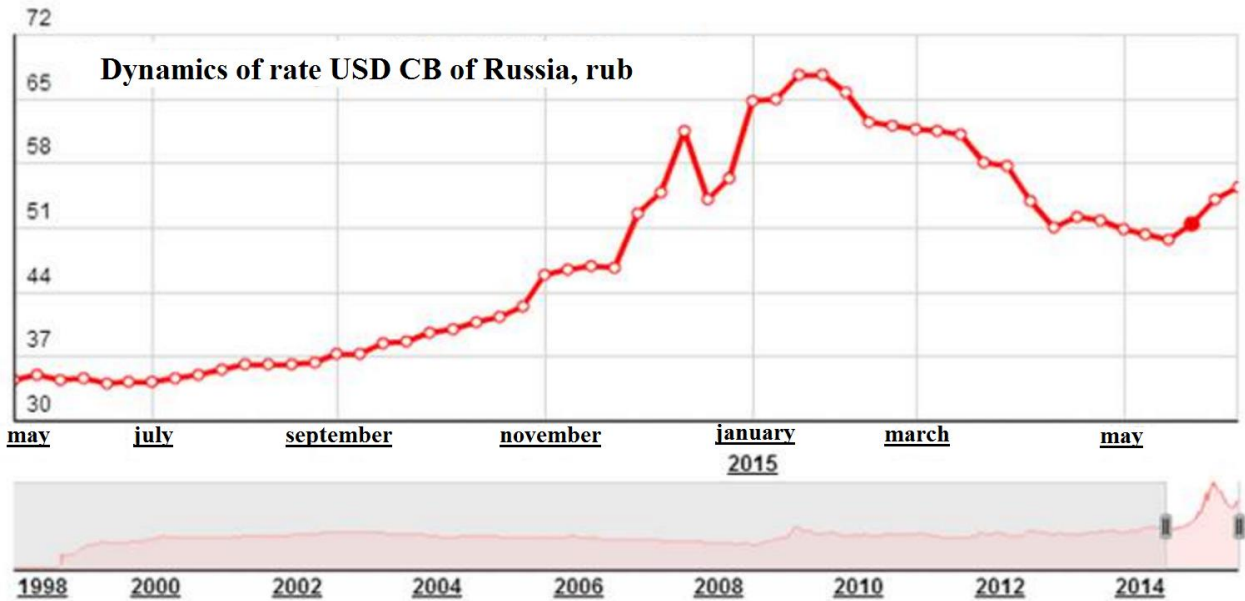


Figure 1: Dynamics of the exchange rate

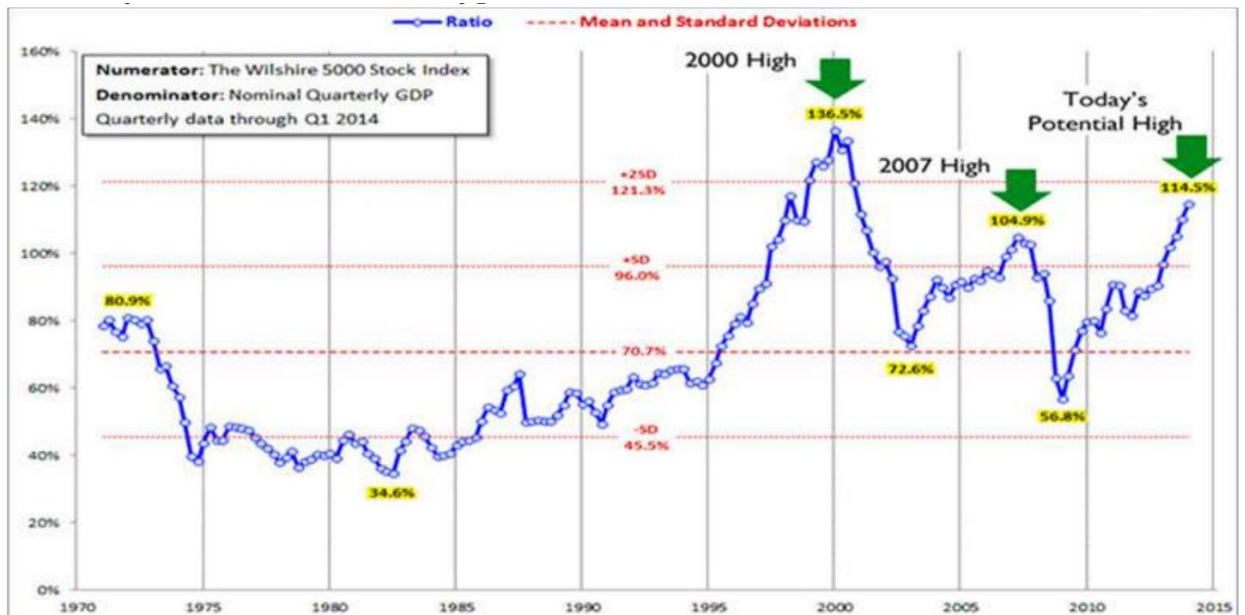


Figure 2: Dynamics of the Buffett Index

The advantage of this index is that it does not express money, so in this index it is not necessary to make a correction for inflation. This index is named in honor of Warren Buffett, an American businessman and a major investor who used and popularized this index.

However, the Buffett index is used very roughly, namely, it is applied to levels that indicate when the market is overheated and when it is supercooled. Now the index shows that the financial market is overheated, and, therefore, it is worth waiting for the crisis in the near future. Another evaluation index - the index of the ratio of Schiller (Shiller P / E ratio). The essence of this relationship is that the market value of a valuable share is taken and is divided by the average value of annual dividends. And then the average value of this ratio for the entire market is calculated. This ratio was popularized by Robert Schiller, a professor at Yale University and a Nobel Laureate in Economics in 2013.

For example, if the stock is worth \$ 40, and for the last 10 years, the average dividend per share is \$ 2, then the price-dividend ratio for the stock will be 20. This means that if you buy this stock, you should expect that you will beat the value of the shares through dividends in about 20 years.

For developed markets, values ranging from 10 to 20 are considered normal values, some suggest that the value 25 should be used as the upper limit. This means that most of the shares should not pay off in more than 20-25 years. The world has changed very rapidly over the past 20 years, and therefore it is an impossible task to plan for more than 20 years, even in a developed economy. Hence, with a Schiller ratio of over 20 it is impossible to build investment strategies - only speculative and mixed, when a part of the profit is obtained due to a multi-year growth in the value of the share, and partly due to dividends. Now the Schiller ratio is 27.3. This means that speculators are in the market.

Speculative money is different in that it quickly enters the asset and quickly leaves it, which leads to a rapid rise in the value of the security, and then to a sharp drop in it. That is, speculators inflate and slam financial bubbles. If the market is inflating too large bubbles, then their collapse leads to a financial and economic crisis. The value of 27.3 shows that most of the securities are now overvalued, and this majority is a bubble that needs to burst. Thus, there are serious preconditions for a large-scale global crisis. Of the indirect signs, there is an "index of skyscrapers". Its essence lies in the fact that before the crisis it is usually planned to build new tallest skyscrapers. It would be more correct to generalize not skyscrapers, but ambitious and very expensive construction projects that are not of an infrastructural nature. If roads, ports, enterprises and tunnels are built, then this infrastructure is not suitable for this index either.

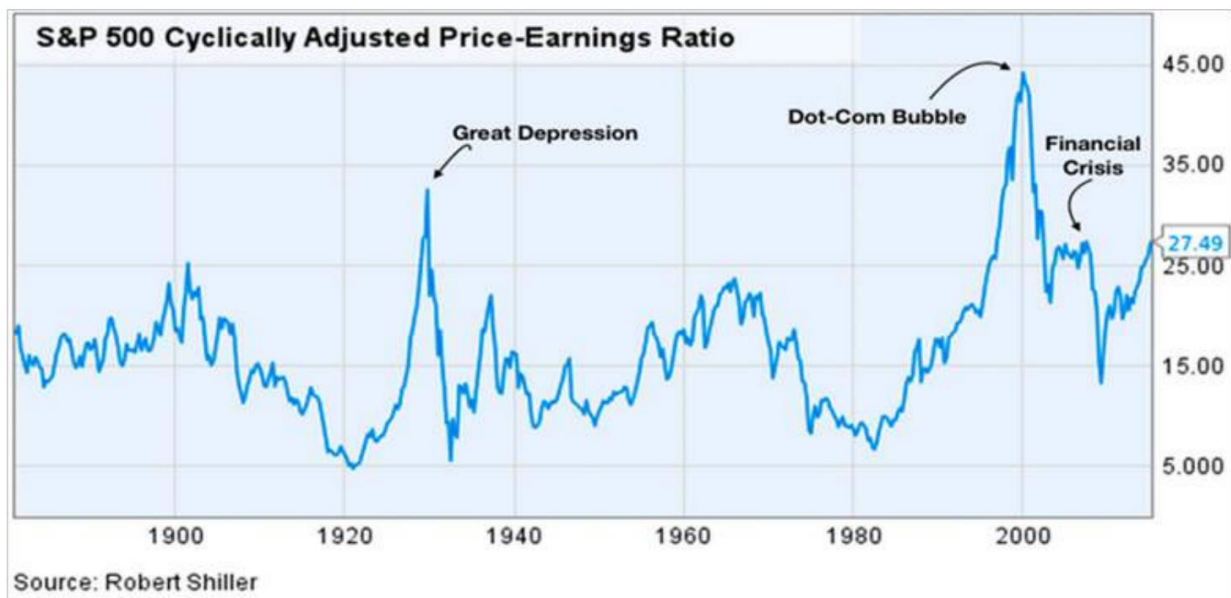


Figure 3: Dynamics of the Shiller / E ratio

Now, the "skyscraper index" shows that the construction of the world's tallest skyscraper is planned, which is planned to be built in Saudi Arabia under the name Kingdom tower, which will be 1 km high. In the United States there is a less ambitious construction of a skyscraper on the site of the twin towers exploded in

2001. But the new building will be higher than the twin towers. If you look at ambitious projects around the world, it becomes clear that the index of skyscrapers indicates an early crisis.

A three-percent drop in GDP is forecasted, nine percent - in wages, exceeding the 10 percent inflation line. Despite the fact that oil exports do not reach 10%, a drop in prices will hit many sectors of the country, while oil will be produced in the same volumes. The reorientation of Europe to the United States as a supplier of raw materials will force Russia to seek markets in China, although prices will be lower there. It can also be argued that the economic crisis in Russia is a consequence of conflictual relations with the West and an underestimation of the role of the private sector. Forced concessions to the first and dynamic development of the second will play a role in achieving stability. If it is possible to neutralize the Russian-Ukrainian conflict, the ruble's dependence on the dollar will become less tangible. In addition, the level of domestic corruption will decrease. It is not necessary to doubt that the global economic and political crisis is inevitable, but the sustainability of Russia is quite sufficient to exit from them with the least destructive losses.

The reason that the reduction in the stimulating flow of money leads to a crisis, but not immediately, and after a while, is simple - the reduction in the flow of cheap money to the economy is spreading through the financial system not immediately, but gradually. In the end, the market participants must first wait for the end of the term for old loans, in order to start new loans on new terms. Sooner or later, the reduction of cheap money reaches financial bubbles, and when bubbles cease to grow, speculators lose interest in them, get out of them, and bubbles burst. The chain reaction of the financial crisis begins. In order to support the financial sector, governments of different countries began to issue emissions from the budget to banking structures, providing them with loans at low interest rates or buying out a certain number of shares. These investments, in fact, "nationalizing" commercial banks, gave their positive effect, but only for a while. The "golden mean" between fully dependent banks and free commercial banks is hardly possible to find.

Full nationalization will lead to the collapse of market relations, so the situation has leaned toward commercial direction of banks. That, in turn, caused unprecedented attitude of commercial banks to state investments. They are still extremely reluctant to revise their credit policies, preferring to hold money or invest in the most stable international financial structures.

CONCLUSIONS

This otherwise "sick" policy is indirectly supported by "the powers that be", which only aggravates the crisis manifestations and pushes everyone by the expected "end of the crisis" for a very indefinite period. In fact, the whole trouble of the way out of the crisis is that politicians are actively involved in solving current problems, and economists who are able to find an optimal solution in a collegial way turn out to be "out of the box". But experts understand that the most effective lever in any crisis is to stimulate investment demand. Although Russia has no direct relationship to the conflict in Ukraine, however, the country's economy suffers precisely because of the fighting in the territory of this country. It is extremely difficult to predict the stability of the situation, since there is no complete guarantee that the conflict will not develop into a more acute phase. For today, this circumstance is the main indicator of the stability of the economy not only in Russia but also in many other countries involved in this military conflict.

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