

## DEVELOPMENT TRENDS AND GROWTH FACTORS OF THE GLOBAL FINANCIAL MARKET

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The article dwells on the questions of factors that help explain the growth of the global financial market: affordable currency, government policy, financial innovation, information technology.

**Keywords:** global financial market; affordable currency; government policy; financial innovations; information technology.

## НАПРАВЛЕНИЯ РАЗВИТИЯ И ФАКТОРЫ РОСТА МИРОВОГО ФИНАНСОВОГО РЫНКА

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В статье рассматриваются вопросы о факторах, которые помогают объяснить рост мирового финансового рынка: доступная валюта, государственная политика, финансовые инновации, информационные технологии.

**Ключевые слова:** мировой финансовый рынок; доступная валюта; государственная политика; финансовые инновации; информационные технологии.

The financial market has expanded significantly, especially since the 1970s, and is now growing much faster than global GDP, world trade, and even global foreign direct investment. The purpose of the article is to highlight factors that help explain the growth of the global financial market: affordable currency, government policy, financial innovation, information technology.

1) *Available currency.* First of all, currency is needed for international trade settlements. The US dollar began to claim the status of "world money" since the creation in 1913 of the Federal Reserve System (FRS USA), an independent body under the US government that performs the duties of the country's central bank [5]. After the World War II, taking advantage of the weakness of the partner countries, the United States involved them in signing the Bretton Woods Agreement (1944), as a result of which the financial system based on the "gold standard" was replaced by the "dollar standard" – the US dollar was recognized as the only currency convertible into gold, and became the base of foreign exchange parities. Since then, Americans have started paying for their imports with their own national currency.

After the World War II, US dollars as "world money" were in short supply, and any "surplus" dollars earned in the United States were used to replenish the foreign exchange reserves of national banks in the United States and Europe (in accordance with the "European Reconstruction Program" (1948), or the so-called Marshall Plan).

After the signing of the Bretton Woods Agreement, by the 1950s there were not enough gold reserves to provide the US dollar. Since the early 1950s until the present, the balance of payments of the United States has become negative. Using its hegemony, the United States violated the terms of the Bretton Woods Agreement, and began to "print" dollars without gold collateral to finance the

balance of payments deficit. This is how the world economy was "pumped up" with unsecured money [10], actually pieces of paper.

By the end of the 1950s, most European central banks had sufficient dollars at their disposal. Nevertheless, despite the American payment deficit, dollars continued to be "pumped" into the world economy [8, c. 18]. Reserves of this currency were accumulated in private banks and other financial institutions, and began to be actively used for international settlements.

From the late 1950s to the early 1970s, gold reserves in the United States decreased by almost half as a result of multiple attempts by other countries to exchange dollars for gold [9]. Then in 1971, the President of the United States R. Nixon announced a ban on the exchange of dollar reserves of other countries for gold [4, c. 57], and since 1973, after the Jamaica International Conference, the system of fixed exchange rates ceased to exist (exchange rates began to be formed under the influence of supply and demand). From 1976 until present, a new international monetary system has been established – the model of free mutual currency conversions (so-called the Jamaican monetary system).

Thus, starting with the Marshall Plan (1948), which, in fact, helped to consolidate the status of world money for the US dollar, and ending with subsequent conferences on the restructuring of the international monetary system (1976), the result was the following: the US dollar became the most widespread and liquid currency used in international settlements, and the whole world with its dollar assets, became their hostage.

To return the dollar to its value, a huge amount of money has already been printed and even larger reserves of currencies in the form of electronic money are in the way. Especially frightening for the United States are attempts to create separate currency zones within which countries can trade among themselves without using the dollar. For example, the unfulfilled plans of the Libyan Leader M. Gaddafi to introduce a "golden dinar" for the entire African continent, for which he paid with his life after the introduction of NATO troops into Libya [1; 2]. The scientist-historian A.I. Fursov believes that in order to save its national currency, the United States benefits from provoking military conflicts around the world [6; 7]; or completely abandon its obligations – "reset" the dollar, making it completely digital, and leave all holders of dollar assets without funds.

2) *Public policy*. Since the 1980s, the globalization of the financial structure has been observed as a result of changes in the international economic structure and the narrowing of the role of the state [3, c. 15]. The control of financial markets by national governments has noticeably weakened, which has allowed foreign banks and other financial institutions from different countries to open branches in each other's markets and trade. The International Monetary Fund has also used its leverage, advising countries on how to overcome the financial crisis, and insisting on increased deregulation in this area. All this has led to the blurring of boundaries between national financial markets and the emergence of a global capital market.

3) *Financial innovation*. With huge amounts of cash, weak regulation, even weaker supervision and almost complete lack of enforcement, as well as with the availability of almost instantaneous communications around the world, financial institutions create and sell new financial products. And nowhere this is more obvious than in the derivatives market (the enormous size of the securities market and their derivatives).

4) *Information technology*. Today, the speed of international communications has increased significantly, distributed ledger technologies, block chain, etc. have appeared. As a result of the development of information technology and an increase in the speed of data transmission, the financial sector has completely transformed.

### **Conclusion**

Today we are witnessing the emergence of a fundamentally new monetary system based on the issuance of digital currencies decentralized by private investors or, in the future, by central banks of countries with the possibility of rebirth of this system into a worldwide network of digital control based on cryptocurrencies. The introduction of new types of means of payment into the traditional

monetary system changes economic relations not only in this area, but also leads to a different level of interaction throughout the global economy.

### Afterword

I would like to sum up by the quote from the “Casino Capitalism” (1986) by Susan Strange: “The western financial system is rapidly coming to resemble nothing as much as a glass casino. Everyday games are played in this Casino that involve sums of money so large, that they cannot be imagined. At night, the games go on, on the other side of the world. In towering office blocks that dominate all the great cities of the world, rooms are full of chain smoking young men, all playing these games. Their eyes are fixed on computer screens flickering with changing prices. They play by intercontinental telephone or by tapping electronic machines or with computer algorithms to date... These bankers and dealers seem to be a very different kind of man working a very different kind of world from the world of finance and the typical bankers that older people remember... Something rather radical and serious has happened to the international financial system to make it so much like a gambling hall. What that change has been and how it came about is not clear.”

Indeed, it might not be clear, but one big thing has happened: we have a situation where transactions, exceeding in multiples of what we would deal with in the real world, make a modest contribution to a relatively small sector in relatively rich countries. In other words, huge volumes, for small margins, but entailing massive financial risks that affect us all. And we've gone through the effect of that with the most recent financial crisis. And underlying this is a loss of trust.

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