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GLOBAL LIQUIDITY AS AN INSTITUTIONAL PHENOMENON

Abstract. The content of present day contradictory processes in the world economy plays an important role in choosing the strategy of social and economic development of Ukraine. The article is devoted to the estimation of the «reverse» tendencies of the global financial and institutional environment on the basis of substantiation of the actual and historical significance of global liquidity, and determination on this basis of the content of modern global financial and institutional transformations

Liquidity is treated as the amount of available financing for the acquisition of both internal and cross-border assets; it describes the ability and willingness of the parties to take part in financial transactions, including mediation, and the ability of the financial markets to absorb temporary fluctuations in demand and supply of certain assets.

The globality of liquidity is manifested through the interconnection of the national financial space and the cross-border movement of financial capital. The mechanisms for transmitting information on the internal conditions of the development of countries to the world financial markets and operators, which influences the rapid movement of financial flows in space and time, plays an important role. The modern development of financial technologies has given rise to such recent phenomena as liquidity and information surplus. As a result, the public need in financial intermediation institutions is gradually disappearing or regenerating.

Global liquidity has national institutional sources of origin and reflects the interests of specific issuers and investors. This causes difficulty in institutional provision of international coordination on its regulation. When circulating in the global financial and institutional space, liquidity has significant influence on supply and demand fluctuations not only in the financial markets, but in the economy as a whole. The current tendency towards decreasing the volume of the world interbank lending is not the sign of globalization, but the sign of change in the vectors of the development of globalization towards other financial mechanisms. The active introduction of new financial instruments (cryptocurrencies) into the world's payment cycle and the policies of the leading regulators in the financial markets show that financial globalization is going on.

Keywords: global liquidity, financial intermediation, institutional phenomenon, financial and institutional transformations.

JEL Classification B52, F65, G20

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ГЛОБАЛЬНА ЛІКВІДНІСТЬ ЯК ІНСТИТУЦІЙНИЙ ФЕНОМЕН

Анотація. Важливу роль у виборі стратегії соціально-економічного розвитку України відіграють питання змісту сьогоднішніх суперечливих процесів у світовій економіці. Присвячено оцінці «зворотних» трендів глобального фінансово-інституційного середовища на підставі обґрунтування актуального та історичного значення глобальної ліквідності і визначення на цій основі змісту сучасних глобальних фінансово-інституційних трансформацій

Ліквідність трактується як сума доступного фінансування для здійснення внутрішніх і транскордонних купівель активів; вона характеризує здатність і готовність сторін брати участь у фінансових операціях, у тому числі й у посередництві, а також здатність фінансових ринків поглинати тимчасові коливання попиту і пропозиції на визначені активи.

Глобальність ліквідності проявляється через взаємопов'язаність національних фінансових просторів і транскордонний рух фінансового капіталу. Важливу роль відіграють механізми передавання інформації про внутрішні умови розвитку країн світовим фінансовим ринкам та операторам, що впливає на швидке переміщення фінансових потоків у просторі та часі. Сучасний розвиток фінансових технологій породив такі новітні феномени, як профіцит ліквідності та інформації. Унаслідок цього поступово зникає або перероджується суспільна потреба в інститутах фінансового посередництва.

Глобальна ліквідність має національні інституційні джерела походження і відображає інтереси конкретних емітентів та інвесторів. Це зумовлює проблематичність інституційного забезпечення міжнародної координації з її регулювання. Циркулюючи у світовому фінансово-інституційному просторі, ліквідність причиняє суттєві впливи на коливання попиту і пропозиції не лише на фінансових ринках, а й економіці в цілому. Сучасна тенденція до зменшення обсягів світового міжбанківського кредитування свідчить не про деглобалізацію, а про зміну векторів розвитку глобалізації в бік інших фінансових механізмів. Активне впровадження у світовий платіжний обіг нових фінансових інструментів (криптовалют) і політика провідних регуляторів на фінансових ринках показують, що фінансова глобалізація триває.

Ключові слова: глобальна ліквідність, фінансове посередництво, інституційний феномен, фінансово-інституційні трансформації.

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ГЛОБАЛЬНАЯ ЛИКВИДНОСТЬ КАК ИНСТИТУЦИОНАЛЬНЫЙ ФЕНОМЕН

Аннотация. Представлены результаты исследования феномена глобальной ликвидности. Систематизированы основные научные подходы к определению глобальной ликвидности и обоснованию ее роли в мировой системе координат. Продемонстрирован геополитический контекст циркуляции глобальной ликвидности и доказано, что уменьшение объемов мирового межбанковского кредитования как составляющей глобальной ликвидности свидетельствует не о деглобаллизации, а об изменении векторов развития глобаллизации в сторону других финансовых механизмов. Определена историческая природа глобальной ликвидности и доказано, что она является закономерным результатом эволюции

финансового посредничества. На этой основе охарактеризовано содержание современных глобальных финансово-институциональных трансформаций.

Ключевые слова: глобальная ликвидность, финансовое посредничество, институциональный феномен, финансово-институциональные трансформации.

Формул: 0; рис.: 1; табл.: 0; библи.: 11.

Introduction. Nowadays, the tendencies, developing in the world's economic space, are sometimes interpreted as the curtailing of the globalization tendency. Banks are reducing the share of global assets, giving preference to regional and national assets.

Before the crisis, cross-border flows grew due to the foreign presence of banking institutions, diversification of investment portfolios of institutional investors, and the growth of global trade flows through the activities of CNCs. Since the crisis, the cross-border flows of financial capital have fallen significantly: from 2007 till the present day they have decreased in absolute terms by 65 percent [1]; comparing to the fall in world's GDP, the fall in cross-border capital flows exceeded it by four times.

The question arises how to evaluate these processes, if they really indicate the deglobalisation of the financial space, and if any «reverse» transformations of the global financial and institutional environment are possible. In order to analyze these tendencies, it makes sense to uncover their internal bases and, in particular, to explore the phenomenon of global liquidity as one of the cornerstones of globalization, to identify the fundamental factors and principles of liquidity circulation at the level of the global financial and institutional space.

Research analysis and assignment. The concept of global liquidity is widely represented in the works of researchers of the International Monetary Fund, the Bank for International Settlements, the European Central Bank, the Bank of France, the Bank of England and others. In various concepts of global liquidity, it also acts as a certain property of assets to be converted into a means of payment, as the overall ease of that conversion and as the total value of highly liquid assets.

The researchers from the IMF treat liquidity as the amount of funding available to make both internal and cross-border asset purchases; liquidity demonstrates (characterizes) the ability and willingness of parties to take part in financial transactions, including mediation, as well as the ability of financial markets to absorb temporary fluctuations in demand and supply of certain assets [2]. According to the concept of the Bank of International Settlements, which at present systematically and methodically uses the theory of global liquidity for practical estimation of the total value of financial assets in the global space, global liquidity is not only the overall ease of financing in international financial markets, but also the value of highly liquid assets that can be obtained in the global financial market [3].

On the whole, the main treatment of global liquidity combines recognition of the decisive role of the interconnection of national financial space and the cross-border movement of financial capital. At the same time, insufficient attention is paid to institutional and structural grounds and the tendencies in the development of this phenomenon.

The purpose of this paper is to substantiate the actual and historical significance of global liquidity and to determine on this basis the content of modern global financial and institutional transformations.

Research results. In determining the volume of global liquidity, three main indicators are used: banking international requirements, banking general requirements to the private non-financial sector, total credit in the context of currencies [3]. Credit is among the basic indicators representing global liquidity. This is the second (after the emission of liquidity by the Central Banks) major phase of global liquidity circulation, after which there is the third phase, namely, circulation in the financial market. Making credit to the private non-financial sector is a major indicator of the effectiveness of financial intermediation in the global financial space. In other words, if global interbank lending is declining, it is logical to assume that the volume of global liquidity is decreasing as well and the globality of liquidity is decreasing.

Indeed, the global circulation of liquidity is substantially represented by credit, but it has a particular significance, a particular context.

Firstly, due to credit the trade of multinational corporations increases. The empirical confirmation of this thesis is the pre-crisis dynamics of the world trade and cross-border lending,

the similar trajectories of which permitted the researchers to argue that the development of the world trade has been one of the factors behind the increase in international credit and the growth of global liquidity.

Secondly, the policy of a cheap credit, which is often used by international financial giants (the US, the IMF), is nothing but part of the policy under the auspices of a single centre, which the USA would try and have been trying to be. The presence of a responsible national issuer of official liquidity, as a component of global liquidity, indicates that the latter, having its origins in the environment of national economies, maintains an intrinsic endogenous institutional foundation, is based on the regulatory principles peculiar to the national financial environment, reflects the motivation of the issuers. Therefore, if the issue of the official component of global liquidity is carried out by a strong global player, then the liquidity, while entering the international arena, is already part of expansionary policy, a mechanism of redistribution of economic power.

At the same time, the states that use it give hostage to global tendencies, without having effective mechanisms of confrontation. That is why the global content of liquidity is realized not only through its private part, represented by global financial operators, but, above all, through the official one. Then, in this context, the question arises: can America's turn of the tendency from globalization to the domination of national interests of development that will take place at a time if it means the turn of the global trend? Most likely, no.

The decrease in the volume of the world interbank lending indicates not a change in the globalization tendencies, but the change in the vectors of globalization development towards other financial mechanisms. For example, the active introduction of new financial instruments (cryptocurrencies) into the world payment circulation and the position of leading regulators as for current agitation in the financial markets regarding cryptocurrency transactions show that financial globalization is going on.

In October 2017, the Chinese authorities decided to close all exchange houses in the country where bitcoin could be exchanged [4], while in the US in July 2017 the US Stock Exchange Commission equated the placement of tokens (ISO) with ordinary IPOs (Initial Public Offering — initial public sale of shares of a joint stock company) [5]. ICO, or Initial Coin Offering (initial placement of token coins) is the issue of any token coins or coupons by any project that can be used to pay for the services of a trading floor. As a matter of fact, it is a new form of the attraction of investment, which is similar to IPO, but here only cryptocurrency is used instead of equities. And since December 1, 2017, the Commodity Futures Trading Commission (CFTC) has allowed the sale of futures for bitcoins to three online exchange houses. Bidding has already begun on the Chicago Commodity Exchange (CME) and the Chicago Board Options Exchange (CBOE) [6].

In Japan, since April 1, 2016, bitcoin has been recognized as a payment instrument, and now the Audit Standards Board of Japan is developing appropriate rules for its circulation. In 2015, domestic circulation of bitcoins as well as the currencies such as Ripple, Litecoin and others in Japan alone reached 185 billion yen (\$ 1.67 billion). By 2020, it is projected to increase to a trillion yen [8].

Within the UK's regulatory space, cryptocurrencies are not a financial product and are therefore outside legal regulation. At the same time, the Financial Regulation and Control Board (FCA) has created a platform for launching and testing cryptocurrency pilot projects, and has issued a discussion paper on distributed-registry technology.

In general, the legal status of cryptocurrencies in the global coordinate system is still not unambiguous. Some of the financial regulators of global players show some loyalty to new instruments, determining not only their position but also the vectors of further global financial development.

In a joint statement by financial regulators on the status of cryptocurrencies in Ukraine, the NBU, the National Securities and Stock Market Commission and the National Commission regulating the financial services markets argue that «the complex legal nature of cryptocurrency does not allow it to be recognized either as monetary funds or currency and a payment instrument of another country, or currency value, or electronic money, or securities, or monetary surrogate» [9]. At the same time, the financial regulators of Ukraine continue to study the legal status of cryptocurrency in order to protect consumers' rights, prevent money laundering and other abusive

practices, identify the subjects of transactions, create a mechanism for taxing the income received, declaring.

The globality of liquidity has a deep historical nature, which develops in a financial intermediation environment and evolves in the course of its functional development. Global liquidity is a natural stage in the evolution of financial intermediaries, which got institutionalized in the international trade space, and in the course of their development headed for the global financial space as a concentrated manifestation of their primary nature. In the conditions of globalization, it is this historically formed functional mediation that has undergone significant transformations. Financial intermediaries, who are historically inclined to provide liquidity in every way (from direct provision to the creation of new liquidity), in the context of globalization and liberalization of the financial space, have received fundamentally new opportunities for operational activity to produce new liquidity.

The increasing amount of official liquidity in the global financial space in the second half of the 20th century (*Fig.*) provided the basic asset from which the financial operator created innovative financial products. If in 1960 the global index of broad money to GDP was 50,438%, then in 2015 it was at the level of 122, 685%.

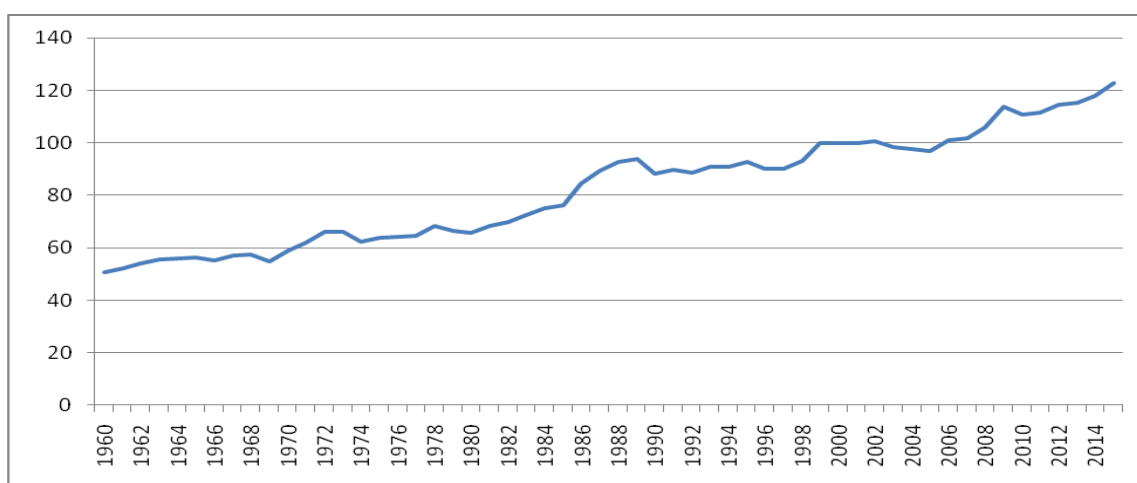


Fig. World's index of broad money (% of GDP) 1960—2015

Source: World Bank Official Website (<http://data.worldbank.org/indicator/FM.LBL.BMNY.GD.ZS>) [10].

These phenomena and processes led to the formation of a new phenomenon in economic practice and theory — the phenomenon of global liquidity, at the same time the deformation of financial intermediation took place: if in relatively closed financial spaces of operating activity the financial intermediary created new liquidity for the needs of their customers, then in the conditions of liberalization and financial integration the creation of liquidity became the dominant motivation for their activity as such.

The predominance of the motive for creating liquidity in the activities of financial intermediary created the conditions for financialization and the subsequent crisis, demonstrating the inefficiency of financial intermediation in the institutional coordinates of the real economy development. Therefore, the new forms that do not require mediation (cryptocurrency) began to emerge in the globalized space of liquidity circulation. Liquidity remained global but began to change in the context of current exchange needs.

Global liquidity is an objective historical phenomenon that will take many forms depending on the potential and motivation of global financial players, not exepcting the strengthening of possibility of selective or general destabilization. The conditions of crisis have shown that new systems of financial control coordination are needed — the globality of liquidity requires appropriate institutionalization of new degrees of freedom through common rules, standards and prohibitions. When answering the question whether the control and regulation of the processes of global liquidity circulation is possible at all, it should be realized that the new rules of the game are not just the result of the awareness of the problems of financial intermediaries' operational activity in the underregulated global financial space, but also a moment of struggle for the redistribution of

economic power. Therefore, the achievement of the unification of financial regulation procedures, which is often spoken about by the representatives of the European supranational bodies, is not yet achievable in the current context, as evidenced in particular by the contradictory results of the fight against the global shadow banking system.

The problem of growing interdependence in the global financial system must be deeply explored both in terms of the manifestations of the global financial cycle and in its determinants. It is important to systematize the mechanisms by which international centers through cross-border banking transmit signals to the periphery in an integrated financial world. The problem of protecting peripheral countries from the devastating effects of not only the global financial crises but also of the «normal» operational activity of global players remains unsolved. Is it possible at all to coordinate the actions of national monetary authorities to ensure harmonious stability in the global financial environment?

Given the institutional nature of global liquidity, it can be stated that effective international cooperation among major central banks today is complicated because of institutional differences in countries and differences in central bank mandates; while stimulating aggregate demand in leading countries may be contrary to the interests of peripheral countries. Liquidity is global in quality, but it is very difficult and problematic to achieve effective international coordination to regulate it because, being global, liquidity represents the interests of certain issuers and investors and is of national origin.

An example of the fundamental impact of the institutional base on liquidity circulation is the development of the tendencies of fragmentation in the integrated European financial market. The creation of a single economic eurozone and monetary space in Europe should have created the basis for maximally free circulation of capital in the service of economic and employment growth. At the same time, the processes of implementation of monetary unity had little effect on real economic processes in the context of liberalization of the financial space. This became especially clear during the crisis.

The active pre-crisis development of cross-border lending in the EU and the Eurozone witnessed that the financial and institutional space was highly integrated both in the European context and in the world, and the circulation of liquidity could be called global. With the introduction of the single currency, the banks of the Eurozone began expanding their operations to other markets. European banks were considered to be the most globalized in the world: their total foreign claims, including both loans and other claims, increased from 4.3 trillion. \$ in 2000 to 15.9 trillion. \$ in 2007 [1].

Today, these banks are reducing their international assets, first and foremost, this refers to the short-term interbank lending. Their external claims have dropped by \$ 7.3 trillion or 45% since 2007. Almost half of the reduction falls at their European counterparties [1].

With the decline of assets of global banking structures in the Eurozone, there is a tendency of fragmentation — an increase in the differentiation of interest rates on business loans in different countries of the Eurozone. This proves that even in a highly integrated financial space, the unity of monetary policy sooner or later encounters the institutional diversity of economic environments. The fragmentation of the financial market has resulted in excess liquidity in some countries of the Eurozone and a deficit in others, which has created long-term risks to financial stability for both the former and the latter. The deep content of fragmentation has become unequal access to financial resources and the prospect of a long-term liquidity shortage in the worst hit countries, which has been deepening, because of insufficient interbank financing.

Conclusions. In today's context, global financial and institutional transformations continue, which is a natural result of the development of the historical nature of global liquidity. When evolving in the system of financial intermediation, at the present stage, global liquidity is demonstrating the widening of the range of forms, as evidenced, in particular, by the emergence of the cryptocurrency phenomenon. The institutionalization of the circulation of the latter will lead to the separation in the structure of global liquidity of new niches and spaces, which at some stage will conflict with the traditional forms of global liquidity, that will cause the increase of instability in the worldwide financial-institutional environment. However, this will not nullify the global nature of liquidity circulation, as it is in the supranational space of operational activity that maximum efficiency and profitability is achieved.

Global liquidity is an institutional phenomenon, which makes it difficult for effective international coordination to regulate it, since, when circulating in the global financial and institutional space, liquidity represents the interests of certain issuers and investors and has a national nature. Therefore, it is obvious that under such circumstances, the global economy cannot avoid the dangers of frequent crises, which may be characterized by «non-classical» dynamics and uncertain consequences.

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