The new relations between global economy, international trade and financial system

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THE NEW RELATIONS BETWEEN GLOBAL ECONOMY, INTERNATIONAL TRADE AND FINANCIAL SYSTEM

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Abstract

The new tendencies of global economy can be more efficiently detailed, explained and understood, on the base of those internal functional relations established in contemporary economical global dimension, between economy, international trade and monetary-financial system. Starting with the idea of a new economies' typology will be clearly possible to analyze the mechanism of international outturn results in relation with trade dynamics connected to the new particularities of international monetary-financial system.

This paperwork brings into discussion the equilibrium principles regarding the global economy functionality in the presence of integration and globalization phenomena. Continuing an old author's theory, the paperwork studies in a synthetic manner the interstitial ties between a new typology of economies (as has been treated in previous scientific papers) and financial system as being the main way in harmonizing the global equilibrium.

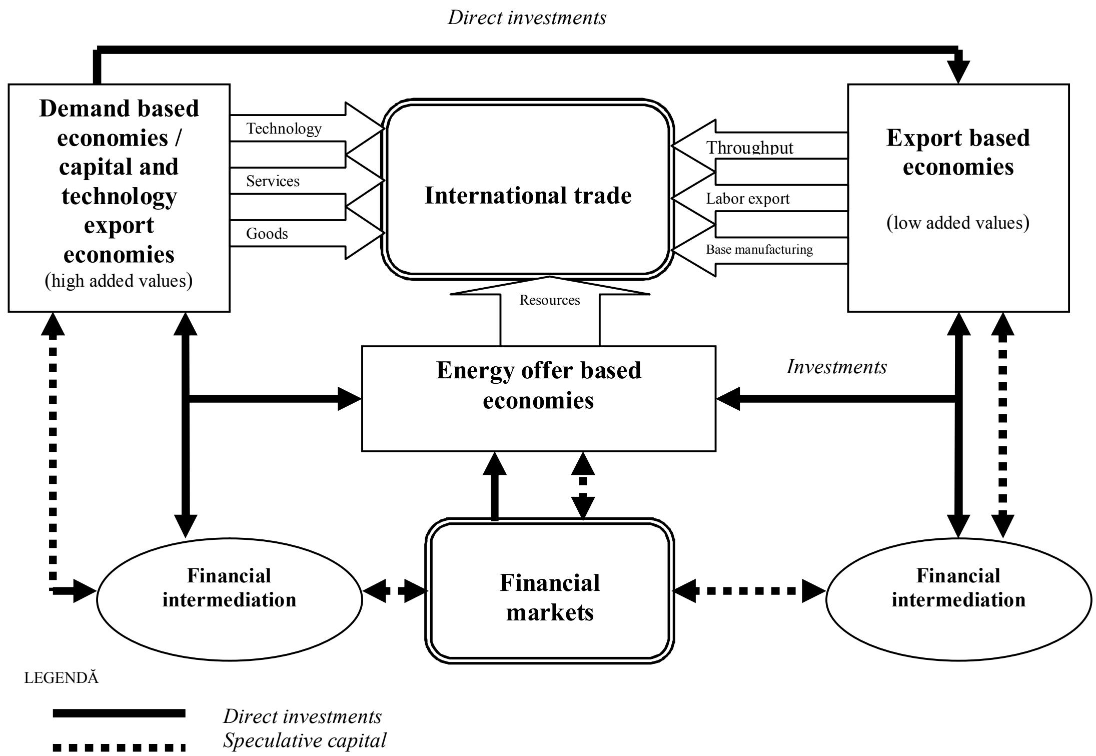
Keywords: *global economy, financial system, international trade*

In the context of an international financial crise changeovering into a deep economical recession, any intention for applying a demand increasing policy as a main doctrine for crises overhaul seems to be wrong, considering the last year statistical picture. Taking under consideration the last evolutions regarding the main financial measures taken under crises pressure on a global level, we are able to consider that the new typology proposed for national economies, would explain the mainly reasons for demand boosting policy failure, as follows: on the one hand the developed countries will take one's bearing toward crises bill regainment redrawing their financing and, on the other hand, the developing nations will slack their rates of growth because of general demand decrease, taking under consideration hard-landings perspective in the very next future.

Consumption boost based on credit access fosterage and financial incentive, should lead to an impact for the very short term perspective not for long or medium term. As an argument for this perspective we can mention all those monetary measures concerning repeated policy official rates diminishes (see FED interest's cats or ECB consistent reductions) that couldn't stop effectively the demand falling. The international or national financing blockage is determined more or less rationally by the lack of trust in the market real values. So the crise is not determined exclusive and definitively by the consumption „repulse" or by a lack of liquidities on the market. On the contrary the generally deflation indicates an excess of international liquidities related with the appetite for risk [1]. The generalized prices diminishing for investment goods, beyond the domino effect triggered in mortgage market, are able to relaunch the consumption on healthy basis and would reduce the panic related to the short term decision options or to the banking system overdue negotiations. This theory should be first correlated together with short term credit overdue "rolling" on a time grading long term formula and second together with the real manufacture sector restructuring. For a developed country the optimum economical relaunch method is not a variable of credit policy anymore but is dependable by the quality of the incomes/prices level on market that becomes unsecured under unemployment pressure. The capital injection in transnational companies who produces overstocks will stimulates the growth of those enterprises who already forget about production optimization models throughout short cycles (Kitchin cycles).

Under Taylor perspective, the real efficient economical organization is not in relation with overgrowth of transnational companies but it has a profound connection with the concept of rational work organization within enterprises, based on technological progress implementation [4]. As an example we can remember the Opel model that had been implemented the most completely robotized manufactory in car industry sector over the world (the technology sustains over 80% of the entire manufacturing cycle). This situation it should be offer the price advantage in terms of economical efficiency, being expected to see at least 10% reduction in selling prices. But on contrary, just to confirm our wonder, the prices had risen over 20% in the detail market, without any economical reason, in contradiction with scientific principles of work organization within an enterprise. To make matters more unclearly the Opel Company ask for supplemental capital injection, in the same rank as Ford, the last price increase being found practically nowhere. To continue the bad examples we can recall for Ford example that has been able to reduce the production costs, just from the head-office, with a percent between 10-15% almost in all budget expenses figures. In conclusion, the main and rational way to provide a financial support toward national relevant enterprises is to stipulate hard condition for this in terms of production scientific optimization, functionally and structurally as well.

Over viewing all these observations, we can conclude affirming that the globalization process should be defined through the assembly of interactions manifested between different types of economies as it has been treated in previous scientific papers by the author, as follows: demand based economies - capital and technology export economies, export based economies, energy offer based economies [3]. The globalization dynamics is quantized statistically within two elements as follows: international trade evolution and integration level of financial markets. As we can observe analyzing the figure bellow, the described economies are functionally connected through merchandise fluxes and capital fluxes.



Functional relation between financial integration, economical globalization and international trade based on the new economies' typology

If the results of international trade are used constantly in saving direction on in direct investment decisions through financial intermediation sector, the equilibrium between these three types of economies should be not affected by the major imbalances determined by the interactions between real economy and financial speculative industry, the evolution trends following the economical classic theory. If the speculative capital flows become the main supplier for financial intermediation sector, in disadvantage of optimum economical effects, then the economical rations will turn one self round, wining the speculation. But the capacity of the states to react is different among new proposed typology of global economy and the crises will get different valences. The developed countries will fall in the firs instance on short term being severely affected by market prices' correction, owed to speculation losses. In next scene those affected developed countries will embrace the tendency to support the speculative positions' closing negative moving the corrections from the level of speculation to the level of the real consumption supported unfortunately most from credit base expenses. The developed countries will try to balance out the self negative effects on the shoulders of developing economies, through speculative monetary attacks or capital mark up, referred to money squeezing policies. The crise will be contagiously transmitted to the developing countries even these nations are not implicated in any kind of speculations, affecting in chain, the performance of real economy, the aggregates of demand and the supply on the market terms. [3]

Conclusions

Taking under consideration all these remarks we can conclude that the developed countries short term imbalances will induce a long term crises on the developing countries level, lately but more severe as the starting points. The nominal economy disruptions, determined by capital flows tendencies will induce real economy disequilibrium. On these lines, the recovery on international level should have the same direction, from the developed countries toward developing countries, but only if the recovery filled up the competitiveness spaces born together with the demand decompression on international level.

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