

**Financial and Banking Services Market**

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**GLOBAL FINANCIAL CRISIS:
REASONS FOR ITS ORIGIN AND WAYS
FOR SURMOUNTING****Abstract**

The paper studies the reasons of the global financial crisis origin, and analyzes the losses the world economy suffers. To surmount the crisis the author suggests that the International Central Bank should be established, and the world international currency as a reserved currency should be introduced replacing dollars. The emission earnings are proposed to be divided among all members of the agreement on introduction of the international reserve currency.

Key words:

Financial crisis, world currency system, Bretton-Wood system, gold-money system, profit of balance of payments, world reserve assets.

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The actual global crisis that has gripped all the countries, including Ukraine, shows that significant drawbacks had been made in a monetary policy and therefore the latter does not meet the era imperatives. In addition, the processes in modern monetary mechanisms are misunderstood, which does not allow to design proper practical recommendations.

Nowadays the financiers, statesmen, and politicians all over the world think about what should be done to avert the speculation in money bubbles that shakes the globe and paralyzes the economic life.

Even high bank authorities, who recently insisted on full state non-intervention into the monetary policy, now, against the backdrop of a financial crisis has radically changed their minds and are for the state regulation of monetary policy, and they strive for the governmental defense and support.

Having been related to the drawbacks in the organization of monetary system, the actual economic and financial crisis that had originated recently and had gripped the world through, damages companies, banks, insurance institutions, enterprises, making them close down and fire workers, and depriving mass population jobs and livelihood.

The global damages of the financial crisis amount to five trillion dollars. It is 160 Ukrainian budgets. The world economy undergoes a great instability, risking coming to the biggest collapse since the Great Depression.

The crises started in 2007 in the USA and spread all over the world. Primarily, it is related to a dollar, which became a world reserve currency, and did not meet its new function. Therefore, the ill functioning of the world monetary mechanism grounded on a dollar as a reserve currency is directly related to the global crises.

The international currency system based on a dollar, has significant drawbacks. The exchange of the currency of any country into the international one with no liabilities and responsibilities, provided that country great preferences and advantages to carry out the credit expansion, at that, having created great opportunities for its businessmen not only for abuses, but also for misdeeds.

Abolishment of restriction for money emissions has provoked inflation in the world scale. The current international currency system has no mechanism for preventing the sustainable imbalance in trade. Thus, nothing hindered the USA to accrue the current account deficit, which since 1980 reached up to three trillion dollars. That deficit was like an economic subsidy to the ROW, swamping the globe with dollars that became a new international reserve asset instead of gold. This actual crisis with good reason is called a dollar crisis, since it was originated by the accrued excess dollar reserve assets which ignited the devaluation of a dollar itself.

Till 1973 the currency stability was secured through the system of pegged exchange rates built up in 1944 at Bretton-Woods Conference. The rate of American dollar, like the exchange rates of other currencies was equaled to a certain portion of gold at a certain price. The Bretton -Woods system served a quasi-gold standard, the rest of the countries were guaranteed the right to convert their dollars into gold at the exchange rate of 35 dollars per 1 ounce of gold. When the Bretton-Woods system crashed in 1973, the world countries had to arrange for building up a new world currency system that would regulate the international trade and monetary relations, also for establishment and introduction of a new international reserve currency. Since the world community failed to do that, the USA made use of the situation and filled the gap with a dollar, having made it the world reserve currency, thus having gained enormous benefits and advantages. They had succeeded without any official agreements and incurred obligations. Under the effect of those occurrences, the currency system with physical assets (gold) as its basis transited into the currency system with no solid ground, and that fact increased responsibility for conscious management of monetary operations.

The gold-money system with its peculiar mechanisms for self-regulation and restrictions to issue excess money, that prevented the crisis origin, has been replaced with the monetary system, that is deprived those mechanisms and needs a conscious regulation. The matter is, that the sustainability of gold-money system was guaranteed with the important factor like money intrinsic value, while under monetary system the money is not ensured with that value. As far as a dollar became the world international currency, the performance of that role with all the rules and directions required to the functioning of monetary system, though the world one, should be under control of the world community. Only through strict restrictions and rigid control could the excess money issue be prevented and the trade imbalance is averted. And the absence of those phenomena enabled the USA to accrue the enormous deficit of current account. That deficit served the economic subsidy to the ROW, swamping the globe with dollars that became a new international reserve asset instead of gold. As a result, a huge uncontrolled and unregulated money avalanche has been created, that was out of human control and made many problems for the mankind throughout the world. The genie was let out of the bottle, and he crept all over the world. While Russia tried to conquer the world with lumpenprolet ideology and promises of communist paradise on the earth with the help of ChK, NKVD, KGB, Gulags, famine-genocides (Holodomors), America succeeded in it with a dollar.

Having become the reserve currency, a dollar turned into the world power. Emission of international currency as a reserve one, like emission of any other currency results in emission earnings, that should be distributed among all countries (now, exclusively the USA solely own it).

The USA took a dollar turned into the world reserve currency for the gift of God, and used it in their selfish interests (like patching the budget gaps; covering the huge military expenses; funding their ambitious large-scale cosmic projects and programs; increasing the living standard of their people on account of

other nations; purchasing a great quantity of commodities from other countries for the owned emission earning, that is for unsecured papers, and all that was taken for granted). The excess dollars track around the world, but they are not allowed (let) to the USA. The USA does not let anyone on the secrets of their monetary alchemy. They made it endlessly classified like national security information, that signifies, that here they hardly do without dubious transactions, and global- scale abuses.

The USA capitalizes not only on a dollar as the world reserve currency, but on its use as a treasure. Millions of people throughout the world accumulate on dollars in a way they did it in the past gold coins, laying them aside for the rainy day as a reliable reserve (e.g. for funeral, for medication, for presents to children and grandchildren, for their study, for traveling abroad, etc). The cost of issuing a one hundred dollar banknote is three cents, while the gained profit reaches up to \$ 99.97. And that is only the earning of one \$ 100 banknote. And for that purpose hundreds of billions dollars are used. It is the most profitable business in the USA. Thus, since the commercial mechanism is introduced for making credit money based on the debt liabilities during the realization of goods, since the issuing of excess money is rigidly controlled, the world order will not succeed. The actual practice of making money out of debts should be eliminated. The bankers say: «no debts, no money».

The banks try to make as much money as they accommodated with loans. Ninety five percent of money is created by those who had lent it. Thus, it comes out, that when there is no credit, there is no money. Consequently, another monetary concept is needed, that will unable making money out of the air and blowing money bubbles. And the only one, who should do it, is the exchange, as a result of which real against bubbled money liabilities are created. There are dozens of other ways for the state's direct and intermediate effect to produce on the functioning of value currency mechanism, enabling to curb the elemental forces, which make its functioning a destructive and uncontrolled process. That mechanism includes refinancing, pricing, custom duties, taxation, and subsidization. All those effect the circulation of the commodities, and, consequently, the money creation, and increase or decrease the inflows of reserve currency. Thus, the imbalance occurred, that destabilized the world economy. The main reason of destabilization is a huge deficit of the USA trade balance. Its current financing has led to great disturbance in the world economy, and creation of bubble economy in the USA, which while bursting, plunge the whole globe into heavy crisis.

The deficit of the USA current account has flooded the globe with the dollar liquidity, resulted into the credit expansion, excess crediting, and intensive growth of production in the countries with great surplus of trade balance.

International reserve assets consist of external assets used for financing of imbalance in the country's international trade, and of that portion of international reserve currency, that reflects the capital flow. In the past, at the time of a golden standard, that function was performed by gold and silver, while at the moment a majority of world reserves makes the foreign currency, and primarily,

the USA dollars. The reserve assets are sky rocketed now at the account of emission of foreign currencies, and first of all, on the account of the USA dollar. And those reserves had arisen as a result of trade imbalance growth between the USA and the ROW. That huge increase of reserves testifies of the enormous credit expansion due to trade imbalance. The countries with great surplus of payment balance were going through the huge production growth and hyperinflation of the assets value, in as much as that surplus stimulated crediting through their banking systems. At the same time, the USA economy became over-growing and over- indebted in as much as the trade partners of the USA re-invested the trade profit into dollar assets. Till 1970 the international reserve holdings grew comparatively slowly, and then they skyrocketed.

For four years (1969–1973) of the Bretton-Woods system crash, the world reserve assets grew more than those totaled for the previous centuries. Their volume grew by 55% for twenty years (from 1949 through 1969), and for the following twenty years it grew by 700%. In general, starting from 1969, the volume of the world reserve assets increased 20 times, that is, by 2000%. The effect of this huge excess needless credit expansion on the world economy could not melt in the air and remain unpunished.

Till 1970 gold constituted the major part of the reserve assets, and that was the milestone of the Bretton-Woods system. Then the role of gold sharply decreased, because the major part of the countries' reserve assets was played by foreign currency. By the end of 2000 gold constituted only 2% of the world currency reserves. After 1970 all national currencies also ceased to be gold-secured. As a result, with the time being, the world reserve currencies not only lost gold, but turned out to be represented by the currencies, that also were not gold secured. The basis of international currency system became credit money, and the absolute domination of the latter not only proved its advantages over the gold currency circulation, but also created a lot of intricate problems for people. The surrender of gold currency standard for regulation of international trade and monetary relations caused the explosion of crediting, which destabilized the global economy. At the moment, many politicians and economists while pondering over a question if it were feasible and clever for the world community to let the dollar be transformed into the world reserve currency, and to let the imbalance, that had been originated by the deficit of trade balance in the USA, and shook the world economy, argue, that it was not reasonable to let it be done, and that it was a rough error with far reaching consequences.

In the latest three decades, the credits were tending to grow faster than the gross national product was both in the USA, and throughout the world. The direct consequence of the violation of economic laws demands was the fact that the high level of abuse and financial scoundralism expanded from one country to the whole world. It was able exclusively due to the functioning of credit money that was not gold secured, and had no intrinsic value, and was deprived of objective, automated mechanism for self regulation not allowing issuing of excess money, while nobody consciously regulated that mechanism the functioning of which was of critical necessity.

The United States of America for the purchased goods began to pay not with gold, but with fiat money, i.e. issued by them dollars, that practically are bills of exchange of the USA government, which it is not going to ever protect. The USA economy, that is considered to be the world engine of economic growth, began to fail under heavy debt burden of its corporate and consuming sectors. The rest of the world became dependent on the exports of goods to the USA and getting dollars, that became the world debt debentures. The USA buys most of the goods on credit. With the break down of Bretton-Woods system the international reserves that had been kept down tended to thrive. The Bretton-Woods system, likewise its predecessor the gold standard, had its peculiar mechanism of self-regulation which did not allow creation of excess world reserves, and prevented sustained imbalance in international trade. The major drawback of the dollar standard and actual international currency system consists in complete absence of that mechanism. It brought about to a large-scale trade imbalance of long duration. As a result of enormous incredible imbalance of current and financial payments, the surplus countries became the owners of huge volumes of debt instruments estimated in the USA dollars. At the same time, the USA with its greatest deficit of balance of payments turned into the greatest debtor, the history knows.

The economic bubbles came into being not only in the USA, but also in the surplus countries. And the bubbles grew in as much as surplus means gravitated to those countries' internal banks, thus giving the start to the crediting process. At that, the latter was argued, that the currency of high effectiveness replenished the banking systems on account of central banks of their countries. It provoked a jump in crediting that caused economic surplus growth and hyperinflation of the assets value.

The USA turned out to be destabilized by its enormous deficit of current account. The inflow of foreign capital to the USA that financed its deficit was nothing else but the derivative of that deficit. The matter is that the partners of the USA accumulated great reserves of dollar assets on the account of trade profit without converting it into national currency, which would increase the exchange rate, and would decrease the profit and rate of economic growth. While purchasing shares estimated in dollars, as well as corporate bonds and debt liabilities of the USA government organizations, they encouraged the bubble swelling on the share market, and facilitated irrational allocation of corporate capital, and activated the property markets in the USA. Suffice the restrictions within the system of gold standard to eliminate, when the trade imbalance grew, and international crediting skyrocketed. It brought about prosperity with subsequent depression.

The trade imbalance destabilized the global economy; it flooded the world with dollar liquidity, and blew the economic bubble not only in the USA, but also in other countries. The actual erroneous, improper and wrongful monetary policy not only grounds on, but also justifies itself with the outdated concepts and archaic approaches, which had been designed for other conditions, and for lower stages of social development. Specifically, it refers to the forced liberal approach

that does not enable any intervention of the government into the economic processes; also it refers to A. Smith ideas that had been designated long ago for other conditions. The monetarists and anti-Keynesians are greatly concerned with those approaches, and their views now dominate both in theory, and in practice. Primarily the American financiers and politicians adhere to their archaic viewpoints, who demand the government non-intervening into the functioning of market mechanisms. As far as they see it, that intervention should be at least minimal. While substantiating their approach, they usually appeal to Adam Smith, who regarded that in the market economy there is the invisible hand that regulates the economic processes. In particular, they like A. Smith's idealization of free, unregulated, spontaneous commodity exchange economy. The key of A. Smith viewpoint was trust in freedom, and hatred to governmental care. The 18th century put forward a tremendous task to free an individual of a governmental care. And that was provided through commodity production and exchange. The only way to ensure the common welfare was viewed in providing opportunities to each individual to freely take care of his own interests. Nevertheless, when and how that should be achieved, nobody knew.

At A. Smith times the monetary gold system was successfully functioning. It was based on the mechanism of self-regulation, and did not need the state intervention. The credit monetary system that was torn off the golden umbilical cord, lost the mechanism of self-regulation, and therefore, it needs a conscious state regulation, and severe control over exclusion of issuing excess money. The most authority leading financiers and politicians are against the idealization of A. Smith theory, and its application for the monetary policy. Among them is G. Soros, who argues, that A. Smith is not right, since markets are not self-regulated structures. He points out, that the «economic bubbles» are peculiar to markets. Therefore, the latter need «adjustment» by the government. The belief that markets could self-regulate, – says G. Soros, – is a mortal mistake. We, Ukrainians should be proud, that the initial ideas on state regulation of monetary relations were formulated by a famous Ukrainian economist M. Tuhon-Baranovskyy, who wrote, that the building up of the bill/ex rate should not depend upon casual effects of stock exchange, but be under the state. .. The active monetary policy is a direct function of a central bank. The proposals made by M. Tuhon-Baranovskyy were the predecessors of the Keynesian theory developed in the 30-s, based on the ideas of state regulation of interest rates, monetary supply, and equilibrium between a demand and supply, and wages and prices on the market of commodities and services.

The world community often faces the trade imbalance, and searches for the ways of its surmounting for which different systems provide different conditions. In order to prevent the sustained long-time trade imbalance, Keynes in his report dedicated to Bretton-Woods conference suggested that the countries both with deficit, and surplus current accounts should be fined in order to stop the first and the second ones. Having entered the history under the name of «Keynesian Plan», it was presented at Bretton-Woods conference as a proposal of Great Britain on the organization of the post-war monetary system. In general, Keynes'

proposals concerning the regulation of monetary processes were rejected. The monetarists dominated, and soon the IMF and the World Bank completely got rid of the Keynesian economists.

A new method should be introduced to ensure the fair liquidity growth. That function could be performed, for example by the well known Special Drawing Rights (SDRs). The world community agreed to create SDRs in 1969 to ensure the adequate international liquidity at the time when the deficiency of dollars was considered to slow down the economic growth. As soon as the USA faced its own policy of trade imbalance, the dollar liquidity exploded, thus there was no more necessity in SDRs. In spite of expectations of many, the SDRs did not become the main reserve assets. At the moment, nothing hinders to come back to that idea, to make it deeper and improved. The deficit of current account could be under control through the SDRs. Why were the SDRs created? In 1960-s the Bretton-Woods system of fixed exchange rate began to collapse, because it had no regulation mechanism of the reserve growth to finance the expansion of the world trade and financial development. The two major reserve assets of that period were gold and American dollar. But gold extraction was neither adequate, nor reliable source of reserve proposal. With respect to dollar reserves, their continuous accumulation needed the sustained deficit of American balance of payments. But the deficit, as such, made a threat to the value of dollar. Therefore, it was decided to create a new international reserve asset under the patronage of the IMF.

But in a few years after the SDR had been introduced, the Bretton-Woods system collapsed, and the key currencies occurred under the regime of a floating exchange rate. That innovation, alongside with the growth on the world markets of capital, which facilitated the credit worth governments to borrow, decrease the demand in SDRs. Today, the SDR's role as a reserve asset is limited. Thus, by late April 2002 less than 1.25% of non-gold reserves of the IMF members accounted for the SDRs. And though some of the private financial instruments were deposited in SDRs, the attempt to expend them on private markets did not succeed. Hence, the main function of the SDRs was to be the unit of account for the IMF and for some other international organizations. In this respect, the SDRs are exclusively used in the agreements between the IMF and its members.

The unquestionable fact is, that now the system exists through which the IMF can create international reserve assets in the forms of new SDRs. The SDRs could be taken for the key instrument of economic policy and surmounting of actual crisis. The IMF could grant the SDRs specifically for shoring up the economic growth throughout the world, and for using them as the world unit of account excluding the creation of bubbles. The SDRs could be created in the volumes enabling the global economy to get rid of American deficit and originated reserve assets. In addition, the SDRs could serve as a certain currency standard allowing the world community disposes to disposal of dollar dependence.

In the mistaken opinion, the crisis originated by the swell of supply of money can not be overcome through further feeding of that monetary swell. As soon as the cranes of debt deficit are turned off, the world community will need a new sound global currency.

The SDRs should be created in the volumes strictly restricted with metamorphosis of commodities, and creation of debt liabilities.

There exist many ways enabling to distribute monetary funds to achieve the guaranteed desired effect in stimulating the global economy.

George Soros recommends distributing the SDRs orienting at promoting the objectives of development. The Nobel prize laureate who heads now the created by the decision of the 63-d session of the UNO General Assembly target group of top experts to analyze the actual global financial crisis, Joseph Stiglitz says: «One of the ideas to support the world development worth paying attention to is a new form of world money, which is similar to the IMF's SDRs. The SDRs is a kind of world currency issued by the IMF, and the countries agree to take it and change for dollars or any other hard currency. Different institutional structures could issue world currency. In particular, it could be the IMF that is responsible for the SDRs emission. Also, a new organization could be created to solve the issues of granting funds and the volumes of funds. It is probable, that a new institutional structure will demand to establish a series of trust-funds...». G. Soros also shares the idea of the SDRs' broad use. Both, J. Stiglitz and G. Soros admit, that the SDRs could be effectively used to meet the set economic objectives.

To some extent the IMF began to be transformed into a kind of international central bank (ICB), since while saving the country in need, it also saves international financial institutions from losses which the country threatens with. Thus, the IMF hinders the contraction of world money supply. Nevertheless, the central bank prevents the contraction of national money supply when it provides assistance to a bankrupt bank or a banking system as a whole on national level.

The factors which promoted the creation of world economy now demand the creation of world currency system that would not belong to any country, and would not use any country's achievements in its interests. Hence, the global economy has been formed. Nobody negates the fact. But now we should admit that the global monetary base and global monetary supply also has been built. The human society should either methodically and reasonably manage the currency supply, or simply watch how it will destabilize the global economy. Primarily, the World Central Bank should be established on the available IMF's organizational structure. But in order to succeed the fund should meet the following tasks. First, it should take the creation of international reserve assets under its strict control. Second, it should properly distribute the expected supply of world liquidity, i.e. to eliminate both its surplus and deficit. Third, the process of creation of international reserve currency should be tightly pegged to the real, objective process of exchange, and creation of world debt liabilities on a commercial basis. Finally, the fund should distribute credit resources enabling to secure the global economic stability and facilitate the solution of the issues of world development. Naturally, those objectives are completely tangible. The

required instruments have already been available, and only the directing hand and proper political will are needed. They will help to create the effective and rational international currency system able to meet the needs of the world economy and prevent the creation of bubbles.

The international central bank should become the most effective device for guaranteeing the monetary stability throughout the world. Today, the money supply is out of control. Therefore, that phenomenon should be backed into the regulated channel. That process can not develop spontaneously any longer. Those objectives could be met through creation of international reserve currency, and establishment of the World Bank. Only by means of mentioned above measures the disadvantages of current monetary policy can be eliminated, preventing the American trade deficit from flooding the world with dollar liquidity.

The proposed actions will help to develop clear recommendations on the balance restore in the global economy, and to create grounds for the sustained economic growth in future.

Making an international agreement among numerous countries is not easy, though it is of critical necessity. It could be started with the negotiations at a special session of the International Trade Organization. The International Bank for Reconstruction and Development can facilitate the process through dispersing the suggested idea and compiling feedbacks while beginning dialogues with the governments of all the countries. When having been reformed the IBRD could become the centre for the solution of that problem.

The practice of dollar use as a reserve currency implies that the USA practically appropriated that international currency, and uses it for their advantages. No one country's national money could be turned into the world reserve currency. The latter should belong to all the countries, and all of them should carry out control over its issue, and get benefits of its functioning, and also reap the consequences for its disadvantages and defects of functioning.

Thus, the question what should replace gold as a world reserve currency could be given the sole answer, i.e. conscious, controlled by government public regulation of monetary relations, introduction of the world currency, and establishment of international bank? The conscious regulation of monetary relations will become that system, which the world will prefer to gold shackles, finally having liberated their monetary systems from the gold chains. Introduction of the world currency will yield rather great emission earnings, which will belong to all the countries, and will not be appropriated solely by the USA, as is it has been occurred now.

The issue profit of euro introduction is distributed among all the EU countries. And what does Ukraine receive from the use of \$ 80 bln. It has only the losses while the USA has yield over \$ 50 bln. of issue profit. The grave hindrance for implementation of suggested actions is the discredited dogmas dominating at the moment, and unpreparedness of the leaders of the world monetary policy to refuse from the outdated monetarist approaches.

In the opinion of British Prime Minister Gordon Brown, all actual institutions should be cardinally changed, including: G8, IMF, World Trade Organization, to enable them to solve the urgent issues related to the new world monetary policy. Interpretation of current monetary system as a paper against a credit one produces a negative effect not only on economic theory, but also on practical solution of urgent questions. Those different types of monetary systems are of different reliability; therefore, different methods are applied to their regulation and management. Wherever a market succeeds, let it function, but when it fails, then the government should act decisively.

The comprehensive research of the mechanisms for credit and monetary system functioning is also instrumental both, for creation of effective international monetary system, and for the conscious monitored management of currency reserves.

The urgent necessity arose to create a new global financial order. The international financial system with its fundamental principles, its regulation methods and institutes require deep reformation. We need to get rid of current erroneous approach to credit money, the notion of which includes both, the money as such, and property in monetary value, that reflects quite different relations. Credit money is often defined in the following way: «Credit money is a generalized name of currency used instead of mortgage debentures of private persons and government» (see A. Zahorodnyy, H. Voznyuk. Dictionary of Finance and Economics. – Lviv: National University Publishing «Lvivs'ka Politekhnik», 2005. – P.122). the notion of credit currency implies specifically that its portion which was used for creation of commercial debt securities as a result of commodity realization, that is, of metamorphosis of the latter. With respect to the sums of money yielded from the conversion of shares, bonds, and other securities, they have nothing to do with the creation of credit currency, and therefore, should be excluded from money supply. Since in practice it is not adhered to that practice, the conditions are created for violation of economic laws, and eventually, for igniting the crisis phenomena. J. Schumpeter argued that the thesis: «Credit makes money out of property, and does not reflect the real state of things» is true. (J. Schumpeter. The Theory of Economic Development. – M., 1982. – P. 210).

Really, a person who owns property can easier get the mortgage credit than the one who does not. The property can be involved in the circulation, but it has nothing to do with the process of money creation. The actual financial crisis making hundreds of millions of people suffer, was greatly effected by the deficiencies of current credit monetary system, which dominates throughout the world, and which needs other than gold currency approach. As oppose to credit currency, the latter had the mechanisms of self-regulation based on intrinsic value of gold money.

In connection with the gold demonetization, the urgent necessity arose to determine the principles of functioning for credit currency system, which can be based exclusively on its conscious regulation. Since it had not been done, the process of its functioning happened to be spontaneous with continuous disloca-

tions and crisis explosions. Sad, though it might sound, but people so far are lacking a proper concept for functioning of credit currency system. Since the issue on conscious state intervention into economy was not resolved in a civilized way, the attempts were made in the 20th century to settle it in distorted, anti – humane formats. In this connection, it is worth reminding not only German fascism, but also Russian bolshevism with its planned administrative system, its concentration camps, and its GULAGs.

Long before Lenin and Stalin era, famous western economists touched upon the problem of state intervention into economy. In particular, F. List considered that the national economy creates the nation, and economic might becomes the precondition of political power and nation's influence. F.List's statement on the market economy regulated by the national state produced a significant effect on economic and political development of the USA, Italy, Czechia, India, Japan, and Germany in particular. «Bismark created big and powerful Germany on the basis of Friedrich List theory, whose books were his Bible (resource books) (M. Shvaika. Banking System in Ukraine: Ways of Reformation and Increase of Effectiveness. – K.: Parliamentary edition, 2000. – P. 36).

We should cherish the market culture by means of institutionalization of economic activity. Economic intervention of the state should outrun the actions, and prevent the crisis. American famous scientist and politician John K. Galbraith who took part in the implementation of a «New Deal» by Franklin Roosevelt administration, and was the advisor of Presidents-democrats Truman, Kennedy, Johnson, Clinton, well understood the necessity of active state intervention into economy. He substantiated the concept of capitalist planned economy. Also he actively promoted the idea of market environment substitution into planning. Proceeding from the fact that the objective conditions of economic development in the 20th century changed in quality, the scientist simplifies the outdated initial principles of neo-classicism about the subordination of the objectives of the economic system to the interests of an individual.

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