

THE GLOBAL FINANCIAL RISKS ANALYSIS IN RELATION WITH SYSTEMIC CRISIS - A QUALITATIVE PERSPECTIVE OF THE SYSTEMS' NETWORKING RISKS

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ABSTRACT

Nowadays, the financial global governance is mostly based on the quantitative methodologies and accounting. The usual approaches related to global financial risks are very close to quantitative perspective even the last decades proved that is no EWS comprehensive enough to cover all potential variables for each global factor to fulfill accordingly the monitoring and supervision functions within international financial system. The major idea of this article is to recall for the importance of basic qualitative approaches in global governance, in order to set up coherent instruments to manage the global relations in financial and economic matters, but on a global scale. Where the human behavior is involved the qualitative approach of financial relations will be more advantageous in priory considering the market components behavior bounded in acting limits, in spite of wasting a lot of effort trying to govern the market hazardous based on neo-liberal ideas.

Keywords: globalization, governance, financial system, crisis, risks.

1. Introduction in global financial variables and risks concepts

Financial and monetary dimensions involve in their acting, as any other economic phenomenon, specific risks coming from international markets' components interactions, as result of external factors run or as rebound to other external variables changes, but with a direct influence against all market participants, thus affecting the decision making processes and finally the costs for market transactions as well. In particular, the global financial risks contain just those specific processes that are tangent to the monetary and financial phenomenon, with a notable amplitude and measurable effects on international level, having the capacity to influent in one way or another the financial markets. By the moment, being a matter of risk assessment, the global governance, especially in international financial architecture, is now mostly limited to quantitative methodologies and accounting. Moreover, the usual approaches related to global financial risks are very close to quantitative perspective even the last decades proved that is no early warning system comprehensive enough to cover all potential variables on predicted values for each global factor in order to fulfill accordingly the monitoring and supervision functions within international financial system.

The major idea of this article is to recall for the importance of basic qualitative approaches in global governance, in order to set up coherent instruments to manage the global relations in financial and economic matters, but on a global scale. Where the human behavior is involved the qualitative approach of financial relations will be more advantageous in considering the prior modeling of the market components behavior in some acting limits, in spite of wasting a lot of effort trying to govern the market hazardous based on neo-liberal ideas.

In the basics of this essay the financial structure would be seen as a global network, the analysis flowing from the system variables definition in the first stage, to the risk identification in the second stage, the analytical work considering more of the latest theoretical approaches in this field. There were analyzed the major steps for defining the financial system architecture based on a global perspective (Kose, 2007; Mishkin, 2003; Stiglitz, 2006; Tirole, 2002) considering the most popular networking functional model (Amitai, 2003; McKeown, 2009) but together with the latest risk factors identified based on the last and previous crisis developments (Aglietta, 2005; Soros, 2007; Newlands, Hooper, 2009). As describing the methodology, the first step in qualitative approach has been to define the financial risks that interfere in international monetary and financial architecture and further to analyze shortly, as brief conclusions, each identified variable relations with the qualitative side of the market behavior, in order to support the qualitative idea of future settlements in global networks. Before the risk descriptions were defined first those variables attached to the networking perspective of the financial architecture nowadays, concluding from all bibliographic sources the most important points of view.

Therefore, the major categories of influencing variables of the International Monetary and Financial System (IMFS) identified as being relevant for further systemic crisis development, as previous economic evolutions have depicted already, are drawn in figure no. 1 and are focused on *economic* variables, *monetary* variables, *strategic and geopolitical* variables, *socio-cultural* variables, *environment* variables and the *global networking variables* as integrative factor, determined by the new realities of globalization and integration phenomenon (Popa, Ionescu, 2010). These variables can determine by particular deeds or actions, different heterogeneous challenges as: production shocks, liquidity gaps, institutional imbalances or informational asymmetries, with a direct effect against global financial system, translated further into network shocks.

2. International Monetary and Financial System variables' analysis within global framework

The determinant matrix that define the functional structure of the International Monetary and Financial System (IMFS) is built as has been shown in figure no.1, on the systemic variables identification and definition, in order to underline the major effects that can arise in its evolution considering the networking vocation. Even if these variables were previously defined, separately or in different formulas, the networking idea of combining all together will help the policy maker in considering all together as compulsory for market equilibrium desiderata achievement (Amitai, 2003). The perspective is a lobby for combination the quantitative perspective with the qualitative side of policies undertaken in financial and economic field, to support under equilibrium a world viewed as a networking of many systems working together.

Social and cultural factors are referring first to the inherent psychological and social behavior of market actors and second, to the social and cultural climate of the studied markets. Psychological behavior determines relevant actions on the markets, identified by Soros G. as being *reflexive* (Soros, 2008). The theory of reflexivity describe properly the importance of individual perceptions, segregated and quantified throughout decision making channel, in relation with the global variables and indicators variances, as quantitative dimension, and with the risk perception conditions, as qualitative dimension (Sylla, Wright, 2004). Thus, the speculation is defined by excellence as being an area of reflexive acting regarding the prediction of the future; as coming from the last experiences, the financial markets are reflexive considering its incapacity to adjust by itself with accuracy and timely, to the real dynamic parameters. Thus becomes just a matter of our choice to enforce the public institutions to interfere or not in dealing with market acting limits, because the speculators will surely try to manipulate the market behavior for their own profit, taking advantages from any market weaknesses (Soros, 2004). Stating priory behavior limits should be one rational solution to interfere not just in the crisis moment when quantitative signals are emitted as warnings, but alongside the market ongoing operations as well. The decision will not limit the action freedom of the major actors, but will define limits and responsibilities for any risk takers on the market in relation with the social responsibility, as for capital tax examples or emergency funds contribution ideas (see *The Future of the Global Financial System. A Near-Term Outlook and Long-Term Scenarios*, World Economic Forum, Geneva, 2009).

On the other hand, the cultural perspective can determine attitudes or reactions but different than the financial or economic fundamentals or reasons, due to individual appetencies or to the regional practices and perceptions in business environment. On the cultural perspective basics will be accounted: the risks perception, bargaining techniques, cultural sensitivity, best practices in the area or else (Stiglitz, 2006). On a large scale definition of a global network in financial risks, the social and cultural factors should be consider as **behavior variables**, that affects the financial evolutions on the basics of decision making chains.

Economic factors can be entitled as responsible variable for the most visible risks in financial dimension on a global scale, being very strong bonded to the macroeconomic performances of every nation and their production processes efficiency, in relation with the investment flows and with the future perceptions against financial market major trends in this respect. As very often described in economic literature, the most common variables for assessing the national and regional performance is related to the macroeconomic indicators, that can easily be express into a quantitative manner, for which reason consists to be the most relevant in such market analysis. As coming from a global infrastructure these factors can be settled within macroeconomic environment as **macro-performance** dimension of a global networking perspective.

Looking at the present it is clear that the *geostrategic and political* variables become practically ones of the most important vectors of the global uncertainty. These factors determine the financial phenomenon at least thinking of the next interdependency relations on global level: a) the resources' allocation is nowadays an exclusive result of the power distribution game worldwide; b) the military and social conflicts are affecting immediately all financial dimensions on regional level; c) the access to the traditional energetic sources is a key factor for economic development; d) any conflict on military, political or social sides has a significant effect against regional or global financial markets; e) the political and social stability is a key performance indicator for national economies rating and so on (Bhagwati J., 2004). Moreover, the political factor can decide, depending on national interest, about deformation of market realities or, further, about constraining the market information flow regarding financial system viciousness (as happened in USA related to Freddie Mac and Freddie Mae investment funds). It can be easily remembered here as relevant example the FED haze in November 2008, when it had been refused the public opinion right to be acknowledged by the destination of 2000 milliards USD from national reserve, being just justified that will be further presented US Congress forum only (see *The New York Times*, 11th of November 2008). But, beyond the national interest imperative, these attitudes do not justify the disguised interventions and the distortion of economic realities in order to cover or to diminish the public perceptions against economic or financial slide slips. All these variables should be consider the major **public behavior** components, including not just the policies, but also the institutional framework itself and its acts and actions, as designed on national, regional and international level.

Environment factors can influent substantially the global market reactions by climate vectors, preventive pollution norms, or by simply recording violent natural events or disaster, that can significantly affect the social, economic, political life in different regions. Regarding to these factors, it is recommended to admit that the risk assessment techniques worldwide should also consider as a long run variable all climate or hazardous issues and politics for a better approach of sustainable development imperatives (Rischard, 2002). Environment factors should be consider in global equation as variable representative of **sustainable development** desiderata on a long run, an objective issue related to the global responsibility apart to any economic or financial future framework development. The recent wave of thinking in respect of a new science of *econoly* acceptance (Nicolae, 2012a, 2012b), where it can be approached together in the same equation the environment variable, the technological factor and the economic goals, is a related support for understanding the importance of qualitative study of global future development (Graedel, 2010).

Financial and monetary variables are in connection with the qualitative perspective of the capital flows on a short and long term and with the trade-off terms on exchange markets, considering the comparative and competitive advantages settled on international level as a final expression of the markets' equilibrium. For example, the exchange rates, are resulting from trade balance evolution, being appreciated and depreciated depending on the economic environment, but being further able to feed or to mitigate the financial lacks of equilibrium in national account and into national consolidate budget (Lane, Ferretti, 2005). Mainly, these factors would be identified as being major **equilibrium dimension** of a global network, as most of the tensions being easily conveyed by the international monetary and financial system components.

So, by now, were briefly depicted those variables that should be consider into international environment as determinative for any decision making chain, but relevant enough to produce any change in monetary or financial system on international level, considering the individual and collective levels, the quantitative side of macroeconomics, the institutional framework and the equilibrium factors of financial trade-offs, that enclose as a loop the functional picture described above, in figure no. 1. But what is obviously missing in order to fulfill the functional framework of a global perspective vivid picture is the *integrative variable* within a globalized, worldwide system (Benkler, Yochai, 2006). These variable are

referring first to all those contemporary facts or factors that describe together all positive effects felt by the civilization in latest years of globalization as: technological transfers, poorness mitigation, cross borders free movements, communication improvement and so on (Bhagwati, 2004; McKeown, 2009). Secondly, these variables counts also negative effects of globalization phenomenon, that would be called *network shocks* (Aglietta, 2005), defined by the enforced assimilations of the new global realities or values that appeared or amplified on the same time with it (as international crime networks or terrorism). The free movement of international capital is relevant in this context, being consider as one the most relevant network factors, due to its notable influence against international monetary and financial system in last decades (Kose, 2007).

The vocation of these variables is manly to integrate all networking values, restrictions or relations within one equation as an integrative factor, in order to harmonize the individual, national and regional dimensions within a global perspective. As priority, implementing a set of *global capital policies* will further permit the setting of both qualitative and quantitative limits of capital free movement, in order to limit the asymmetric or inequitable interventionist attitudes, out of a coherent international control. Thus, the interventionist tendencies in crisis time would not conduct to isolationism anymore, as in the lack of a common set of rules, agreed on international level, regarding the capital movement or other disequilibrium factors (Popa, 2008).

3. International monetary and financial risk factors analysis within a global framework

Each of these described variables within a global network equation is able to produce various effects, materializing as tangible risks against the global framework as market value risks, credit risks, exchange rate risks, informational risks, liquidity risks, institutional risks or furthermore, as networking risks.

Market values assessment risks is due to comparative gaps between economic fundamentals and financial-speculative reasons, measured by the differences between real values as perceived and the market values as results of the market game (Aglietta, 2005). This is caused first by the nature of speculation itself and these attitudes will spread fast, together with information distortion, being followed by a general behavior of the noisy agents and further, when the equation is complete, being followed by a general panic behavior in the market. The risks in evaluation is connected to the kernel of market value itself, its par calculation on reasonable and fair basis being presently one of the biggest dilemma of the new architecture of the monetary and financial system as recognized in worldwide literature (Merton, Bodie, 2005). The market values correction together with market imbalances reassessment, increase the risk margins for all transactions, pushing up the commodities and resource prices, seeding through its volatility an additional pressure against financing chain on international level and, further, triggering the crisis spiral from financial sector toward economic sector and up warding again, the functional crisis becoming finally a systemic crisis (Karunaratne, 2002).

In the sub-prime crisis example, one of the most important contagion reasons has been the lack of confidence in the market values anymore, the value perception degrading rapidly based on financial intermediation over assessment of mortgages (Duffie, 2008). As it has been reflected in graph from figure no. 2, the supply and demand for property investments, sustained by the credit expansion, without consistency but just based on a good perception, will further born, at the moment, liquidity gaps, due to the lack of real productivity of estate sector in ratio with financial major yields on a short run, that will conduct to an opposite trend, correcting into a severe manner the real market values for this sector (Popa, Beizadea, Nicolae, Nistor, 2010). The market correction unfortunately will affect the intermediary system of banking crediting chain, reversing the curve of market values, and appending a huge pressure on creditors in run for drawing back their investment positions, without rolling or renewing the credit maturities anymore to the

banking system (Hirata, Kose , [Otrok](#), [Terrones](#), 2012). As acting President of FED in crisis time, Ben Bernanke had admitted within one of the previous interviews that he had made a mistake when he was stating that the world is facing a liquidity crisis (*The New York Times*, 7th of October, 2008). This statement updating is due to the fact that the liquidity syncope was just passing but not as severe as the next coming general distrust in market values, much more critical and persistent in its inertial dynamics, leading to parallel banking policies, more restrictive than even monetary policies implemented by the authorities.

Studying the statistics it can be stated that the residential property prices evolution followed the short term nominal interest rates and credit expansion trends in developed countries, as depicted in the interest rates decreasing within the period of 2002-2008, releasing an expansion of credit, found later as major cause for mortgages price over assessment.

The credit had rapidly grown in major developing countries due to the capital free movement, but only based on short term maturities, the trigger for crisis being later exported to the most fragile economies which will not be really ready the face the next market evolutions (Boorman, 2006). That is the reason for which the next global capital policies should limit in the future the translation of artificial perceptions from developed countries toward developing countries by capital inflows defined by limited maturities as any speculative trend. At the moment, when the speculators were foreseeing that the estates market values cannot continue to go up, the perception trend had changed radically; the trend went up side down and the banking assets losses seeded the credit terms deterioration, due to the mortgage market value depreciation (Bensidoun, Ünal-Kesenci, 2008).

But apart to the South Asian crisis from 1997, when the speculation wave of perception had changed just temporarily the market value consistency (Mishkin, Eakins, 2006), on latest crisis case from late of 2007, the problems related to real market values were kept alive by the ongoing consistent market speculation. The bubble hadn't burst up at the beginning, just in the stage of a functional crisis, because it had been covered by an excessive diversification of banking products, as a response to the excessive leisure of banking policies that was running after new but false opportunities, thus packing and rolling up the speculative „snowball”. In fact, due to these securities packages, the same properties were sold many times but in different forms, becoming part of price increasing spiral in estate sector, but just based on speculation (Stiglitz, 2006).

Market value risk assessment can conduct in this conjuncture to the revision of mortgages assessment formulas, strangling the capital free movement and changing dramatically on next stage of the crisis, the risk appetite of the banking system that will reverse the initial positive trend in excessive crediting operation, into a general withdrawal from financing resources supply. The functional crisis of international liquidities now will start to be contagious, translating the negative effects against real economy that will suddenly face serious shortages in output, due to the consumption decreasing and credit overcharging on banking products market.

Now will be the moment when the functional crisis of liquidities is determining a *demand crisis* (by credit shortage) and further on, a *supply shortage*, namely a deeper economic crisis, affecting the economic growth and employment rates. Therefore, the excessive evaluation of financial assets in the dawn of a functional crisis of financial sector should always be connected to the economic real performance and its cycles of evolution. Otherwise the banking system tension will be translated to the economic sector by the *self-feeding spiral of market values perception* as from the excessive market optimism toward a high market skepticism, following the next route as drawn in figure no. 3: „*excessive optimism* → *credit expansion* → *market overvaluing* → *market skepticism* → *demand crisis* → *supply crisis*” distortion (Popa, Grigoruț, Nistor, 2013).

In this matter maybe is the time to think about this spiral as being a result of a periodical cycle of market value, under a pro-cycle perspective, if the policy makers will still continue to believe in market base determined values as principle. As depicted in figure no. 2, mortgage value curve should describe a cycle of market value adjustment as being a result of an ongoing process, useful to correct any demand and supply distortions due to the credit interfering in real income settlement. Once this cycle being recognized, under pro-cycle perspective, the major attention should be focused to that set of politics that can only stop the translation of functional disruption toward real economic sector by „stop and go” policies applied in credit expansion stages.

Credit risks is very relevant to define the interface between real economy and financial system as being very susceptible to become a systemic risk, together with future bailout and insolvency prediction. Over-evaluation risks as described above, cumulated with credit risks can produce real supply shocks, starting from the next causal chain: „*investor* (capital supplier) → *productive sector* (credit for development) → *success* or *loss* (in capital rewarding policy)”. When speculative reasons are interfering in this health transitive chain of economic fundamentals, then the investment maturities will not be any more in accordance with long run investment rationales, but will be oriented not toward economic performance, but only toward market values of securities (Della’ Ariccia, 2006). The unsatisfied reaction of speculators, related to price per earnings ratio or yield curves, will incline the tendency for market withdrawals, in order to preserve the financial portfolios, but with no connection with economic sector. These withdrawals, once generalized on the market into a follow up trend, will endear the credit costs on the financial market, slowly but into a sustainable manner, that will affect in the next stage the production system (Crockane, 2005) Furthermore, once the perception market becomes worst, the credit default swaps start automatically to increase, pushing up the credit costs. Thus, considering global crisis conjunctures, as 2008 year status and 2001 year data, both recorded previously as recession years marked, it can be observed that liquidity crisis will depreciate the confidence in the market values and further will conduct toward a massive risk perception deterioration, with a direct effect against risk primes and credit policies, as major connections to the real economy (Bond, Edmans, Goldstein, 2012).

The most sensitive point in this judgment, looking at the connections, is the financial intermediation segment that becomes the **collector point for global tensions**, the banking system becoming that substantial point where the lack of confidence, liquidity and risk appetite will collect together, diluting the benefits from the investors and real economy relations. That is one of the major sources for a functional crisis to be transformed into a systemic contagious crisis. No matter capital adequacy, risk supervision or portfolio analysis policies will implement, the banking system will permanently collect the sum of the risks on the edge of liquidity, neglecting in the final the economic performance of any investment in order to preserve the portfolio sustainability. That is why becomes important that the banking system to come back the primary rations of its existence in the beginning, namely just to lead the saving-investment relations, but only from the capital intermediary position, guarantying primarily the resources healthiness. If the banking system will further continue to involve in investment decisions, as major factor in financial markets speculative game, this collecting point of tensions will still be a risk provider itself, deepening the market volatility on credit and market values assessment dimensions.

The **exchange rate risks** are related in international affairs by that risks risen mainly from international payments uncertainties, contractual nominator volatility or future market and swaps operations trends. In global market the most important issue is related to the regional risks regarding common ratings attributed for different economies overall, with no respect regarding the real indicators that make the difference. That is because usually a currency evolution, as any other indicator, is pressured by the regional perceptions, in spite of real performance in national trade balance for example (Baldwin, 2006). It is

important to start thinking, if not globally at least regionally, about this matter, because without a real sustenance for the regional currencies within a crisis time, the exchange rates will contribute as **contagious agent** to the crisis development, crossing the effects deeply into economic and social sectors. The national reserves, as nominated in international strong currencies can't cover but partially the spoiled image of a region, and will just satisfy the creditors' withdrawal appetite only. Generally, due to the stability desiderata, the monetary policies should imperious be correlated on regional level, based on **regional common capital policies**.

Informational risks, defined by the quality of market information, represents a derivate cause from global networking factors, being factually the „red thread” of entire transaction system. The symmetric information system settled in market operations can be considered the key factor in promoting the functional independency of the markets, on the free capital movement background, as market integration and production delocalization vector on global level (Aglietta, 2005). Mostly, the market behavior is determined by the information quality, the market hazard being amplified due to the symmetry of information conveyed or received by the markets.

As it has been depicted within a previous research paper (Popa, 2007) the symmetric information system implementation should be the premises of implementing a higher speed of transactions on global markets, so that the noisy market agents to afford „non-imitative” and supportive position on market transactions, where different negative stimulus are inducted (see figure no. 4). Otherwise, if an increasing transaction speed will not be correlated with an appropriate level of information, as globally opportune and symmetric, the market pressure will go higher based not to fundamentals but just on behavior reasons, the market's liquidity being affected as a primary model for a further functional crisis.

The **liquidity risk** represents one the most important indicator in the market consistency evaluation, counting all valences tied to interest risks, insolvency risks and exchange risks, considered together with informational conjunctures risks. Liquidity, defined based on market deepness, describes the consistency of market operations, on the background of different overreactions of financial markets, proving the capacity of the market forces to compensate all the operations at the moment (Tirole, 2002).

Related to the liquidity risk, the **behavior risk** comes out as the major dilemma of the contemporary financial markets and not only. The liquidity risk is a static picture of cumulated behaviors on the market against all other risks (as the market value, credit of exchange rates risks, approached above). As having the most visible effects coming from all other together, the solution of creating an *international clearing house for crisis times* sustained by international financial authorities becomes very pertinent and useful to break, earliest possible, the contagious spiral of functional deficiencies in its development toward systemic crisis (Soros, 2007). The guarantees for clearing the market transactions by rolling up maturities on crisis time is easier and chipper than to try satisfying the sudden needs for liquidity, based on environment misjudgments or other speculations.

The **institutional risk** is referring to those variables related to the capacity of monetary and financial institutions to prevent and to govern individually or into an international cooperation formula, the functional crisis and systemic crisis on global level. It is well known that the policies applied by the authorities will mark the reactions as far as the assurances provided or different interventions will diminish, or after case will increase the trust in market future evolutions (World Economic Forum, Geneva, 2009). On the other hand the internal problems of some of these institutions will put under the question mark its capacity to act as from the last borrower position anymore. A good example in this respect is the International Monetary Fund case from 2007 when due to the past financial assistance operations shortages the institutional incomes had decreased remarkably and the markets reacted negatively, losing a strong point in market solvency

guarantee. From a qualitative perspective, following the imperative for capital global policies implementing, a predefined code of market behavior in crisis time should help the institutional framework in its efforts to be predictable as market actor, interfering in crisis mitigation processes.

Finally, the **global networking risks** brings in the first stage the disadvantages resulted from the speed gap between the market reaction and decision making chain, in connection with the institutional framework capacity to intervene dynamically in system adjustments and settlements. Once integrated, the financial markets took over simultaneously a complex set of systemic variables, quite heterogeneous as content and relevancy. Among these variables we can count worldwide diversity, social-political dimensions, cultural perspectives, living standards disparities, national policies, ITCom network development and so on. Nowadays the networking risks play a significant role both in developing the crisis in the prior stages (from gaps and differences manifesting in nodes behavior), but also in next contagious phases, when makes technically possible the effects transmission on regional and international level.

Synthetically, the mechanism of risk assessment and the crisis determination chain development is drawn in figure no. 5 (Popa, Beizadea, 2010).

The basics of assessment system is functioning primary based on the financial agents industry deeds, but only after considering the information system outputs, materialized in technical endowment parameters and also in data transfer parameters, acknowledged as work hypothesis. These data are following to be expressed in quantitative manner, but also in qualitative expression further, as next step in undertaking decisions. The market behavior modeling factors for technical procedures in risk assessment, come out either from financial environment itself on different levels (as in the case of capital minimum requirements and adequacy standards in banking system), or even from internal environment (as organizational objective, politics or strategies on short and long run).

Through these instruments and methodologies, worked out based on normative framework or organizational values basis, information are selected, analyzed and adapted, further on the financial market actors behaving individually in decision making processes, just considering these data or interpreting it, based on own particular perceptions. All these transactions in market decision making chain determine the dynamic profile of the market, as its wideness and deepness, described through different environment variables, conveyed dynamically by the global networks of financial transactions. Afterwards in this stage are introduced in the system new variables, more complex and more difficult to be assessed, as being more qualitative than quantitative, called **integrative system variables**. As result of these variables qualitative evaluation, considering the quantitative liquidity indicator (and not only), the market reactions are overtaken. These reactions becomes impersonal when are subordinated to a generalized market behavior, as trend or attitude, the preserving interest prevailing, from the perspective of an market entity dynamic goals, seen as self-integrated component into the global system. The major problem is issued by the incoherence of risks dynamic calculation in ratio with market tendencies and with anticipated behaviors, but on different moments of a portfolio management. The behavior usually is depending by many other factors than rational one, this situation deepening the importance of a new way of thinking in financial markets design for the future.

4. Conclusions

The attention of governing processes in financial design has been oriented toward early warning systems, or toward evaluation risk methodologies, but not enough for now, like the previous event shown. The service of prudential norms can't be extended over the hazardous behavior of markets, the game being independently one, with more qualitative features than quantitative as it would be seemed for the beginning. That is why would be a great progress if the crisis prevention or mitigation methodologies will further contain not just quantitative targets, but also qualitative variables, as market behavior limits or even action scenarios predefined for crisis time, just to make the dynamic status of the markets more predictable.

Markets predictability is a concept related more to *qualitative dimensions* of global governance and should be described more as a model than a concept, consisting in different transparent international procedures for acting in different crisis stages. Examples of new **global capital policies**, based on *global transparent informational systems*, *predefined development cycles framing* and *policies market values ceilings*, all of them settled on global basis, can be good examples for next decision steps in designing a networking-based system for a future sustainable globalized world.

The neo-liberal way of thinking, as the closed systems option, could be extreme points in the new perspective, the networking being related more to behavior limits settlements on market dynamics, than the comprehensive controlling attitude of the system. Thus, thinking about a new international monetary and financial architecture design, very close to a system perspective, as able to generate models and scenarios for collective behavior and predictable scenarios, becomes very plausible nowadays. As any freedom deeds this frame should be governed not stopped, should be controlled in the predicted limits and not over centralized. For this reason not the matrix or the brief description as depicted is important itself as result of this essay, but the actual imperative of judging all the pieces together, as the core of the next global policies. Or if we should consider all variables together within a frame, the qualitative approach should be a solution. Developing international procedures and an international code for financial ethics on crisis time can be proper solutions to balance the liberal imperative together with the common interest of global stability.

5. Tables and pictures:

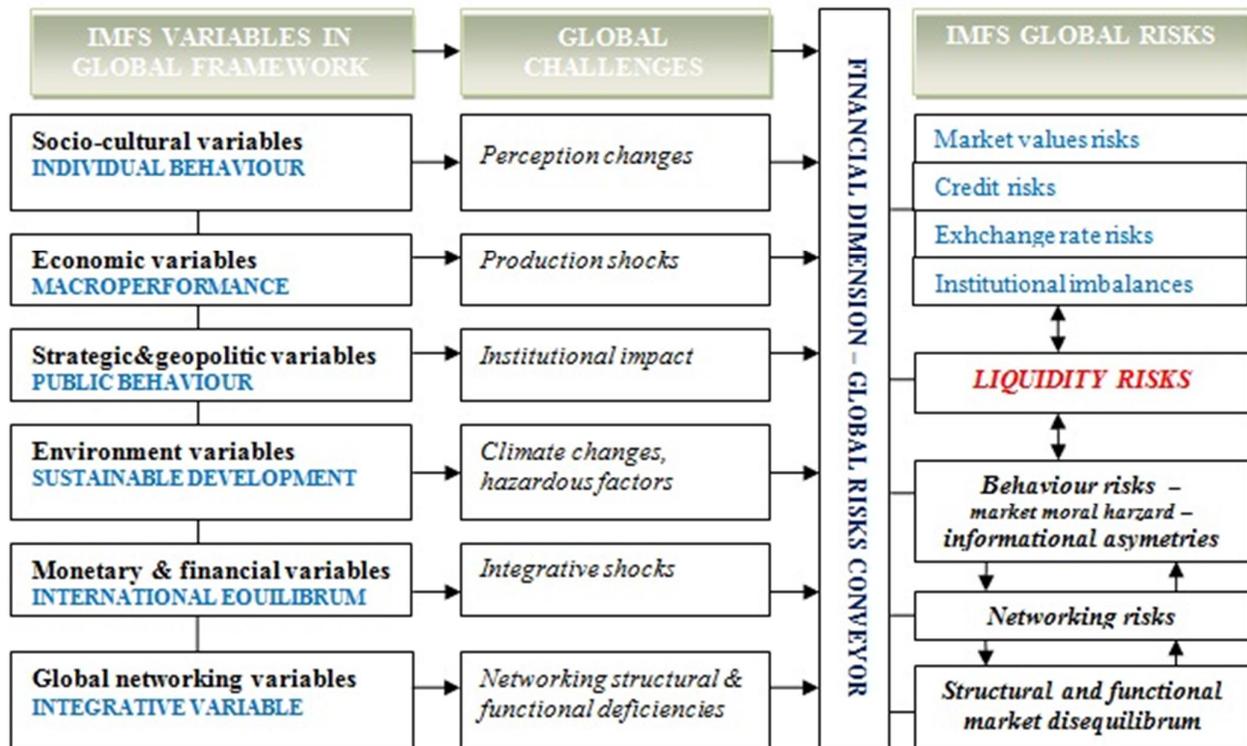


Figure No.1: Financial system role in risk development within global framework (Popa, Ionescu, 2010)

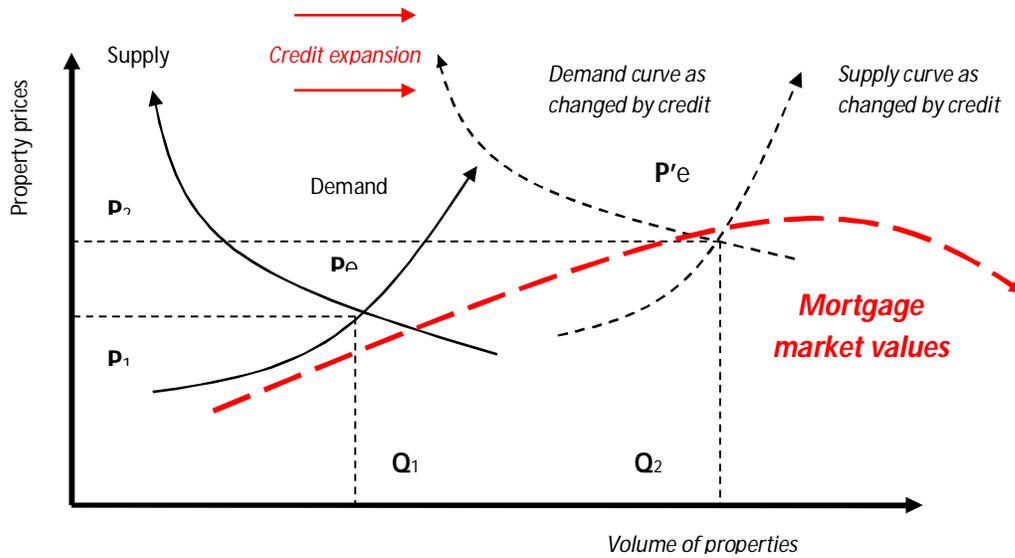


Figure No.2: Market value adjustment cycle in relation with mortgages over valuing cycle

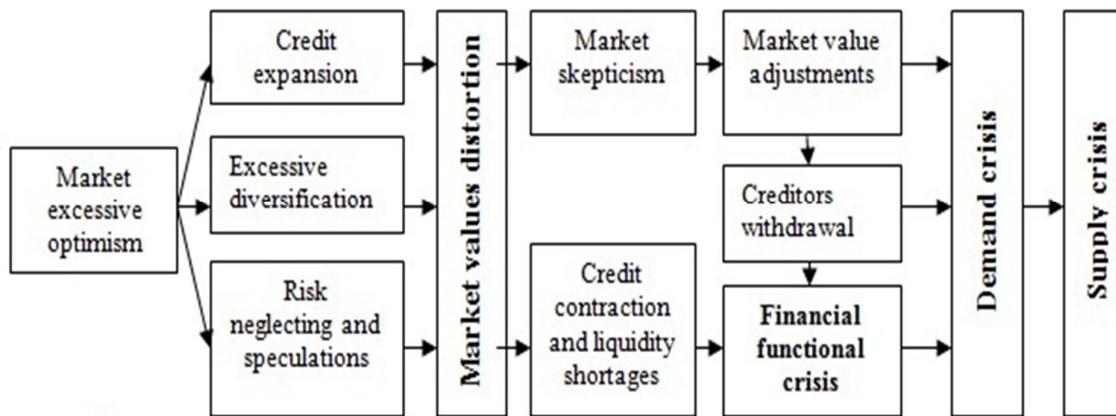


Figure No.3: Self-feeding spiral of market value perception

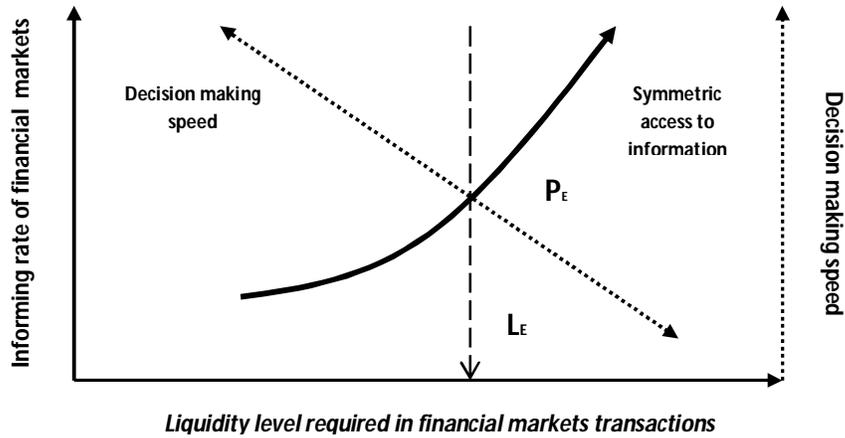


Figure no. 4: The liquidity requirements depending of informing rate of the market and the decision making chain speed on financial market

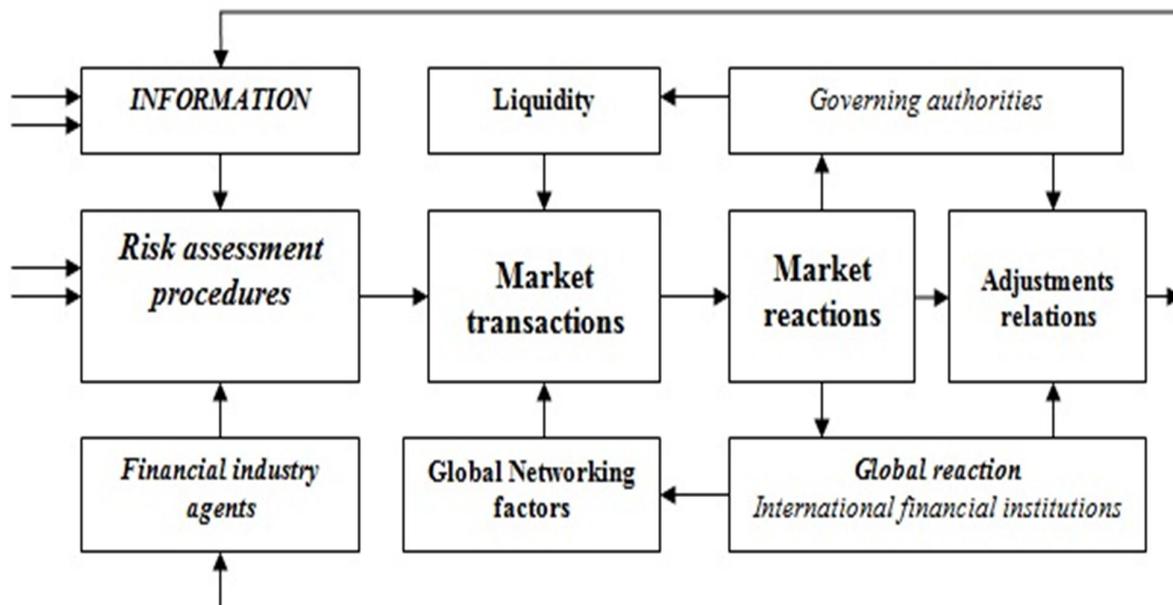


Figure No. 5: The mechanism of risk assessment in relation with the crisis development chain

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