ABSTRACT

of the PhD thesis with the title "Globalization of Financial Markets"

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The paper with the title *"Globalization of Financial Markets*" studies the issue of the financial markets globalization in the context of the economic globalization, global financial vulnerability and international financial system reform.

The structure of the paper includes *three distinct titles* that are included in a unitary outlook in accordance with the philosophy that was the basis of the financial markets globalization research.

The titles are structured in chapters, the chapters in sections within there are paragraphs and items, corresponding to the dimension of the specific issue tackled.

First title is called *"Economic Globalization and the Dynamics of International Financial System"* and is structured in two chapters, in which are analyzed the economic globalization and the international financial system.

The first chapter of this title, *"Economic Globalization - Reality of the Contemporary World"* has as object of analysis economic globalization in terms of notion, dimension, factors, forms of manifestation and means of measuring.

Economic globalization is a dynamic process, with a certain evolution in time, and as phenomena includes controversy and dilemmas. In understanding and explaining the economic globalization phenomena, in the doctrine there are three theories (the hyper-globalism, the scepticism and the transformativism), that express different positions, specific argued. The controversy and the dilemmas concerning economic globalization are about the concept, the causes, the period, the impacts and the trajectories.

Economic globalization can be defined considering the other opinions in the economic literature. It is the dynamic process of international economic relations transformation, determined by certain factors consisting in the growing independence of the domestic economies or of the generated flows by this to a global economy, following the extension of the borders in production, labour, finance, trade, having the scope of growing and economic development and of producing general benefits.

The determining factors of economic globalization are: the extension of the market economy on the basis of neoliberal ideology, economic liberalization from developed countries to developing ones, innovation and technological progress, the growing competition on international markets.

The economic globalization is manifesting in the global economic system in the next forms: globalization of the production, trade globalization, globalization of finance, labour globalization.

The measurement of economic globalization can be made with the help of the indicators from OECD Handbook. These are: reference indicators, additional indicators, experimental indicators. The indicators are statistical instruments for determining the intensity of integration in different areas, such as foreign direct investments, activity of the transnational companies, international dissemination of technology, trade activity.

The measurement of the competitiveness degree of an economy can be realized by individual indicators or by grill performance. The global competitiveness index is used from 2005 by World Economic Forum as an index of high complexity and is supported on twelve pillars that targets different segments and socio-economic areas.

Beginning with 2001, the Foreign Policy Review publishes the synthetic index Kearney of economic globalization, a composite index, based on four major elements (economic integration level, life standard, technological development level, political performance).

The second chapter entitled *"The Dynamics of the International Financial System"* deals with the evolutions of the international financial system, the European monetary system and the main international financial institutions with universal and regional vocation.

The international financial system has emerged on the basis of the development of the national economies and of the globalization of trade and services, with the consequence of expanding and diversifying the international financial relations and its main objective is to provide a balanced, harmonious and equitable development of the international economic relations through currency mechanisms.

The international financial system can be defined as a framework of international financial monetary relations which can provide the transfer in time and space of the capital resources from the international creditors or investors to the ones who need all these, which take place in a well-defined institutional and normative frame for the development of the international economy.

The evolution of the international financial system has gone through different stages, from the genesis up to the present that is the gold standard, the gold exchange standard and the generalized or free floating. The European monetary system and the European monetary union were created in search for a monetary stability in the international financial system as forms of monetary integration.

The existence and the functioning of the international financial system cannot be conceived without the international financial institutions which should provide the economic and monetary stability, which should promote the specialized financial assistance. The main financial institutions with universal vocations are the International Monetary Fund, the World Bank and the Bank for International Settlements and the main international financial institutions with regional vocation are the European Bank for Reconstruction and Development, The European Investment Bank, the African Development Bank.

The second title is entitled *”The Globalization of the Financial Markets – Promoters of the Economic Globalization”* and it is structured on four chapters; the main research objective is the notion, the functions and the actors of the financial markets, the globalization of the monetary markets and the transnational corporations as vectors of the financial globalization.

The first chapter, with the title *”The Notion, Structure, Functions and Actors of the Financial Market”* examines the financial market concept, the functions and the actors of the financial market.

The financial market is a system of mechanisms, institutions and financial relations which were created according to the supply and the demand between those with capital deficit and those with capital surplus, mediated by specialized middlemen, having as their objective the exchange and circulation of financial assets and which are governed by specific rules.

The debating views from the economic reference literature regarding the structure of the financial market are the Anglo-American view and the European-continental view, the Anglo-American view being the most prevalent in the Romanian economic practice where the structure of the financial market consists of the monetary and capital market.

The financial markets fulfil the evaluation function of the investment projects, the capital transfer function, the function of providing liquidities, the supply, aggregation and coordination of information function and the capital concentration function.

The main actors of the financial markets are: the economic operators with majority capital from the state, public state financial institutions, issuing bank, private economic operators, natural entities as investors and consumers. The financial market can be an internal or an international financial market.

The second chapter entitled ”*The Globalization of the Capital Markets*” is focused on the examination of the notions and features of the capital market, securities and the participants on the capital market, the operations on the capital market and the global asset market, the global bond market and the global market of derivate instruments.

The capital market is a framework of financial mechanisms, institutions and relations born between issuers and investors and mediated by specialised middlemen, having as their objective the securities exchange and circulation in a specific legal regime. The capital market is an organised and supervised market, it is an open market, a free market, a market with a high risk, it is a market where the negotiable investment tools can be transacted, it is a market of the long and medium term investments, it is a market of the transactions performed by authorized intermediaries, it is a symbolic market.

The securities represent the key element of the capital market. The participants in the capital market are the issuers, the investors and the intermediaries. The capital market hosts operations regarding the public supply of securities, currency transactions and extra-currency transactions.

The global capital market is a system of international financial relations, mainly direct and secondly intermediated between issuers and investors regarding the transactions of securities in some specific mechanisms and regulations. The components of the global capital market are the global asset market, the global bond market, the global market of derivate instruments.

In this field of the components, the global bond market is on the first place in the framework of the market.

The third chapter entitled "*The Globalization of the Monetary Markets*" consists of evaluations regarding the notion, the features and the structure of the monetary market, the tools and the participants of the monetary market, the operations on the monetary market, the global credit market, the global foreign exchange market.

The monetary market represents a group of mechanisms and relations among its participants, its main objective being the transactions regarding the credit reimbursements and the operations with short and medium term negotiated instruments, in a specific regime.

The characteristics of the monetary market are similar to those of the capital market, but they distinguish themselves through the fact that it is a low risk market and through the short and medium term investments.

The monetary market has two large subdivisions: the inter-banking market and the foreign exchange market. The instruments which are negotiated on the monetary market are the credits. The participants on the monetary market are: the issuing bank, the commercial banks, the business banks, other types of banks and credit institutions, other legal entities than the banks and natural entities.

The main operations on the monetary market are the inter-banking operations and the operations on the currency market.

The global credit market is component of the monetary market in which short, medium and long term credits are transacted. The global credit market is large and is occupied by Asia, followed by the USA and Europe.

The global currency market is the most important and liquid one on the global market, because it acts non-stop. It is the frame where spot or forward transactions are developed but also other currency operations. It is a delocalized market and it has reached a daily volume of transactions of 3000 billion USD.

The fourth chapter with the title” *Transnational Corporations – Vectors of the Financial Globalization”* is dedicated to the analysis of the position, impact and behaviour of the transnational corporations in the global environment and of the promotion of the international investment flows through these.

Transnational corporations are dynamic structures in the global economy which make the services, production, and capital circulation international. These are the vectors of the international investment flows, especially of the foreign direct investments and the mergers and acquisitions. The foreign direct investments as types of foreign placements of the financial flows were permanently in an ascending dynamics, registering at a global level a record level of 1941 billion USD, received investments and 2063 billion USD, generated investments, registering a currently descending trend due to the global financial crisis.

The international mergers and acquisitions also had an ascending trend ip to 2007, when they reached a historic volume of 1700 billion USD, and in 2008 there was registered a decrease by 29%, that is up to 1205 billion USD as opposed to 2007 due to the global economic and financial crisis.

The third title is entitle ”*Globalization, Global Financial Vulnerability and the Reform of the International Financial System”* and consists of four chapters, where there are examined problems regarding the effects of globalization and the global financial vulnerability, the current global financial crisis, the impact of the current financial crisis in Romania, the reform of the international financial system and the new global economic order.

In the first chapter entitled ”*The Effects of Globalization and the Global Financial Vulnerability”*, the positive and negative effects of the globalization, the balance between globalization and financial crisis were pointed out.

The economic and financial globalization has indisputable positive results, in the sense that it has stimulated the development of the capital market as well as the international financial cooperation and competition, it has opened the economies with the consequence of the mobility of the goods and services, the technologies and the workforce and it has promoted the economic growth and development, giving thus reasons to hope.

There are also failures of globalization, despite its great successes, because on the basis on the globalization the developing countries have taken certain risks by opening their markets and they have exposed to a certain uncertainty. There were situations where the democratic processes were undermined due to the way of managing the globalization. The economic globalization and especially the financial globalization have increased the possibility of the crisis.

Globalization is not the cause of all evil, and the registered failures are due to the insufficiency of globalization not to the excessive globalization. The global financial system has experienced in time different degrees of turbulences, the emergence of the financial crisis and their recurrence is still a debatable problem. Financial globalization is neither the cause of the crisis nor the cause of the recurrences, it just facilitates their emergence.

The contagiousness of the financial crisis originates itself in the irrationality of the markets and not in globalization, and one still needs a global regulator, a service creditor which should reduce the frequency of the crisis, limit the contagiousness and avoid the systemic risk

In the second chapter entitled *”The Current Global Financial Crisis”*, a analysis is carried out regarding the premises, the start, the mechanism and the causes of the current global financial crisis, the impact elements and the anti-crisis measures.

The current global financial crisis did not appear on a waste ground, but on the background of some previous circumstances (the balloon of internet, the decrease of the Federal Reserve, the real estate speculative balloon, etc.) and if they were taken into consideration, they could have been avoided.

The crisis started on 15 September 2008, after the fall of the Lehman Brothers Bank after which it has spread all around the world. The causes of the current global financial crisis are considered to be the adverse or inadequate economic policies, deregulation, insufficient regulation or lack of regulation on the fond of financial market liberalization, financial international economy, promoting the model of consumption based economic growth, speculative balloons on the financial markets. The impact of the global financial crisis on the worldwide economy has produced on the economic growth which reached 1,7% in 2008 below the average of 2,9% of the last 10 years, on the international trade in all its components, on the flows of foreign direct investments and on the labour force.

The anti-crisis global measures were taken in the G20 Group, during the three summits between 2008-2009 and were focused on the creation of a framework for a solid economic growth, the regulation of the financial system, the modernization of the global financial institutions, the exclusion of the excesses from the banking system.

On the local and regional level, each of the states affected by the crisis has adopted incentive measures for their economies, by different programmes and anti-crisis packages, according to their concrete situations.

The third chapter, with the title *”Romania under the Impact of the Current Global Financial Market”*, presents a radiography of the specific circumstances regarding the premises of the crisis, its emergence and its impact causes and elements.

The current financial crisis in Romania was unavoidable even if there were not a global crisis, because there were the specific premises for its emergence, as well as the fast liberalization of the capital account, the excessive debt consumption, the pro-cyclic fiscal and budgetary policy, the delay of the structural reforms in the economy. The impact of the financial crisis in Romania was also reflected on the GDP, industrial production, foreign trade, foreign investments and unemployment. There were just a few anti-crisis measures in Romania, the coming out of crisis will happen later than in other states of the European Union.

The fourth chapter of this last part of the thesis is entitled ”*The Reform of the International Financial System and the New Global Economic Order*” and discusses, taking into account the reference literature, some problems regarding the government of the global economy and the creation of a new system of global reserves and the reform of the financial system in its totality and especially of some of its institutions.

Although the experience of the crisis shows us that we are at the beginning of the 21st century, in the global economy and in the international financial system something is wrong and the future of the global economy is uncertain. The problem is that if the financial markets can control themselves or if an efficiently managed financial system is needed or a global regulator or last but not least a creditor which should prevent crisis and then respond in an adequate matter to them.

The problem of a new international financial order has re-appeared in the preoccupations of the international bodies, as well as of the forums as the Groups G7, G8, G20. Another problem of the effective functioning of the international financial system is that of the global reserve system because through an effective use of these resources one could provide more stability for the global economy and some of the major problems of the world could be solved. The idea of the reform of the global reserve system would be to create a global currency and the reserves should be constituted in a global reserve fund, to which its members can subscribe.

The global currency would be issued annually and its owners could exchange when they were in difficulty and they needed another currency.

The International Monetary Fund, in the equation of globalization and current global financial crisis, on the background of its incoherent policies and the consequences of its policies should be transformed and reformed in order to improve its ability to reduce the moral hazard and not to overlap its actions with the actions of the World Bank. It can take the role of a creditor.

The World Bank should improve its performances in order to promote the economic equality, to grant financial assistance according to the principle of selectivity and not the principle of conditioning and grating funds on real basis and not according to the desires of the policies.

The international financial system should be reformed not only on the level of its institutions but also in the following directions: the facilitation of the interventions through the banking and fiscal system, when there are dangers associated with the liberalization of the capital markets; the improvement of the legislation regarding bankruptcy and annulment of the payment of the debts; appealing to a reduced extent to external aids; the improvement of the regulations in the banking system; the improvement of risk management; the improvement of social protection systems; the improvement of the reaction to crisis situations.