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FINANCIAL GLOBALIZATION AS A FACTOR OF ECONOMIC INFLUENCE ON THE DEVELOPMENT OF THE GLOBAL FINANCIAL MARKET

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ABSTRACT

In this article, is considered the origin and scope of globalization processes in the financial sphere and is noted the contradictory and polysemantic nature of the process of financial globalization. The main features of the development of world finance at the present stage are singled out.

KEYWORDS: *The Global Economy, Financial Globalization, the Process Of Globalization, The Global Market, The World Financial Market.*

INTRODUCTION

The emergence of the global financial market was the result of the internationalization of economic and the development of international corporate activity. Both these processes have been particularly intensive since the early 1970s. Thanks to the liberalization of financial relations, national and regional markets that promote the development of the global capital market are growing at a rapid pace. Factors that contributed to the formation of the global financial market and the expansion of its geographical boundaries include:

The growing interconnections between national and foreign sectors of the economy as a consequence of the increasing importance of foreign trade;

Reducing degree of the regulation’s by the state of cash and capital flows, exchange rates, and in some cases, labor migration;

Introduction of innovations in trading with securities, increasing the role and importance of international trade and stock exchanges, improving payment settlements;

Development of interbank telecommunications, electronic transfer of financial assets;

The influence of globalization on our way of life is very great, it changes not only the world, but the whole of mankind. The globalization of the modern world economy and the strengthening of the interdependence of the national economy are among the most characteristic features. The most powerful factor of globalization is economic, manifested in the presence of transnational corporations operating simultaneously in many countries and using new historical conditions in their own interests. But it is not necessary to believe that globalization is a kind of gigantization or a mixture of dissimilar processes. Globalization is an objective process that determines qualitative changes in the global space, an increase in the interconnectedness and uniqueness of individuals or civilizations in general [2].

The world financial market is a mechanism of accumulation and redistribution of financial resources on a competitive basis between countries, regions, sectors, and economic agents under the control of states and world financial centers. The world financial market performs the following functions:

Redistribution and transfer of capital;

Saving of distribution costs;

Promoting the concentration and centralization of capital;

Ensuring the continuity of production;

The formation of the world financial market is connected with the scientific and technological revolution, its gigantic capital-intensive projects, for the implementation of which powerful sources of financial resources are needed. The objective basis for the development of the world financial market is the cycle of functioning capital. In some areas, the capital is temporarily released, on others there is a demand for them. The inaction of capital contradicts its nature and the laws of a market economy. The world financial market solves this contradiction at the level of the world economy. With the help of the market mechanism, temporarily free funds are involved in the circuit, ensuring the continuity of reproduction and profit to business entities.

According to its institutional structure, the world financial market is noted a set of various financial institutions through which capital flows in the world economy. These include transnational corporations and banks, stock exchanges, government agencies, various financial intermediaries (broker-dealer organizations), banking and non-banking institutions (insurance companies, pension funds), etc. About 90% of operations on the world financial market are in developed countries and only 10% - in developing. The main countries - exporters of capital (the USA, Japan, Germany, China, Switzerland), the main capital importing countries (USA, Great Britain, Australia, Spain)

As a result of financial globalization, capital has acquired considerable mobility, flowing around the world to the most attractive and more profitable application possibilities. And the nature of operations of participants in the global market with the diversification of assets and liabilities by countries and regions, the presence of a wide network of representative offices, branches and subsidiaries abroad does not allow us to identify them only with the country of nationality.

The volumes of international financial transactions are rapidly increasing. It is the international financial sphere through the credit system that provides a sufficiently high flexibility of the mechanism of convergence of national economies at the current stage of internationalization. The financial policies of individual countries have a tangible impact on the domestic economy of other countries and on the world economy as a whole.

This process has been going on for a long time in the context of the liberalization of capital flows, which predetermines the objective necessity of coordinating the main directions of the financial policies of various states at the international level. Developing common approaches to the use of financial instruments in the investment mechanism, minimizing financial risks. Financial operations are becoming less and less under the control of national authorities. This is the result of the expansion of the international financial market, as well as the strengthening of transnational corporations and banks. Therefore, an important role in the system of institutional structures for the regulation of the international financial market is assigned to international economic organizations.

The economic basis for creating a single regulatory body for the financial market is a high degree of intertwining of functions and operations in this market, accompanied by a tendency to universalize financial institutions. Among the main factors that stimulate the transition to the system of integrated financial regulation, we can note:

Mutual penetration of various areas of the financial business as a result of new financial instruments, emergence is in which the combined provision of financial services becomes the dominant trend;

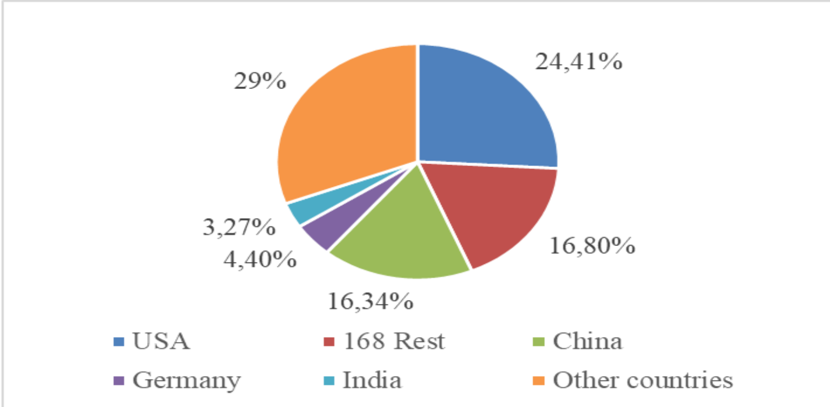
Increasing the role of non-banking financial institutions and increasing their cooperation with the banking sector, thereby acquiring common features of the licensing, supervision and regulation procedure for various financial companies;

Changing the qualitative and quantitative characteristics of risks taken in financial markets;

Consolidation of business through mergers and acquisitions procedures, creation of mega-banking and mega-financial structures on this basis;

It is estimated that the annual cost of solving global problems was at least $ 1 trillion. If they are solved in the future, it seems that relatively equal conditions for the development of human potential in all countries and regions of our planet will be created.

While stocks of foreign investment remain very concentrated among several advanced economies, more countries are participating in them. The rating of financial connectivity shows the total stock of foreign investment assets and liabilities for 100 countries, as well as their composition and growth. Advanced economies and international financial centers are the most integrated into the global system. USA, Luxembourg, Great Britain, the Netherlands and Germany rank first in the rating.



168 Rest* The 168 countries outside the top 25 make up less than a fifth of the total global economy.

Figure 1 Share of the Global Economy in 2019, %

The United States' economy is the largest in the world as measured by nominal GDP. The biggest contributor to that GDP is the economy's service sector which includes finance, real estate, insurance, professional and business services, and healthcare. The U.S. has a relatively open economy, facilitating flexible business investment and foreign direct investment in the country. It is the world's dominant geopolitical power and is able to maintain a large external national debt as the producer of the world's primary reserve currency. The U.S. economy is at the forefront of technology in many industries, but it faces rising threats in the form of economic inequality, rising healthcare and social safety net costs, and deteriorating infrastructure [4].

Globalization, ensuring the unity of all revolutionary changes in the technical-technological and financial-economic bass, opens new opportunities for economic development. Thus, the transfer by transnational corporations of industries to developing countries in order to reduce labor and resource costs leads to a rapid spread of new technologies from the highly developed core of the world economy to the periphery. In addition, the increase in the scale of cross-border flows of loan capital with the help of new information technologies ensures the expansion of credit resources and access to them anywhere in the world economic space.

All this creates real opportunities for accelerating economic growth not only in developed countries, but also in the developing countries of the world [2].

Along with this, there are disadvantages in the processes of globalization. For example:

- Globalization enhances the unevenness and volatility of national and world economic development. This is due to the division of national economic complexes into export-oriented production chains and to those links that are not able to function effectively in a global market. As a result, previously unified internal national markets are being destroyed, which leads to an increase in the proportion of the population engaged in inefficient sectors of the economy that are ineffective from a global market point of view. In turn, this generates an increase in the population with low incomes and a sharp property stratification for those who enjoy the material fruits of globalization and those who are deprived of them;

- If until recently the national state had mechanisms for redistributing the benefits from exports to the population, the emergence of new non-state actors in the world economy that are not under the control of the state (TNC, TNB, non-governmental organizations) severely limits its redistribution and social opportunities. As a result, the benefits of globalization are concentrated in those economic entities who have managed to integrate into the global economy;

- the unevenness of national and world economic development is one of the factors of increasing social tensions in the world, which increases investment and entrepreneurial risks and hinders the sustainable development of the world economy;

- Globalization causes a massive spread of negative externalities in the sphere of production and consumption.

Thus, the aggravation of competition for access to the global economic market and the benefits of globalization lead to the fact that TNCs often win. In this struggle, socially dangerous activities, such as polluting production or creating transgenic products, harmful to health, etc., are used.

High degree of economic interdependence of countries, giant unregulated flows of hot speculative capital made the global economy vulnerable. And the financial collapse in Southeast Asia, and then the Brazilian and Argentine crises, confirmed the reality of the threat of a destructive chain reaction.

One of the main consequences of globalization is that, in fact, most of the benefits are received by rich countries or individuals. In the process, its rapidly developing countries are among the rich countries, and poor countries are increasingly lagging behind them. The growing gap in incomes causes discontent on their part, fraught with international conflicts. The issue of the distribution of benefits is one of the most important in the globalization of the world economy.

The third problem created by globalization is caused by the fear that control over the economies of individual countries can move from sovereign governments to other hands, including the most powerful states, multinational or global corporations and international organizations. Because of this, some see in globalization an attempt to undermine national sovereignty.

At the same time, in the era of globalization, the strengthening of the state and its institutions is an indispensable condition not only for its survival, but also for the development of the entire nation. In the context of globalization, the state not only can, but also must assume the strategic functions of participating in globalization processes in order to effectively use their advantages and minimize their negative impact.

Some aspects of the impact of globalization on the national economy should be considered separately. First of all, these are extremely high rates of growth in foreign direct investment, far exceeding the growth rates of world trade. They play a key role in the transfer of technology, industrial restructuring, and the formation of global enterprises, which has a direct impact on the national economy.

The next aspect is the impact on technological innovation, which is one of the driving forces of globalization, but it, in turn, strengthening competition, stimulates their further development and distribution among countries.

Sometimes unemployment is classified as the cost of globalization. But this claim is refuted by the low rate of unemployment in many economically developed countries, actively participating in globalization and at the expense of its advantages providing a high level of wages, as opposed to countries that have little participation in the processes of globalization and who have high unemployment and low wages.

It should be noted that some states can protect themselves from participation in the globalization process, but no state has the ability to stop this process throughout the world: there will always be countries interested in international cooperation to strengthen their economic positions.

And in this regard, the state faces a choice: either to support the process of globalization, to help it and to try to benefit from it for its country, or to resist and thereby limit its participation in international cooperation and division of labor, to create barriers to the inflow of new technologies and investments.

It is not difficult to foresee that the main problem of the future will be the problem of the relationship between the process of globalization and states, those national institutions that exist and will continue to exist.

Despite all the advantages of globalization, this process causes new foci of conflicts and contradictions in the world economy and finance:

There is a dramatically increasing gap between weak and strong countries;

It is on the basis of globalization that the financial and market mechanisms are deformed;

Competition degenerates, turning into its opposite. It no longer spurs the laggards, does not encourage them to build up their competitive advantages, but destroys many of those who would otherwise have a chance to survive. And this applies not only to business entities, but also whole countries;

Serious threats to the stable development of the economy come from the agitated expansion of global capital, especially speculative capital.

Powerful waves, generated by speculative attacks, destabilize the economy not only weak, but also strong countries. The very nature of production of world GNP is changing. In it, the share of science-intensive products is rapidly increasing.

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Thus, it can be concluded that financial globalization is a consequence of the economic development of individual companies and states that grow outside the framework of their own state. They begin to use the world's financial resources to further develop their activities thereby influencing the functioning of the world economy.

Globalization has both a number of positive prerequisites for the development of the world, as well as negative ones. What consequences it will lead our world to say is impossible.

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