

## Research on transmission mechanism of international financial crisis

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**Abstract:** The financial crisis has been around people since the beginning of economic activity. No one wants the financial crisis to come, In the event of international financial crisis Machine, People's lives will be severely affected., Tens of thousands of workers will face unemployment, The collapse of countless enterprises, But it was almost without warning before it arrived.. The United States belongs to The most developed countries in the international economy, Many companies in the world have direct or indirect links with the United States, In 2007 Years, Subprime mortgage crisis in America, Cause global Fan Wai Many countries affected, Then the financial crisis broke out, Seriously constraining global economic development. So, Studying the conduction mechanism of the international financial crisis becomes the modern society Key problem.

**Keywords:** International financial crisis; Conduction mechanism; Study

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With the development of China's economy, The status of our country in the world is also constantly mentioned Rise, Especially in recent years, Many countries have established benign relations with China. Country The impact of the inter-financial crisis on China is generally not big, Economic development Still maintain a good momentum, It is this that makes our country much attention in the world. But China cannot ignore the destructive power of the financial crisis. China as an international important group into parts, Its financial system will inevitably be a crisis. So, Need to study the country Transmission mechanism of the inter-financial crisis, In order to prevent the financial crisis from erupting, Promote national Economic development.

### 1. An overview of the international financial crisis and the conduction of financial crisis

The so-called financial crisis is actually mainly refers to in the social financial system Current crisis, This financial crisis is mainly manifested in the operation of the financial system, Financial Indicators will be in a short period of time the phenomenon of major changes, And the financial index refers not only to currency exchange rates and securities prices , It also includes the number of financial institutions that have collapsed, the amount of and real estate prices. . Once the financial crisis breaks out, the entire financial system into a state of severe chaos., There are even serious *asset allocation* problems, Such can also cause adverse shocks to the international economy., To form an economic crisis<sup>[1]</sup>.

The conduction of financial crisis, Because the research scholar's angle is different also Set a different definition for it, Generally, Have the financial crisis conducted To shock the conduction mode in a stationary or crisis period., And then it happened. Change. Then some scholars generalize the conduction from the narrow sense, Think that the so-called gold

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Crisis transmission in a certain path, There are also scholars who generalize from the broader, Think conduction is the link between countries and markets in a motion path<sup>[2]</sup>. But this paper argues that the transmission of financial crisis should be generalized. And the narrow sense of the two aspects of analysis, In a general sense, The conduction of financial crisis is The transmission of a crisis in a country or region to another country or place Area, From a narrow point of view, is to spread the financial crisis from one country to another., Affected by the financial crisis in the defenseless countries.

## **2. The conduction mechanism theory of the international financial crisis**

From the explosion of the financial crisis sent to the end of the need for a certain process, The in this process collection of links in is often referred to as the financial crisis conduction machinesystem. on a global scale, Whether outside the remit market or the stock market is a directly in the transaction, degree of globalization between a country and the zone higher, The louder the is affected by the financial crisis, Once the financial crisis erupts, it will be introduced to its in a very short time his country. Usually, The financial crisis conduction mechanism mainly has the following several ways:

### **2.1 Monsoon effect Conduction**

This type of conduction was first found in 20 Century 90 The end of the decade, Mainly by The conduction of financial crisis caused by the common impact. In short,, which is Because of the same factors in these countries, led to speculative Impact, This phenomenon is often called the monsoon effect.. Such as 2007 Subprime crisis in America The international financial crisis caused by machine is the typical representative of the monsoon effect., Worldwide There are subprime crises in many countries., And then there's the global liquidity crisis..

### **2.2 Spillover effect conduction**

The spillover effect is mainly divided into two kinds, Financial spillover effect and trade spillover effect. Both of these effects are due to the fact that countries and countries need to make economic connections the common way is trade and finance, This makes it the two ways of conducting financial crises. If a country has a financial crisis Machine, The rate of direct investment and capital inflows will also be greatly reduced.. Such as 20 Century 90 During the Asian financial crisis, Thailand is subject to financial and trade Blow, Led to a severe devaluation of the Thai baht, A country that makes economic and trade contacts with the Thai state Home is in the midst of this economic crisis.. While, In this financial crisis, Beauty Countries have also been greatly affected, Many of the products used in the country need to be imported from, When the financial crisis broke out, Many countries in order to meet their own country Home development, Reduce the export of products successively, That would cut America's imports. Amount. Once a country's economy is affected by financial spillovers and trade spillovers, Its financial conduction will soon turn into a real economy., So it increases the risk. speed and probability of infection<sup>[3]</sup>.

### **2.3 NET Contagion effect conduction**

NET contagion effect usually is in the financial crisis in macro fundamental data the shadow of rang, Will not continue to be interpreted to appear. in net contagion effect, not only self implementation but also multiple equalizer, in this situation condition, If a country explodes the financial crisis, make Another country shadow, This situation is generally referred to as "Bad balance", Typically cause a national currency devaluation value、 under total asset prices, Serious will also be the now Capital outflow and other conditions, To make bad debts risky Add [ 4 ] . In 2007 Years of international financial crisis, causes the entire Icelandic banking system to collapse, Because of its main deposit paragraph location is Germany two country, after the financial crisis broke out, Britain and Germany immediately put the ice Island in their home account frozen knot, in this case reduce Icelandic gold financial crisis under the effect of net contagion.

### **3. Analysis of international financial crisis transmission**

#### **3.1 Conduction in trade transactions**

Trade conduction is usually a country after the outbreak of financial crisis, will appear

Devaluation of the currency, Decline in national purchasing capacity, This also causes its and its economic ties between his trade is weak, This is also easy when it He states home to gold crisis shadow ring, and Financial crisis Expansion Hash, That means burst "Trade spillover effects" [5]. In Gold Merge Crisis explosion Send As after, The dollar has been banished value, but is the currency of other countries but the appreciation of the situation condition, especially the rise of the renminbi Value Table is most obvious. Since the onset of the financial crisis in America, its requirements for foreign products Ask also shrinking, Annual decline in imports is extremely significant, This makes those with United States countries export volume of countries with trade in a serious way drop. While, for Beauty Country Department, Capital flows are also declining, most asset values shrink water feeling condition, causes many financial institutions to have to tighten their letters Credit, Because of the American tool have super before consumption intention, after tightening credit many Americans are 10 score fear panic, As U.S. imports decline, the profits of many export countries also subject to no small impact, Economy Heavy Create. Because of the world More economic Connections Cut, already Become an integer Body, after the U.S. financial crisis broke through the trade channel Road brings the crisis to the world.

#### **3.2 Conduction in financial channels**

the conduction of the financial channel is mainly the exchange rate and interest rate as the main conductive party, The foreign exchange market and the capital market are the main conduction channels. Financial channel transmission is faster than trade channels, Greater impact. In particular, the economy as a whole today, Global financial markets are tightly linked, Many multinational banks, and occupy most positions, Dramatically increases system risk, and become a financial crisis zone. The important way of conduction in domain U.S. economy is in good shape, The world's most sophisticated financial system, So many people think it's safer to invest here, Reliable, And then plus US financial transactions are more frequent, Large amount, The corresponding trading mechanism is also More Perfect, Both individual investment and institutional investment are willing to participate, Even some foreign funds have come to invest, In particular, EU countries invest in the United States numerous, Bring good momentum to the development of American financial market. But the financial crisis exploded After the hair, Financial institutions to save the damage, Can only lend to each other, Gradually spread the financial crisis to the world<sup>[6]</sup>.

In this financial crisis, China has also been affected, The main effect of trade channel conduction is big, Of course, there is also the impact of financial channels. Through research is mainly because our country has a lot of foreign exchange reserves in the U.S. Treasury bond market, The financial crisis has led to a weaker dollar, Our holdings of US Treasuries also do not shrink, resulting in serious losses. While, Because the United States existing capital is not sufficient, can only withdraw money from overseas, China is greatly affected, In particular, the stock market and the house prices are volatile, Make China's financial market a challenge, Many enterprises have suffered significant losses.

### **4. The main countermeasures to restrain the conduction mechanism of financial crisis**

The transmission mechanism of financial crisis is transferred from one country to another, Mainly due to the state system of the transmitting country. There are a lot of loopholes in the multiple faces of economic policy and system. If can not take effective measures in time to make up and change the good, The probability of the country being transmitted by the financial crisis will rise., The impact of the financial crisis on the continues to increase<sup>[7]</sup>. To prevent the financial crisis from erupting in our country, Can To enhance your defenses in the following ways.

## 4.1 Appropriate adjustment of export markets,Focus on diversified development

Through many financial crises,Trade spillover effect is an important way to lead the international financial crisis,The closer the two countries are to trade deals,The more significant the spillover effect of the trade ,That is to say, the national economic development of a country main depends on product export ,and heavily dependent on individual countries,Once the dependent

Financial crisis in the country,The product exporter will also be directly affected..Because This,To avoid this,Must reduce reliance on export markets,Adjustable Whole Export market,Simultaneously realize the diversification development,Promote the overall development of the country.

## 4.2 Establishing a comprehensive early warning system for international financial market

Although there was no sign of the financial crisis,But before it happens, A brewing process,And in the economic operation gradually revealed the ills<sup>[8]</sup>.So, This requires the establishment of a complete international financial market risk early warning mechanism,Focus on the ills of the economic operation ,Predicting the occurrence of a financial crisis through a model and system time and probability ,At the same time take corresponding measures to deal with,And then reduce the financial crisis machine to the national harm .

## 4.3 Attaching importance to the supervision and cooperation of transnational financial institutions

Once the financial crisis breaks out, it will involve many countries.,Don't just stay in one place.If a country erupts in financial crisis,Soon other countries will also be affected by the shadow of the ring. In particular, those transnational financial institutions are significantly affected,Many financial crises are passed through transnational financial institutions to other countries. So,State Administration government departments should pay attention to the supervision of transnational financial institutions ,And to build good partnerships. Creating internationally recognised regulatory regimes,In order to reduce the impact of the financial crisis on the country.

## 4.4 Pay attention to financial innovation

Financial innovation is the need of all countries,But there is a certain lack of Trap,The main one is that its regulatory mechanism is inconsistent with innovation,Cause financial risk to rise. So,Ensure the stability of the financial system,Reduce financial risk,Standardizing the financial to oversee the market ,That's the only way to avoid a financial crisis..

## 5. Knot

Through the above research, we know, There are many factors leading to the financial crisis, Trade spillover benefit and financial spillover effect are the most typical,Once hit by two, Its economic development will be badly hit,So,This article proposes a some countermeasures , Hope to bring effective reference to relevant people,Reducing financial crisis impact on the country.

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