

Ministry of Education Republic of Azerbaijan

CONSEQUENCES OF THE GLOBAL ECONOMIC AND
FINANCIAL CRISES. EVIDENCE FROM AZERBAIJAN

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ABSTRACT

Economic crises are an indicator of the balance of economic development. Crisis itself affects the complex disruption of social and economic stability of society. The reasons for economic crises in different countries in different historical periods were also quite different. The nature of the current crisis is unique. Thus, the most important feature of the modern economy is the process of globalization. The globalization of the economy has resulted in global crises. The main purpose of the research is to investigate the nature of the concept of financial crisis, the history of global financial crises, as well as the causes of the current global financial and economic crisis, to investigate the impact of developed countries at the same time on the economies of the developing world and the most optimal methods of anti- to express his / her actions, as well as to show the effects of the crisis in our country and the struggle against it.

Key words: Financial crisis, Global crisis, Azerbaijan

CONTENTS

ABSTRACT	3
1. INTRODUCTION.....	5
1.1. LITERATURE REVIEW	7
CHAPTER II. THEROTICAL ANALYSIS AND STUDIES OF ECONOMIC CRISES	8
2.1. Underline concepts and theories of economic crises	8
2.2. Characteristics, essence and main concepts of financial crises	15
CHAPTER III. UNDERLYING METHODOLOGY, MAIN CAUSES AND CONSEQUENCES OF ECONOMIC AND FINANCIAL CRISES BASED ON AZERBAIJAN AND OTHER COUNTRIES RESEARCH	27
3.1. Fundamental methodology.....	27
3.2. Results	33
3.2.1. Prerequisites and key causes of the crisis in Azerbaijan	35
3.2.2. Consequences of the crisis for national economies	39
3.2.3. Proposed steps on how to overcome crises (evidence from the US, the EU and the BRICS countries)	47
CONCLUSION	55
REFERENCES.....	58

1. INTRODUCTION

The actuality of the subject. Economic crises are an indicator of the balance of economic development. Crisis itself affects the complex disruption of social and economic stability of society. The reasons for economic crises in different countries in different historical periods were also quite different. The nature of the current crisis is unique. Thus, the most important feature of the modern economy is the process of globalization. The globalization of the economy has resulted in global crises.

Investigation of the modern crisis in the global financial market has been actual from the scientific point of view. The study of its features, reasons, and self-sufficiency forms enables the world financial market to take measures to improve the resistance to the crisis and reduce the negative socio-economic outcomes.

The main role in today's world economy and international financial relations continues to play in the United States. Therefore, contradictions in the US economy and foreign economic relations can cause conflicts in the global economic system as a whole.

Subject and object of research. The subject of the research is the current global financial and economic crisis in the financial market of Azerbaijan, its causes, trends in the influence of world countries and

measures to combat it. The object of the research is the influence of the economic cycle on the financial markets during the globalization period.

Purpose and tasks of the research. The main purpose of the research is to investigate the nature of the concept of financial crisis, the history of global financial crises, as well as the causes of the current global financial and economic crisis, to investigate the impact of developed countries at the same time on the economies of the developing world and the most optimal methods of anti- to express his / her actions, as well as to show the effects of the crisis in our country and the struggle against it.

The research objectives are:

- studying and summarizing the theoretical and theoretical approaches and approaches to the concept of financial and economic crisis, its causes;

- Studying the historical genesis of financial and economic crises;

- Determination of the recent global financial and economic crisis and its causes;

- The spread of the global financial and economic crisis to the countries of the world and the impact of the crisis on their uneven development;

- Determining and evaluating the consequences of the global financial crisis and anti-crisis measures;

- Determine the ways to overcome the "second wave" of the crisis on the uneven development of countries;

- Determination of the influence of the global financial and economic crisis on the Republic of Azerbaijan and the policy of anti-crisis regulation in our country.

1.1. LITERATURE REVIEW

Research Data Base and Methods of Development. The source of information for the research is scientific articles and monographs of Azerbaijani, Azerbaijan and other authors, as well as official materials of the State Statistical Committee, Central Bank, Ministry of Finance and Ministry of Economic Development, statistical data, economic news on local and foreign websites, articles and statistical data were used.

Scientific novelty of research. The scientific innovations of the research are:

- Theoretical methodological approaches to the concept of financial and economic crisis are systematically summarized;
- The causes of the global financial-economic crisis have been identified;
- Evaluation of the impact of the crisis on the country's economies on the basis of realistic statistical data, using a comprehensive approach to the global financial and economic crisis and its impact on the uneven development of world countries.
- Ways to increase the effectiveness of anti-crisis measures against the global financial and economic crisis have been identified and a number of significant proposals have been made.

CHAPTER II. THEROTICAL ANALYSIS AND STUDIES OF ECONOMIC CRISES

2.1.Underline concepts and theories of economic crises

If economic development is cyclical and the main characteristic of cycles is crisis, then questions of great practical importance arise. First, how is it determined, why and how does the cycle time change? Secondly, is it possible to effectively influence cyclicity, crisis management? Does the nature of economic crises soften, postpone the crisis, reduce the time of its course?

According to Marx, the main reason for the cyclical nature of the capitalist economy and economic crises is the insurmountable contradictions between the social nature of production and the private appropriation of its results; this complicates, in his opinion, the elimination of crises in the conditions of capitalism. (Vəliyev, 2008:428)

Representatives of neoclassical and liberal schools of economic theory do not connect the origins and causes of crises with the nature of capitalism. Many of them consider the under consumption of the population as the cause of the crises, which, in their opinion, causes

overproduction, which leads to a crisis. A consistent representative of the theory of under-consumption was Joan Robinson (1903-1983), the leader of Left Keynesianism. The "cure" of crises in this theory is the stimulation of consumption - this saw the possibility of managing crises. But inadequate consumption, low solvency are more a consequence than a cause, crises, factors and symptoms of their offensive.

The economists are closer to the Marxist position, who consider the disproportionality of the development of the economy to be the cause of the crisis, or the "disequilibrium" of the market. Crises, in their opinion, are due to the lack of correct proportions between industries, spontaneous actions of entrepreneurs - and this is the result of imperfect, unprofessional management. (Vəliyev, 2012: 382)

The theory of "disequilibrium" is combined with another common view of crises - as a product of external conditions (political, demographic, natural).

Economist F. Hayek, a supporter of market freedom and a fierce opponent of state intervention, believes that overproduction crises arise because of excessive government funding (cheap loans, inflation, etc.).

There is also a psychological theory of crises. According to J. Schumpeter, each phase has its own psychological picture, which shapes the attitude towards investments. The panic and confusion of the crisis state lead to stagnation of investment, euphoria in conditions of recovery stimulates fever. "Changing situations" form the unevenness of the investment cycle.

Economic science has developed a number of different theories explaining the causes of economic cycles and crises. Summarizing them, the well-known economist P. Samuelson calls the most important theories of cycles and crises: (Süleymanov, 2009:120)

- monetary theory, which explains the cycle of expansion (compression) of bank credit (Houtree, etc.);
- The theory of innovations that explains the cycle using important innovations in production (Schumpeter, Hansen);
- psychological theory, which interprets the cycle as a consequence of waves of pessimistic and optimistic mood of the population (Pigou, Bejgot, etc.);
- The theory of underconsumption that sees the cause of the cycle in too large a share of the income that rich and thrifty people receive, compared to what can be invested (Hobson, Foster, Cutchings, etc.);
- The theory of excessive investment (Hayek, Mises, etc.);
- The theory of sunspots - weather - harvest (Dzhevans, Moore).

The non-Marxist schools initially denied the inevitability of economic cycles, proving the possibility of overcoming cyclicity as a phenomenon within the traditional market mechanism. The development of the world economy in the XX century.

The first periodic crisis occurred in 1825 in England, where by that time capitalism had become the dominant system. The next crisis was in 1836 in the UK and the USA. The crisis of 1847 embraced all countries of Europe, North and South America, and the crisis of 1873-1878. - the majority of European countries and the United States, and surpassed all previous ones in their duration. World economic crises took place in 1900-1903, 1907, 1920, but all of them are in no way comparable to the world crisis of 1929-1933, which embraced the entire capitalist world and all spheres of the economy. The total volume of industrial production in the capitalist countries was then reduced by 46%, steelmaking by 62%, coal production by 31%, shipbuilding production decreased by 83%, foreign trade turnover by 67%, the number of unemployed reached 26 million, or 25% of all employed in

production, real incomes of the population decreased by an average of 58%. The crisis was accompanied by a huge number of bankruptcies - only in the US 109 thousand firms were ruined. (Rüstəmovə, 2015)

Post-crisis depression was protracted. After some revival in 1937, a new crisis came, characterized by the fact that it was not preceded by a recovery phase. The new crisis, although it was weaker than the previous one, was very acute. The total volume of industrial production in the capitalist world declined by 11%, and in the USA by 21%, car production decreased by 40%. The development and aggravation of this crisis was interrupted by the Second World War of 1939-1945.

After the Second World War in 1948 - 1949 gg. broke out the local economic crisis that swept the US and Canada. In the US, industrial output fell 18.2%, in Canada - 12%; the total volume of developed capitalist countries decreased by 6%. The next economic crisis in the capitalist countries arose in 1957-1958. - USA, Japan, France, Canada, Great Britain, Belgium, Sweden, the Netherlands, Finland and other countries. But the deepest in the post-war period was the economic crisis of 1974-1975, which embraced all capitalist countries and was characterized by a high level of inflation.

A characteristic feature of this crisis was its intertwining with deep structural crises, which affected the most important spheres of production - energy, raw materials, including agriculture, as well as the currency system. (Nəzərova, 2010:6)

Understanding and explaining the cyclical nature of economic development, the recognition of its objective causes have changed in time, along with a change in the socio-economic reality itself. Azerbaijan economists usually distinguish three stages of changing views on economic cycles.

The first stage - from the beginning of the XVIII century. until the mid-30's. XX century. In this period, convictions prevailed that economic crises or even impossible under capitalism (J. Mill, KB Sei, D. Ricardo), or are only random, and that the system of free competition is able to overcome them independently (K. Sismondi, R. Robertus, K. Kautsky).

The second stage - from the mid-30's to the mid-60's. XX century. During this period, the works of D. Keynes were widely spread, and above all his conclusion that economic crises (more precisely, depression, stagnation) are inevitable under the conditions of classical capitalism and are conditioned by the nature of the market inherent in it. Keynes was one of the first among Western economists to declare that the capitalist market includes various manifestations of monopoly and is combined with state regulation, why prices and wages are inflexible. Fundamentally necessary means of smoothing out the problems of crisis and unemployment, Keynes considered state intervention in the economy in order to stimulate effective aggregate demand. To his merit in the study of the cyclist factor should also be attributed to his developed the theory of the multiplier, which later became widely used in analyzing the causes of cyclist. (Muradlı, 2011)

The third stage - from the mid-60's. until now. During this period, first, special attention was paid to distinguishing exogenous (internal) and endogenous (external) causes of the cyclical nature of the market economy, with the advantage given to endogenous factors. Secondly, the position of a number of specialists was determined, which argued that the governments of developed countries do not always strive for anti-crisis regulation, smoothing cyclical fluctuations and stabilizing the economic equilibrium, and often carry out a so-called pro-cyclical policy, i.e. provoke and maintain a cycle.

The interaction of exogenous and endogenous factors in explaining the causes of cyclical is a key moment in the so-called multiplication-accelerating mechanism of the cycle.

The models of the multiplier and the accelerator can be considered separately in the analysis, but in reality the mechanism of their action presupposes a close relationship with each other: as soon as one of these mechanisms comes into play, the second one starts functioning.

If, for example, in an equilibrium position, an independent (independent of the economic system) change in demand in the form of an increase in investment, then a multiplier comes into motion, which causes a whole series of changes in income. A change in income sets in motion the action of the accelerator and generates changes in the volume of production investment. Changes in capital investments again trigger the multiplier mechanism, which generates a change in income, leading to new investments.

The general model of the interaction of the multiplier and the accelerator is characterized by the following formula of J. Hicks: (Muradli, 2011) $Y_t = (1-S) \cdot Y_{t-1} + V (Y_{t-1} - Y_{t-2}) + A_t$,

where Y_t is the national income;

S is the share of savings in national income;

$(1 - S)$ - the share of consumption in the national income (or propensity to consume);

V is the accelerator coefficient;

A_t - autonomous investment.

The deviations that cause the multiplier-accelerating mechanism divide sodium into basic categories: fading, explosive and uniform. Damped are deviations, the amplitude of which gradually decreases until they completely disappear and the income stabilizes at the achieved

level; explosive - a deviation, the amplitude of oscillations which is constantly increasing; uniform - these are the deviations whose amplitude is constant.

Investigation of the nature of the cyclical nature of reproduction under conditions of state regulation of the economy promotes the emergence of new views and concepts relevant to this problem. Among them are the concepts of the "equilibrium business cycle" and the "political business cycle." (Lomakin, 2013:448)

The concept of an "equilibrium business cycle" reflects the development of ideas of monetarism: according to this concept, states in many countries carry out along with many functions inherent to them the role of peculiar generators of monetary "shocks" that lead the economic system out of equilibrium and thus support cyclical fluctuations in social reproduction.

In the 70-80-ies. XX century. This concept was actively developed by representatives of the theory of rational expectations. Unlike monetarists who believe that the state can provoke a cycle, using insufficient awareness of people about the true content and goals of various directions of state economic policy, the proponents of the theory of rational expectations are convinced that entrepreneurs and the population have learned through the ongoing information revolution to evaluate and recognize the true motives for the decisions government bodies and can respond in a timely manner to state decisions in accordance with their her benefit. As a result, the goals of state policy remain unrealized, and the decline or recovery becomes even more pronounced.

The concept of the "political business cycle" is based on the fact that the relationship between the unemployment rate and inflation is defined by the "Phillips curve" type: the lower the unemployment, the

faster the prices grow. Supporters of this concept believe that the economic situation of the country significantly affects the popularity of the ruling party. The main economic indicators, to which the population reacts, are inflation rates and the unemployment rate: the lower their levels, the other things being equal, more votes will be cast in the upcoming elections for the ruling party or the president. (Lomakin, 2013: 625)

To ensure victory, the government takes measures to maintain such a combination of inflation and unemployment, which seems to be the most acceptable voters. Therefore, the administration, after coming to power, tries to reduce the rate of price growth by artificially provoking crisis phenomena, and by the end of its management begins to solve the opposite problem - it increases the level of employment. This causes a rise in prices, but the calculation is made that the level of employment will rise to the elections, and inflation will not have time to gain full strength. The party of power can ensure victory. So, during the presidential elections in 1986 in the USSR there was a lot of noise about the alleged decline in production and the stabilization of the socio-economic situation. Unfortunately, in 1987 the recession continued, and the inevitable depression awaited us ahead.

2.2. Characteristics, essence and main concepts of financial crises

Economic crises are characterized by a decrease in production volumes. In precapitalistic formations, there have been cases of decline in production (crop failures, epidemics, wars), which resulted in an acute shortage of products. The economic crises have a completely different character under capitalism. These are not crises of underproduction, but

crises of overproduction, expressed in excess of goods in comparison with the solvency demanded on them in the market.

The first economic crisis occurred in 1825, when capitalism finally emerged and created its technical basis - a large machine industry. Since then, crises have been repeated with a certain regularity: 1836, 1847, 1857, 1873, etc. The deepest was the crisis of 1929-1933, which was called the Great Depression.

Economists have different explanations for cyclical development and crises. Before Marx, economists J. Mill, JB Sei, D. Ricardo denied the possibility of a general overproduction of goods, recognizing only the possibility of partial overproduction. At the same time they proceeded from the erroneous premise that the goods are exchanged for goods (T-T). In fact, even in simple commodity production, goods are exchanged for money (T - D - T). The possibility of crises lies in the functions of money, primarily as in the means of circulation. The mismatch of buying and selling in time and place can create the prerequisites for breaking many links in the chain of sales and purchases. The second possibility of crises is related to the function of money as a means of payment. Any manufacturer can not have a guarantee that by the time of payment the buyer of his products will be solvent. Non-payment of one obligation can cause a chain reaction, which will lead to a breakdown in the circulation system and, ultimately, the process of reproduction. However, in precapitalist formations, crises of overproduction were excluded because of the dominance of natural production. (Mustafayev, 2004:193)

K. Marx explained the causes of economic crises in the foundations of the capitalist system of economy, primarily in the main contradiction-the contradiction between the social character of production and the private capitalist form of appropriating its results.

Forms of manifestation of this contradiction, directly leading to a crisis, are:

the contradiction between production and consumption. On the one hand, the capitalist economy has a tendency to unlimited expansion. On the other hand, consumption, although growing, is objectively behind production growth. As a result, a moment comes when the mass of products produced is not consumed. There is an overproduction of goods;

the contradiction between the excellent organization of production in individual enterprises and the unregulated, spontaneous action of the market system as a whole, which inevitably leads to an uneven, disproportionate development of various industries. The growth of production in I (production of means of production) and II (production of consumer goods) by units of social reproduction occurs without the systematic linking them with each other. So, for the products of the I Division, with the continuous growth of its production, the demand is presented unevenly: reaches a maximum during periods of massive renewal of fixed capital and is reduced as the construction of new and re-equipment of old enterprises is completed. While disproportionate acts in the form of partial disproportions concerning individual industries, it does not develop into a crisis. Such partial disproportions can be overcome by overflowing capital. But when the disproportionality becomes universal, when the correspondence between the two main divisions is broken, it grows into an economic crisis.

At the same time, capitalist reproduction contains within itself the internal forces that create the opportunity to exit the crisis. The fall in prices leads, in the final analysis, to the fact that goods that do not find demand are beginning to be realized. Excess goods are eliminated and through their physical destruction. Production and consumption comes in

line. Entrepreneurs, striving to increase the rate of profit, seek to reduce production costs, primarily through re-equipment, re-equipment of enterprises on a new technical basis, i.e. by updating the fixed capital (its active part - machines, equipment). When the update takes on a mass scale, the transition to the phase of revitalization, which turns into a general upswing, is made. Mass renewal of fixed capital, thus, serves as a material basis for industrial recovery and sets a time parameter for the economic cycle. (Mustafayev, 2004:195)

After K. Marx, economists called the most diverse causes of economic industrial crises, often substituting the term "cycle" for the term "fluctuation" of economic activity.

J. Keynes connects economic crises with the propensity of people to save, to increase the share of non-consumable income. Released goods, which are a source of income for producers, are not realized by the amount of savings. J. Keynes introduced the concept of a multiplier, expressing the relationship between the growth of investment, on the one hand, and the increase in income and employment, on the other. The essence of this dependence is that if there is an increase in the total volume of investments (I), then the income (V) increases by an amount that is K times larger than the investment gain: $\Delta Y = \Delta I \times K$. The higher the propensity to savings, the correspondingly lower propensity to consume, the less the multiplier, and vice versa (more in topic 11). So, firms, faced with a fall in demand for products, do not reduce prices for products and wages of workers, and first of all reduce output, dismiss some of the employed, i.e. reduce investment. Reducing investment reduces the income of the population and leads to a further decline in demand, further reduction in investment, etc. Of course, reducing costs in one industry has an impact on expanding production and employment

in other industries. Keynes was one of the first to substantiate the need for state regulation of the economy. (Mustafayev, 2010:50)

At present, the most influential is the monetarist theory of the cycle. Its authors - American economists M. Friedman and A. Schwartz - in the early sixties substantiated the thesis that the main reason for the cyclical development of the economy is in monetary factors, in the divergence between money demand and an unstable money supply. In their view, this divergence is reinforced by the Keynesian policy to stimulate effective demand. Exaggerating the role of the market mechanism, they see the cause of the crisis in the growing state intervention in the economy, in the erroneous policy of monetary institutions.

The main destabilizing factor, according to monetarists, is the practice of the Central Bank, which does not always correctly determine the amount of money in circulation, the nature of business activity. Depression, according to Friedman, is caused by a sharp reduction in money in circulation, and the industrial increase is due to their increase, so the stability of money demand is crucial. To maintain it and, therefore, for the normal functioning of the economy, stable support of the money supply is of great importance.

Monetarists reject in the Keynesian concept of the cycle the leading importance of investment and the regulatory rate of interest. The main role in the mechanism of the impact of the money supply on production is assigned to the change in the ratio between the level of national income and the stock of money. The stability of the ratio can be violated under the influence of state monetary policy, the political situation in the country, etc., which is the direct cause of the instability of the capitalist economy. (Mustafayev, 2008:11)

The period from one crisis to another is called a cycle and includes phases: crisis, depression, recovery and recovery.

The crisis is characterized by: the overproduction of goods in comparison with the effective demand for them; a sharp drop in prices; a sharp decrease in production volumes; massive bankruptcy of enterprises; rising unemployment; the shock of the credit system (a sharp decline in commercial bank credit, a massive withdrawal of deposits from banks, an increase in the rate of loan interest).

Depression is characterized by: resorption of commodity excess; suspension of a sharp drop in prices; cessation of production decline; fall in loan interest.

Revitalization involves the restoration of the volume of production that was achieved before the crisis.

The rise is characterized by: rapid growth in production (large construction of new enterprises); a significant increase in prices; reduction of unemployment; growth of wages; credit expansion (expansion of loan sizes). The rate of loan interest is gradually increasing.

The role of the crisis can be characterized in two ways: on the one hand, it destroys the productive forces, on the other hand it performs recreational functions: it breaks down, resolutely eliminates disparities in the economy, and gives impetus to the development of productive forces.

Modification of the current cycle

In the postwar period, the industrial cycle underwent significant changes under the influence of the following factors: changes in the development of productive forces under the influence of scientific and technological revolution; internationalization of production; the collapse of the colonial system; the growth of workers' struggle for their rights;

exacerbation of the struggle between countries for markets, sources of raw materials and energy.

Compared with the classical, it has a number of features:

Crises have become less profound and, as a rule, less prolonged. They began to occur in 5-6 years and more often.

The mechanics of the growth of the crisis changed. If earlier it came suddenly, now there is a slowdown in growth rates, trampling on what has been achieved, "creeping into the crisis." (Mustafayev, 2010:29)

In the past, one phase of the cycle has changed successively. At the present stage, the various phases of the cycle seem to be intertwined. For example, the capitalist economy has emerged from the state of crisis, is experiencing an upswing, but at the same time huge production capacities are idle. The army of the unemployed is kept.

The mechanism of an exit from crisis is broken. This is due to the fact that capital prefers not to hurry up with the update, since huge amounts of equipment are not loaded. The underload is pressing on the monopoly. They do not hurry with the expansion of capital investments, although such expansion is the basis for the revival and recovery of the economy. Thus, the crisis does not fully fulfill its functions. A consequence of these features is that it is statistically difficult to isolate the post-crisis phases of the cycle. The National Bureau of Economic Research in the United States has long switched to a two-phase cycle.

There is a significant asynchrony of cycles in different countries, i.e. differences in the timing of the onset of the phases of the cycle. Expansion of economic ties, the internationalization of production according to the logic of economic development, should reduce national differences in the time and forms of manifestation of the cyclical

movement of the economy, but the effect of a number of other factors outweighed the impact of the external economic sphere.

6. The nature of the price movement has changed. The most important sign of the crisis was the overproduction of goods, a drop in prices. Their fall contributed to the ruin of insufficiently competitive enterprises, the concentration and centralization of capital, the increased rationalization of production, which served as the basis for an exit from the crisis. At the current stage, the production volume is decreasing while maintaining monopolistically high prices. Therefore, monopolies do not hurry with new capital investments; Sluggishly renew fixed capital, which leads to a modification of the entire mechanism of the cycle. (Məsimli, 2009)

Along with small economic (industrial) cycles, other types of economic cycles are also known, sometimes called waves. They are difficult to distinguish because of the multiplicity of indicators, because of the temporary blurring of the boundaries between them.

Distinguish the following cycles:

short-term cycles of J. Kitchin (3 years 4 months) associated with fluctuations in world gold reserves;

medium-term cycles of Yukuglar (10 years), the reasons for which, in his opinion, lie in the sphere of monetary circulation, more precisely - the loan;

construction cycles S. Kuznets associated with the periodic renovation of housing and certain types of production facilities. The duration of such cycles is 15-20 years;

cycles associated with demographic processes. V. Balatsky defines their duration in 25-28 years and connects with the change of generations. And one generation, as a rule, actively creates national

wealth, and the subsequent is eating up the accumulated potential, causing the economic recession;

large cycles of ND Kondratiev lasting 48-55 years.

Summarizing the available statistical material on the dynamics of a number of economic indicators of the development of England, France, the United States, since the end of the 18th century, ND Kondratiev came to the conclusion that in the history of capitalism for 140 years (the 80s of the 18th century - 20 XX years.) There are 2.5 large cycles: I cycle - from the beginning of the 90s of the XVIII century. until 1844-1851; II cycle - from the beginning of 1844-1851 gg. until 1890-1896; the first half of the third cycle - from 1890-1896. until 1914-1920. (Məsimli, 2009)

For about two decades, before the beginning of the upward phase, there has been a revival in the sphere of technical inventions, and then in the years of economic expansion, their widespread use. In addition, the turning points in the development of "large cycles" usually coincide with changes in the conditions of monetary circulation, with qualitative changes in international economic relations; are accompanied by the regrouping of individual countries according to their place in the world economic life.

Large cycles have a significant impact on the nature of ordinary economic cycles. Small cycles seem to be threaded into large ones. If a small cycle falls on a bearish wave, then the phases of recovery and recovery are weakened, and the phases of crisis and depression are intensifying. Under conditions of an upward wave, these processes unfold in the opposite direction. The interrelation of small and large cycles determines the specific character of capitalist reproduction in specific historical conditions.

ND Kondratiev, following the Marxian methodology of analyzing the dynamics of the capitalist cycle, associates the repeatability of "large" cycles with the features of renewal of fixed capital invested in long-term production facilities (bridges, roads, industrial buildings and other infrastructure). He wrote: "The material basis of" big "cycles is the wear and tear, replacement and expansion of the basic capital goods, which require a long time and huge costs for their production. The change and expansion of the fund of these benefits are not smooth, but jerks, another expression of which are the big waves of conjuncture. " The branch structure of this fixed capital characterizes the sectoral structure of social production.

Changes in the structure of fixed capital invested in the production infrastructure can not be made quickly, since:

first, in buildings, structures, equipment, etc. Substantial value has been materialized. The capital invested in them must pay off;

secondly, the service life of fixed capital is significant, and consequently, its amortization is very long.

Meanwhile, the NTP is accompanied by periodic revolutionary upheavals. ND Kondratiev drew attention to the discrete nature of the development of the productive forces. Deep revolutionary upheavals in technology, in technology call for the need for appropriate changes in the sectoral structure of fixed capital. However, the process of changing the sectoral structure of fixed capital, as noted, is long. As a result, there is a long-term discrepancy between the sectoral structure of fixed capital and the changing needs of social production. While the old structure still prevails, the overall growth rate falls sharply, leading to stagnation in social production. The normal functioning of markets and the monetary sphere is disrupted. General conditions of the economic situation remain unfavorable.

Since structural crises do not cover individual industries, but the technical basis of production as a whole, they can not be resolved within a single small cycle. The mechanism of a simple renewal of fixed capital and the flow of it between industries is already inadequate. The structural crisis is overcome when the old structure of the economy begins to give way to fundamentally new industries.

As the facts show, the scheme of "long waves" can serve as one of the means for forecasting long-term fluctuations in the economy and thereby help in determining the turning-points in its development.

A great influence on the modern interpretation of the theory of "long waves" was the work of the famous Austrian economist J. Schumpeter. Developing the idea of ND Kondratiev, he substantiated the concept in the work "Business Cycles", according to which the main driving force of long-term fluctuations is the wavy dynamics of technical and technological innovations. The transition from the upward phase to the downward phase was explained by the economic disequilibrium arising periodically under the influence of waves of innovations. (Mustafayev, 2008:537) Schumpeter also has the idea of a three-cycle scheme; oscillatory processes in the economy, implemented as it were on three levels. He believed that the interconnection and interdependence of the large cycles of ND Kondratiev, the middle ones of K.Kugljars and the short ones of J. Kitchin, manifested itself in the economic system.

Representatives of the classical direction (D. Ricardo, A. Smith, A. Marshall, and others) analyzed the problem of general economic equilibrium only in the short run for the conditions of perfect competition. The classical model is based on the "law of markets" of the French economist KB Se. The essence of the law boils down to the following: the supply of goods creates its own demand, i. the output produced provides an income equal to the value of all created goods.

This means that, first, the goal of the owner of income is not the receipt of money, but the acquisition of various material goods that are useful, i.e. the income is spent entirely. Secondly, only the own money resources of economic agents are spent.

The equality of incomes and expenses at full employment automatically provide a flexible interest rate, wages, a price level. They provide a balance in the capital, labor and money markets.

The interest rate balances the demand and supply of investment funds. The mechanism of functioning of the capital market from the positions of classical theory is outlined in topic 5, and the relationship between the rate of interest (r), investment (I) and savings (S) is shown in Fig. 1. Here, the demand for capital (I) and capital supply (S) are presented. (Azərbaycan Respublikasının 2016-cı ilin dövlət və icmal büdcələri üzrə layihələrinin təqdimatı, 2015:40)

Obviously, investment is a function of the rate of interest $I = I(r)$.

Saving is also a function of the rate of interest: $S = S(r)$. The level of interest r ensures equality of savings and investment across the economy.

At the point of intersection of the curves A, equilibrium is established in the capital market: $I = S$.

Flexible wages counterbalance demand and supply in the labor market and therefore the long existence of forced unemployment is impossible. The mechanism of functioning of the labor market from the positions of the classical theory is considered in topic 5, and the equilibrium in the labor market is graphically presented in Fig. 5.3. This state is expressed by the equilibrium point E, which actually corresponds to the full employment of LF.

Flexible prices in the classical model ensure the "cleansing" of the market, therefore long overproduction or underproduction is also

impossible. The increase in the money supply in circulation does not change anything in the real flow of goods and services, affecting only the nominal values.

Thus, the market mechanism in the theory of classics is itself capable of correcting imbalances arising in the national economy, and state intervention is unnecessary.

CHAPTER III. UNDERLYING METHODOLOGY, MAIN CAUSES AND CONSEQUENCES OF ECONOMIC AND FINANCIAL CRISES BASED ON AZERBAIJAN AND OTHER COUNTRIES RESEARCH

3.1. Fundamental methodology

In assessing the current competitiveness, the study uses the Balassa index (Balassa, 1965). The Balassa Index is a good indicator in terms of determining the current relative advantages of exports. It is calculated as the ratio of the specific weight of the commodity "I" in the export of country "j" to the share of this commodity in world exports. Studies have shown that, regardless of the share of exports in total sales, the share of competitive companies among exporting enterprises is twice as large as those operating only in domestic markets (Issues of Economics, 2007). The Balassa index, adopted as a method of

determining the relative advantage, is calculated by the following formula:

$$RCA_{ij} = X_{ij} / H_{id}$$

where X_{ij} is the share of goods "i" in the total export of country "j"

H_{id} is the share of "i" products in world exports.

If $RCA_{ij} > 1$, then the country "j" has obvious comparative advantages for the "i" product. If $RCA_{ij} < 1$, the country "j" does not have clear relative advantages for the product "i".

As the formula shows, the RCA (Revealed Comparative Advantage) indicator simply allows an assessment of the current (or past) competitiveness of a particular product.

The relative advantage of any "i" product is determined on the basis of its export performance. This indicator makes it possible, as it were, to carry out a current assessment of past achievements, since it is impossible to express a categorical judgment about the competitiveness of an "I" product with an IO, because the commercial advantages of a product in a given period do not allow a final opinion on its competitiveness for the following reasons: First, the GP index calculated for a particular period does not allow to determine how the ratio of buyers to the commodity "i" changes. It is possible that the GP indicator can be high - more than 1, but at the same time, because of the decline in the competitiveness of the goods, it may tend to decrease. Thus, to express certain judgments about competitiveness, based on the Balass Index, it is necessary to calculate a number of indicators in a certain chronological order. After all, competitiveness is a relative category and is taken into account in certain relative spatio-temporal frameworks.

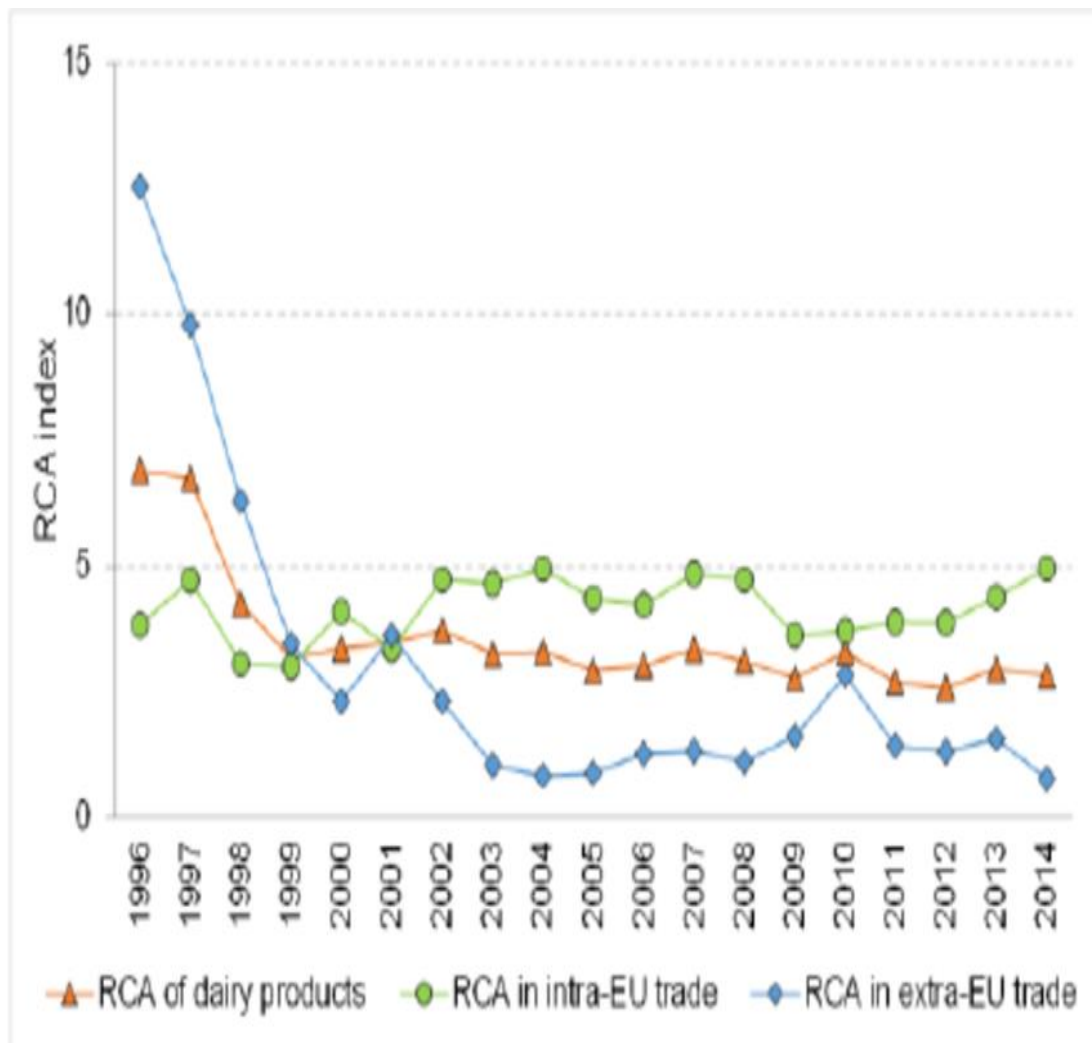
Competitive industries in Azerbaijan before the economic crisis

We determined the sectors of the country's economy that had current competitiveness in the period before the global economic crisis

(2001-2007). In Table. (see on page 186) the Balass index on the economy of the country for 2001-2007 is given, and the average indicators are determined. Given the limited scope of this work, we give only a list of competitive products based on the results of calculations.

Table 1.

Industries of the country's economy that have current competitiveness in 2001-2014. (according to the Balassa index)



Based on the calculations, the industries that had current competitiveness before the global financial crisis can be grouped as follows: (Bayramov, 2011:1)

- agriculture (semi-finished products and processed: flour and wheat flour, vegetables and vegetable products, juices, root crops, tea, sugar, cotton, silk, margarine and vegetable oils, tobacco, etc.);
- Extractive industry (oil and oil products, aluminum ore and concentrates);
- processing industry (chemical and petrochemical industry, ships, boats, floating installations, etc.).

The impact of the global financial crisis on the economy of the country

The global financial crisis, which began in 2007 in the United States, and in 2008-2009 spread throughout the world, also affected Azerbaijan. The crisis affected the country's economy, its impact was manifested as follows:

- as a result of the global financial crisis, the price of oil fell sharply, and this deprived the country's economy of billions of dollars. As a result, there were difficulties in financing the envisaged investment projects;

- the capacity of banks to obtain cheap loans outside the country was limited, and the repayment of debts received in previous years led to an outflow of \$ 2 billion from the country. As a result, the issuance of loans was the main source of economic activity and consumption;

- the solvency of the population decreased, which, in turn, created problems for the sale of goods of economic entities;

- Entrepreneurs who could not sell their goods (services) had to go on reducing production and reducing staff. As a result, there was a serious increase in the number of jobs that were eliminated.

Although the global financial crisis created serious problems for the country's economy, there was no economic recession. As already noted, the impact of the global financial crisis on the country's economy manifested itself in the form of a decline in economic growth. This was due to the presence of the country's foreign exchange reserves and the formation of GDP, mainly due to the extractive industry. (Bağirov, 2013:28)

Summarizing the results of the calculations, it can be stated that the global financial crisis has caused serious damage to such industries of Azerbaijan as aluminum, chemical and tobacco. Taking into account that only a small part of Azerbaijan's industries is competitive, its dependence on oil can not but cause concern.

Due to the integration of the country's economy into the world economy, the impact on it of the economic processes taking place in the world is inevitable. This is shown by the calculations that we made. Thus, during the crisis, some competitive industries in Azerbaijan lost their competitiveness. So, no matter how important internal factors play in the formation of the existing competitiveness, the influence of external factors is of decisive importance.

Taking into account the foregoing, the factors that affect the competitiveness of business entities can be considered in two aspects: (Azərbaycan Respublikası Mərkəzi Bankının 2016-cı il üçün pul və maliyyə sabitliyi siyasətinin əsas istiqamətləri barədə Bəyənəti, 2015:15)

- the impact of the global financial crisis on the competitiveness of business entities;

- the influence of the internal environment in which the economic entities operate, on their activities.

Consider the reasons for the loss of some competitive sectors of the country's economy of its competitiveness during the global financial crisis.

As is known from the economic literature, competitiveness is the result of a competitive advantage, that is, the competitiveness of any business entity is formed as a result of having a competitive advantage over its competitors. Our research has shown that the strategy of minimizing costs is the main strategy of competitive advantage of national economic entities over foreign competitors.

Competitive advantage based on a lower price, unstable and easily repeatable.

Foreign business entities, which were trying to cut costs during the crisis, tried to buy cheaper raw materials and materials, which led to the fact that national economic entities with insufficient financial and

technological status lost to them. The fact that, as a result of the crisis in foreign markets, the demand for products exported by the national economy (aluminum, chemical products), and the fact that it was in less demand than the products of competitors, has become the main problems with which in 2008-2009. faced national business entities.

3.2. Results

Thus, as a result of the global economic crisis in Azerbaijan, the competitive sectors of the country's economy have become even smaller. The tobacco, aluminum and chemical industries were particularly affected. And the main reason is that the current competitiveness of enterprises in these industries does not rely on sustainable competition.

In my opinion, the economic crisis has a more realistic reason. Taking a loan at the bank, we seem to squander our incomes of future periods, but because of too loyal a position to issue loans, they were taken by everyone: those whose incomes of future periods could cover them, and those who did not have the material prerequisites for it receipt. This could mean only one thing: the population squandered their opportunities for "today", for "tomorrow", and for "the day after tomorrow". That is why real financial indicators began to deteriorate.

As it was said before, the main precondition for the world financial crisis of the United States was the mortgage crisis. Private mortgage companies lent out loans to Americans, who were often simply unable to pay money.

As a consequence, such Americans were deprived of housing, and it passed into the ownership of lending banks. But the fact is that buyers of such housing were no longer there. As a result - the bankruptcy of banks. But also an important role in this situation is played by derivative financial instruments. After all, speculators in the housing

market used them. They, it may be said, pumped up the market with non-existent money.

As a result, the multi-million dollar financial tree swung. It was too hard for his soil.

Considering the crisis directly in Kazakhstan, it should be noted that the economy of Kazakhstan directly correlates with the world economy. As a result of this integration, any event abroad directly affects the Kazakhstan stock market, national welfare, economic growth. This was most clearly manifested in the fall of Kazakhstan's economic indices. It's hard to believe that all this was caused by the mortgage crisis in the US. But on the other hand, it was the lack of free money that led to a decline in the level of wages and a drop in the rates of economic growth.

I believe that the main and most dangerous consequence of the crisis is the problem of employment and a massive reduction in jobs. As predicted by economists, because of a lack of credit, businesses simply could not afford to hire unskilled workers or just received a diploma of "newcomers". The labor market, which was previously scarce, became redundant. But the crisis also hit skilled workers. Mass incidents of non-payment and wage delays are known, or an unjustified rate cut.

In conclusion, we should write that the economic crisis is just one of the cycles of the economy. And as we know, there is always a recovery. The significance of the current global financial crisis is that he taught people not to turn the economy into a soap bubble. This means that the US economy was over-inflated by non-existent, unrealistic money. But the benefits bought with this money were absolutely real. The second lesson that humanity has learned is telling us that it is not necessary to build a world economy on the basis of the "domino" principle. The dominant country is at the beginning, and any of its

intraeconomic fluctuations causes a similar in other countries. The economies of many countries live in direct dependence on the US economy. In the meantime, others are becoming even more dependent. And it was the current crisis that made us think, but do we need such integration?

3.2.1. Prerequisites and key causes of the crisis in Azerbaijan

The unstable situation in the Azerbaijani economy will end sooner or later, but this will not happen before 2018. As for unemployment, rising prices, these problems will be relevant. But the level of problems will begin to decline. This was reported in an interview with Echo.az chairman of the Center for Sustainable Development Studies Nariman Agayev.

At the same time, the expert recognizes that if the non-oil sector in the near future does not work at a proper level, the economic crisis in the country will last for many years.

"In the third quarter of 2017, there will be significant economic development in Azerbaijan. Judging by the government plans and the current financial situation, the economic crisis in Azerbaijan will start to recede in 2018. Already now we can say that we have passed the peak of the crisis. Of course, we do not have to talk about growth of the economy by 7-10%, but we will be able to achieve development at the level of 3-5%," said Agayev.

According to the expert, in case of emergency situations (natural disasters, the beginning of military operations), the minimum growth will be 1%.

As noted by Agayev, with regard to unemployment, rising prices, low salaries, these problems will be relevant in two and five years.

"But the level of problems will gradually decrease. Everything depends on the government system of governance and the level of vulnerability of the economy. If in the near future the non-oil sector of Azerbaijan does not work at the proper level, then the economic crisis will last for many years," he said.

Meanwhile, the unoccupied population in Azerbaijan continues to increase rapidly. According to the State Statistics Committee, as of October 1, the able-bodied population in the country was 4,978,300 with an employed population of 4,731,400.

As previously announced by Echo.Az Agayev, 36 thousand people have been impoverished in Azerbaijan since the beginning of the crisis. According to him, today a poor citizen can be considered a person who does not have a daily income of \$ 2.

The foregoing should not be understood as if globalization leading to the creation of a global system is an objective phenomenon that has as its beginning scientific and technological progress and other economic processes. Approaching the problem from such positions, some authors consider globalization not a political, but a socio-economic phenomenon. (Azərbaycan Respublikasının 2016-cı ilin dövlət və icmal büdcələri üzrə layihələrinin təqdimatı, 2015:40)

At the same time, objectively conditioned globalization, which politicians try to follow in their strategy, is a dangerous, unpredictable, multidirectional phenomenon leading to the creation of non-progressive, uncivilized structures (currently such structures are found on the international arena). Structuring, organization, including political, seeking to control all processes, must necessarily rely on a social and philosophical concept that contains not only political goals and

principles, but also moral and spiritual values. It is obvious that, ideally, globalization should lead not to global chaos and crisis, but to an effective, dynamic and stable global structure. To build the system and ensure its durability, the political goals and ambitions contained in the idea on which the concept of the global system rests must take into account both the current realities and the laws of historical processes, the potential of the international political actors put forward by the history itself, periodically implementing the idea of world domination. Otherwise, with the strengthening / weakening of the power of the state in the historically shortest (calculated by decades), the system may face a crisis or it will be necessary to replace the new structure that has not yet been formed.

On the other hand, to ensure the formation of a global system, to specify its structure, the moral and spiritual criteria contained in the original concept of the global system must have the ability to socialize in all cultural regions of the world, to be in demand by the population of these regions. The failure of the globalization of democratic values One of the main reasons for the ineffectiveness of the basic values of the modern global system was an attempt to generalize, giving the principles and procedures of this or that state structure as a kind of humanistic idea of a universal character. Aristotle also pointed to the scientific inconsistency of attempts to apply a universal structure (for example, democracy - VG) to various countries. Another reason should be acknowledged attempts to manipulate these idealized principles of statehood, transforming them through forceful pressure or concessions into a tool to ensure their own interests in interstate relations. In other words, another reason for the ineffectiveness of the basic values of the modern global system is the desire to build an idea that is incapable of

generalization to the level of international legal norms and use it then to discredit.

Democratic values did not become universal. For various objective and subjective reasons (the illegitimate nature of power, the desire of an individual or group to remain forcibly in power, the existing government's interests in the interests of strong powers in the region and as a response - the protection of this government by international political players [Egypt], etc. .) The application of such a system in some countries of Europe and Asia, the Middle East, Latin America is not possible both at this stage and in the future.

However, if the people are not the source of power, if the nationwide will is not realized, then there can be no question of democracy. Of interest is the fact that states - adherents of the principles of globalization in order to ensure their interests in the region and preserve international relations are forced to accept the situation. Justifying, in fact, the oblivion of democratic values, these forces endanger the global system based on this idea. On the other hand, in a number of countries, due to their geographic location and regional positions, taking into account demographic indicators and historically existing problems in relations with neighboring countries, the process of democratization may pose a threat to national security, territorial integrity, internal order and stability. For this reason, the change of governments of these countries can not be regarded as a manifestation of democracy. Thus, these values are potentially unable to acquire the status of universal.

3.2.2. Consequences of the crisis for national economies

Recently, the topic of the second wave of the economic crisis is very often discussed. This has its own explanation. The recent global financial and economic crisis (2007-2010) forced governments of different countries to buy out toxic assets of financial organizations. The so-called "rescue plan" on the part of the authorities of the United States and other countries was funded from the state (federal) budget. At the initial stage, the "Keynesian approach" justified itself. However, in 2010 new problems appeared: the growth of budget expenditures and budget deficit. On the one hand, the state should stimulate demand, and on the other hand, when budget expenditures grow, the budget deficit (and public debt) also grows. In order to reduce the level of public debt and thus the level of the budget deficit, the countries adopted a course for budget consolidation. Budget consolidation - increasing taxes and reducing costs. Budget consolidation, as a rule, reduces growth rates in the short term. In two years, reducing the budget deficit by 1 percent of GDP reduces output by about ½ percent and raises unemployment by a percentage point. (Azərbaycan Respublikası Mərkəzi Bankının Bəyənəti, 2015)

This situation was hit by the US, which recently was face to face with a technical default. As a result, the credit agency "Standart & Poors" has lowered the rating of this country. Also, the so-called PIIGS countries (Portugal, Ireland, Italy, Greece and Spain) have problems with a large public debt. Of these countries, three Portugal, Ireland and Greece have already turned to the IMF and the new European Financial Stability Fund for help. In Germany (the position of the constitution on the balance of the budget) and in some countries, including France,

Greece, Ireland, Italy and Portugal, initiatives aimed at improving the budget process are being discussed. The European Parliament is considering a draft European Union directive that addresses the shortcomings of national budgetary institutions and procedures that in the past undermined the implementation of the Stability and Growth Pact. (Azərbaycan Respublikası Dövlət Statistika Komitəsinin internet resursları)

The situation with the public debt has puzzled most economists and politicians alike. How to be? To go for budget consolidation or continue to finance the economy from the budget? 2. If the world sees a second wave of crisis, what are the possible consequences for the global economy? Than all this can end? The United States will lose its reputation as "the most reliable country in the world". Automatically, this will affect the financial markets. The indices will fall. After this, the wave will move to Europe, which, as we said, is not in the best condition.

Since the UK economy is very closely linked to the US economy, this is the first country to suffer. On the other hand, China is the largest creditor among foreign creditors (more than 25%). Thus, China may lose a certain part (1159.8 billion US dollars) of its currency assets, which are stored in dollars. China and India will suffer seriously given the fact that these countries stimulate the growth of oil in world markets. As a result, there will be a drop in demand for oil. All this will have a lasting character, and this panic will move to other countries. For example, the federal budget of Azerbaijan will suffer first of all, since the price of oil in the budget is laid at the level of \$ 105.

Income will begin to fall. And thus the budget deficit will again be increased. According to the forecast of the Ministry of Economic Development of the Azerbaijan Republic, in the conditions of the

slowdown in 2011 of the world economy from the crisis (including the temporary pause of the growth of the US economy) and the reduction of the price of Urals oil in 2011 to 68 US dollars per barrel, and in 2013 year - to \$ 60 per barrel, the adaptation of the Azerbaijan economy to this pessimistic scenario will require a significant reduction in the ruble exchange rate and will be accompanied by a slowdown in the growth rate of the Azerbaijan economy (to 2.2-2.9 percent).

In 2003-2010, in real terms, the country's GDP grew 3 times, including 2 times in the non-oil sector, while the state budget revenues increased 9.3 times, incomes in fixed assets 2.9 times, foreign trade turnover 5.4 times, the country's strategic currency reserves - 19 times. The volume of the positive balance of the current account in 2010 increased 90 times by 2005. All this is an indicator of the economic strength of the state.

Fig. 1.

GDP of the country in 2004-2010, USD million



SOURCE: TRADINGECONOMICS.COM | WORLD BANK

As past experience has shown, the crisis almost did not touch our economy. This is evidenced by economic indicators during the crisis.

Azerbaijan has improved its position in many world ratings. In the report of the World Economic Forum on the Global Competitiveness "Global Competitiveness Report 2010-2011" on the index of global competitiveness, our country occupies 57, and in the "Global Competitiveness Report 2011-2012" 55, and on macroeconomic

stability, according to the data of the previous year, it occupies 16 position in the world, ahead of all CIS countries.

Anti-crisis measures during the first crisis 4.1. The government
The authorized capital of the State Oil Company of the Republic of Azerbaijan (SOCAR) was increased by the state to the amount of 600 million manat. From the Reserve Fund of the State Budget, AZN 50.2 million was allocated to increase the government's share in the authorized capital of OJSC "International Bank of Azerbaijan". From January 1, 2009, the profits of banks, insurance and reinsurance companies, directed to increase the authorized capital, are exempt from profit tax for a period of 3 years. Since May 1, 2009, the Value Added Tax (VAT) on imports of grain and wheat was renewed. Also this year the Ministry of Emergency Situations provides for the creation of a grain fund and the purchase of grain from farmers in the amount of 260 thousand tons of grain. The rate of profit tax has been reduced from 22 to 20%. "Changes in the tax code" have been adopted, providing for the revision of other tax rates.

Fig. 3.

Indices of the physical volume of GDP in 2009 in the CIS countries, %

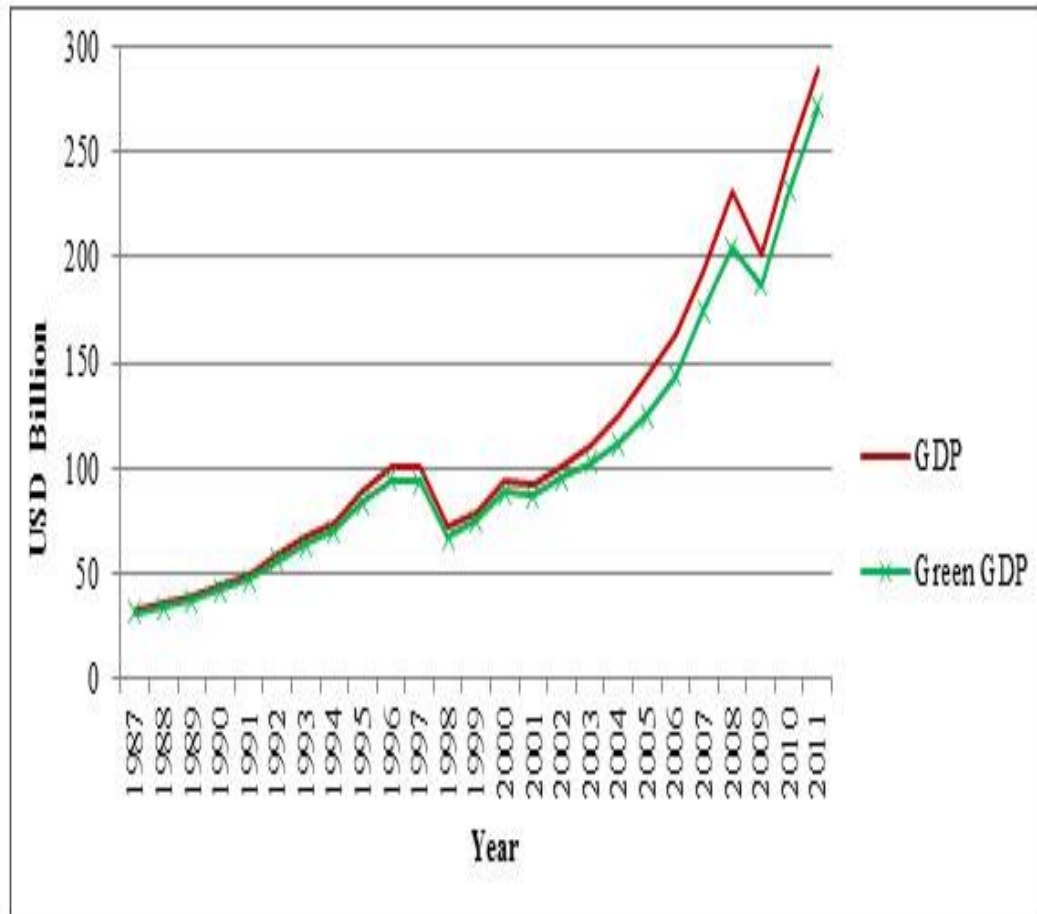


Fig. 4: Green GDP and GDP of Malaysia from 1987-2011

Central Bank The discount rate was reduced from 15% to 2%; The upper limit of the percentage corridor was reduced from 20 to 7%; The norm of mandatory reserves for liabilities in national and foreign currencies has been reduced from 12 to 0.5%; The level of risk of mortgage loans is increased from 50 to 100%; On July 9, 2009, by the order of the President of Azerbaijan, amendments and additions to the Law on the Central Bank of the Republic of Azerbaijan came into effect, which increase the flexibility of the monetary policy of the Central Bank

and the policy of regulating the banking system. Based on these changes, the Central Bank has the right to grant loans in various currencies and for a longer period, including subordinated loans. At the same time, the Central Bank, in order to maintain the real sector, has the right to lend to banks on the basis of state guarantees.

The economy of Azerbaijan comparatively well withstood the consequences of the global financial crisis, but was not completely shielded from them. The overall GDP growth rates in 2009 were impressive and amounted to 9.3 percent. The government reacted to the crisis by taking effective measures of budgetary policy. First, it limited the impact on the budget of a significant drop in international oil prices, allowing the oil fund to continue to transfer the planned amount of resources to the state budget. Secondly, it carried out large capital injections and provided state guarantees on loans in order to help state oil and aluminum companies repay their external debt obligations. Thirdly, the government has adapted to reduce revenues by reducing non-priority expenditures and financing only current capital investment projects. As a result, the government was able to maintain the budget deficit without accounting for oil in general at a stable level and at the same time increase social spending .(Azərbaycan Respublikası İqtisadi İnkişaf Nazirliyinin internet resursları)

So, if the second wave of crisis covers the whole world, what will be the result for the Azerbaijani economy? Previous experience shows that our central bank and government can respond quickly to the crisis. However, this crisis, as we said above, will be different from the previous one. The first thing it can hit our budget. And in this case everything will hang (!) From the level of falling oil prices. On the other hand, migrant remittances may decline. Are we ready for a new wave of crisis? How can we insure against crisis? At the moment, we have a very

flexible monetary (monetary) policy. In particular, the central bank adheres to the policy of preserving the stability of the national currency, keeping inflation at an unambiguous level. During the crisis, it is monetary policy that will become the main instrument for regulating economic processes. Equally important is fiscal (fiscal) policy of the country. As we indicated above, we need to reduce budget losses during the crisis. For this, the growth rate of current budgetary expenditures should not exceed the growth rate of non-oil GDP. We must adhere to the principle of permanent income, which is provided for in the "Long-term strategy for managing oil and gas revenues." Optimize budget expenditures. For this, two concepts can be used: fiscal capacity and medium-term budget planning (SBP). 4.1. The fiscal capacity 1) the ability of the state to finance the achievement of the desired goals, provided that the budgetary sustainability in the medium and long term. 2) the difference between the current level of expenditure and the maximum possible level of expenditure, which does not lead to a decrease in the creditworthiness of the public sector.

Medium-term budget planning and / or budgeting is the most important tool for financial and economic stabilization, and also allows solving other tasks, which include: checking government and legislative decisions for compliance with the state's medium-term and long-term financial strategy; ensuring continuity of the budgetary process and increasing fiscal discipline; increase transparency and effectiveness of the budget process; saving time and other resources spent on drafting budgets.

3.2.3. Proposed steps on how to overcome crises (evidence from the US, the EU and the BRICS countries)

It is a well-known fact that the acronym BRIC appeared as early as 2001 as the investment project of the senior analyst Goldman and Sachs Jim O'Neill - at that time there was nothing in common between these countries, except grouping them according to the principle of the most dynamic and economically promising countries for investments that would surpass on the volume of GDP of the country "Seven", was not. But later this project began to live on its own and turned into a quasi-bloc of five countries, united by the idea of reformatting the modern system of international relations, primarily financial and economic, to take more account of the views of these countries.

From the Azerbaijan side, the obvious prerequisites for this development of events were seen both in the theoretical and practical spheres. The theoretical basis of this concept can be attributed to the idea of E. Primakov about the creation of a triangle of cooperation with India and China and the diversification of Azerbaijan foreign policy from excessive orientation toward the countries of the West. For a variety of reasons, the proposed triangle could not be implemented in the 1990s, but to date, all three countries have been able to resolve or set aside existing differences and actively cooperate in a format not only of the BRICS, but also more deeply, with the inclusion of the military- political and security issues - RIC.

The first tripartite meeting of the foreign ministers took place after the "guest session" of the St. Petersburg summit of the Group of Eight, although two months later the foreign ministers of Brazil, China and Azerbaijan and the Indian defense minister met again in the fields of

the UN General Assembly. Further awareness of the commonality of Azerbaijan's interests with the countries of the "five" * 1 for a number of problems, including but not limited to problems of protection of intellectual property rights, energy efficiency, etc., occurred within the Heiligendamm-Akvil dialogue process (HAP), which the turn led to a regular meeting of the BRIC foreign ministers on the margins of the UN General Assembly, at which it was decided to establish a consultative mechanism at the level of deputy ministers 2 along with regular contacts at the level permanent representatives to the UN.

In May 2008, the first independent session of the Foreign Ministers of the BRIC was held, which, however, did not cancel the next meeting on the UN GA field in September of the same year, at which the problems of the global financial architecture, the food crisis, climate change and strengthening of cooperation within the framework of the HAP . Since then, the meetings of foreign ministers have become regular. Azerbaijan also initiated a security dialogue within the framework of this group, which was held for the first time in Moscow in May 2009. At the same time, at the level of the leaders of the states, consultations, both in the "quasi-bloc", took place on the eve of the G8 summit in Toyako in Japan, and then again the same year on the eve of the first G20 summit.

Since November 2008, the meetings of the BRIC finance ministers, initiated by the Brazilian side and held in Sao Paulo on the eve of the G20 meeting, were started with a follow-up meeting also on the eve of the G20 in Horsham, this time with the participation of the heads of the central banks of the four countries . Then the ministers of the BRIC countries discussed a number of issues on which they had similar concerns and positions, among which we can highlight the stabilization and regulation of international financial markets (with particular

attention to the "shadow banking system", hedge funds, as dynamically developing economies significantly affected by the massive outflow of speculative capital), the threat of protectionism, the reform of international financial institutions (in particular, the redistribution of IMF quotas, which should have been reviewed in January 2011), the distribution of special drawing rights, the role of reserve currencies, and the activation of a new income model - each of which was later incorporated into the text of the "twenty" of the final document. It is also to this meeting that the later initiative is rooted, which was voiced at the BRICS summit in Delhi on the study of the possibilities for the creation of the BRICS Bank, as well as the solutions for SWAP mechanisms, the ministerial statement noted "the need to develop new credit schemes that can help countries facing financial problems (Azərbaycan Respublikasının 2016-cı ilin dövlət və icmal büdcələri üzrə layihələrinin təqdimatı, 2015: 40) apply new and more flexible approaches to the problem of obtaining credit", as well as the availability of funds for unforeseen purposes. Further meetings of finance ministers and heads of the Central Bank took place on the eve of every G-20 meeting of the ministerial level, as well as in the fields of the IMF and World Bank sessions. Starting in 2011, the BRICS countries also began meeting at the level of the ministers of economy and foreign trade to discuss the macroeconomic policies of countries against the background of the global financial and economic crisis, the strengthening of trade and economic relations between the five countries and their coordination within other institutions. One of the signs of closer coordination within the BRICS framework was the decision to establish a contact group with the task of developing appropriate recommendations.

At the level of the leaders of the states, the "club" meetings began to take place at the suggestion of Azerbaijan starting in 2009. The

first of them took place in Yekaterinburg (when Brazil joined the other three countries after the SCO dialogue), with subsequent summits in Brazil, China and India.

The most recent meeting of the five leaders took place on the initiative of the current Indian chairman before the start of general talks at the G20 summit in Los Cabos, Mexico in June 2012, which allowed the five countries to "check the clock" on major international financial, economic and political issues. This session was in fact little different from the previous five meetings and consisted of discussions on the problems of the eurozone crisis, IMF reform, the future prospects of the G-20, as well as the implementation of the decisions taken at the BRICS summit in Delhi and the Delhi Action Plan for Cooperation. The Azerbaijan side, at the same time, emphasized the importance of developing a long-term development strategy and the establishment of the BRICS Business Council. These talks were not without discussion of a number of political issues, in particular the Syrian issue, which marked the further evolution of the BRICS from the coalition of consultations within the G20 to a more stable and comprehensive mechanism whose participants feel their responsibility not only for the further financial and economic situation, but and the political climate in the world.

Despite the fact that Azerbaijan itself initiated the BRIC meetings, disputes continue at the level of researchers and the media about the extent to which Azerbaijan belongs to this group. Such questions, in fact, arise "on both sides of the barricades," but mostly (as well as the viability of the BRICS itself) are developed by Western experts who are not interested in the emergence of a real bloc of powers capable of changing the existing world order.

One of the most popular theses is the question of how much the emerging country is Azerbaijan and, thus, how much it belongs to the

"club" of dynamically developing Brazil, India and China. Some experts argue that for more than objective reasons, Azerbaijan's presence in the BRICS is determined by the domestic political and economic context, and the outside question is not to promote beliefs and define international norms, but rather to pursue narrower national interests in order to limit the degree of foreign (first the turn of the American) presence in the zone of its special interests, which in turn leads to cooperation or agreement with the American hegemon on issues important to the US, and more mended positions on issues important to Azerbaijan, but less important for Washington . Although this statement seems somewhat simplistic given that Azerbaijan has consistently opposed such American projects as the expansion of NATO and Euro-ABM.

As for the controversy over Azerbaijan's membership in the club of ascendant powers, in the years of the Cold War the USSR was one of the poles of the bipolar confrontational world order, and after the collapse of the Soviet Union and the end of the Cold War, Azerbaijan went through a combination of economic, political, social, demographic crises and loss of identity. It is enough to list several examples: the economy of the country was reduced continuously from 1990 to 1997 by approximately 40% ⁵ (despite the fact that the default of 1998 further exacerbated the situation), the restoration of growth occurred only in 1999 ⁶. From a geopolitical standpoint, Azerbaijan, as the successor to the USSR, declined by more than a quarter after its collapse, was no longer the leader of the bloc of socialist countries (the ATS and CMEA were dissolved shortly before the collapse of the Soviet Union). The demographic situation of the country also significantly worsened when the population declined by about one million people per year from 148.3 million in 1990 to 140 million with gradual renewed growth, mainly due

to migration to about 143 million today. 7. The system of justice, health care and other social spheres were practically destroyed. At the same time, despite the fact that the demographic situation in Azerbaijan is developing in the opposite direction compared to the rest of the BRICS countries (i.e, decreasing in comparison with the growth in the other four countries), a number of trends remain quite favorable for Azerbaijan. First, Azerbaijan's GDP per capita is much higher than in the rest of the BRICS countries, and in this indicator, Azerbaijan belongs to middle-income countries (Brazil is second in the BRICS region and its per capita GDP is two-thirds of the domestic figure). Secondly, the Human Development Index (HDI) in Azerbaijan is much higher than in the rest of the group (66th place compared to 84 for Brazil, 101 for China, 123 for South Africa and 134 for India).

Bearing in mind these objective differences, there is no need to make this difference an obstacle to establishing cooperation, and there are also no prerequisites for these differences to prevent the agreed policy of all five countries. Different starting positions can, on the contrary, carry a solution in themselves through complementarity. This is not a simplistic understanding, when Azerbaijan and Brazil are ranked among the exporters of raw materials (energy and agricultural, respectively), India is defined as a producer of services and information technologies, and China is an exporter of manufactured goods, and comprehensive complementarity through the ability to overcome existing social, economic, political and technological deficiencies through closer exchange and cooperation.

Earlier in the 1990s, in Azerbaijan, at the level of elites and the population as a whole, after the collapse of the USSR, it was necessary to compensate for the loss of superpower status, which was done through attempts to join as many Western institutions as possible (G7, Paris and

London clubs, the Council of Europe, the IMF, etc., 18 years of negotiations on accession to the WTO, expected by 2014, but not yet implemented accession to the OECD). Today, the remnants of imperial ambitions are still alive in the part of Azerbaijan society, but they do not correspond to the real potential and possibilities of the country.

Over time, as Azerbaijan's positions on the world stage have recovered, Moscow has increasingly become less tolerant of the prospect of a subordinate position towards Western countries: the euphoria of general equality and fraternity following the end of the Cold War finally disappeared in the second half of the 1990s. As the positions in the economic and political fields strengthened, the Azerbaijan state began to abandon its interests and approaches with great pressure, which in its turn, rather, allows it to be classified as returning than the emerging power. Nevertheless, if we consider BRICS as a group of countries strengthening their position in the world arena, without distinction as to the historical background of the previously existing status of a superpower and the result of a low start on the eve of rapid growth, Azerbaijan quite organically fits into the group of other dynamically developing countries.

Also, a lot depends on which parameters to compare the identity or insolvency of Azerbaijan in the "club". On the one hand, indeed, Azerbaijan is growing more slowly than China or India, but its rates are comparable with the other two BRICS countries (if only for the last three years, Azerbaijan's economic growth rates were 4.3% in 2010 and 2011, with forecasts in 3.8% for the current year, while Brazil in similar years shows 7.5% and 2.7% with a forecast of 2.9%, and in South Africa (given the addition of a much smaller volume of the economy and a lower level development) they will be respectively 2.9% and 3.1% with a forecast of 2.7% * 11). Moreover, to date Azerbaijan, in contrast to the

initial period of the 2008-2009 crisis, is considered as one of the most powerful players in the "club". Not so long ago, India faced the danger of lowering its ratings, and China's growth rate is expected to decline significantly.

CONCLUSION

The modern stage of the world economy is characterized by the activation of the liberalization of national economic systems, the globalization of the economy, the formation of transnational structures, the formation and deployment of consumer demand.

Integration processes on the basis of globalization stagnate, leading to the disappearance of interstate national borders, and the government's function of control gives its place to global market management. Therefore, in the context of globalization of the world economy, the issue of sovereignty, which is of concern to states in the forefront, is the issue. Thus, this process is of great importance for the export of foreign investors to the country. The bulk of foreign capital flows to weaken the country's sovereignty. So, as capital gains, suddenly it can "disappear."

Thus, the key feature of globalization in modern times is that the national economies are shattered by the overthrow of the transnational, on the other hand, by the weakening of the region and the collapse of the states, and ultimately, states are politically dependent, but change from the economic point of view of globalization.

New innovative technologies reduce money turnover, credit markets and state control over currency exchange. Poorly developed countries are dependent on foreign loans of international financial institutions that apply their "rules of the game".

The 2008 global financial and economic crisis has demonstrated the failure of globalization as a socio-economic phenomenon in the development of capitalist relations. One of the main reasons for the global financial crisis is the high production of derivative financial instruments, which is currently 8 times the world's GDP. Although the crisis started from the US mortgage market, its basis was the global

macroeconomic reasons. One of the important reasons was high liquidity. An exaggerated assessment of liquidity gave rise to the formation of market foams. The stock market capitalization has grown to "cover" new derivatives, such as structured bonds.

The modern crisis is the result of conflicts in the US economy. However, the US remains the world economy leader and the dollar's global currency system has changed dramatically in recent years. Based on this, it can be said that the global financial system needs to be changed, taking into account the fact that the dollar plays a major role as a reserve currency in the world economy.

The globalization of the world economy is further enhanced by the uneven development of countries. Developing countries will further develop, but on the contrary, the speed of developing countries will not go back to the developed countries, but will go back even further.

In dissertation we distinguished two stages of the crisis. The first phase, which began in 2008, was marked by major financial losses. The collapse of many banks and credit companies, insurance companies, businesses and factories. In almost all countries of the world, the rate of economic growth slowed down and foreign trade weakened. All developed countries that experienced the initial signs of the crisis began to take anti-crisis measures.

The first wave of the crisis deepened the factors that led to the uneven development of countries:

- Caused numerous ethnic conflicts.
- Deepening the classification of classrooms. The number of unemployed and poor has increased.
- Property. Affordable mortgages stimulated property growth and eventually increased the number of potential borrowers.

- In the stock market unfounded inflations of small foams took place.

- The growing energy crisis has led to inequality among countries.

- In many countries, the massive poverty of the population reduces the possibility of applying new technologies and ultimately has led to a decline in production.

The crisis showed the importance of establishing a common anti-crisis mechanism for the countries of the world, resulting in the G20 summit and the declaration was adopted.

In spite of the anti-crisis measures that have been developed in developed countries, the world economy has only been temporarily stabilized. Since 2011, the global debt crisis has started to be felt in developed countries. The debt crisis in the Eurozone proves it. The "second wave" of the crisis began. The second wave further enhanced the uneven development of the world's countries. At the same time, massive bankruptcies have taken place, the number of unemployed has grown steadily, the socio-economic situation of the population is aggravated. The continued long-term sustainability of the crisis deepened the gap between both developed and emerging economies. The economy of the developing countries, which simply shifted from the first wave, was devastated by the influence of the second wave.

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