



Read an article by Paul Krugman in "The New York Times" "Hot Money Blues" The author suggested that the era of free movement of capital may soon be over and that maybe in the future the state will impede the free movement of capital. In connection with this statement Krugman had some considerations which are summarized.

Without the influx of investment economy can not grow. Because the movement of investment capital is not in itself a source of crisis. Crises arise from the influx of speculative capital. The process of reducing the share of investment capital, and the share of speculative capital is growing. As a result, the economy is experiencing a shortage of investment, and the extent of speculation become gigantic. If previously suffered from these processes are weaker emerging economies, now they are suffering from the world's leading economy. The problem is not in the movement of capital, and in the terms and conditions of its movement. They lead to an increase in speculative component. The threat is not the movement of capital and the movement of his speculative component. But this issue has no solution, unless you consider the relationship of capital markets with other elements.

The financial sector and the stock markets are interconnected communicating vessels. The system of stock markets evolved as a mechanism for investment and reallocation of investment in favor of the most successful and profitable sectors and industries. At present, it is not its main function executes, it runs on itself. It caters to venture capital and making investments unattractive. As a result, we observe the processes of the recession and the drop in production in the world economy. Such a system of stock markets is necessary to substitute (or systemically reform the existing one), that she would perform the function for which it was formed. If this is not done, the speculative component will continue to grow and it will collapse on its own, but it will bring down the overall economy.

The problems of the movement of capital and of the stock markets, it is part of the global systemic crisis, not a single financial crisis, as previously wrote (crisismir.com/analiticheskie-materialy/ekonomika/13-mirovoj-ekonomicheskij-krizis-prichiny-i-posledstviya-quo-vadis.html). Because the solution of these problems requires a systematic approach in the search for solutions. There is no apocalypse. The process of development. A painful process, but necessary.

In defense of the free movement of capitals

Автор: Роман Блейфер

30.11.1999 00:00 - Обновлено 22.04.2013 00:10

crisismir.com