

**MAIN REASONS FOR THE EARTHQUAKE OF THE GLOBAL FINANCIAL AND
ECONOMIC CRISIS**

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Abstract: This article provides a scientific analysis of the main causes of the global financial-economic crisis. It examines in detail factors such as financial market instability, banking system weaknesses, government policies, global integration, the corporate sector, and psychological aspects. The interconnections among these factors and their impact on economic stability are also thoroughly analyzed.

Keywords: Global financial-economic crisis, financial markets, banking system, government policy, global integration, corporate sector, economic stability.

Annotatsiya: Ushbu maqolada jahon moliyaviy-iqtisodiy inqirozining yuzaga kelishining asosiy sabablari ilmiy tahlil qilinadi. Moliyaviy bozorlardagi tartibsizliklar, bank tizimidagi zaifliklar, davlat siyosati, global integratsiya, korporativ sektor va psixologik omillar kabi faktorlar batafsil o'rganilgan. Shuningdek, inqirozning yuzaga kelishidagi omillar o'zaro bog'liqligi va iqtisodiy barqarorlikka ta'siri chuqur tahlil qilingan.

Kalit so'zlar: Jahon moliyaviy-iqtisodiy inqirozi, moliyaviy bozorlar, bank tizimi, davlat siyosati, global integratsiya, korporativ sektor, iqtisodiy barqarorlik

Аннотация: В данной статье проводится научный анализ основных причин глобального финансово-экономического кризиса. Подробно рассматриваются такие факторы, как нестабильность финансовых рынков, слабые стороны банковской системы, государственная политика, глобальная интеграция, корпоративный сектор и психологические аспекты. Также проводится тщательный анализ взаимосвязей этих факторов и их влияния на экономическую стабильность.

Ключевые слова: Глобальный финансово-экономический кризис, финансовые рынки, банковская система, государственная политика, глобальная интеграция, корпоративный сектор, экономическая стабильность

INTRODUCTION

Financial and economic crises are one of the socio-economic phenomena that have constantly occurred in human history. They reduce the sustainable growth rate of the economy, reduce jobs, weaken investment activity and have a significant impact on social stability. The global financial and economic crisis, especially in the 20th and 21st centuries, has become the subject of extensive research, and economists, financial experts and politicians seek to deeply study the issues of its prevention and management.

The causes of the financial crisis have been analyzed within the framework of various economic theories. Classical macroeconomic approaches explain crises mainly by the imbalance of production

and demand. Monetarist theories emphasize factors such as improper conduct of monetary policy, lack of liquidity and violation of price stability. Neo-Keynesian approaches associate crises with internal and external economic shocks, disturbances in financial markets and ineffectiveness of state policy.

Also, in the modern global economy, financial crises can spread rapidly and widely, because economic systems are interconnected and international financial flows are constantly changing. Therefore, the causes of the global financial and economic crisis need to be analyzed not only at the national level, but also at the global level. This article provides a deep scientific analysis of the causes of the financial crisis, examining in detail factors such as financial markets, the banking system, public policy, global integration, the corporate sector, and psychological factors.

MAIN PART

Financial markets are an important tool for allocating financial resources, stimulating investment, and supporting economic growth. At the same time, disorders in these markets are one of the main causes of financial crises. The disorder of financial markets is mainly associated with their speculative nature, asymmetric information, and lack of regulatory control.

For example, during the Great Depression of 1929, the stock market in the United States artificially increased, which led to speculation and debt investment among investors. Market prices diverged sharply from reality, and the lack of control over financial assets put many banks and companies in a difficult situation. As a result, it led to a stock market crash, which spread like a chain reaction throughout the economy.

Also, the turmoil in the subprime mortgage market played a key role in the global financial crisis of 2008. The issuance of mortgage loans at high interest rates, their transformation into complex financial instruments, and insufficient regulatory supervision led to the weakening of the banking system. This situation exacerbated the liquidity crisis and threatened financial stability on a global scale.

The turmoil in financial markets is also closely related to the lack of liquidity. Lack of liquidity, i.e., the limitation of the ability to quickly realize investments, leads to the fact that banks are forced to reduce financial resources. This creates a chain reaction in the financial system and reduces the overall growth rate in the economy.

Irrational behavior of market participants, i.e., decisions based on psychological factors, also exacerbates the chaos of financial markets. Due to the speculative nature of investors, panic situations and asymmetric information, prices can artificially rise or fall. Therefore, mechanisms for regulating and regulating financial markets are an important tool in preventing crises.

The banking system serves as an important tool in the concentration and distribution of financial resources. At the same time, structural weaknesses in the banking system play a central role in the emergence of a financial crisis. Lack of capital in banks, incorrect risk assessment and insufficient safety standards weaken the system.

In the 2008 global financial crisis, many large banks were tied to subprime mortgage loans, and the low solvency of these loans put financial institutions in a difficult financial situation. At the same time, the insufficient diversification of risks by banks and the central bank's restrictions on providing liquidity led to a deepening of the crisis.

In addition, weak capitalization in the banking system, improper valuation of debts, and the complexity of financial instruments significantly reduce financial stability. The lack of strict supervision of banks and the failure of regulators to take adequate measures also increase the risk of a crisis. Therefore, the structural soundness of the banking system and risk management mechanisms are important in preventing a financial crisis.

The state's economic policy, tax system, fiscal policy, and monetary policy play a central role in determining financial stability. Low tax revenues, increased government spending, budget deficits, and uncertainties in debt policy lead to a weakening of the economic system.

For example, excessive fiscal deficits and high levels of public debt lead to inflation or deflation, which slows economic growth and creates uncertainty for financial markets. Incorrect monetary policy, such as artificially low or high interest rates, leads to imbalances in the monetary system. At the same time, insufficient economic regulation mechanisms and low transparency of financial markets increase the risk of crises.

Also, the inconsistency of state policies with long-term economic stability, tax misallocation, and weaknesses in investment policies cause significant damage to the national economy. Therefore, conducting macroeconomic policies on a stable and predictable basis is essential to prevent financial crises.

International economic integration, global trade, and investment flows play a direct role in the emergence of financial crises. High levels of external debt, rapid changes in global financial flows, and external economic shocks weaken national economies.

The Asian financial crisis of 1997–1998 is a vivid example of this, when a sharp decrease in external debt and investment flows led to an economic crisis. At the same time, the interconnectedness of the global economy causes a financial crisis in one country to quickly spread to other countries. This “contagion effect” exposes the weaknesses of the global financial system and threatens economic stability worldwide.

Also, the unevenness of global trade and investment flows, sharp fluctuations in oil and other raw material prices, and the deterioration of the export-import balance significantly weaken national economies. Therefore, global integration and the analysis and management of external shocks are important tools for reducing the risk of financial crises.

Problems in the corporate sector and the production system also play a major role in the emergence of financial crises. High debt burdens of corporations, mismanagement of financial resources, low efficiency, and speculative investments intensify the chain reaction in the economic system. Also, technological weakness in production processes, failure to adapt to global competition, and sharp changes in market demand weaken companies financially. This situation leads to a wide spread of the crisis due to the connection between financial institutions and the corporate sector. For example, in the early 2000s, high debt and speculative investments of dot-com companies caused a financial crisis in the technology sector. At the same time, the imbalances in the processes of global integration and outsourcing in the manufacturing sector reduce corporate stability and lead to an overall weakening of the economy.

The psychological behavior of economic agents is also important in the emergence of financial crises. Irrational decisions of market participants, panic among investors, distrust and asymmetric information lead to a misallocation of financial resources. For example, rapid price changes in the stock market increase fear among investors, and they are forced to sell assets in large quantities. This leads to a market collapse. At the same time, a decrease in consumer incomes and a decrease in jobs affect social stability, which intensifies the economic and social consequences of the crisis.

Psychological factors, speculative nature and panic effects contribute to the rapid and widespread spread of a financial crisis. Therefore, analysis and monitoring of the behavior of participants in financial markets is important in preventing financial crises.

CONCLUSION

The global financial and economic crisis is a complex and multifaceted economic phenomenon, the emergence of which is due to the disruption of financial markets, weaknesses in the banking system, government policy and macroeconomic factors, global economic integration and external

shocks, problems in the corporate sector and production system, as well as psychological and social factors.

The causes of the crisis are interconnected and mutually reinforcing. Therefore, an integrated approach is required to analyze them. To ensure financial stability, it is necessary to establish effective regulatory mechanisms between the state and financial institutions, strengthen the banking system, manage global financial flows, regulate the corporate sector, and implement measures to control the behavior of economic agents.

Also, international experience, statistical monitoring, transparency of financial instruments, and the stability of economic policies play a key role in preventing financial crises. Crises affect not only economic but also social stability, therefore, it is necessary to conduct a thorough analysis of their causes and constantly develop preventive measures.

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