GLOBALIZATION AND ECONOMICAL-SOCIAL INFLUENCES

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Abstract
Globalization represents a myriad of processes of undeniable complexity and variable dynamics, which cover various society areas. It can depict various aspects of phenomenon, ideology, strategy, or all in one place. Globalization is with no doubt a complex concept that bears diverse significations which refer to many sides: the economical, the political, the cultural one etc. Most authors view as particularly important the economic side of globalization, while they seem to be looking over the political, social or cultural aspects of this phenomenon. Thus the optimists view contemporary globalization as a new phase in which all the world's states are subjected to sanctions from the global market, while skeptics argue that the globalization phenomenon determines chain reactions, incontrollable here and there, in conditions of a present crisis, precisely through the interdependency between states.

Keywords*: Globalization, economic processes and phenomena, cross-border borders, network economy, deregulation, globalization-worldwide expansion, scale economies, creation of multinational companies.*

Introduction

In favor or against globalization? This is a question that will forever be a concern for the economical, social, financial or administrative world, until the worldwide crisis will inevitably appear. Although the globalization's fundamental tendencies assume: increasing the degree of economical liberalization, opening national economies, increasing the degree of interaction between such. These tendencies only take place in the contet of the progress recorded in international transports, of the unprecedented development of informatics technologies and telecommunications and of the economic increase in general. Therefore, globalization has been considered throughout time to be a final stage of space enlargement of the companies' economical activities, having as effect not only the multiplication of markets but especially the forming of a unique global market. But, as it is known, economical downturn and growth have a certain cycle, so by accepting the cycle process of the growth and recession periods we also automatically accept the occurence of world crises. However, in a globalization era in which the world's states are interconnected, the crisis started in the United States will have a domino effect on the collapse of other states' economies. The mortgage crisis from US affected Great Britain, Spain, Ireland, Germany and Italy, generally all the developed states strongly dependent on the Unites States' economy. Limiting loaning strongly affects small and middle enterprises, reduces the consumption and increases the will of people to save money.

Many developing countries will face competitiveness decline, due to decreasing exports, according to specialists[1], these countries being close to appealing for help from the International Monetary Fund.

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[1] Suzanne Rosselet – McCauley, Criza globală: cine va supraviețui?, Centrul de Competitivitate IMD World, februarie 2009.

Literature review

The study of the globalization phenomenon, of competitiveness and competitive advantage, also their modification under the conditions of economical crises as well as the role of foreign investments in diminishing economical crisis, are subjects of major impact on the research area. Over time specialized literature has benefited of studies made by many prestigious authors, among which John H. Dunning, William Northaus, Kirsty Hugues, Robert Solow, Gilbert Abraham – Frois, or Ngaire Woods. In Romanian economic literature the special contribution was made by the researchers Alexandra Horobet, Anda Mazilu, Costea Munteanu, Vasile Dan, Liviu Voinea etc.

Theoretical background

1. Conceptual Definition of the Globalization Process

Globalization continues to be depicted in different ways in the specialized literature. In the 2001[2] economy dictionary, globalization is regarded as a "*method or system of long-term reception and approach on the great contemporary problems, generated by the interaction of multiple economical, technical, political, social, cultural, ecological processes and phenomena, and the planning by the international community to settle them on a wide perspective"*. In some papers, signed by Paul Bairoch and Richard Kozul Wright (*Globalization Myths: Some Historical Reflections on Integration, Industrialization, and Growth in the World Economy – 1996)* and from 1997 by professors Michael Bordo and Kornelia Krajnyák (*Globalization in Historical Perspective, World Economic Outlook, Globalization Opportunities and Challenges,* May 1997, IMF, Washington), the process of globalization manifested in the second half of the XXth century is considered to resume some phenomena that took place one century ago in the global economy.

In the paper *Globalisierung der Unsicherheit – Arbeit im Schatten, schmutziges Geld und informelle Politik* (2002)[3], Elmar Altvater considers globalization to be the surmounting process of the borders appeared along history. Thus it becomes synonym to the erosion (but not disappearance) of the national states' sovereignty and is presented as the market economy's "detachment" from moral norms and from the connections that are institutionalized between societies …" For Anthony Giddens (2007)[4] the same phenomenon of globalization represents "…the intensification of social relations everywhere, through which places separated by a large distance are thus able to interconnect so that events taking place in an area are marked by processes taking place many kilometers away and vice versa…" Globalization represents a process or a set of processes that take the form of a transformation in the spatial organization of social relations and transactions – analyzed in terms of extensions, intensity, velocity and their impact – generating transcontinental or interregional fluxes and networks of activity, interaction and power enforcement[5].

A more pragmatic position is expressed by Professor Bruno Amoroso from Roskilde University in Denmark, who in the "*On globalization. Capitalism in the 21st Century"* paper[6], considers globalization as being a manifest of the transnational triadic capitalism with its basic institutions: transnational corporations, international organisms and lobby in the global market conditions.

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[2] Dicționar de economie (2001), ediția a doua, Editura Economică, Bucureşti, pg.216 .

[3] Altvater, Elmar und Birgit Mahnkopf (2002) - Globalisierung des Unsicherheit: Arbeit im Schatten, Schmutziges Geld und informelle Politik, Münster: Westfälisches Dampfboot .

[4] Anthony Giddens (2007) - *Europe In The Global Age*, Polity Press, Cambridge CB2 1UR, UK.

[5] Held, David, McGrew, Antony, Goldblatt, David, Perraton, Jonathan (2004) - Transformări globale. Politică, economie şi cultură, Editura Polirom, Iaşi, pg.40.

[6] Amoroso Bruno (2001) - On globalization. Capitalism in the 21st Century, Macmillan Press Ltd., N.Y. 2001.

The globalization process has generated the beginning and consolidation of multinational and transnational corporations which subsequently become the foundation for maintaining and amplifying the globalization process on a global scale.

Globalization has been scientifically analyzed and developed in the large American schools (Harvard, Columbia, Stanford), as well as in some English universities that promote the neo-liberal doctrine and sustain free trading between the world's states. The main institutional actors of globalization are: the state, multinational firms, nongovernmental organizations. The fundamental tendencies of globalization refer to: the increase of economical liberalization grade, opening of national economies, the increase of the interaction degree between them. Obviously these tendencies take place in the context of the revolution faced by international transports, of unprecedented development of the informatics technologies and telecommunications that projected on other coordinates the multinational firms' activity and the cross-borders movement of capitals.

Over time, globalization has been considered to be a last stage of space enlargement of the companies' economical activities, having as an effect not only the multiplication of markets but especially the forming of a unique global market. In other words, globalization represents the process through which geographical distance becomes a less important factor in establishing and developing economical, political, social-cultural cross-border relations. Globalization manifests in all life domains: political, economical, cultural, scientific, and has an impact on the human condition, being able to generate satisfactions for those who approach it to their advantage and unpleasantness for those who are marginalized.

The latest specialized literature draws attention on the fact that economical systems change from the theoretical model to *the network economy* (the term of global network was introduced by Prof. Richter Emanuel, PhD). The network is presented, from an economical point of view, as a resource allocation system in which problems of fluxes optimization are considered, as well as of finding scale economies, of deregulation or maintenance of the so-called natural monopolies. The network model is increasingly present in contemporary economy because it proclaims the superiority of administrating information fluxes by means of decentralized structures instead of those hierarchical and rigid.

To summarize the earlier mentioned tendencies in a unitary formula, we consider the definition formulated by John Dunning in his paper "The Advent of Alliance Capitalism"[7] to be the best that sustains the significance and directions of development of the globalization process:

The globalizing of economical life raises three large categories of problems for all states , which they cannot solve on national or on continental integration level:

1. problems of economical nature that can no longer be solved trough the industrialization model that has led to waste, pollution and unemployment, emphasizing the mimesis of the production structures that generate competition;

2. problems of social nature: unemployment, but also polarizing societies, trough extending poverty, demographical problems and the migration of economical workforce;

3. problems regarding the degradation of the natural environment, climate change and the dangers of irreversible perturbation of the planet's geo-biochemical equilibriums.

National identity in the contemporary globalization conditions "is determined by the particularities through which a human community reacts to stimulants provided by the modifications of the natural environment and social climate"[8].

Globalization of economical life, with its history and as a reality of our time, can be regarded as a phase of the evolution process of the capitalist economy the beginning of which was identified

[7] Apărută în volumul " The New Globalism and Developing Countries", edited by Jhon H. Dunning and Khalil A. Hamdani, United Nations University Press, New York, 1997.

[8] Popescu D. Maria (1999) – *Globalizarea şi dezvoltarea trivalentă,* Editura Expert, Col. Sec. XX, Bucureşti .

by Fernand Braudel[9] from very ancient times. Over the last three millenniums, a single power centre has been exerting its domination at a time. Now, for the first time, we assist to the concomitant existence of more power centers. Some researchers mention the movement of the center from America to the Pacific (Japan, China, Indonesia, Singapore, Korea). Others sustain the existence of three centers: America, European Union and Japan with the South-East Asian region.

2. Globalization – Worldwide Expansion

In the UN and IMF documents and studies, in English language, the term "globalization" is used, while in French, as well as in the publications in this language, the term of "worldwide expansion" is used. Both linguistic expressions designate the same process.

Specialized Romanian literature uses more frequently the term of globalization although, sometimes, "worldwide expansion" is also used. However, the economic meaning attributed to the concept of globalization differs from one source to another.

The Economy Dictionary (Economic Publishing House, 1999) defines worldwide expansion as a process revealing the fact that the activities carried out by certain firms become the expression of some economical operations developed on a global scale, both in respect with production and trading. This worldwide expansion process is of objective nature, which occurred a long time ago, but has intensified over the last decades, being promoted by multinational and transnational companies. From an economic point of view, the worldwide expansion represents the method in which those certain firms capitalize the competitive advantages created on a global scale under the incidence of numerous existing differences between the countries and regions of the world. Multinational corporations thus exploit for their own purpose all economical advantages, and the production and trading acts become more profitable due to extending the rationality parameters from local, national or regional-international to global level.

The International Monetary Fund report from May 1997, entitled "World Economic Outlook. Globalization. Opportunities and challenges" says that the globalization phenomenon represents "the tight international growing integration of the goods and services markets as well as those of capital".

Also the International Labor Organization report entitled "L'emploi dans le monde 1996/1997. Les politiques nationals a'heure de la mondalisation" mentions that the term globalization is used, in a limited sense "to designate the global wave of liberalizing exchanges, investments and capital flows as well as the increasing importance of all these flows and international competition in global economy[10]. It can be noticed that this document, which originates from the UN institution handling labor problems, also considers that labor markets are not presently included in the globalization process.

Worldwide expansion expresses the development stage of non-boundaries states, where everything is almost accessible, being realized through communication, solidarity increase and interdependencies. Worldwide expansion represents the mankind's stage that began to take shape in the 1970's and, especially, after 1980 when the internationalization's result (which affect only certain countries and activities) was distinguished from globalization (which adds to the elimination of distances and obstacles related to space, the technologies and information related to time).

Worldwide expansion is remarkable due to the expansion of human activities throughout the globe, despite the unequal penetration. In economic life, worldwide expansion encountered the fewest obstacles, thus a spectacular modification took place in the nature of international trades from the second half of the 20th century. However, economy is not the only domain of the worldwide expansion – the political, habits and cultural ones are just a few of the sectors that are increasingly dependant on the global success. The actual conflicts, humanitarian dramas, poverty persistency, take a global aspect and the cultural and demographic particularity becomes conspicuous, while on all

[9] Braudel Fernand (1985) - *La dynamique du capitalisme*, Paris, Arthaud .
[10] Badrus Gheorghe, Rădăceanu Eduard (1999) - *Globalitate şi management,* Editura All Beck, Bucureşti, pg. 4.

meridians the same music is being played, the same information and images are being broadcast, often being dominated by an American influence.

In fact, the worldwide expansion is often identified with the generalization of market economy, doubled by the adhesion to plural democracy values and human rights. To this extent, the day of November 9^{th}, 1989, on which the Berlin wall fell, symbolized the end of the world's division in two ideological units, also marking an important phase of the worldwide expansion process. For the first time in history the entire world gradually rediscovers itself around the same basic rules promoted by international organizations (UN, IMF, Global Market, etc.) that have truly become worldwide.

Worldwide expansion allows for the avoidance of high costs, the establishment of scale economies, diminishment of high costs, exploitation of different markets' imperfection and of the asymmetrical nature of information.

3. The Consequences of the Financial Economical Crisis in USA

The economical expansion during 2002 -2007 began with a problem – the shattered illusion of the American capital, in 2000-2001, that had a substantial effect, concerning wealth, on the American households. In order to reduce the duration and severity of the resulted downturn, the Federal Reserve aggressively tempered the monetary politics by reducing either the interest rate to federal funds, or the discount rate, 27 times between January 2001 and June 2003, producing the collapse of interest rate to federal funds from 6.5 percent to 1.0 percent in the mentioned period. This way, the aggravation determined by the downturn was prevented by the stimulation of an unprecedented development of the real estate market that afterwards rapidly became a real estate mirage. The financial capital accumulated in the real estate market compensated the loss recorded in the real estate market during 2000-2002. The increased prices in the real estate domain supplied a massive increase of expenditures and the continuous expansionist monetary politics of the Federal Reserve maintained the United States' economy flooded by excessive liquidity. Another fundamental ingredient at the base of the persistent low rates of the real American (or global) interest was directing developing countries into accumulating large amounts of American assets, motivated by the experiences accumulated by them during previous crises and this was possible due to their positive working capital. Because of this, the United States was able to finance their massive deficit on a long term without radically changing the real rates of interest or those of the real exchange rate. At the same time, Wall Street recorded profound financial innovations created by the attempt to obtain higher profit benefits in an environment with low interest rates. A large part of these innovations was made by the firms with unregulated activities and the new financial instruments used were too complicated to be regulated. If we organize a retrospective analysis we will notice the existence of reasons that determined the choice of these monetary politics. The Federal Reserve has never considered preventing the inflation of the assets' price to be part of its mandate. In addition, the increase of productivity and stagnation of the real average wages level in the USA during the expansion period were interpreted as signs of a surplus in the labor force market.

As a consequence, policies tended to support the liberalization of financial markets and were sometimes doubled by careless additional supervision. Other developed economies faced the same unfavorable impact because when the illusion of rapid circulation of capital flows was shattered, and other central banks also decreased their interest, indeed slower than the Federal Reserve, their economies recovered just as fast. In a few other developed economies the real estate mirage has grown and, in some cases, it was even larger than the American one. In this context, neither was our country differentiated in the international practice, using the easily given consumer loans and the expansion of the values circulated on the real estate market. If to all this we add the unusual desire for expenditure, we can have the complete precursory view for the global crisis' beginning.

4. The Consequences of the Financial – Economical Crisis in the World

Although this generalized crisis first occurred in the United States, said country was not the only one affected by the shocks and collapse of the consumer's trust. Many countries, both developed and emergent markets, have recently registered unrealistic increases on the financial assets market. The rapid growth of real estate prices was caused not only by the basic principles of the countries such as Ireland, United Kingdom and Australia, according to IMF (2008), while countries like China and Russia had faced before the crisis staggering levels on their assets markets, generated by the frenzy of speculations.

The phenomenon of worldwide expansion is represented by: financial integration and the constituency of cross-border holdings of mutual funds, speculative funds, branches of developed countries' banks and insurance companies that perpetuated perturbations and contributed to propagating the collapse of assets' prices in other countries as well. Many developed states in the European Union suffered from the capital market's internationalization.

The South Asian countries adopted a multi-billion dollars plan in order to sustain the banking system. USB, the largest bank in Switzerland, received from the government an infusion of capital of EUR 3.8 billion and, also, the central bank created a special fund where USB would be able to deposit "toxic assets" in a value of no more than USD 60 billion (EUR 44 billion). Another large Swiss bank, Credit Suisse Group, collected CHF 10 billion (EUR 6.5 billion) from private investors and announced loses for the third trimester. ECB supplied liquidities of EUR 5 billion for the Central Bank of Hungary that asked for and obtained support from IMF and the World Bank (the total value of contributions is of EUR 20 billion).

The portfolio investments will decrease because the larger fear of risks determines the capital maintenance in internal markets. Although, historically, the direct foreign investments have proven to have a higher flexibility to shocks, they are also expected to drop. In addition, the developing countries with a future access to capital will pay higher interest because of the exodus towards more secure markets and the higher aversion towards risks. The global deceleration will reduce the requirement of consumer goods and industrial products, thus decreasing the earnings from exports and as the labor force markets will decline, the workers from abroad will probably suffer over the disproportioned impacts on their incomes, which will reduce deliveries.

Approximately half of the developing countries started to face working capital deficits of over 5 percent from the GDP and, in some cases, the deficits are situated around the value of 10 percent. These economies are very vulnerable to the oscillations of these diverse sources of external financing. Due to the large investments inflow in the last years, an extremely large number of investment projects are already developing. As the investment's financings will decrease, two consequences will possibly appear, both of them of negative nature. In some cases the projects will not be finished and, as a consequence, will become unproductive and will burden the balance sheets of the banks with risky loans. In other cases, if the projects are ended, they will create a capacity of excessive production resulted from the global deceleration, thus increasing the risk of deflation.

These factors will have as consequence the decline of the increasing collective GDP of the developing countries down to less than 5 percent, as compared to the average 7 percent in 2004-2007. Moreover, the effects felt by the developing countries might not limit to the decrease of the revenues resulted from investments and exports and a deceleration of the increasing GDP. The danger also exists for all emerging markets to enter an individual crisis, as for instance if their own internal assets market starts collapsing (or even in the case in which the real market values will suffer a decline) and weaken their own banking systems. The drastic falls of stock markets in the developing countries already indicated the investors' worries regarding the future on a medium term, and the decline of the portfolio's values can also have significant effects of the wealth on consumption, emphasizing the effects of decreasing. The countries with deficits of the large payment and fiscal balances will be the most vulnerable. The aggravating factor of the developing economies' problems is the fact that these shocks will be simultaneous.

5. The Consequences of the Economical – Financial Crisis in Romania

In Romania the indirect effects of the crisis could be noticed. In the year 2008 we faced a limited impact of the financial crisis on the Romanian economy. The annual rate of inflation (6.3%) was on a descending trend but maintained itself on high levels over the variation interval, the economic growth rate being high in 2008 as well, the working capital deficit significantly increased (13.4% from GDP) and the budget deficit reached a record level of 5.4% of the GDP. Through prudential and administrative measures, NBR constantly acted to moderate the speed of the increasing loans granted to the private sector and for sustaining the loaning in national currency to the detriment of that in foreign currency.

The local banks no longer have a major role in loaning companies but remain the main vehicle in the case of population. Crediting has been aimed towards SME and strongly towards trading and services companies. SME are modestly financed by banks. Only 15% of the SME appeal to external sources of financing such as bank loans. The main sources of financing for the SME are their own shareholders and commercial credits. The internal bank loan represents approximately 12% of the liabilities, while in other European Union countries these are a lot higher (Germany 30%, Austria 16%, Italy and Spain 23%, Belgium 18%).

The population continues to have a high potential of crediting demand. The 11/2008 regulation regarding the population's crediting creates conditions for changing the search for quantity with searching quality. The new indebt levels are higher than the actual values implemented by banks in the case of clients of smaller risk. Some banks are more exigent than the NBR's recommendations. The cards are the product that keeps on developing. On a short term, EUR 5.4 billion external financial credits are due in the case of companies and EUR 3.6 billion as loans from the mother companies. Not renewing parts of these credits has caused the financing from local banks. Also, the indebted population's impossibility of paying their loans because of the collapse or restructuring of large companies, which had been previously profitable, generated the aggravation of the Romanian banks' financial situation. In this context, Romania called for support from the International Monetary Fund and in 2010 adopted measures of austerity which were genuinely severe but were aimed at re-launching the economy.

Conclusions

The advantages of worldwide expansion brought by the freedom of human actions without borders, the rapid and unhindered circulation of the production and especially of capitals, the unprecedented growth of technology, exchange of information and productivity, all of these can be rapidly affected by the beginning of an economical-financial crisis of epic proportions. The multinational corporations (MNC), the main actor and beneficiary of worldwide expansion, have actually known a different expansion, actually influencing all areas of economical-social life. It can be said that nowadays these have a great impact over: the technical progress and economical development of the origin as well as host states, of the increase of services sector's power, also referring to environmental issues, management and political and legal aspects. However, these multinational corporations are the ones to determine the externalization of the crisis, through the umbilical connections with the economy of other states.

Nevertheless, as we mentioned in the introduction, the economical crises of overproduction have a cyclic evolution demonstrated by many economists (Nikolai Kondratiev *The Major Economic Cycles* 1925). They come and go, but the amplitude of the fictive capital transfers causes powerful and more difficult to control trails in the financial banking system.

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