

Financial Relations Influenced by Globalization

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Abstract

This research article underlines the relation between capital and its global financial flow and its end game: creating a sustainable and healthy globalization process. During our research we analysed how the financial flow is developed also by using technological advancement and the evolution of the Internet, leaving a question mark on how the future will look like from the macroeconomic perspective. The entire perspective presented in this paper is a sum up of researches done in the last decade on the scientific interest had in globalization as a process its backing up from the financial perspective.

Keywords: globalization, capital flow, financial relations, technological advance.

JEL classification: F62, O16

1. Introduction

The global economy is currently far from uniformity, homogenized, even if humanity entered the third millennium in the process of globalization. Problems brought economic differences between different states or regions and are considered by specialists to be the real challenges of humanity on whose resolution we must focus our efforts in this century.

Globalization from the economic perspective would mean a simpler approach eliminate economic differences between countries with developed economies, countries with developing/emerging economies and the underdeveloped economies (Bodislav, et al., 2015, pp. 471-478). This cannot be achieved separately from the other sides of globalization, as they are strongly interlinked and therefore require a gradual and simultaneous development, its failure could send into the other

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side of globalization: emphasizing economic differences between states that can create geographical pressures.

Globalization does not have a clear birth place or timestamp. Certain aspects are similar since antiquity, especially through the exchange of goods and technology between different civilizations, continuing voyages of discovery, colonization of the American continent, then the Industrial Revolution that led to accelerate rate of new technologies developed that allowed these 'trade' at a much faster and at a larger scale and peaking in the late twentieth century, with the rise of the Internet. The technologies invented and the events of the twentieth century led to the phenomenon of globalization itself, in contemporary acceptance. The new transport routes and the emergence of others led exponentially to the opportunity to sell almost any product on a global scale, the emergence of the Internet has led to the possibility of the exchange of information almost instantaneously between countries, businesses and people, two world wars have led to international organizations whose purpose is to ensure the application of principles and values inherent to human nature such as to ensure the integrity of the individual, ensuring property rights, or establishing health standards. All these factors had a significant influence on the evolution of globalization and by default on the global economy standalone.

2. Influences of the globalization process

The fruits of technological and social evolution of mankind could be enjoyed by almost any state, but evolution means change and not all states are responsive to change because of their political regime more or way of doing their share of global business. Socialist states, for example, with an economy controlled and isolated by the West, have always remained behind with new technologies and concepts developed in the West, thus having a large delay at economic level: capitalism-communism dualism (Bodislav, et al., 2015, pp. 471-478). With the failure of the communist system, all states that have switched to capitalism have tried to recover the gap between their economies and the Western through a process called "catching-up". The difference between the speeds with which these countries manage to catch up is caused by differences between the other three sides of globalization: the cultural side, the sociological and political one. In reality, these differences between states are almost impossible to remove, but striking effect of globalization is offering the possibility to reduce them as much as possible.

Incidentally, the French economist Charles Michalet says the "world" economy has a developed center and a underdeveloped or developing periphery and everything is developed on a map of "concentric circles" that in the middle was "the Triad: US, EU/Europe and Japan, around which revolve the second "circle" consisting of "savings tiger" Asian (Singapore, South Korea and Africa) and last, composed of countries whose economies are unstable" (Michalet, 2004). Global investors can direct their rapid investments obtained through savings to those countries and they consider them as "attractive" (Bodislav, et al., 2015, pp. 471-478). This attraction is based on the strengths of certain economies that have benefited

successfully from their own development and the use of clear and open political regime. Strong points are materialized in stable macroeconomic policies that are combined with a legislative framework and with an open attitude of the state towards FDI (Fourcans, 1997).

Currently, globalization is the “result of a long historical and irreversible evolution. It is the highest point of the followed upward trend; it is the stage beyond which the process will continue even more dynamic, more vigorous and more engaging” (Trifu, 2006). This phenomenon is identified as streamlined globalization of the 21 century, now having added a number of trends developed as a result of key events of the twentieth century that involves in principle greater mobility for international information, assets, human capital and a more rapid development of technologies.

Amid the emergence of the Internet, the exchange of information has exploded globally and what appears to be focusing the economy on the niche of the supply of services. Agriculture and industry also experienced exceptional developments due to the development of transport networks and eliminating as much as possible the restrictions on movement of goods and people, but trade in services are growing faster than goods (Bari, 2001).

Throughout history, some countries that were more developed in all sectors interacted with other states or civilizations less developed, and when discrepancies were visible, such as differences between Europeans and Native Americans, the process of "colonization" was deployed (Bodislav, et al., 2015, pp. 471-478). It is manifested by transferring technology, information, knowledge and human capital in order to increase the degree of civilization in that region and thus trying to improve living standards at a level as close to the country colonizing. There are similarities between the process of colonization and globalization, as powerful economies of the world "inject" into developing economies or less developed capital, technology, procedures, even human capital.

Amid new technologies developed in the last century, humanity has reached a new level of communication and economic interdependence. Mutual aid offered between states, aid offered directly by international entities or agreements between states and market economy that has spread to almost all regions of the world with winning capitalism against communism, seeks to provide states with less developed economies growth opportunities in all its sectors. Countries like Poland and South Korea in recent decades have demonstrated that careful planning and governing class reliability can lead to impressive economic growth (Bodislav, et al., 2015, pp. 471-478). Given the differences in socio-cultural and geographical landscapes between the two countries, it appears that the state does not need a "recipe" for success, because it does not exist, but success is granted by the instinct to seize political and economic context favorable overall.

The communist system and the 1970-1980 periods in countries from Latin America or Africa have shown that "closed" economic policy leads to stagnation or to a descending trend from economic and social perspective. In the long term, they lead to increased poverty and inflation (Bodislav, et al., 2015, pp. 471-478). In fact,

globalization is a process that cannot be controlled, because it involves too many factors already on the move. It cannot be stopped, and states aware of the benefits can bring such a phenomenon that can profit from it, otherwise risking to lose a huge opportunity. In other words, national economies will become increasingly more like a global economy, and the states they represent real economic agents in this new market.

It is necessary over the next few decades, as many countries try as much as enables them cultural and political context of the region where they are to focus on this trend of the internationalization of economies, openness to foreign markets to achieve growth. A high standard of living is ensured by the harmonious development of the economy with political stability and socio-cultural progress. The fastest way to such an increase is attracting a flow of foreign capital and modern technology in terms of production within a state and political stability is ensured by effective cooperation between national institutions with international ones and a favorable legislative framework FDI (Bodislav, 2012, pp. 33-46). Because globalization is a process not the will of the states, which can accept or to reject it, supporting the effects of those decisions, there are certain phenomena that transcend national borders. Interconnection states made the problems certain regions become global problems that the world powers endeavor to eradicate them. Hunger, disease, environmental destruction and resource depletion issues that are not strictly affect certain countries or areas, but the entire planet (Bodislav, et al., 2015, pp. 471-478). Thus, over the last few decades, various organizations were founded with the goal of helping countries most affected by these problems, African countries such ground of disease and hunger or lack of drinking water. This has led to a growing awareness of global issues by civil society, awareness and intent to cause change. We are seeing today in terms of globalization, a phenomenon unprecedented in human history, namely the sharing of feelings and similar views on world events or the world's problems on a global scale. Efforts by the masses composed of individuals who share a certain vision and efforts by states to solve common problems, different quality and quantity, depending on the impact that has the problem or situation that the State or region concerned and depending on the financial possibilities and human resources available to each state, but the degree of relationship between these entities beyond geographic boundaries, sometimes even political or cultural.

3. The flow of capital = the main tool of globalization process

The transfer of capital, technology and skilled labor force between countries is an important step in the quest to eradicate differences between people. Constant interaction and strategizing between states will lead to an imbalance between the poor relative to the rich. Unlike a fictional world in which globalization would not occur, and communication and interaction states would remain at the local level as they were in the Middle Ages, nowadays, globalization enables small countries to grow by imitating the great powers. Leading by example, copying economic policies and adapt them to the social, political and cultural active factors, it is possible mainly

due to globalization, and this has benefits for nations that are willing to identify and capitalize on opportunities offered. It is also much easier to "imitate" an example offered by an evolved state through direct interaction with it, namely by attracting investors in the developing country. It is therefore important that civil society in less developed areas of the state to understand the need to "modernize" and the nationalist feelings do nothing to slow the inevitable influence anyway.

Globalization can represent a leveling component or even a blur of the political-economic-social problems (oligarchy) or of the government problems (regulation versus deregulation – Bodislav, 2012, pp. 33-46).

Unions of groups that we talk about as a structural uniformity at microeconomic and macroeconomic level have as a globalized behavior without destroying identities because they innovate the identification path with performance, and reproduce the whole that is bigger than the sum of its components, while the latter ones tend to behave as a whole when we are in fragile steady state, called in the past a favorable disequilibrium (Dinu, 1987). The idea that there are individuals with common interests which form groups of interest can lead to the linear flow of democracy (opposite to oligarchy) and these through their common interest are facing global competition under the sign of deregulation will result in creating the following simplified phenomena.

The phenomena created through obtaining the advance of own interest (under the rule of law) will lead to the advance of the entire society – social welfare. When a group (a union of states or a corporation) becomes a framework of mutual trust, interdependence and collective action, new bridges based on creativity and innovation are shaped (Bodislav, 2012, pp. 33-46). At micro level we can find innovations and applications that give the improbability effect in forecasting the future, creating the future with alternative solutions. At this effect we can also add the appearance of leaders that break coherently and synergic the intra- corporative or intra-state limitations this way creating an energizer effect of studied' economies. Innovation is dependent of blurring the limitations (boundaries), not only internally (micro – on hierarchical levels, on the periphery transfer of decision, resulted from the center – periphery effect), but also on the external plan (macro – the relationship with other members of the group and with opinion makers from the group - Bodislav, 2012, pp. 33-46). For a world that is flattening, the existence of leaders that have as main purpose the blurring of limitations of any kind (be it political, economy, innovational, religious vision, etc.) represents a competitive advantage in front of other groups by offering transformational results, that create the evolution of the globalized economy as we know it – Globalization 2.0.

4. Conclusion

A fundamental chapter in the evolution of globalization has been the developing of the competitive economic system based on the free market which has taken us to the prosperity from three years ago, seen with small regulating syncope (self-regulating) through the crises from 1929-1933 and 2007-2011 (the crises are

underlined by the theoretical approach of long cycles, Kondratiev type – Bodislav, 2011, pp. 129-140). Democracy created a context in which the economic system based on the free market, entitled “capitalism”, can evolve. There is a clear and logical link between the concept of individual political freedom and the freedom of individuals in following their economic interests. As I mentioned earlier, Adam Smith, in the classic paper “Wealth of Nations”, written in 1776, described “an invisible hand of the self-interest” as being in the center of human behavior. In antithesis of negative viewing it in terms of morality, he saw it as a main inner force for economic and social development. A paradox resulted from the development of capitalism is that the collective pursuit of self-interest created the prosperity from which we can all benefit. A concept that remains problematic is: “the tension between accumulating goods and nurturing of goodness, which appeared early in the American experience and rooted” (Shi, 1985, p. 8). The role of the economic system is to supply goods and services which satisfy the needs of individuals and during the economic process can offer jobs which create revenues with which they can buy the goods and services needed and/or wanted. In a weak economy, people fight only for survival, falling prey to illness and famine (Bodislav, 2011, pp. 129-140). A controversial fact is that an economy that creates revenues is not necessarily an economy with high moral standards, everything depends on how wealth is created, on how it is distributed and on what is used for. Finding the equilibrium between “goods and goodness” it is a continuous debate. This is not the purpose of this paper and, for now, there cannot be highlighted any solutions for this situation. Although, we want us to understand the importance and relevance of contemporary society.

It is clear the fact that the capital flow which represents the global financial circuit is the main pillar of globalization and without it the global collaboration couldn't be possible today or in the near future.

Clearly, ethical and moral considerations which have to enter not only in the globalization of nations but and in commercial enterprises, like today the right road is relearned despite all detours on sinuous and dark ways of quick, unreal and irrational enrichment which led to the global economic crisis in which we are still in.

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