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The Scale, Structure, Dynamics and Role of Stock Markets in the Economies of Different Countries

Kamilova Sevara Anvarovna

Senior Lecturer, PhD, Department of Finance and Financial Technologies,
Tashkent State University of Economics

Abstract: This article examines the scale, structure, dynamics and role of stock markets in the economies of various countries. It is shown that the world economy is currently in a long-term phase of stock market contraction, which will last for several more years.

Key words: financial markets, financial systems, stock markets, bond markets, derivatives markets.

In the past, the stock market and the stock exchange were often the embodiment of speculation, fraud and the concentration of vices inherent in the capitalist mode of production at its early stage of development. Currently, the stock market has very strict trading rules, which are supported by both the professional participants themselves and government regulatory bodies. In recent years, there has been a tendency to tighten regulation and coordinate the actions of national regulatory bodies both within regional associations, primarily the EU, and on a global scale.

In the modern market economy, the stock market plays a vital role. This is confirmed by the objective fact that the majority of society's financial assets are embodied in securities. The total amount of debt on securities and share capitalization is more than twice the size of the world GDP and three times the size of the M2 monetary aggregate (cash, funds in current and term bank accounts). The securities market serves as an effective investment mechanism, thanks to which states and companies attract funds for their development and the implementation of socially important programs. The objective prerequisite for the emergence of the stock market was the regular issue of debt obligations by states. Regularity of the issue is a mandatory condition for the existence of the securities market. Another indispensable condition for the development of this market was the scale of the issue of securities, due to which they became widespread among a large circle of investors, both individuals and organizations. The securities themselves (the first security was a bill of exchange) and the first stock markets in the form of bill fairs appeared in the Middle Ages in the city-states of Italy. At the same time, the stock market, corresponding to modern ideas about the securities market, was formed only when states began to carry out large-scale regular borrowing, and the first joint-stock companies appeared. Joint-stock companies, in which the company-shareholder relationship had much in common with modern organizations, were formed on the basis of medieval partnerships and corporations, combining the principle of corporativity (continuous succession) and the idea of a partnership (non-renewable pooling of capital). The first joint-stock companies are traditionally considered to be the Moscow, Levant, Baltic, East India Companies, and the Dutch United East India Company, all established in England in the 16th and 17th centuries. Before the emergence of joint-stock companies, early forms of corporations did not issue shares. Initially, company members contributed shares, which were returned to them after the completion of trading expeditions. Accordingly, in order to continue the company's activities, it was necessary to constantly renew the capital. Later, shares were replaced by securities certifying the right of ownership of the owner, who was regularly paid dividends (in some cases, in goods). The payment of dividends replaced the division of gross profit. Later, the principle of constant renewal of capital was abolished (by analogy with a medieval partnership), and the owner of shares was given the opportunity to sell them to other persons.

The first exchanges were the Antwerp and Lyon exchanges, which appeared in the XVI century, but they ceased to exist in the same century. The first classic exchange, still functioning today, was the Amsterdam Stock Exchange, which began its work in 1611. Therefore, the Dutch market is historically the first stock market. Until 1913, the Amsterdam Stock Exchange was a universal trading platform, in its premises not only securities were traded, but also various goods. It was on this exchange that all modern instruments and forms of securities trading were first distributed: urgent transactions, including options, repo transactions1, margin transactions. Initially, access to the exchange was free, and anyone could come and make a deal with anyone. For a long time, the Amsterdam Stock Exchange traded mainly bonds of the Dutch government, the administration of Amsterdam and some other Dutch cities. Regular trading in shares for a long time was provided by the securities of the first joint-stock company of Holland - the United East India Company (founded in 1602). The second company whose shares began to be traded on the Amsterdam Stock Exchange was the West India Company, founded in 1621. During the eighteenth century, the number of issuers included the English East India Company, the South Sea Company, the Bank of England, and the governments of European states. In 1747, more than 40 types of securities were traded on the Amsterdam Stock Exchange.

Shares took a serious place in the trading turnover of European stock exchanges only in the second half of the XIX century; before that, trading was mainly conducted in government and municipal bonds. This is due to the fact that the joint-stock company as an organizational form of enterprise became dominant only at the end of the XIX century. In parallel with the Dutch stock market, the English securities market developed, where the world's first joint-stock company appeared - the Moscow Company, which received a monopoly on trade with Russia from Ivan the Terrible in 1553. The first freely traded shares on the English market were the securities of the English East India Company (formed in 1600) and the Dutch United East India Company. The Hudson's Bay Company (formed in 1668), whose shares were also traded on the English market, still exists today.

The English stock market is also famous for the fact that the first specialized stock exchange appeared in England, which was founded in 1773. London brokers who traded various financial instruments in a coffee shop in the business district of the City rented a special room for their meetings. This building was called the London Stock Exchange, and the combination stock exchange was used in the name for the first time. Initially, membership in the London Stock Exchange was free. Anyone could participate in trading by paying a certain amount of money. Unfortunately, little information about the work and rules of trading on the London Stock Exchange in the first years of its existence has survived. In 1802, the exchange moved to a new specially built building near the Bank of England, where it is located today. At the same time, new rules were adopted, according to which only its members could trade on the exchange. There were initially 550 of them. For the most part, the rules approved then remained unchanged until 1986.

London quickly took the leading position on the stock market. At the end of the XVIII century, Amsterdam was considered the world's financial center, and by the beginning of the XIX century, it was the capital of England that became it. Until the mid-XIX century, the London Stock Exchange mainly traded government bonds. This situation was largely due to the legislative restriction on the creation of joint-stock companies, which was in effect from 1720 to the mid-XIX century. This restriction was introduced due to the mass creation of joint-stock companies at the beginning of the XVIII century, behind which financial pyramids were sometimes hidden, issuing unsecured shares. The feverish passion for the creation of joint-stock companies was due to the advantages of the joint-stock form of ownership demonstrated by the East India Companies, and unscrupulous entrepreneurs took advantage of the situation. In 1720, the Bubble Act was passed in

England, according to which the status of "limited liability" inseparable from the joint-stock form of ownership could only be obtained on the basis of a special act of parliament. From 1708 to 1826, there was a ban on joint-stock ownership for banks, with the exception of the Bank of England. Banking institutions could operate as sole proprietors or partnerships. All bans on organizing joint-stock companies were finally lifted at the beginning of the second half of the XIX century.

The first stock exchange in France appeared in 1540 in Lyon, but it did not last long. In 1724, a special building for brokerage operations was built in Paris, which was called the exchange (Bourse) and became the prototype of the modern Paris Stock Exchange. The work of the exchange did not correspond much to modern principles of stock exchange activities, primarily because there was no public announcement of prices. Only in 1777 was a special platform for trading securities allocated on it, and the rule of open announcement of prices was introduced. A few years after the French Revolution, in 1793, the exchange closed and resumed its work in 1801, when Napoleon was in power. In the same year, the French emperor issued a decree on the construction of the Paris Stock Exchange building, which was completed in 1826. Initially, the exchange mainly traded bills of exchange. And only by the middle of the XIX century. debt and equity securities became widespread on the Paris Stock Exchange. The market was traded by professionals - exchange agents, who were called that since 1639 (before that they were called money changers). The first stock exchange in America opened in 1791 in Philadelphia. A year later, the most famous exchange in the United States of America, the New York Stock Exchange, began operating. In May 1972, local brokers who made deals in coffee shops in the southern part of Manhattan gathered on Wall Street and signed a trading agreement (the Buttonwood Agreement), the provisions of which provided for transactions only between members of the exchange (at that time, between those who signed the agreement) and a fixed commission. The provision on fixed commissions was canceled only in 1975. As in other countries, in the first decades, the New York Stock Exchange mainly traded government bonds. Only after the Civil War between the North and the South did shares become the main object of transactions.

The New York Stock Exchange played a vital role in the development of corporate America. It was on this platform that such famous people from the world of capital as Vanderbilt, Rockefeller, Morgan, whose financial and industrial empires formed the backbone of the American economy, made their fortunes. At the same time, the exchange was an effective investment mechanism through which companies issuing shares received the funds necessary for development. The first exchange in Germany was organized in Frankfurt. In 1585, local merchants agreed to use fixed exchange rates for various currencies. This year is considered the year of the opening of the exchange, although the first building of the exchange appeared only in 1694. Until the end of the XVIII century, coins and bills were traded on the Frankfurt Stock Exchange. Regular trading in government bonds began at the very end of the XVIII century. The first share trades were recorded in 1820, but in general, bonds were traded on the exchange throughout the XIX century. At the end of the XIX century, After the unification of the country in 1871, the leading role on the German stock market passed to the Berlin Stock Exchange, and at the very end of the XIX century, there were already 29 trading platforms operating on the German market, thanks to the fact that hundreds of joint-stock companies emerged during this period.

In 1771, the Vienna Stock Exchange opened, which became one of the leading European markets at the end of the XIX century. Japan's first stock exchange, the Tokyo Stock Exchange, began operating in 1878, 10 years after the Meiji Revolution. Australia's first stock exchange, the Sydney Stock Exchange, was founded in 1871. During the First World War, almost all European and American stock exchanges stopped operating in August 1914, but resumed operations before the end of the war. Only the Berlin Stock Exchange remained closed until the end of hostilities. During the Second World War, with the invasion of Nazi Germany, the leading European stock exchanges were closed: Amsterdam in May 1940, Brussels and Paris in June 1940. American stock exchanges did not stop operating. Current state of global stock markets

The current state of the global stock market as a whole and the economic systems of individual countries is characterized by a quantitative assessment of its volume, dynamics and structure for various types of securities. One of the approaches to the quantitative characteristics of the global stock market is the method of summing up the debt on debt securities, with the exception of bills, and the market value of shares. In this case, securities traded on organized securities markets are involved in the calculations, derivative financial instruments and short-term securities (bills, checks) are not taken into account.

At the same time, the amplitude of fluctuations in stock indices significantly exceeds the size of changes in macroeconomic indicators. The growth (fall) rate of the stock market is usually two to three times higher than the growth (fall) rate of GDP. Due to the faster growth rates of the stock market, so-called "bubbles" (unreasonably high quotes) are formed on the market, which tend to "burst", and in this case, the rate of decline of the stock market significantly exceeds the dynamics of the industrial downturn.

This is due to the fact that fictitious capital has its own, inherent only to it, development patterns. The fact is that there is no universal formula into which one could substitute the values of macroeconomic indicators and performance indicators of individual companies and obtain an equilibrium level of market capitalization. The actions of investors in the stock market, which ultimately determine its dynamics, are far from always rational. The growth of prices is fueled by mutual expectations of further increase in quotes, the actions of investors reinforce each other, as a result of which the market becomes "overheated". Even realizing that the growth of quotes is not justified by fundamental indicators, investors continue to buy securities, blindly following the herd instinct of the crowd and being confident that they will be able to exit the game in time. In this situation, it is highly likely that at the first negative information about the economic situation in the country, prices will begin to fall rapidly.

Equity markets, on the contrary, are segmented by country. As already mentioned, on the vast majority of exchanges (in developed countries, equity trading is concentrated on the stock exchange market), national issuers prevail in the turnover structure, and local investors dominate among trade participants. In this regard, the successes in creating an international settlement and clearing system for shares are so small. The movement of shares between different countries is ensured by individual depositories and custodians, which provide foreign investors with services for storing and recording transactions on the local securities market.

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