

# Testing economic systems of capitalist countries by the world economic crisis

## Prueba de los sistemas económicos de los países capitalistas por la crisis económica mundial

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#### ABSTRACT:

Today the economic crisis in the is hottest topic and the most popular subject of discussion. The media abound with their opinions and forecasts about what will happen next with the states and the world economy. Economists in their work have not reached a consensus on the crisis-related issues. Russia scientists believe that crises only occur in countries with capitalist production and cannot arise under socialism. Other scientists believe that the concept of crisis is applicable only to the macroeconomic level.

**Keywords:** crisis, capitalism, global economy, economic system

#### RESUMEN:

Hoy la crisis económica en el tema más candente y el tema más popular de discusión. Los medios abundan con sus opiniones y pronósticos sobre lo que sucederá después con los estados y la economía mundial. Los economistas en su trabajo no han llegado a un consenso sobre los problemas relacionados con la crisis. Los científicos de Rusia creen que las crisis solo ocurren en países con producción capitalista y no pueden surgir bajo el socialismo. Otros científicos creen que el concepto de crisis solo se aplica al nivel macroeconómico.

**Palabras clave:** crisis, capitalismo, economía global, sistema económico

## 1. Introduction

There is a dispute among economists whether the current crisis is systemic or typical cyclical. We are in favor of a point of view about its systemic nature.

The opinions of the authors differ significantly in the projections of its duration from a few years to several decades. Forecasts about the short duration of the crisis have already failed. According to the most pessimistic forecasts, the crisis may end in a world war, as was the case with the Great Depression.

The protracted nature of the crisis is confirmed, for example, by the information of the

Euronews agency of July 2, 2017 that in May the unemployment in 17 countries of the Eurozone has grown to 11.1% and reached the maximum level since 1999, that is, for the whole period of the existence of the Euro. Over the previous year, the number of unemployed increased by almost 2 million people.

In Spain and Greece, more than 50 per cent of people under 25 are unemployed. Experts believe that these figures have become an important argument for the ECB in favor of another lowering of the prime rate to support the European economy.

Since 2008, all capitalist countries, as well as countries with economies in transition have been struggling with the negative consequences of the crisis (Cassidy, 2010). However, as the experience of the four crisis years shows, the scale of the emerging socio-economic problems and the effectiveness of their solutions depend largely on the quality of the economic system of each country at the time the crisis strikes and its further development. The economic system of each individual country has its own characteristics for each of the elements that reflect traditions, national characteristics, historical experience, etc.

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## 2. Literature review

Explanations of the causes of crises from the point of violation of monetary circulation and the theory of anti-crisis regulation of the economy are presented in the works of B. Bernanke, J.M. Keynes, I. Fisher, M. Friedman, F. Hayek, A. Schwartz, and others.

Modern theories of cyclical development and the problems of financial instability are presented in the works of foreign authors R. Lukas, F. Kydland, E. Prescott, H. Minsky, and others.

The scientific heritage of economists, theoretical problems of economic and financial crises in the domestic economy are analyzed in the works of Russian economists L.I. Abalkin, S.Yu. Glazyev, P.C. Grinberg, B.A. Mau, Yu.V. Yakovets, and others.

The famous American economists C. McConnell and S. Brue stressed that "the industrialized countries of the world basically differ in two ways: 1) in the form of ownership of the means of production, and 2) in the manner in which economic activity is coordinated and managed."

They believe that the "existing economic systems lie somewhere between the extremes of pure capitalism and the command economy." This approach is shared by many other foreign and domestic economists, in contrast to some theoretical provisions of their textbook "Economics". The basis of the economic systems of capitalist countries is the domination of private ownership of the means of production. Now it acts mainly in the form of corporate (joint-stock) ownership.

C. McConnell, S. Brue, and many other foreign and domestic scientists distinguish the following types of economic systems according to the form of ownership and the way of regulating economic activity: traditional, pure capitalism, command and mixed. In this classification, the economic systems of backward developing countries are classified as traditional, the economic system of the former USSR and other socialist countries is named the command.

The economic systems of most modern developed capitalist countries are characterized as mixed. In economic literature, a number of models of the mixed economic system are singled out: American, German, French, Swedish, Japanese, South Korean and others. The main differences between them are the level of the social orientation of the economy and the way in which the state participates in the management of the economy.

Economic literature describes three classical approaches to overcoming financial crises in the world economy:

- The neoliberal approach. It is reduced to tightening of budgetary discipline, reduction of the state and corporate debt, increase of rates and reduction of supply of liquidity in the economy.
- Keynesian approach. It includes measures to increase the availability of credit, "pumping" the economy with money, lowering rates and increasing the budget deficit in order to

expand monetary circulation in the economy. The main thing in this approach is the restoration and maintenance of economic ties and the level of consumption at the pre-crisis level, and the reduction of unemployment.

- Neoclassical approach. Combines the two previous approaches.

As a rule, the principles of the neoliberal approach are applied at the first stage of the financial crisis, when price "bubbles" causes inflation to break out and the central banks begin to fight it, raising rates and reducing the availability of credit. In the second stage, the Keynesian principles are used, when prices start to fall and credit deficit arises, central banks lower rates and extend credit money in the economy, saving the banking sector. It should be noted that with the rapid development of the crisis, the Keynesian approach is preferred.

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### **3. Materials and methods**

The theoretical and methodological basis of the study is made up of fundamental works of foreign and domestic economists, in which cyclic and crisis processes in economic dynamics and theoretical approaches to state regulation of economic institutions are analyzed.

The processes of development of the most significant crises in the economy are considered on the basis of a retrospective analysis of statistical data, the formulation of conclusions and research results is based on comparative analysis and synthesis of various theories and views.

In the process of research, such methods of research as empirical analysis and theoretical analysis, consisting in extrapolating individual theoretical positions, hypotheses of outstanding economists as applied to the conditions of the financial and economic crisis in modern conditions, were used.

The system approach, which involves the use of methods of analysis and synthesis, allowed to isolate and systematize the most important principles of the study of economic dynamics and the main directions of state regulation of the national economy.

The empirical base of the study was made up of statistical and analytical materials from the Central Bank of the Russian Federation, the World Bank, the IMF, the Federal Reserve and the ECB, the Moscow Stock Exchange, materials posted on the web-sites of leading research centers and information-analytical agencies, RosStat (Russian Federal State Statistics Service) and the National Bureau of Economic Research, the historical statistics of Angus Maddison, official government and private sources.

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## **4. Discussion**

### **4.1. Fundamental signs of the crisis**

In order to go on to the analysis of the anti-crisis policy of the state, let us first consider the notion of the crisis itself. To date, this word is very popular not only as a term, but also as an economic phenomenon. This is not surprising since for many people the theme of the crisis is a topical issue. The consequences of this economic phenomenon have a destructive effect not only on the economic, but in many cases, on the political situation of the country – banks and companies go bankrupt, inflation is increasing, unemployment is growing. This is an indicative list of the current consequences of the crisis (Ershov, 2011).

Crisis (Greek Krisis - solution, turning point) is a revolutionary transitional period, a fracture in which the inadequacy of means to achieve goals gives rise to unpredictable problems. In Chinese, the word "crisis" is written with two characters: "Wei" – "danger", "fear", and "chi" – "opportunity" (Claessens, 2005).

An Oxford professor, historian Philip Kay believed that the world's first financial crisis occurred back in the Roman Empire in 88 BC. However, the current crisis is different from the crises of that time. The current global economic crisis is caused not by mistakes in the regulation of international and national financial markets. This is the crisis of the entire capitalist system, generated by its deep structure. However, the current crisis differs

significantly from its predecessors. Let us look at the history of world crises in accordance with Table 1.

**Table 1**  
Chronology of world economic crises.

<b>Crises and world depressions</b>	<b>Years of crisis</b>	<b>Duration, years</b>	<b>Main sectors affected</b>
Financial crisis, panic of 1797	1797-1800	3	Trade and real estate
Financial crisis, panic of 1819	1819-1824	5	Bankruptcy of banks, financial crisis
Panic of 1837	1837-1843	6	Bankruptcy of banks, collapse of currencies, financial crisis
Panic of 1857	1857-1860	3	Railways and real estate, financial crisis
Panic of 1873	1873-1879	6	Bankruptcy of banks, depression
World depression of 1873-1896	1873-1896	23	Global depression despite huge economic rise, financial crisis
Panic of 1893	1893-1896	3	Railways
Panic of 1907	1907-1908	1	Bankruptcy of banks caused by new financial instruments
The Great Depression of 1929	1929-1939	10	Global financial crisis, complete collapse of the stock exchange, bank failures, trade wars, panic
Financial crisis of 1937	1937-1942	5	Second World War, Wall Street scandals
Oil crisis of 1973	1973-1975	2	4-fold increase in oil prices, hyperinflation after the Vietnam War
Downturn of 1987-1999	1987-1999	13	Collapse of the socialist camp, dollar crisis, trade wars, illiquidity of real estate
Crisis of IT companies or Dot.com 2001	2001-2003	2	Mass depreciation of shares of IT companies (Dot.com), 9/11, accounting scandals
Mortgage crisis of 2007	2007-2010	3	Bankruptcy of the US monetary system
Global Crisis of 2008	2008-2012	4	Crisis of the world monetary system, massive collapse of the stock market, bankruptcy of banks, trade wars

Source: Prepared by the authors.

The problem of crisis can be looked at from the position of cyclicity theory. For any socio-

economic system, two factors of its existence are characteristic: functioning and development. Functioning is maintaining of life, preserving functions that determine qualitative certainty, integrity, and essential characteristics. Development is the acquisition of a new quality (Demirguc-Kunt, 2009).

These two factors are closely interrelated. The connection between functioning and development implies the certainty and regularity of the onset and completion of crises. Functioning hinders development and is its basis; development interrupts various functioning processes, but forms preconditions for its implementation on a new qualitative level. In addition, there is a cyclical development, which involves the periodic onset of crises (Aksenov, 2010).

Crises are not necessarily destructive, they can have positive consequences, and they can be caused by controlled and uncontrollable factors, by the nature of the development of the socio-economic system. Crises can arise in the very processes of functioning. These are contradictions between the level of technology and the qualifications of personnel, between technologies and the conditions of their use (climate, room, production process, compatibility, etc.).

The causes of the crisis can be subdivided into:

- objective (related to cyclical needs of restructuring, modernization);
- subjective (due to mistakes in management, or natural: climate, subsoil, aquatic environment, etc.).

The causes of the crisis can be divided into external and internal. The external ones are connected with the action of macro- or external economic factors. The internal ones are connected with internal factors, a risky marketing strategy, imperfect production and management, limited innovation and investment policies, ineffective personnel management (Fanelli, 2008).

If we agree that the crisis can arise as a result of the variety of external and internal factors, we can conclude that the risk of the crisis is permanent, it must be foreseen and predicted. To manage the crisis effectively, it is necessary to investigate not only its causes, but also the consequences. The consequences of the crisis are determined not only by its nature and parameters, but also by the effectiveness of anti-crisis management.

A unified point of view regarding the causes of economic crises is absent. The causes, as a rule, differ depending on the period of their origin and the country in which the crisis occurs (Orlowski, 2008). For example, one of the most common causes of economic crises is scientific and technological progress.

As a means of relatively painless way out of the crisis, J.M. Keynes proposed to ensure mandatory state regulation of the economy.

At present, the global economic crisis is at an early stage, mainly in the financial sphere: destabilization of stock markets, bank losses, inflation, rising capital costs. The national economy of the United States suffered the most from the crisis, where the trade crisis and the fall in industrial production are being forecast (Malkevich, 2010).

The impact of the crisis on the world economy is as follows:

- A decline in sales and world industrial production leads to a collapse in stock markets around the world and the transition of inflation to stagflation. There is a drop in oil prices, the number of unemployed is increasing;
- The crisis affects all countries included in microeconomics, and entails a prolonged depression and devastating consequences of global economic destabilization;
- Governments do not have strategies to overcome the crisis (due to an underestimation of the crisis). The probability of developing the necessary strategy before the transition of the crisis to the peak phase is extremely low;
- Inflation is one of the manifestations of the global crisis and is caused by a change in the balance between the commodity and money supply in the economy (depreciation of a significant part of securities, residential real estate, and the drop in the purchasing power of the population during the American mortgage crisis);

- Following the global crisis, energy consumption in the world will increase, new ways of obtaining energy will arise, the importance of hydrocarbons will drop;
- The crisis leads to the destruction of isolated labor markets and will contribute to the formation of a single global labor market;

The crisis will contribute to the consolidation of global monopolies and the strengthening of their role in the world economy (the importance of medium and small businesses will fall even more).

## **4.2. Post-crisis modernism in economic policy. Models of post-crisis policy**

The world crisis remains the topic of discussions in the scientific press and political circles. Its estimates are still contradictory, and the possibility of new phases of shocks are not ruled out. At the same time, the question of the model and ways of economic development and the way out of the crisis is inevitably raised. To date, we can distinguish three approaches (models) in the implementation of post crisis policies, which different countries of the world will be inclined to, depending on their level of development (Korotaev, 2010).

The first approach. Highly developed countries are working to return to the old economic model and the familiar pattern of managing the world. Realizing that in the present and the future world, it is impossible to ensure domination only at the expense of the US forces and a narrow circle of their allies, the world elite seems ready to expand the circle of countries admitted to the "elite club".

The concept of autonomous rule of the world put forward by American scientists C. Cupchan and A. Mount (Georgetown University, Washington), which would allow the United States to get a breather in the role of an absolute leader and attract resources and governments of a number of medium-sized "non-Western" states to maintain order in the world. It is clear that this is dictated only by the priority of Western interests and values.

This model of anti-crisis policy can spread widely if we do not begin to rebuff these concepts, which are in the interests of the elite, rather than global prosperity. We believe that in this struggle it is necessary to use a variety of arguments that convince the independent thinking part of humanity that such policy of forceful suppression of the weak for the sake of the well-being of a strong minority is untenable in the current circumstances. All this is because today literacy and awareness of people is radically different from earlier times. In addition, environmental imbalances often lead to catastrophes (Kindleberger, 2010).

However, we cannot exclude another version of the development of events. This model could prove to be optimal for humanity, if there was a rethinking in the elite of Western countries. It is the policy, which is based on an understanding of the shaky socio-ecological balance in the world, began to be implemented. Consolidated management of development, based on responsibility for the future in the interests of the humanity, should occupy a significant place in the modernization of economic and socio-political systems throughout the world.

The second approach. Large and rapidly developing countries - China, India and others - are taking measures to maintain high-level economic growth. For example, China has invested heavily in various sectors of the economy, including knowledge-intensive ones. It passes to the stage of consolidating leadership by activating research, development and technological work. However, this way involves both the maximum exploitation of cheap labor, and absolute indifference to the environment. I do not think that in this field a cardinal new model of economic structure can be born.

At the same time, it will be wrong to exclude that at some stage of its development, China, India and similar countries will be able to make changes in the model of the structure of the economy. The prerequisites for this in China are already visible: this country is trying to make a breakthrough in scientific and technological progress on its own, reorienting its economy from the external demand to domestic demand. India adheres to a clear protectionist policy in key areas of industry and advanced fields of so-called offshore programming, in outsourcing, etc.

The third approach. This is a model of behavior of countries that want and are trying to do something to maintain economic growth, but for various reasons are deprived of initiative and adhere to a wait-and-see strategy, thus hoping that the leaders will return the world to the stability of the system. For relatively small countries, this path may not be too bad for achieving rapid economic growth. However, it is unacceptable for countries like Russia.

It seems to us that in order to ensure the transition to modernization in such countries, it is necessary to modernize the system of public administration of development, to introduce fresh personnel policy, organize a system of training and retraining personnel for state structures, and to update the management of corporations.

### **4.3. Implementation of anti-crisis measures in the examples of individual states**

In the beginning of modern crisis processes were the events in the world financial markets and the recession in developed countries. It is important to comprehend the processes that are taking place to be able to predict the further development of these processes as precisely as possible in order to undertake a comprehensive set of actions to regulate the economy that can mitigate the severity of the crisis and help work out approaches for overcoming it. Let us examine how individual countries coped with the crisis.

The economies of the BRIC countries have proved more stable during the crisis than the economies of developed countries such as the United States and the European Union. The main advantages of dynamically developing countries, primarily Brazil, Russia, India and China, are large economic growth, growing domestic consumption, increased foreign exchange reserves and stronger financial structures that do not have "contaminated" assets, like in the US or the EU (Lewis, 2011). To compete, the BRIC countries simultaneously focused on education, foreign investment, domestic consumption and entrepreneurship.

Let us consider the factors that caused the speed and the depth of the recession in the BRIC countries after the global financial crisis of 2008:

- dependence on the world prices for commodity exports;
- low domestic demand and the inability (or low ability) of the national industry to provide it;
- weak financial system and lack of "long" money in the economy.

That is why the anti-crisis policies of the BRIC countries were based primarily on finding tools to overcome negative trends, increase stability and stimulate economic development.

In the conditions of the global financial crisis, the preference of the countries in choosing ways to overcome the crisis was given to state aid in the form of large financial resources to support troubled sectors of the economy. It was with the help of additional help from the state that the economies of the BRIC countries managed to cope with the negative trends.

Anti-crisis policy of Brazil. If we consider the anti-crisis policy of the government of Brazil, we can say that it was built on an expansive budget policy, stimulating monetary policy and restraining monetary policy. Before the crisis, Brazil was not heavily integrated into the global financial system, so it did not feel the impact of the global crisis immediately. However, its economy, focused on the export of raw materials, was not ready for the collapse of world commodity markets.

In this regard, the country's budget policy included stimulating domestic consumption by increasing the level of pay for state employees, increasing the availability of loans for businesses, raising the capital expenditures of the budget for real projects and reducing the level of taxation for business. The monetary policy of the central bank of the country was aimed at lowering the level of inflation, and the monetary policy included the gradual accumulation of international reserves and the depreciation of the national currency in order to improve the competitiveness of Brazilian products and business in foreign markets.

Anti-crisis policy of India. The anti-crisis policy of India had a social orientation. It was based on the fundamental principle of economic strategy, formulated before the crisis – development based on the growth of domestic demand. As is known, the share of exports is

only 15% of the Indian economy, so India did not suffer much from instability in foreign markets. The anti-crisis program included a set of measures to stimulate demand within the economy. The government invested heavily in infrastructure. The economic programs of the Indian economy were based on stimulating lower production costs, creating new products, introducing new energy and resource-saving technologies and organizing labor.

**Anti-crisis policy of China.** The anti-crisis policy of China was aimed at the development of the domestic market and effective demand of the population in the face of unfavorable global economic conjuncture. At the center of the country's anti-crisis policy, was the stimulation of domestic demand, both by stimulating private demand, and by increasing public investment in the development of infrastructure, as well as increasing the competitiveness of Chinese business on both domestic and foreign markets. The Chinese authorities stressed the distance of the financial system of their country from the world, the absence of external debts, as well as the fact that the decline in prices for raw materials is beneficial for China. Unlike the US and Europe, China did not attempt to "pull out" the financial sector. Its anti-crisis program was aimed at developing infrastructure and improving the standard of living of the population through state stimulation of consumer demand within the country. The "10 priority measures" of the anti-crisis program included the following: protection of the environment, increasing wages to residents of cities and villages, developing own innovative production facilities and improving the relevant structures.

The anti-crisis policy of the developed nations was mainly based on the active support of stability of the economy and the financial sector by the state.

**Anti-crisis policy of the United States.** The anti-crisis policy of the US government was no exception and was implemented in two directions: increasing the liquidity of the financial sector and encouraging consumer demand. These directions were reduced to the repurchase of bad assets from banks, nationalization of some organizations (Fannie Mae, Freddie Mac, AIG), as well as to the growth of deposit insurance in banks and funds. To this end, in November 2008, the Federal Reserve announced two new programs worth \$800 billion to support mortgages (\$600 billion), as well as support for small business and consumer loans (\$200 billion). Also in February 2009, according to the plan for financial stabilization worth more than \$2.5 trillion, in addition to buying back bad assets from banks and companies, another \$ 1trillion was allocated to support consumer loans, and the 7-9 million families with problem mortgages.

**Anti-crisis policies of the EU countries.** European countries were much more limited in terms of funds in the implementation of their anti-crisis programs. The norm adopted in the EU, according to which the budget deficit should not exceed 3% of GDP, was inevitably violated in the crisis conditions, but it nonetheless forced them to refuse reckless injections into the banking and manufacturing spheres. In the best position were countries that had a deficit budget at the time of the crisis. This is Germany, where a special fund for the stabilization of the financial market (SoFFin) was set up, with a capital of 500 billion Euros, and then a second anti-crisis package of 50 billion euros (1.5% of GDP) was adopted, primarily designed to provide social assistance.

In the UK, in 2009 the government bought back troubled assets from banks totaling 50 billion pounds. It also provided guarantees for interbank loans of 250 billion pounds. It also provided guarantee for loans to small and medium-sized companies worth 10 billion pounds. Another direction of the government's activity was the easing of monetary policy by reducing the level of bank interest to 1.5% in January 2009.

Particular attention was paid to institutional changes, in particular, the economic block of the government was strengthened, the National Economic Council, headed by the Prime Minister, was formed, and a special body, the Financial Investments of Great Britain, was set up. In March 2009, the Bank of England announced new injections into the national financial system. The plan, called "quantitative relief," provided for the redemption of pools of mortgage loans and government bonds, as well as other assets. In March 2009, the Bank increased the purchase of bonds, mainly state bonds.

One of the tasks was to sell these shares of banks to the private sector after the situation on the securities market improved. Steps were taken to improve the coordination of the

activities of the regulatory bodies – the Ministry of Finance, the Bank of England, and the Financial Markets Department. As in many other countries, the UK also paid attention to health care, the development of education, and the environment.

Considering France, we can note that in this country the crisis began a little later than in the UK. Of course, the political leadership of France began to act with some delay in relation to the leading world powers. In the US, banks had already collapsed, while in France at the end of September 2008, the government submitted a draft budget containing measures to limit the deficit and curb the growth of spending on the social sphere. In December 2008, the authorities were forced to take additional measures to stabilize the economy. The economic situation was alarming, but not critical. Therefore, the plan of the French president was one of the least financially important in Europe.

The main emphasis was not on stimulating consumption (which did not suffer), but on investment. Infrastructure improvement was planned, and considerable funds were allocated to public services. However, the French plan seemed insufficient, and assurances that the situation in the country was better than elsewhere in Europe, served as a weak consolation. The population began to fear for their jobs. In early February 2009, the government allocated 2.6 billion euros for "social support during the crisis." The main target was the lower middle class. The part of income tax was abolished, benefits increased, families using hired labor received tax benefits.

In late 2008, the Council of Ministers of Italy approved the so-called "anti-crisis decree", which defined measures to restore consumer and business confidence. These measures were to counteract the 0.4% drop in GDP. It was projected that in 2009 it will decrease by about 1%. In addition, in 2008, about 5% of the total number of employees experienced difficulties and used various social "shock absorbers" in one way or another during 2008. The decree also included a number of additional measures, for example, investments in infrastructure, variable mortgage rates for first home buyers, freezing of tariffs for some basic types of public services, as well as open subscription to special bank bonds for family financing and enterprise investment.

The economic crisis in Spain developed not only under the influence of the global economic crisis, but also against the backdrop of the exhaustion of the potential of a national development model based on the relatively low cost of labor that attracted foreign investment. Combined with tourism and the rapid development of the construction sector, this allowed the country to ensure rapid economic growth and even surpass the average European rates.

The exhaustiveness of this model was due to the fact that the European Union decided to reduce the amount of financial assistance to Spain, since the new Eastern European members of the bloc were in great need of this money. Expansion of Europe to the East, firstly was the globalization of the world economy, and secondly, caused a change in the direction of foreign investment, since the level of salaries in Spain was about 4 times higher than in Eastern Europe. For this reason, for the first time since the transition from dictatorship to democracy, voices criticizing the European Union appeared in Spain.

The package of anti-crisis measures of the Czech government was to contain the growth of unemployment and support the stability of public finances. The total amount of direct costs for anti-crisis measures was set at 1.9% of GDP. Other measures of the Czech government were focused on:

- reduction of railway transport costs; social insurance;
- assisting companies so that they did not fire low-income workers;
- exemption in 2009 from advance tax payments of agricultural companies employing up to 5 people; retaining as much free resources as possible by companies;
- support the sales of cars and the automotive industry.

The Ministry of Health of the Czech Republic proposed to increase excise taxes on cigarettes and alcohol, and reduce medical insurance payments by 1%. Because of these measures, the state budget deficit increased, which in 2009 was at least 4.5% of GDP.

Japan's anti-crisis policy. In Japan, there was an "imported recession", caused by shocks

from the dynamics of world prices for raw materials and fuel, and from panic in the world financial markets. The revaluation of the yen somewhat offset the increase in import prices, but undermined the conditions for commodity exports. The Japanese government took active measures to alleviate the financial crisis in the country. The Law on Recapitalization of Financial Institutions was enacted, and in March 2009, a government corporation began to operate to buy shares of banks. In order to slow down the decline in stock market rates, the financial services agency banned short sales of uncoated shares until March 31, 2009. The Bank of Japan began to lend to commercial banks, giving them "long money" at 0.3% rate. Japan also allocated about 70 billion US dollars to social programs.

Anti-crisis policy of South Korea. To normalize the situation in the economy of South Korea, the government spent 14 trillion won. As a measure aimed at maintaining liquidity and carrying out foreign trade operations, the banks were allocated 20 billion US dollars, of which about 800 million dollars went to support small and medium-sized businesses. In order to maintain the national automobile industry, the local tax on the purchase of cars was reduced, and the ecological tax on diesel cars was abolished. The targeted social policy of the country was carried out to support the poorest parts of the population. In addition, special economic zones were created in which the regional innovation and foreign trade policy were synthesized.

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## **5. Conclusions**

The economic literature abounds in descriptions of the causes and consequences of various economic crises in different periods of time. Therefore, it seems expedient only to indicate its main features: the fall in production, the high level of hidden unemployment, inflation, the disproportion between the production sectors, the material and cost structure of the product produced, and overdue loans.

During a classic crisis, all these phenomena are interrelated, dependent on each other, subject to the impact of the market mechanism. In our country, they seem to live an independent life: production falls, huge quantities of unrealized goods accumulate, but the prices do not decrease, on the contrary, they even grow.

The crisis exit program should contain measures to eliminate the causes of the economic crisis: the population demographic forecast, its employment, the needs for material goods and services, the development of general and professional education, based on expected changes in production, the improvement of the population resettlement system with the aim of forming new production and more rational use of natural and climatic resources of the Russian Federation.

It is necessary to develop industries that ensure the creation of conditions for a comprehensive and harmonious development of people, since now investments in human resources provide two thirds of the increase in labor productivity. It is also necessary to develop our own raw materials industries, which will meet the country's domestic needs and exports in amounts that allow obtaining funds in the form of new technologies.

To solve the above problems, in addition to developing a long-term program for overcoming the crisis, it is necessary to create an economic mechanism that provides for the active use of market instruments such as taxes, credits, prices, money to regulate the economy. It is also necessary to bring into the system legislative acts regulating economic relations in the society, to develop and adopt management decisions at all levels to ensure the solution of the problems, and to retrain management personnel.

However, the most important for resolving the current crisis and its consequences is the chosen economic course aimed not only at restoring all types of lost Russian production, but also at creating a reliable basis for its further development, an integral element of which is the support of the domestic commodity producer, a reduction the amount of imports of foods, and the means of production.

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Pandemic, Recession: The Global Economy in Crisis. Global economic prospects | June 2020. Chapter 1. 3. The pandemic represents the largest economic shock the world economy has witnessed in decades, causing a collapse in global activity (Figures 1.1.B and 1.1.C). Various mitigation measures—such as lockdowns, closure of schools and non-essential business, and travel restrictions—have been imposed by most countries to limit the spread of COVID-19 and ease the strain on health care systems. Many countries have provided large-scale macroeconomic support to alleviate the economic blow, which has contributed to a recent stabilization in financial markets.

Capitalist vs. Socialist Economies: An Overview. Capitalism and socialism are economic systems that countries use to manage their economic resources and regulate their means of production. In the United States, capitalism has always been the prevailing system. With socialism, all legal production and distribution decisions are made by the government, with individuals dependent on the state for food, employment, healthcare and everything else. The government, rather than the free market, determines the amount of output, or supply and the pricing levels of these goods and services. Communist countries, like China, North Korea, and Cuba, tend toward socialism, while Western European countries favor capitalist economies and try to chart a middle course. This is a list of economic crises and depressions. The Financial Panic of AD 33. The result of the mass issuance of unsecured loans by main Roman banking houses. Crisis of the Third Century. Coin exchange crisis of 692. Byzantine emperor Justinian II refuses to accept tribute from the Umayyad Caliphate with new Arab gold coins for fear of exposing double counting in the Byzantine financial system (actual weight less, than nominal quantity), which leads to the Battle of Sebastopolis and the revolt of According to the 2020 Economic Freedom of the World Index, the top 10 capitalist countries (ranked from highest score to lowest) Is America capitalist? The United States is referred to as a mixed market economy, meaning that it has characteristics of capitalism and socialism. The United States is a capitalist society where means of production are based on private ownership and operation for profit. The United States is not a totally capitalist society, however, because the economy has regulations, taxation, and some subsidization. The U.S. government has always had some role in the economy, but the economy was closer to a truly free market during some periods. A substantial body of economists believe that many of the difficulties of the system spring not from its own workings but from well-meaning attempts to block or channel them. Although the World Bank and the International Monetary Fund make efforts on behalf of developing countries, no institution exists to control credit for the world (as do the central banks that control it for individual nations); no global spending or taxing authority can speed up, or hold back, the pace of production for industrial regions as a whole; no agency effectively. No advanced capitalist country today allows the market to distribute income without The “stagflation” of the 1970s, the fiscal crises of some democratic states in the 1980s