Globalization aig and finance globalizaition assignment

Sociology

Explain the advantage and disadvantage of the globalization of finance? How did it contribute to global financial crisis? The surging waves of cross-border currency and capital flows lead to a rising tide of globalization of finance. Globalization is a double-edged sword for developing countries and emerging financial markets as they can't afford the costs if it can't grow. Generally, globalization has positive and negative influences on world economy. In other words, it brings opportunities as well as risks.

The ultimate goal of finance is perfectly allocate resources. Different with domestic or regional financial activities, finance globalization enables capitals to fund projects globally. For instance, developing countries used to rely on indirect financing like loans from World Bank or MIFF. However, the indirect financing is less efficient, time-consuming and limited in sourcing compared to direct investment. Financial globalization will facilitate money and capital enter into and exit from countries with promising projects.

Another infinite is that globalization prompts integration and upgrade of global financial system and structures and in turn stimulates financial market growth in small countries. In this case, Alga transferred from a traditional Insurance company into a full-functional financial institution because of flexible financial system. Magnified market volume allowed Alga to sell large amount of derivatives and make a prominent profit when macro economy was stable. When financial crisis happened In 2008, we saw the negative aspects of finance globalization.

Massive unregulated capital flows caused by globalization and flexible financial system resulted In financial market turmoil in many countries. A shift out of those capitals led to stock-market crash and recession in countries with fragile financial system. Additionally, financial globalization Increased the volatility and uncertainty of currency exchange rate and interest rate, so that exacerbated Inherent risk In global financial market. Further, Like internet, globalization broke national boundaries. It makes finance regulation even harder given an Increasing number of cross-border financial activities.