Research on the Current Situation and Path of Financial Crisis from the Perspective of Economic Globalization

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Abstract. Economic globalization has become one of the main characteristics of today's world economy. However, globalization has also brought a series of new challenges and risks, including financial crises. Financial crisis is a complex phenomenon that not only affects the financial system but also has far-reaching impacts on the entire economic system. Based on the current development status and path of financial crisis, this article analyzes the impact of financial market crises on the global economy, financial institutions, and enterprises from the perspective of globalization. It also dissects the current development path of financial crisis, aiming to provide reference and advice for financial institutions and enterprises.

Keywords: Economic globalization, financial crisis, development status, development path.

1 Introduction

Currently, the global economy and financial system are facing a series of new challenges and changes, including trade wars, political turmoil, technological advancements, and outbreaks of diseases [1]. These changes may lead to new crises in the economy and financial system. In this situation, we need to conduct a series of status quo and path studies to understand the root causes and impacts of financial crises and propose effective solutions. This article will analyze the development trends and possible international impacts of the world financial market crisis from the perspective of economic globalization, starting from the current status of the world financial market.

2 Concepts of Financial Markets and Financial Crises

2.1 Concept of Financial Markets.

Financial markets are a reflection of international division of labor. Different capital markets and financial markets have different sub-markets and market participants [2]. Financial markets include stock markets, bond markets, money markets, foreign ex-

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change markets, futures markets, etc. The main participants are banks, asset management companies, investment companies, insurance companies, corporations, and governments. In the financial market, various financial products and assets can be invested, traded, transferred, and priced.

Currently, financial markets can be divided into two basic types: securities markets, which mainly trade securities such as stocks and bonds; and money markets, which mainly trade short-term borrowing and investment.

In the financial market, investors can buy and sell financial products such as stocks, bonds, currencies, and foreign exchange to gain profits or hedge risks. The price of financial markets is determined by the supply and demand relationship, and price changes reflect market participants' views and expectations of the market.

The development and operation of financial markets are of great significance to the economic and social development and stability. It can provide financing channels for enterprises, investment opportunities for investors, financing and economic regulation means for governments, and also serve as an important tool for macroeconomic policies.

2.2 Financial Crisis Concept

A financial crisis refers to a series of sustained conflicts and problems in the financial sector, which may involve currency, credit, capital, and other aspects [3]. In the financial market, there may be credit crises, currency crises, and other issues related to cashing bills. The main reason for the US subprime mortgage crisis was the unrestricted growth of financial derivatives, which led to a huge gap between monetary credit supply and repayment capacity, ultimately resulting in serious deviations from reality and expectations. If such contradictions and deviations are widespread in the financial market, it may trigger a financial crisis. Financial crises have far-reaching effects on the economic environment and future prospects. Since the bankruptcy of Lehman Brothers in 2008 triggered financial market turmoil, the global economy has entered the most severe recession since the post-war period. Although more than a decade has passed since the financial crisis, it will continue to affect future economic policies and the development of the market economy.

At present, the financial market can be divided into two basic types: one is the securities market, namely the market with securities as the main trading objects of stocks and bonds; the other is the money market, namely the market with short-term lending and short-term investment as the main trading objects.

Financial crises have a significant impact on the global economy, leading to a decline in economic activity, rising unemployment, business failures, and loss of wealth. Financial crises also have a chain reaction on global trade, foreign exchange, bond markets, etc., leading to turbulence in the international financial order and significant political risks.

Financial crises take various forms, mainly including stock market crashes, financial institution bankruptcies, currency devaluations, fiscal deficits, etc. In the global economic and financial system, once a country or region experiences a financial crisis, it will quickly spread and affect other countries and regions. In general, inflation and difficulty in repaying debts are common signs of global financial crises. Financial market crises indicate that the market may be affected or destroyed by the collapse of a single region, and this impact may spread to the entire market or even the world. The characteristics of crises also include:

1) sustained high-speed economic growth leading to market bubbles;

2) large inflows of external funds leading to overheated markets;

3) rapid growth of domestic stocks and real estate leading to excessive speculation in the market;

4) continuing trade deficits and worsening imbalance leading to market imbalances;

5) currency is usually overvalued, leading to inflation in the market.

The path to resolving financial crises includes strengthening supervision, improving financial structures, and strengthening international cooperation. Global financial institutions and governments need to work together to develop effective policies and measures to respond to the challenges of financial crises and ensure the smooth development of the global economy.

3 Current Situation and Development Path of Financial Crisis

3.1 Current Situation of World Crisis Development

The 2008 US subprime mortgage crisis [4]: This was one of the most serious financial crises in recent years, also known as the financial tsunami. It was mainly caused by the bursting of the subprime mortgage market bubble in the US and the high-risk investment activities of financial institutions, leading to the spreading of credit risk. The crisis quickly spread to all Latin American countries, and even to Europe and Asia, causing severe credit tightening globally.

The 2010 Greek debt crisis: Since the global financial crisis in 2008, Greece's economy has been in a downturn. The government's fiscal situation has worsened, with public debt continuously rising and fiscal deficits remaining high. In order to address the financial crisis, the Greek government announced a series of austerity measures, including reducing public spending, increasing taxes, cutting public sector wages and benefits, etc. In April 2010, the Greek government announced that its public debt had exceeded 120% of its Gross Domestic Product (GDP). This raised concerns in the international financial markets, and investors began to worry that the Greek government might default. The Greek government's bond yields rose sharply, and later the Greek government announced it would suspend financing from the international bond market. The European Union and the International Monetary Fund (IMF) provided a €110 billion aid package to help the Greek government address the debt crisis. This plan required the Greek government to implement stricter fiscal austerity measures, including reducing public spending and cutting public sector wages and benefits. However, the Greek government continued to implement fiscal austerity measures, which further caused the Greek economy to shrink, unemployment to rise, and social unrest to intensify. The Greek debt crisis raised concerns in other eurozone countries, and the market began to question the stability of the eurozone. Other eurozone countries also began to take measures to address the debt crisis, such as Portugal, Ireland, Spain, and other countries facing similar debt crises.

The 2013 Indonesian currency crisis: The fluctuation of the currency exchange rate caused by the Indonesian central bank's incorrect monetary and fiscal policies led to foreign investors withdrawing from the Indonesian market. This caused a sharp decline in the Indonesian stock and bond markets, further exacerbating the crisis. This crisis triggered political and economic turbulence in Indonesia. Faced with this situation, the Indonesian government took a series of measures to address the currency crisis, including strengthening monetary policy, raising interest rates, and strengthening foreign exchange reserves. In addition, the government also took some measures to attract foreign investment, such as introducing new investment policies and reducing some investment restrictions.

The 2015 Chinese stock market crisis: The Chinese stock market experienced an abnormal surge in the first half of 2015, but then experienced a sharp decline, causing shockwaves in global stock markets. This crisis was mainly caused by the Chinese government's excessive intervention in the stock market and speculation activities.

3.2 The Development Trend of Financial Crisis

This article takes the current status of four major financial crises in recent years as examples to analyze the possible development trends of financial market crises. Every time a financial crisis occurs, changes and developments in policies first lead to market turmoil. However, market turmoil can also lead to stock market crashes, undermining investor confidence, further weakening the real economy, and causing stagnation and recession.

From the subprime mortgage crisis in 2008 to the Chinese stock market crisis in 2015, all reflected the further trend of economic globalization, and the financial crisis increasingly showed some mixed form. Such as currency crisis, debt crisis, bank crisis, subprime crisis mixed by the form of crisis.The current financial crisis mainly harms the world in:

(1) Heavy corporate debts, numerous bank bad debts, and frequent financial and debt crises;

(2) Excessive social money supply, excessive banking business, and more difficulty in macro-control;

(3) Government tax difficulties, fiscal crisis and financial crisis mix;

(4) Inflation is entangled with the social economy, bubble economy occurs from time to time, and there are frequent economic fluctuations, and economic growth is often blocked;

(5) The lack of funds of enterprises brings operational difficulties, improves the bankruptcy and bankruptcy rate, frequent enterprise merger activities, reduces the stability of enterprises and increases unemployment, which is not conducive to economic growth and social stability.

(6) Ineal international monetary relations have brought heavy burdens to most countries in the world and caused many international economic problems.

Financial market crises also have chain reactions on the global economy. In the era of globalization, market turmoil is easily transmitted across borders, affecting the economies and financial systems of other countries. For example, the global financial crisis in 2008 not only affected the United States and European countries but also spread to Asia and Latin America. Therefore, in the context of globalization, financial market crises need to be addressed globally.

In short, the development trend of financial market crisis is complex, involving politics, banking, real economy and global economy. Only by strengthening regulation, improving policies, enhancing the resilience of the banking system and strengthening international cooperation can the risk of a financial market crisis be effectively addressed.

4 Summary and suggestions

Since the outbreak of the financial crisis, governments and institutions around the world have taken various measures to cope with its impact and gradually introduced a series of reform measures. These measures include:

1. Solving liquidity problems: Central banks around the world have increased liquidity by injecting funds into the financial market to alleviate the problem of liquidity tension in the market [5].

2. Nationalization of financial institutions: In order to prevent the crisis from spreading further, the government has taken over bankrupt or near-bankrupt financial institutions and nationalized them.

3. Fiscal stimulus plans: Countries have implemented fiscal stimulus plans, including tax cuts and increased public investment, to protect the real economy from the impact of excessive financial currency. These expenditures mainly include increasing fiscal subsidies for people's livelihood and fiscal investment in key areas such as labor protection, disease, and medical expenses.

4.Lowering interest rates: Central banks around the world have lowered interest rates to reduce borrowing costs and alleviate the impact of the financial crisis on the economy.

5.Government purchase of non-performing assets: The government purchases non-performing assets to help financial institutions reduce non-performing assets and restore banks' lending capacity. The government invests in purchasing non-performing assets from financial institutions.

6. Government purchases of non-performing assets: Government purchases of non-performing assets to help financial institutions reduce non-performing assets and restore the lending capacity of banks. Government investment buys non-performing assets from financial institutions.

7. Deposit protection: In order to stabilize the financial market and prevent the collapse of financial institutions due to bank operations, the state guarantees bank deposits.

In addition to the above measures, the international community has also taken a series of global actions to address the impact of the financial crisis. For example, the

Global Financial Stability Board (FSB) was established in 2009 to promote global financial stability and to address cross-border financial issues through regulatory reform and international cooperation. In addition, the G20 has also become an important platform for global economic governance, with member states responding to the impact of the financial crisis through coordinating policies and strengthening cooperation.

In short, national governments and institutions have responded to the impact of the financial crisis in a variety of ways, and have gradually introduced a series of reform measures to prevent future financial crises. The new generation of economic thinking must be innovative in three basic dimensions:

We must establish the most basic social welfare framework and abolish the pan-welfare system;

Second, we must establish an effective government supervision system over the financial market on the basis of a perfect, independent and transparent rule of law;

Third, we must vigorously promote the marketization of the production field and encourage industrial investment. Fourth, the economic system cyclical adjustment structure of the industry operation progress.

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