Globalisation and the Current Economic Crisis

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Abstract. One of the hottest topics of economic research, not only is the economic crisis facing the world economy since 2007. Once the economic shock has spread quickly has spread quickly since the third quarter of 2008, international macroeconomic context known negative changes. The illusion that we live in times of certainty, shared, unfortunately, many economists, was shattered by the financial and economic crisis that has destroyed the economic base of the globalized world. Therefore, for most economists, the crisis came unexpectedly, as a big surprise. The phenomenon of globalization as the economic crisis became the most discussed and debated in the current phenomena. Globalization is an economic and political reality quite complex, resulting in profound changes in social and economic interdependence between states created. Economic crisis has revealed a system of crisis manifested in a less or more latent: technological crisis, the crisis model of sustainable development, the demographic crisis.

Keywords: crisis; globalization

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1 Introduction

The phenomenon of globalization is, in terms of conceptual, due to the interaction of economic, cultural, social and political dimensions, one of the most complex challenges of humanity. From an economic perspective, globalization refers to the size of financial interdependence between the states, international flows of technology and capital.

The importance and complexity of the phenomenon of globalization is reflected in a heterogeneity of opinions and perceptions, the extensive and often contradictory doctrinal discussions.

Globalization, viewed from the perspective quantitative refers to changes in the volume and structure of the exchange of goods and services, international production and migration increasingly stronger labor.

In qualitative terms, globalization refers to the size of human knowledge, influenced by scientific and technical progress and its impact on the economic, social and political environment.

The most important approach to globalization is the internationalization. This refers to the increasing interdependence between countries of the world, manifested mainly by the interdependence of markets, economic sectors, where geographical distances are no longer insurmountable constraints.

However, increased globalization has given rise and a feeling of uncertainty about the ability of states to defend their interests in the global market events, while also creating a perception of control at the expense of nation-state phenomenon.

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Skeptics and cautious analysts have made and are still working a series of questions such as: the extent to which globalization can affect financial and economic stability, if it is necessary the existence of supervisory and more cautious control institutions or if actual markets conditions are able to create their own equilibrium mechanisms.

The driving force of globalization is, obviously, the economic vector which is at the heart of this phenomenon. The economic factor is that determined the idea of internationalization, the globalization of trade, capital flows liberalization.

David Korten, a vehement critic of globalization, believes that it can not be reduced to an era of financial domination, without reference only to the size of the economic or financial indicators.

Even if economic vector does not provide solutions to all problems, it is the main reason of globalization, assuring the struggle for the limited resources and providing opportunities for capital accumulation, resulting in the statutory economic realities.

As for the ideological dispute, debate on the effects of globalization take place on two levels. On one side are vehement opponents of globalization who works to control or end the global economic integration. One example it is the developing countries or those that were and maybe still in transition to a market economy, as is the case of Romania, who do not know the full benefits of globalization, the process destroying the social equilibrium rather and promoting the establishment of a state of turmoil and economic, social, political, cultural instability.

On the other hand, supporters of globalization think that global economic integration that occurs due to increased economic efficiency, the spread of values and standards worldwide. Not surprisingly, most advocates of globalization belong to countries with advanced economies that have experienced the full benefits.

In Thomas Friedman`s opinion globalization is an overarching international system shaping national policies on international relations in almost all states. Friedman believes that globalization is the foundation of free market capitalism. The savings will be much prosperous if markets are left having more power and becoming more open to free trade and competition. In his view, it means, widespread economic and political system compatible with the free market.

As defined by the International Monetary Fund, globalization is increasing economic interdependence of all countries through increased volume and diversification of goods and services cross-border transactions, international capital flows and rapid global distribution of technologies.

Besides many definitions of globalization, it is invoked too often, for everything that happens bad in the world economy, and other times it is praised for greater economic efficiency and global convergence, sometimes in spite of lower benefits than costs.

Paul Krugman, in the preface of the book "Winners and Losers in Globalization" of the Dehesa Guillermo, considers globalization an issue that gives rise to extensive discussion and cause unusual reactions, on the one hand "*because that*

globalization, placing economic system beyond a single state, forces us, in fact, to realize how you really feel in touch with the invisible hand "and on the other hand "*if we have absolutely no confidence in the markets, then the perspective [...] of a market system beyond any possibility of control by a government, fills us with fear* ".

Deregulation of national financial markets refers to the removal of restrictions in terms of international financial transactions. Increasing the volume of financial flows of capital is based on the openness of financial markets, the economies involved in global financial activity. Indicators against which to measure the openness of financial markets are: the share of foreign capital in the national economy, the involvement of foreign financial institutions in domestic financial markets, the share of domestic capital into foreign markets, the contribution of the national economy in various global financial flows.

Although recent researches have shown, most theoretical level, that innovation and financial liberalization and free movement of capital are sources of economic growth, guilty of the current economic crisis is the emergence and globalization, a phenomenon apparently positive.

Analyzing the relationship between globalization, economic freedom and a number of variables such as GDP per capita, economic growth, life expectancy, literacy, a group of economists including Milton Friedman concluded that there a correlation between economic freedom and a higher Gross Domestic Product per capita, life expectancy higher, a higher degree of literacy, etc.

About the importance and benefits of economic freedom as a prerequisite for development, and both the classical economists and neoclassical economists were interested in it. According to their theories, not all countries have a high degree of economic freedom and growth record to match. In contrast to some theories, experience has shown that globalization is not without problems.

2. Economic Crisis in the Context of Globalization

Cyclical development of the world economy began in 1825, when growth and economic progress were determined by nonlinear development, with ups and downs of economic fundamentals and repeatable phenomena such as crisis, depression, revival and prosperity.

Throughout history, the world economy, unfortunately, has experienced difficult times of recession or depression during which economic activity was marked by unemployment, contraction of the monetary markets, financial markets, stock exchanges and other imbalances. Modern economic theories have succeeded to reduce the economic cycle bringing sinusoidal curves in two main phases which differ from one another, but mutually interrelated: expansion phase or stage of growth and recession or economic decline.

Thus, in the last century, economic and financial crises could be avoided or limited to regional level without catastrophic consequences.

We can not say the same thing when we talk about the Great Depression of 1929-1933 and the actual crisis, when economic policies failed to prevent these two major economic shocks. From the lessons of the Great Depression that took place 80 years ago and the experience of our days, we can say that the phenomenon of crisis is the event of implosion-explosion of highest intensity with maximum spatial coverage and temporal concentration. Therefore, experts in the field studied and go on this phenomenon in depth for giving us lessons to be learned for future generations. Fortunately, a crisis of these proportions is rare, and therefore past lessons become obsolete, the information gets old, and we interpret the phenomenon in terms of other paradigms that will make sure future generations if it will meet another great crisis.

One thing that makes us look optimistic is that, in general, come and go. True, they disappear after leaving behind unbalanced economy, serious and major disturbances. Once the crisis is over, the old economic cycle leaves the scene and another economic cycle begins.

According to literature, the economic cycle is theoretically linked, on the one hand, by the variation of all components of aggregate demand (public consumption, private consumers, investors) or its on the other hand, by the change in aggregate supply (changes in production costs).

A more comprehensive approach to the problem, requires knowledge of all aspects of the economic cycle and market economy, regardless of the factors that have influenced and encouraged economic cycles, their approach involves different views.

The first economist in charge of the business cycle theory was David Ricardo who develop a monetary business cycle theory. David Ricardo succeeds to explain price changes in behavior based on changes in the money supply growing banks in boom periods and decrease during periods of recession.

Ricardian theory considers that the period of economic boom, inflationary boom, was based on government intervention in money market, the recession being the process of market economy adjusts eliminating excesses and restoring economic order. Thus, Ricardian theory analyzes the recurrence of the economic cycle, but does not explain errors when economic recession is installed after the boom period. Over several years, the Ricardian theory will underpin of Austrian business cycle theory that has developed its own overinvestment monetary theory.

Further analysis of the economic cycle, through the phenomenon of recurrence, was due to French economist and statistician Juglar Clement, who has studied interest rate fluctuations and price and on which he discovered in 1860, an economic cycle with alternating periods prosperity and decline over a period of 8-11 years.

A few years later, in 1878, William Stanley Jevons, in "Commercial Crises and Sun Spots" examines the phenomenon of cyclicity, as Clement Juglar, trying to explain the periodicity of economic activity. Jevons considers that such crises are random events and based on statistical studies, the author believes that there is a

link between them and some extrinsic random variables which exist in the economy (Maddison, 2007).

In the early twentieth century, another English statistician, Joseph Kitchin, based on researches in interest rates and other variables (analysis was performed on the economies of the United States and England) discovers a short economic cycle, approximately 40 months.

In "The Major Economic Cycles" published in 1925, the Russian economist Nikolai Kondratieff shows an economic cycle much longer, about 50-60 years. Based on statistical analysis about long-term price fluctuations (analysis was performed on the same economies of the United States and England) Kondratieff observed periods of accelerated growth of industries in the economy, alternated with slower growth. In this cycle, Kondratieff identified the expansion phase, the phase of stagnation and recession phase. Without finding a universally accepted explanation, he believes that these long cycles are based on technological progress, as confirmed later by Schumpeter, who considers "bunch of related innovations" that generates each long or secular cycle.

In his main work, "Capital", Marx noted a link between business cycle phases and timing of replacement of fixed capital. He believes that higher capital accumulation than fixed capital underlying the phenomenon of periodicity of crises. Fixed capital (representing only part of the capital it holds a capitalist) once invested, he is stuck in that activity and the rate of profit becomes ineffective. Given this aspect of fixed capital immobility, Marx believes that an economic cycle lasts between 5 and 7 years (Berca, 2010).

After the Great Depression, economists have focused much more on macroeconomic phenomena that cause the economic cycle, seeking to explain phenomena that generate it and also discovery based on quantitative methods of prediction models.

Thus, in Chapter 22 entitled "Notes on trade cycle" of his "General Theory of Employment, Interest and Money", John Maynard Keynes believes that the theory of employment "would be able" to explain the phenomenon of business cycle (Keynes, 2009).

Keynes, not having confidence in an economic system that can adjust itself, sees state intervention as the only safe effective solution.

In his opinion, the saving decision depends on individual income, while the investment decision depends on the expectations of investors. If expectations are set by investors, there will be a large investment, or in case of negative expectations, the investment will be small, which can cause a contraction of the demand aggregates and eventually a depression.

"The Trade Cycle is best regarded, says Keynes, as being occasioned by a cyclical change in the marginal efficiency of capital, though complicated and often aggravated by associated changes in the other significant short-period variables of the economic system."

Austrian School sees economic cycle through its representatives, notably Ludwig von Mises, as a consequence of the massive growth in bank loans, inadequate monetary policy leading to loosening credit conditions and ultimately to the accumulation of toxic assets. In turn, loan growth leads to higher prices and lower interest rates below the optimum level, and the crisis occurs when producers can not sell their production because of high prices.

The same, Friedrich Hayek considers the phenomenon of overinvestment as determinant of onset of a new economic cycle, while Joseph Schumpeter, proponent of the overacummulation theory of capital, believes that occurrence and triggering of the economic cycle is based on the existence of a high yield investments, performed in a short period and low demand for new products.

One of the important and bold goals of economics by its specialists is, as far as possible, eliminate the business cycle, but as Arthur M. Okun says in "The Political Economy of Prosperity" "forces are producing recession lurks, waiting for the right moment. " (Samuelson, Nordhaus, 2004).

Regardless of the nature of the economic cycle, it always reaches a peak at the crisis. With reference to the events of 1929-1933, today we are witnessing a secular Kondratieff cycle ended.

In the new global realities, the interest of researchers is fully justified, theories developed being very different approach by going to the market in terms of chaos theory, the solutions being either total freedom of the market or control capital flows.

Financial market volatility increased in the same time with the increasing globalization generating recurrent financial crises. Analysis of the last two decades crises considered by analysts a result of globalization, highlights also serious problems in financial management. With an efficient management, it is obvious that economic and financial crisis` gravity would not be the one known today and it would not be propagated to other countries, also exposed to international capital markets.

The experience has shown that liberalization and globalization of capital markets do not generate always the expected economic growth. Free capital inflows cause financial imbalances and because of distrust, sudden withdrawals of capital give rise to financial crises at home and in other countries. Also, we note that these financial crises tend to be more frequent.

With the current economic crisis, the international financial system has shown once again the weakness and inability to have effective mechanisms to prevent financial crises that can turn violent quickly and systemic crisis.

Globalization and economic crisis would be to pull the alarm and at the same time, require more attention from the international system and national decision-makers on the causes and effects of economic crisis in each country that can enhance the phenomenon of contagion. It is obvious that the crisis is a consequence of inadequate bank supervision, of the unsustainable economic growth, of an

excessive use of short-term resources. As a result of these, it appears that cyclical policies and crisis management related to the current global economic realities is key of the solutions.

2.1 Developing trade

Although there is no universally accepted definition, the term globalization is often used in economic literature, the meaning of internationalization of trade in goods and services, capital and labor.

In a world of globalization, the intensification links of world states, the complexity of the global economy, we are witnessing a growing diversification of trade increased. The factors that influenced the development of commercial relations, to the world economy are mainly economic, and we refer to scientific and technical progress, deepening international division of labor and, sometimes, these factors wear a political form.

Economic flows that take place in the world economy shows changes in the economic development of countries, changes in underlying economic structure and flow dynamics.

International economic relations, representing a dynamic flow, reflect changes in physical and value re country's production, with effects throughout the economy. In this context, foreign trade activity (imports and exports) is an important component of analysis and assessment of economic structures that aim, among other components, macrostabilization and building an efficient economy.

With the advent, in 1776, the work of Adam Smith, Wealth of Nations and the renunciation of mercantilist doctrine, free trade became a way of enhancing mutual income countries which were involved in this kind of activity.

Globalization of trade is not just simple exchanges of goods and services between countries. This implies the existence of interregional trade markets so, even though the most goods are traded globally, it is needed a regulated system of trade in goods and services across regions.

After The Great Depression of 1929-1933, foreign trade has decreased because of the establishment of protectionism and trade barriers. The Most favored nation principle, which provided equal treatment of trading partners, was also abandoned, contributing to reduce the volume of export-import activities, which eventually meant collapse in economic activity.

Between the end of World War II and the mid-1970s, trade has increased significantly when its volume recorded a yearly growth rate of 5.8%, while production registered an annual growth rate of 3.9%. After 1975 until the late 1980s, both trade and output volume have decreased the growth rate of approximately 4.1% per year, i.e. 3.3% per year (Bari, 2010).

An important role in the development of international trade theory have had since 1980 neoliberal theorists, Milton Friedman and Friedrich August von Hayek, who believed the state should have a traditional role, the supervisor of order. The freer market, in terms of investment and employment, the more it will act as a propulsion engine of the economy. Thus, the strategic elements of such a policy

were economic liberalization, deregulation and privatization, neoliberal doctrine becoming the state ideology.

Until the 1980s, the trend of opening up to foreign markets was higher for industrialized countries to emerging countries. After this period, however, there have been major changes in the structure of trade in the emerging countries.

Regarding Romania, which began in 1990, to go through sometimes difficult, the process of transition to a competitive market, its integration in an interdependent global economy.

Restricting trade with former CMEA countries and orientation of Romanian foreign trade to EU countries, has resulted in development of trade with developed countries: Germany, France, Italy, Belgium etc.

In 1990, Romania's exports amounted to $ 4 billion, the partner countries being mainly the former USSR, Yugoslavia and China and, to a lesser extent, Germany, Italy etc. After nearly 21 years, volume and destination of exports has changed radically, Romania's exports exceeded 30 billion euro, in the same time knowing a dramatically decreasing the weight of old trading partners (Russia - 2%, China - 1%), redirecting the country's commercial activity mainly to the competitive markets of the European Union (74%), which stands out: Germany - 19%, Italy - 15%, France - 8%.

Development trend of international trade of Romania from 2000 until 2008, is explained by the opening of the Romanian market to the outside.

Also, geographical reorientation of Romanian foreign trade to EU countries resulted in an increase of its dynamics, representing on December 2008, an export share of 70.5% and 69.2% on imports. [BNR, *Buletinul Statistic de Comerţ Internaţional, Nr.12/2008*].

Since November of 2008 once the first signs of economic crisis, Romania's foreign trade registered a decrease of approximately 21.3% of export and 20.3% of import compared with October of the same year. At the same time, there was increased trade with EU countries representing for April 2011 accounting for 71.1% export and 71.4% import (BNR, *Buletinul Statistic de Comerţ Internaţional, Nr.4/2011*).

Source: UNCTAD

Free trade agreements have been beneficial role to help increase exports by increasing openness of markets for export

Market liberalization, free trade agreements regulated, is a revival factor of foreign trade, especially with developed countries.

Fundamental concern of developing countries and not only, is still finding the most effective means to channel the benefits of liberalization of trade and industry to create wealth and meet people's needs.
The progress in recent years based on the competitiveness of the countries of the world which is due mainly financial and commercial links. How globalization is in full process of development, international trade, the premise of sustainable development of all parts of the world economy, is the main vector of its manifestation.

Increasing the level and dynamics of trade flows, capital flows, information flows as well the degree of labor mobility is influenced by process of globalization.

2.2 Financial Globalization

The financial system represents an important vector in the global economy helping to its dynamic. Even during the Renaissance, economy needed to be replenished with additional capital through loans. The main role of the financial system was to transfer the accumulated capital to that sectors where the marginal profit rate is highest. Investments are designed to contribute to the expansion of global demand, to reduce the propensity to under consumption and capital surplus. Cash flows, in terms the mobility of capital, have existed since the Middle Ages, the commercial bill, as a tool to facilitate the transfer of funds. Going along with the expansion of international trade, the credit was originally an extension in time and space settlement of commercial transactions (Badulescu, 2007).

In the late 1970s, the expansion of liberalization of financial flows shows that national financial markets are increasingly more anchored in the global financial system. Parallel with these developments, the financial system changed its structure, becoming more complex, so that very few economies can work in isolation from global financial market.

As we noted, compared to the gold standard or Bretton Woods, nowadays financial globalization is characterized by complexity, speed financial transactions and financial system expansion due to the geographic extent of the global financial markets.

Appearance of Eurodollar market (dollar accounts in European banks) and American banks overseas expansion favored the occurrence of international financial markets. Thus, in the late 1980s speed transactions and financial flows was so great that economic and financial system was truly global. Integration of national financial markets reduces the autonomy of macroeconomic policy. If a country increases interest rates to lower domestic inflation, bank deposits will attract foreign capital, which increases the money supply and thereby increase inflation which actually must have been diminished (Gilpin, 2004).

Financial globalization, most often, tends to cancel the effectiveness of the instruments and levers of monetary policy in the country. Deregulation, financial innovation, internationalization of credit make central banks and authorities in those countries to be very difficult to control the domestic money supply. And the limited capacity of authorities to control the domestic money supply has negative effects on output and inflation.

By the 1970s the movement of capital was somewhat limited and most developing countries opted for exchange controls. Since the 1990s, due to technological development and relaxation of exchange control, capital movements increased, prompting the increased vulnerability of these countries and especially to financial speculation.

International authorities have been a catalyst in expanding financial markets, some national authorities encouraging this, others, rather opposing to it.

Analyzing the texture of the new financial system, we find that financial globalization may bring negative effects on national macroeconomic policies. As trade liberalization, liberalization of capital flows is a goal of promoting developing countries especially the developed countries.

Neither this aspect of globalization is not without criticism and reticently, those who are skeptical suggesting in the last 40 years, liberalization of financial flows was associated with a decrease in economic efficiency.

In his *The Capital Myth*, Jagdish Bhagwati believes that the risks to global financial integration outweigh the potential benefits. These benefits of free movement of capital were often stated without being proven also and the only thing that could bring benefit is the direct investment capital (Bhagwati, 1998).

Other economists are, also, less skeptical who helped by empirical arguments show the benefits of liberalization of financial flows and their positive impact on

economic growth. Peter Rousseau and Richard Sylla, thus, believes that capital mobility led to the growth and as a country's financial system is more complex with the country is more rooted in international trade, finance and trade playing an important role in achieving convergence rates interest (Bari, 2010).

Skepticism and reserved attitude of specialists to globalization of financial markets is natural and fully understood especially when we refer to financial crises in Latin America, Asia, Russia, Argentina. Damage to these crisis the entire world economy has been strong, because, really_increases of financial interdependence between states. Amid external vulnerabilities it has grown the crisis contagion transmitting through different channels.

With the financial turmoil of the late 1990s, scientists have shown a growing concern in the international financial system and regulate the international movement of capital. Many of them stated that international financial flows should not be regulated, capital must move freely to be focused where they can achieve more efficient use of its limited resources worldwide.

Thus the U.S. government since the Reagan Administration was convinced that freedom of capital movements will benefit to its financial interests, promoting opening for foreign savings to investments.

Financial turmoil of the 1990s have shown that the price paid for the support of deregulation was quite large and painful. Started in East Asia and spread rapidly to the economy, crises of these years have revealed problems in the financial system. At first it has been thought developed countries were spared the effects of the Asian crisis, but not long after the crisis they felt its consequences. Stock markets collapsed and investors lost millions of dollars, farmers, also, have invested large sums of money to expand their production and they found themselves in situation not having markets for their products.

As Charles Kindleberger shows in his book *Manias, Panics and crashes. A History of Financial Crises*, international financial system has faced often crises, moments of panic and speculative manias. That`s why, financial system should not deregulated as a whole, but would be established mechanism to rank international capital movements.

Weaknesses of the financial system, even if it has evolved, are generally the same as those of yesteryear. Being guided in their actions by only rapid enrichment as happened in the case of "*Mania*" in Holland, 1637, people`s greed, especially investors` led speculative risky activities in emerging markets of the Asian continent.

Since the early 1970s economic analysis of the facts showed some volatility in commodity prices, exchange rates, stock exchanges, and a higher frequency and also an increased severity of the financial crises.

The mid-1980s Japan, Finland, Norway, Sweden faces a speculative bubble in the housing market and stock market and early 1990s that thing happens in countries like Thailand, Malaysia, Indonesia. In 1993 sales prices in each of these countries increased by almost 100% (Kindleberger, 2005). In the early 2000s it is occurred a

speculative bubble in information technology known as the dot.com crisis, a short and less violent crisis.

Speculative bubbles and balloons do not last forever. Sooner or later they break. In Japan, the speculative bubble triggered the bankruptcy of many banks and a decade of slow growth. Speculative bubble in Thailand caused the contagion effect throughout the this entire region. When the speculative bubble is showing signs that it might explode, investors withdraw their capital leaving behind them a true economic chaos.

Crises from Mexico, Thailand, Brazil, Argentina, Russia, consider experts from economic research, are an inevitable result of globalization. Another problem analyzed by specialists is faulty financial management in these conditions of globalization. Any crisis arising in one country or another, and measures of protection from external shocks, depend on how national policy interacts with international financial system, on the existence and use necessary levers to minimize negative effects. Otherwise, the phenomenon of contagion, a characteristic of globalization represents economic and financial shocks transmission, both positive and negative.

The concept of contagion is relatively new in the literature, economists paying more attention in the mid 1990s since the financial crises have spread rapidly to emerging economies whose apparently solid national policies were praised by economic analysts. So, specialists in economics are trying to answer three important questions related to the phenomenon of contagion:

1. What are the transmission channels of financial crises?
2. Why do some crises spreads rapidly and violently, while others remain limited in territory boundaries?
3. What is done for reducing a country's vulnerability to external economic shocks?

According to World Bank experts, the transmission channels of financial crises depend largely on the interdependence of economies: financial interdependence, when economies are linked through international financial system, economic interdependences refers to international trade that is developed between them and political interdependence. Excessive mobility of capital has contributed to increase developing countries vulnerability to crises.

Another transmission channel is lack of confidence and irrational manifestations of individuals. When a bank with solvency problems facing a crisis, negative effects spread to other banks. Because of the panic occurred among depositors, there are massive withdrawals, which in like a rolling snowball, affecting banks, seemingly stable. For recovering the lend money, the banks sell their assets as well as borrowers who are in the situation of being unable to pay its debts to banks. All these lead to the collapse of asset prices and, ultimately, through the distrust channel, affect the banking system.

On the one hand, modern theories attempt to explain this phenomenon with asymmetric information theory, on the other hand they consider it an inherent

problem in the banking system which is in constant instability and panic. Moreover, in 2001 it was awarded the Nobel Prize for economics professors George Akerlof, Michael Spence and Joseph Stiglitz for important contributions in research the asymmetric information markets and the causes that produce poor equilibrium.

These irrational manifestations, naive optimism and excessive exuberance were somewhat highlighted by J.M.Keynes in his "General Theory of use of labor, interest and money", when aware that human action is under the impact of irrational changes, he called them events of the animal spirit. Financial liberalization is a very controversial topic among economists. Economic crises of the 1990s have led many of them to support that financial globalization has worsened international economic instability. But another true thing is that many of the negative effects of globalization are based on ineffective management in these countries and imprudent economic policies. All these have played an as important role in collapse of these economies as globalization.

We note also that the nature of each crisis or speculative boom, differ from one historical period to another. If in 1929 the economic crisis leading cause was phenomenon of overproduction in the economic crisis of the 1990s the major cause was financial liberalization and sudden increase in exchange rate.

A new phenomenon in the landscape of globalization has been the specter of new financial products with a great impact on international financial centers. These complex financial arrangements emerged in the mid 1970s were possible because of the need of actors from market to hedge against fluctuations in interest rates and exchange rate in the same time with the phenomena of increased monetary instability, inflation, or the apparition of new currency.

Increasingly high degree of complexity of these financial innovations it could not be achieved today without the help of information and computing technology.

A conclusion not very encouraging, at the moment, is that most attempts to regulate effectively international capital flows and to tidy up the troubled financial system, not really worked. As noted many economists including Hyman Minsky, the fragility of financial system is an inevitable feature of capitalism and economic crises keep going on a visible and predictable course. Charles Kindleberger, Susan Strange, James Tobin believe that the financial system is the weak link in the global economy and should be regulated more effectively. They believe that financial markets face increasingly more often with manias and financial crisis being unable to control themselves. We believe that the phenomenon of globalization is presented as a multifaceted economic. In addition to the possibility of development companies have increased phenomena of instability and uncertainty. Therefore economies need healthy economic policies and effective regulations for the benefits to be provided adequately and negative shocks to be limited.

3 Advantages and Disadvantages of Globalization

Beyond the fact that globalization means common standards and values, there are numerous disputes over benefits or disadvantages to this phenomenon more controversial.

For a fair analysis of the advantages and disadvantages of globalization it is required that such disputes to address certain issues: fair globalization process, functioning financial system, the international trading system, and productive system.

With all that there is no clear definition of globalization, this process is considered the main cause of all changes occurring in the international macroeconomic environment in recent decades. Given the heterogeneity of definitions of globalization, both benefits and costs attributed to globalization are sometimes due to or caused by other factors such as technological development, unsustainable domestic macroeconomic policies.

Proponents of globalization see this phenomenon as the global balance generator, the driving force behind the rapid social changes, political and economic reconfigures modern societies and world order. [Bari, 2010:80].

They consider globalization as the mechanism that triggers competition among large firms, due to their openness to the outside, greater mobility of capital, labor and the highest technology.

The competition expanded nationwide, is that which attract as much foreign capital under foreign direct investment or portfolio investment in loans or debts to record economic growth. Free movement of capital allows investors to invest in any country where, due to lower levels competitiveness, profits are higher.

Globalization is seen both as an opportunity to eliminate the disparities that exist today and make the great technological advances to benefit only the rich countries while most countries have no access to them because of poverty.

In this context, GDP per capita in developed countries has tripled in the last 60 years and life expectancy increased by almost 20%.

Globalization has canceled the feeling of isolation felt by emerging countries, so most people in these countries now have access to knowledge and information in a much higher proportion than were the richest people 100 years ago, the literacy rate among adults increasing about 30% (Stilglitz, 2006). New companies entering the market, even if they seem to affect the interests of national companies, can provide the opportunity to introduce new technologies and new areas. The phenomenon of globalization has generated an increase_efficiency all international activities due to liberalization of capital, investment, technology and labor.

Regarding Romania, globalization has positive effects. As a country with business opportunities in tourism, agriculture, industry, needing foreign capital, it is unable to fund only from domestic sources, thus, Romania attracts foreign investors.

For investors, free movement of capital is advantageous in terms of a skilled workforce but at lower costs.

In the context of globalization, some sectors of Romanian economy developed at regional or international level such as The Dacia Plant bought by French company Renault.

However, the economic globalization process has not expected results on international financial stability.

Most, however, have questions about the sustainability of globalization, its power to bring balance into the world economy which has become more unequal in recent decades, the cost being much higher than the benefits.

Advantages of globalization should not be overrated. Opening economies to foreign markets involves substantial risks. Such an open economy takes much faster and more dramatic shocks. Poverty, economic instability, ecological disasters, terrorism, all these are attributed to globalization and it is now a worldwide concern.

Although world GDP increased significantly in recent years, income distribution by country is becoming more unequal in comparison to the beginning of the century, where there is some equality. If during the food crisis of 1946-1947 there were approximately 450 million people suffering from lack of food, today it is estimated that a number of 780 million worldwide suffer from malnutrition. This inequality is maintained on the one hand of commercial disadvantages and on the other hand of political instability in poor countries.

There are cases when very poor countries have made remarkable progress due to trade liberalization and opening foreign markets. Thus South Korea 30 years ago was richer than Ghana and now South Korea is richer than Portugal. In China, the last 10 years more than 100 million people were out of poverty (Mostert, 2003).

The fact that there were not seen progress in financial stability is proved by the crises in Asia and Latin America that have deeply troubled developing economies in these areas. For countries that have gone from communism to a market economy, globalization and transition to a new economic system have not brought prosperity and wealth. Criticizing the international economic institutions, Joseph Stiglitz believes that the transition that took place in Russia, under the careful monitoring of these did not bring anything good, even deepened poverty, while in China, transition process that was guided by local authorities has led to economic growth and decrease poverty.

Regarding sustainable development, a modern concept designed to ensure harmonization between the economy and environment in entire world, as the human progress, we think the globalization can often break this balance.

One example it is the phenomenon of Rosia Montana where mining veins of gold and silver was get done traditionally, it will happen with the investment of corporate Gabriel Resources deforestation and poisoning water in the area after extracting gold and silver with cyanide. Even if the investment in question has a beneficial effect by creating new jobs, technological progress, creating an

infrastructure, pay taxes to the state budget, they are profoundly canceled by adverse environmental effects of the same investment. There are not the goals and the consequences of trade liberalization, investment respectively.

A negative consequence of globalization phenomenon is the increased country risk, the last twenty years, knowing many financial, currency and stock crises.

Latest researches have concluded that the country risk depends on volatility of each domestic markets to international financial securities market, its coefficient being lower in the developed countries.

Concluding about the process of globalization, we can say that the developed countries enjoyed more the advantages of globalization as the economic powers where there are headquarters of multinational companies.

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