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The Globalization of Financial Markets and the Main Actors

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Abstract *Globalization of capital markets describe the decline of national markets and the rise of global markets, however globalization cannot be concerned as a solely economic process; this process that signify "the buzz word", yield changes in our way of life, our cultures, our perceptions of others and our environment – fundamental changes in technology that driven to global market innovation. But it is self-evident in the economic sphere, and singularly in the financial sector, where changes have been the most deep and impressive. The market in which residents of different countries trade assets is called the international capital market. The international capital market is not really a single market; it is a group of closely interconnected markets in which asset exchange with some international dimension take place. The main actors in the international capital market are: commercial banks, large corporations, nonbank financial institutions, central banks, and other government agencies. The international capital market's activities take place in a network of world financial centers linked by sophisticated communications systems.*

Key words:
Globalization, capital market, market innovation.

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F62, F63

1. The process of globalization

The process of globalization and integration of the world economy are subjects that always appear in news bulletins. We come across goods made in other countries either at the domestic car seller, at the computer shop, or at the green grocer's.

Financial markets have a global nature. In time, the globalization of the financial environment caused important *changes* at the world level,"the rule of the 3 D-s" (deregulation, non-mediation, openness); the stress was laid on the competition between the world's big financial centres, innovations and implementation abroad; the development of the IT sector offers the actors on the world market information in real-time which is the essential factor in the decision-making processes; "the professionalisation" of the markets that amplifies the dynamics or tendencies of the market (there occurs an increase of the importance of the professional investors who have the same information and similar behaviours; the effects of their actions may provoke sometimes brutal shocks, because all reactions often coincide); the growth and diversification of portfolios.

The economic and financial globalization is a historical process, the result of the innovations and the technological progress. Each form of world organization has its potential of freedom, creation and risk. The period between the middle of the nineteenth century and the late 1920s can be considered the first epoch of globalization. At that time, Great Britain – a world power- was massively investing in emerging markets and those who were subsidizing the political measures in the United States and Europe became victims of the financial crises determined by the decrease of the Argentinean railway bonds, by the Latvian state loans or by the German treasury bonds. There was no currency check at that time, so as soon as the transatlantic wire was introduced, the financial and banking crises from New York reached London and Paris. Before 1914 people migrated a lot and the countries did not require them passports. If we add the invention of the steam engine, the railway and the phone, we can state that the first globalization epoch before World War I changed the size of the world from L (Large - L) to M (Medium - M). The first globalization epoch was gradually influenced by World War I, the Russian Revolution and the Great Depression in 1929, and their common effect determined the geographical and ideological world division after World War II. A different world division was expected due to the Cold War and it ended as soon as the Berlin Wall fell down. This was the moment when *a new globalization epoch* started to be discussed. Nowadays *globalization* is a frequently used term that can have different meanings (cultural and informational globalization, television, internet and other communication means spreading, high mobility of idea trading), all these determining the world compression from M size to S (Small - S).

Globalization of the world economy brought efficiency and competitiveness, but also a high potential of economic-financial crises appearance. Whether we like it or not, whether we are for or against globalization, nothing can change this direction.

2. The main actors in international market

The main actors in international market include commercial banks, corporations, nonbank financial institutions (insurance companies and pension funds), central banks and government agencies. At the macro level of countries and at the micro level of firms, the institutions are the key in the economic processes.

The banks are specialized institutions which came into being on in a certain period of development and social organization, whose role and functions developed at the same time with the socio-economical life evolution as a whole.

If in the beginning, the banks we've settled mainly on reasons concerning funds collection to support the military campaigns (the Bank of England was opened in 1964 to gather funds for the Netherlands war) as the society gradually developed , the banks functions and role became clear, being improved and getting more important largely expanding from one historical period to another.

Commercial banks represent the center of international capital market because they run the international payments mechanism and of the broad range of financial activities they undertake; also commercial banks are the center of the foreign exchange market because almost every sizable international transaction involves the debiting and crediting of accounts at commercial banks in various financial center; the vast majority of foreign exchange transaction involve the exchange of bank deposits denominated in different currencies. Bank liabilities consist chiefly of deposits of various maturities, while their assets consist largely of loans (to corporations and governments), deposits at other banks (interbank deposits), and bond. Multinational banks are also heavily involved in other types of asset transaction. For example, banks may underwrite issue of corporate stocks and bonds by agreeing, for a fee, to find buyers for those securities at a guaranteed price. One of the key facts about international banking is that are often free to pursue activities abroad that they would not be allowed to pursue in their home countries. This type of regulatory asymmetry has spurred the growth of international banking over the last 40 years.

Corporation, particularly those with multinational operations such as Coco-Cola, IBM, Toyota and Nike – routinely finances their investments by drawing on foreign sources of funds. To obtain these funds, corporations may sell share of stock, which give owners an equity claim to the corporation's assets, or they may use debt finance. Debt finance often take the form borrowing from and through international banks or other institutional lenders; when longer-term borrowing is desired, firms may sell corporate debt instruments in the international capital market. Corporation frequently denominate their bonds in the currency of financial center in which the bonds are being offered for sale. Increasingly, however, corporations have been pursuing novel denomination strategies that make their bonds attractive to a wider spectrum of potential buyers.

Nonblank financial institutions, like insurance companies, pension funds and mutual funds have become important players in the international capital market as they have moved into foreign assets to diversify their portfolios.

Central banks and other government agencies, central banks are routinely involved in the international financial markets through foreign exchange intervention. The Central Bank is defined as: banking institution on top of the banking mechanism, supervising and organizing the financial-monetary relation in a certain state, on domestic level and connected with other monetary system; banking institute on top of the whole banking mechanism in almost all the states; institution entitled to lead the monetary policy of a country, being one of the parts in a modern banking system organized on two levels.

Perhaps the best example of the Central Bank independence is that of Bundesbank the Central Bank of Germany, whose independence was assured by law, as a consequence of the population strong demands, as it had been seriously affected by the hyperinflation in the country after both world wars. The main function of Central Bank are: the function of issuing banknotes which become means of legal payment (in general money circulation) although they are put out of commercial circulation itself; the banks money resources centralization and credit granting as lender of last resort to these banks; the direct and indirect influence of the credit cost in the respective country; the Central Banks grant loans to the state and keep the state vault; they elaborate and apply the monetary policy; they supervise the money circulation and the prices stability level; support the economic development and ensure the foreign balance; the cooperation and the improvement of the international monetary relation.

Regardless the importance of a Central Bank, to perform its functions it is important for the bank to work together with the other state legal or executive institutions and not least with the commercial banks, with the enterprisers and the population in order to make its steps and actions (in the monetary policy field) understood and applied and to have the desired outcome.

In addition, other government agencies frequently borrow abroad. Developing country governments and state –owned enterprises have borrowed substiantly from foreign commercial banks.

In the last ten, all the meetings of International Monetary Found, World Bank, G7+1 or other international organizations have been followed by demonstrations of numerous groups who are against globalization. In the financial field, globalization is stronger and faster than anywhere else. The huge banks and financial groups enjoy mergers. Today we are witnessing a so-called „merger-mania", the stodgy ones growing more important and stodgier.

3. Conclusions

The globalization process is ineluctable and irreversible, in other words, it can be appreciated as unstoppable, beyond the argument in favour of globalization due to which the advantages would exceed the necessary costs; at the same time, we cannot hide the fact that this process could determine more obvious economic and social inequality among countries and people.

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