The importance and role of International financial and monetary system architecture in global economy

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Abstract: This article deals with a particular issue regarding the importance and role in the global economy SMFI architecture, with impact on economic and financial monetary relations, since these are developing in contexts of economic and financial globalization.

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1. INTRODUCTION

Global economic problems require effective international cooperation for the management of global disparities and creating a powerful model of sustainable and balanced economic development, the national and regional policies to be consistent with the establishment of objectives to strengthen the international financial system. The international monetary system is based on a set of rules and conventions agreed at international level via institution empowered to facilitate international trade and cross-border investments.

,,The international monetary system can be defined as a set of institutions markets, and financial flows meant to ensure movement in time and space resources in the capital from those who hold them (international investors or lenders) to those who need them”.[1]

When we look at the role and importance of international financial architecture and monetary system in the global economy, we must relate to the contribution and benefits of it.

Starting from the perspective of liquidity which stimulates pulse needs demanded by the succession manufacturing processes and the need to provide sufficient liquidity to generate consumption in the global economy, SMFI architecture in ensuring economic growth and redistribution of capital accumulation is distinguished by the efficiency benefits with positive impact on the global economy system.

The influence of monetary financial markets in the global economy, efficiency can be studied based on the interpretation of the concept of functional efficiency. At the theoretical level it is indicated that the effectiveness of monetary and financial markets can be regarded as an information benefit with positive effects in determining the values, but also in the sound management of risk factors and resource allocation process. (see table No.1).

Considering these aspects, we can say that the forms by which the functional effectiveness manifests are generated by the need for the development of competitive markets, to assist in the diversification and their uniform distribution by using successive organizational techniques.

[1] http://www.finint.ase.ro, Cristian Păun, International finance, Romanian-American University in Bucharest, 2010

The emergence of a parallel market and derivative instruments whose role is to alleviate the financial or commercial risk, are thus perfectly justified. The risk is considered to be an unmanageable economic category, since it is influenced in large part by costs. As soon as the stock transactions in addition to the market would be developed a set of parallel markets derivatives to take risks, to diversify and to manage them efficiently, so that the negative effects are sufficiently, then dissipate could alleviate the shock or relocating outside the scope of behaviors that relate to the market price. In this situation the market analysis will summarize only informational efficiency and balance the market price deviations compared to the actual price, in terms of real assets expected yields in the short term, medium and long.

2. OBJECTIVES

Through exchange mechanisms, SMFI aims principally to ensure balanced and sustainable development of international economic relations for the economic development of states and progress in the world economy as a whole. In light of the new trends of the world economy and shortage of resources, the need to ensure a balanced flow of information, real, stable and efficient for achieving a normal ratio between the actual price and the price of financial assets. At the same time diversifying is now the principal management and technical in-depth coverage of the risks arising from fluctuations of market investment decisions. Achieving efficiency in the allocation of capital assume investments in a wide range of tools. Relocation process efficiency takes into account quality of financial flows. The qualitative aspect is established between financial flows and economic value-generating technological progress related to the real economy and speculative financial flows that acts parallel between capital for productive economy and speculative capital that provides the measure of capital allocation efficiency.[2]

3. METHODOLOGY

The literature in the field mentions that the monetary and financial markets can be monetary markets, financial markets and primary or secondary markets.

The money market is a segment of the market in financial instruments which are traded with maturity less than one year. Issuers of debt securities in this market are state and credible companies. Access the buyers in this market, whose core is made up of inter-bank loans and mutual credit, shall be carried out with ease, leading to a trend of concentration of institutional investors.

Financial market and institutions include the procedures by which it facilitates the transformation of financial resources between agencies showing resource surpluses and those experiencing shortages of such resources. Simply put, financial markets constitute the necessary framework for the trading of financial instruments.[3]

4. ANALYSIS

Compared to the money market, the financial market is more complex and multidimensional, its effectiveness in information transparency that must maintain the confidence of the participants. Through his role, both economically and socially, the financial market, according to the time of execution of a securities trading Bank, can be structured in two segments:

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[2] Lucian C. Ionescu, Cătălin C. Popa, Policies and strategies of the international financial and monetary organization phenomena in terms of integration and economic globalization, ,,Mircea cel Batran", Naval Academy Press, Constanţa, 2010, p.70-71.

[3] Cazan, I, Cazan, E., Stefea, P., (coord), Capital markets, Articles and studies, West University Publishing, Timişoara, 2005, p.343-351.

- ➢ Primary market specializes in selling financial securities and collect revenue
- ➢ Secondary market ensures mobility and savings placed liquidity, is the place where supply and demand determines the price of transaction.

Financial market established, by the financial assets, an interdependence between the bidders and the beneficiaries. In terms of the types of assets, financial market comprises the following components: capital market specialized in intermediation of transactions with financial assets that have maturities on the long and medium terms, the money market where transactions are carried out between residents of the same country, banking market, insurance market, property market and markets of other alternative assets.

The international monetary and financial market consists in a functional system agreed by all national and international monetary authorities have a significant impact at the macroeconomic level, the momentum being market by progress or economic decline, and the period of oscillation of the main currencies.

This impact can be summarized as follows: in the open economies and globalized world a shock series products at national and international level to feel financial markets causing monetary fluctuations; contribute to the protection of intellectual property rights and the optimum allocation of resources within the economy, but also implements the process of economic growth; monetary financial market is a component of the market economies which has the capacity to mobilize economic resources available under the financing needs and at the same time contribute to the distribution and redistribution of financial resources within the economy; monetary financial market has the capacity to mobilize intermediate supply and demand of financial resources plays an important role both in the allocation of resources and in terms of economic growth.

The importance and role of the international monetary financial system architecture derives from the responsiveness capacity to international economic issues. This system has been created for the proper functioning of international trade based on rules and conventions established between states, in collaboration with organizations involved in coordination of economic policies, such as the International Monetary Fund which is intended to promote cooperation at the global level in order to provide stability, growth and jobs; The World Bank is a vital source of financial and technical assistance for developing countries; The Organization for economic cooperation and development, which monitors and makes recommendations for economic development, taking an active role in solving social and environmental problems.

The G7 became G8 (Russia excluded) are annual meetings between the heads of States and Governments of the most powerful countries in economic terms, in which they discuss topics related to the global economic prospects, the liberalization of trade, debt relief and solving problems related to the financial economic crisis. These issues highlight the fact that SMFI has the purpose: to facilitate the expansion and balanced growth of international trade, assistance and the implementation of a multilateral system of payments for current transactions, as well as promoting monetary stability and global exchange.

Through its actions, the growth of economic activities of countries (international trade, FDI, cash flows from financial markets), SMFI and strengthened the architecture, but the shortcomings of the system resulted in inequalities between and within states, threatening the economic growth process, hiring of workforce, affecting living standards, even being a barrier to social progress in certain regions. This system is dominated by an architecture based on the rules that govern global financial markets which are laid down by the institutions to which the developing countries are not members or have a low or non-existent influence.

In the year 1999 was established the financial stability Council which includes representatives of central banks from nine countries of the Organization for economic cooperation and development, as well as international financial institutions, experts from central banks and of the European Central Bank, the Basle Committee, which had as its main objective the supervision of banks. Supervisory policies in the interest of financial stability have developed the Basel 2 consisting of representatives of the central banks and supervisory authorities of Belgium, Canada, France, Spain, Sweden, Switzerland and United Kingdom. However, neither the Committee nor the financial stability Committee Basel does not legally representing the developing countries.

Although there are developed projects based on accounting practices in the USA and other countries in the European Union, however it is necessary a more intensive participation in the international monetary financial organizations of developed states establishing global rules to redirect more financial resources to the developing countries and the poor.

5. CONCLUSIONS

In conclusion, we can say that financial problems in recent years, which have been the subject of many national and international debate, requires formation in the future of a more stable international economic system in which all countries to take advantage of globalization, with an emphasis on economic growth and improved standards of living, so that the world might be less vulnerable to financial crises destructive.

Table No.1

Institutional structure and functional Economic Monetary Financial System

	The name of the institution
1	The International Monetary Fund (IMF)
2	The World Bank
3	The Organization for economic cooperation and development (OECD)
4	The Bank For International Settlements (BIS)
5	Union of States (EU, NAFTA, MERCOSUR, ASEAN, the Organization of Shanghai cooperation, Eurasian Union etc.) and their banks (ECB, EBRD, EIB, IADB, etc.).
6	Governments, finance ministries and national banks (Central); Federal Reserve system, the Bank of England, the National Bank of France, the National Bank of China, the National Bank of Romania, etc.
7	Commodity exchanges and currencies (London, Chicago, Vienna, Hong Kong, Amsterdam, Bucharest, Sibiu).
8	Investment banks (J.P. Morgan, Bank of America, Merrill Lynch, Goldmen Sachs, Morgan Stanley, Citibank, Barclays, BNP Paribas), the collapse of giant Lehman Brothers in the USA in September 2008 generated catastrophic global economic crisis.
9	Securities exchanges (stock exchanges in New York, London, Tokyo, Frankfurt, Zurich, Paris, Bucharest, etc.).
10	Banks and commercial banks (Chase Manhattan, Deutsche Bank, Credit Lyonnaise, UBS, Credit Suisse) including those in tax havens (Tax Havens).
11	Investors and trading partners (companies and individuals).
12	Insurance and reinsurance companies, investment funds, pension funds, investment funds and guarantee real estate (Housing) Freddie MAC and Fannie Mae (USA) entered bankruptcy in 2008

13	Brokerage firms (Activity of Portfolio & Asset Management), financial rating (Moody's, Standard & Poor's, Fitch IBCA, COFACE, JCRA, STAAR), training, intelligence and financial advice (Dun and Bradstreet) - based financial rating is calculated first Added to interest risk and CDS (Credit Default Swap) - an additional amount paid as a credit insurance risky.
14	Accounting firms, tax consulting, experience, audit, evaluation: The Big Four (KPMG, Ernst and Young, PricewaterhouseCoopers, Deloitte and Touché Tohmatsu), totaling 95% of the turnover in the field worldwide.
15	Law firms in finance (Mergers and Acquisitions activity of).
16	Legal regulations (laws, agreements, treaties, conventions contractual and technical SMFI).
17	Universities, research institutes and financial statistical institutes.
18	National media (audio-visual, print, Internet).
19	Dealings, business, transactions, operations of the SMFI.
20	Scientific context, ideological, doctrinal, practical, conceptual shareholder.

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