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THE ROLE OF FINANCIALIZATION IN BANKING SECTOR INSTABILITY

Abstract

The causes of the global financial crisis are observed in the various aspects of the functioning of the financial system. It is pointed out that this was excessive bank lending, the development of modern financial instruments – derivatives, increasing role of securitization process, incorrect ratings of the financial instruments of the credit rating agencies, inadequate macroeconomic policies, in particular monetary and fiscal policies, development of the shadow banking market, increase in systemic risk or changes in the management of financial institutions. However, there is one more problem in the global economy. This is the growing importance of the financial sphere, which has started to affect and determine the real economy. This process, known as financialization also increases the risk of instability in the financial system and the role of banking institutions in maintaining the stability of the whole economy. The main aim of the study is to analyze the importance of the financialization process, which is observed in the global economy, in destabilizing the banking sector. The study also identifies its consequences for the framework of the modern banking sector and the functioning of individual banking institutions.

Keywords: *financialization, financial instability, banking sector instability, global financial crisis.*
JEL Classification: *G01, G21, F65.*

Introduction

Financialization might be interpreted as a process in which markets and their participants gaining the more influence on the functioning of enterprises/companies and the framework of financial system. Financialization changes the functioning of the economic system, both at the macro- and microeconomic level. It results in increasing the importance of the financial sector in relation to real sector, transferring the income from the real economy to the financial sector and contributing to the growth of inequality income and stagnant wages.

In intellectual terms, financialization is inspired by the work of M. Friedman and the Chicago-school in modern economics. This doctrine and a neoliberal thought encouraged R. Reagan and M. Thatcher to implement broad deregulatory reforms that have increased the development of financialization. The second stimulus of economies' financialization, was the collapse of the world monetary system in 1971 and break the link between the main currencies and gold. Then, governments and central banks have obtained the freedom to issue paper money. There was seen the increasing uncertainty and risk, which contributed to financial fragility, economies' vulnerability to crises and infections, as well as financial speculation. The third factor in the growing financialization was the excessive financial liberalism, which was intended to lead to financial development, mainly by increasing the share of the financial sector in GDP.

1. The essence of the financialization process

In the last three decades, there have been significant changes in the functioning of financial markets, which might be referred to the example of the industrial revolution – as the financial revolution. They have become the source of significant transformation of the global financial markets. At the same time, they form the basis of a number of economic, political, legal, social, and technological phenomena[1]. Despite their undeniably positive impact on the financial system, they caused (due to their scale, role and development) that it has become more "fragile" and vulnerable to instability. The most important changes in the international financial markets are:

- Globalization – which led to the financial markets integration, causing that they became more open systems of the world economy; its manifestation is the increase of relationships and linkages between economies, financial markets and banking institutions.
- Deregulation and financial liberalization – indicating the removal of restrictions on the banks' activity and abolition of barriers to transfer capital between countries.
- Disintermediation – a process of gradual reduction of the banks' role in raising capital for companies.
- Technical and technological progress and the development of new banking products – technical and technological innovations lead to the development of advanced financial engineering instruments, channels of their distribution and risk management methods; the basis of these changes was the rapid development of information technology and telecommunications, and extensive use of the Internet, allowing access to information and reaching out to a wide audience of financial services, affecting to the deepening of the financial market and increase its liquidity.

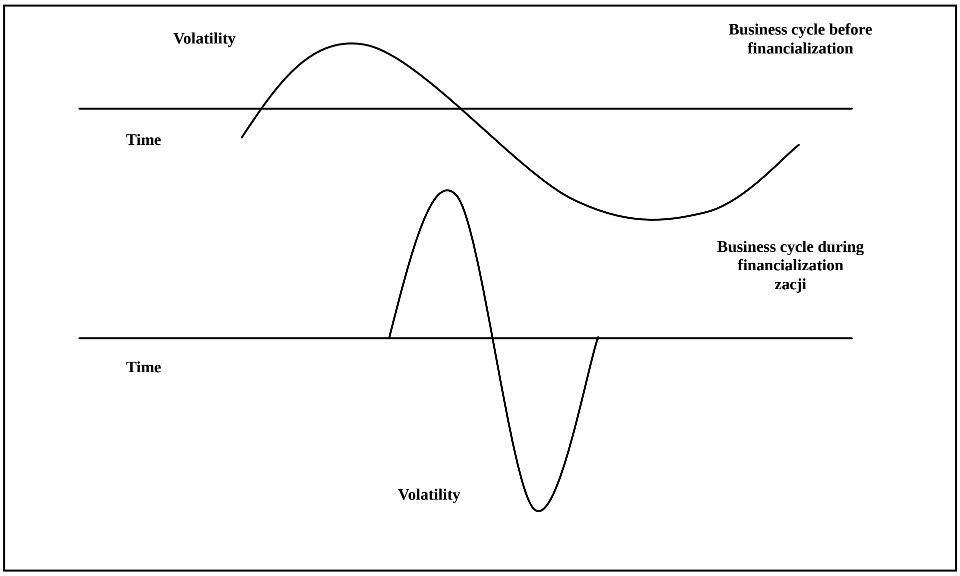
1 *Banks in Poland. Challenges and Development Tendencies*, ed. W.L. Jaworski, Poltex, Warsaw 2001, p. 13.

- Consolidation (mergers and acquisitions) and economic expansion (cross-border) – banks' business conditions have changed as a result of opening up financial markets for foreign competitors; strong competitive pressure and the need to take appropriate actions to cope with the increasing competition, resulted in a number of mergers, acquisitions and strategic agreements on local and international markets, which were supposed to bring economies of scale[2].

The current period of the global economy is determined by the following process of financialization. The literature indicates that it was one of the causes of the financial crisis the twenty-first century. Financialization means *a situation in which the elite and financial markets gain more and more influence on economic policy and the effects of management*[3]. Semantically, it is similar to the concept of "stock exchanging"[4], "bankokration"[5] or "financial capitalism"[6]. The definition of financialization indicates on the particular and growing role of the financial sphere and financial criteria in the functioning of economy and in economic and social life. Thus, financial sphere becomes a dominant participant of the market, growing over the traditional role of supporting and complementing the real economy. The situation prevailing in the international monetary system since the collapse of the Bretton Woods system, contributed to the development of financialization as an international phenomenon[7]. The multitude of ores systems and the lack of commonly accepted rules of market's functioning, encouraged and facilitated the participants' speculation. The more that the traditional speculation was based mainly on the use of arbitration. The modern speculation involves the inflation of financial assets, as well as creation speculative bubbles with a financial nature. Financialization also led to changes in the shape of business cycle, by shortening the cycle and increasing its volatility. In particular, these changes are seen in the periods of prosperity and depression (Figure 1).

[2] A. Ostalecka, *Banking Crises and Methods of Their Overcoming*, Difin, Warsaw 2009, pp. 15-19.
[3] M. Ratajczak, *Financial Crisis and the Development of Economics as a Science* [in:] *Studies of Central Banking and Bonetary Policy*, ed. W. Przybylska-Kapuścińska, Difin, Warsaw 2009, p. 19.
[4] T. Kowalik, *www.PolskaTransformacja.pl*, Muza, Warsaw 2009.
[5] R. Gwiazdowski, *Bankokration*, „Przekrój" October 23, 2008.
[6] J. Toporowski, *My Poland and My Approach to Economics*, http://www.pte.pl/314_ekonomisci_polscy_w_swiecie_pte.html (28.12.2012).
[7] K. Polanyi Levitt, *The Great Financialization*, www.karipolanyilevitt.com (29.12.2012).

Figure 1. Changes in business cycle as a result of the process of financialization



Source: Based on: C.O. Roche, *The Destabilizing Force of Misguided Market Intervention*, Working Papers Series SSRN, May 8, 2011, p. 6, http://ssrn.com/abstract=1867524 (12.12.2013).

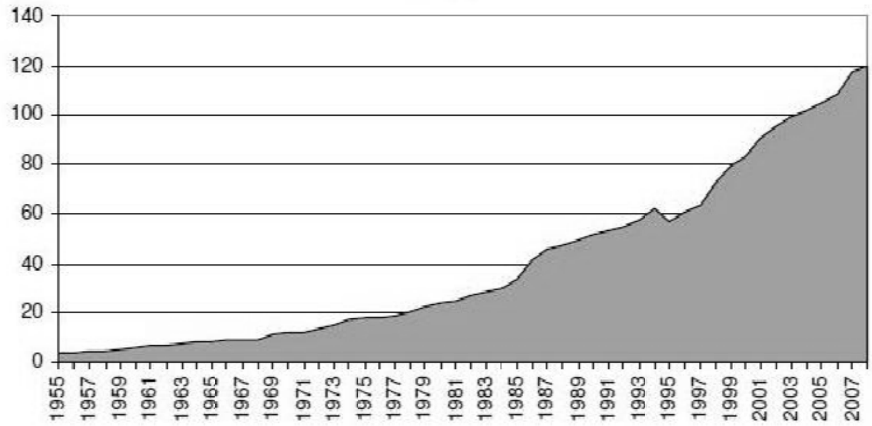
The term of financialization is defined in the narrow and broad sense. In a narrow sense, it is understood as the growing importance of financial operations in the activity of non-financial companies (Figure 2). It is resulted in a change in income streams, where there are increases the share of income from financial activities, in relation to benefits from the traditional operating and investing activities. Financialization – in the narrow sense – is regarded as one of its manifestations in broad sense. In a broad sense, it includes elements typical for tradition of institutional analysis in which economic events are closely related with phenomena from other areas of social life. So that, financialization is a process of financial sphere autonomization in relation to the real economy, and even its superiority over the real economy. Financial markets and elites gain more and more influence on economic policy (in the micro-and macroeconomic meaning), and the effects of management[8]. There is also a view that financialization of the economy is a new stage of capitalism – financial capitalism, rentier capitalism, "clipping coupons" and bankokration[9]. With the refer-

8 *Financialisation and the World Economy*, ed. G.A. Epstein, Edward Elgar Publishers, Northampton 2006; E. Stockhammer, *Financialisation and the Slowdown of Accumulation*, "Cambridge Journal of Economics" 2004, No. 5; R. Boyer, *Is a Finance-Led Growth Regime a Viable Alternative to Fordism? A Preliminary Analysis*, "Economy and Society" 2000, No. 1.

9 J. Froud, C. Haslam, S. Johal, K. Williams, *Financialisation and the Coupon Pool*, "Gestão & Produção" 2001, No. 3.

ence to the Keynesian tradition, this is a "casino capitalism"[10], which means a situation when the accumulation of capital becomes a by-product of gambling game and entrepreneurship is mainly based on speculation. Some economists in financialization see the end of capitalism (which does not mean the end of a market economy) and the creation of a financial and political complex, which its influence and importance exceeds the role of the past military-industrial complex[11]. Supporters of the Marxist tradition, determine the financialization as a monopolist and financial stage of the capitalist economy[12]. It is also one of the manifestations of the transition from democracy to plutocracy – the world of money and its depositors. According to W. Buffett, nowadays United States aims to plutocracy, where the state is controlled by very rich people, not the general public[13].

Figure 2. Financial sector as a percentage of GDP



Source: The Federal Reserve System; Y. Nersisyan, L. R. Wray, *The Global Financial Crisis and the Shift to Shadow Banking*, Working Paper, No. 587, Levy Economics Institute of Bard College, February 2010, p. 7.

Financialization also leads to significant changes in management and ownership, especially large enterprises (Figure 3). Institutional owners represent so called impatient capital, looking for unconventional profits in the short term[14]. Owners of the financial sphere treat their part in the real sector as one of its regu-

[10] J.M. Keynes, *The General Theory of Employment, Interest and Money*, PWN, Warsaw 1985.

[11] R.B. Freeman, *It's Financialisation!* "International Labour Review" 2010, No. 2; E. Mączyńska, *Is it Old Age?* "Bank Newspaper" April 7, 2009.

[12] J.B. Foster, *The Financialization of Capitalism*, "Monthly Review" 2007, No. 11; G. Isaacs, *Contemporary Financialization: A Marxian Analysis*, "Journal of Political Inquiry" 2011, No. 4, p. 17.

[13] „Puls Biznesu" March 23, 2011, p. 9.

[14] P. Rossman, G. Greenfield, *Financialisation*, „Education Ouvière" 2006, No. 1.

lar and alternative forms of capital investment, rather than long-term, development--oriented investments. Shortening the investments' time horizon has led to excessive exhibition a group of indicators in economic and financial analysis, taking into account the short-term profitability, over the long-term company's stability[15].

Figure 3. Financialization channels

Source: Based on: T.I. Palley, *The Macroeconomics of Financialization: A Stages of Development Approach*, "EKONOMIAZ" 2009, No. 72, p. 39.

2. The impact of financialization on destabilizing banking sector

The changes, that can be observed with increasing role of financialization at the current level of economic development, cause that this phenomenon is seen as a source of a threat for the stability of the banking sector. Economists, such as J. Tobin and H. Minsky, drew attention to the negative elements of financialization. J. Tobin, Nobel laureate in economics in 1981, states that "[...] more and more resources are invested in financial activity, rather than in the production of goods and services, that generates high private profits, disproportionate to its social utility"[16]. Financialization has caused a deepening of information asymmetry when it comes to relations between customer and supplier in the sphere of financial products. Highly advanced financial instruments cause that even credit rating agencies that should – on behalf of other market participants – assess the risk of the instruments, fall victim to information asymmetry themselves. In the perspective of new institutional economics, it includes another threat to the stability of the banking sector. This applies to the spread of rent-seeking, which leads to the violation of fundamental rules of trust between seller and buyer of financial products.

[15] J. Froud, C. Haslam, S. Johal, K. Williams, *Shareholder Value and Financialisation: Consultancy Promises, Management Moves*, "Economy and Society" 2000, No. 1; K. Williams, *From Shareholder Value to Present-day Capitalism*, "Economy and Society" 2000, No. 1.

[16] J. Tobin, *On the Efficiency of the Financial System*, "Lloyd's Bank Review" 1984, No. 153, p. 14.

A negative consequence of financialization is also a process of asset securitization, which is a off-balance sheet source of funding for banks to improve the indicators, the releasing costly capital and locating it in the other activity and increasing lending activity, without the fear of failure to meet the capital requirements for credit risk. On the other hand, securitization, as a method of managing banks' credit risk, may bring a serious threat to the whole sector. Banks are able to increase the level of debt, by increasing the scale of their lending activity. At the same time, credit risk – during the issuance of securities based on credit claims – is not redeemed. It is still in the system. It is only transferred to other entities. Therefore, borrowers' insolvency threatens to the stability of the whole banking sector.

As a result of financialization is restriction of the role of traditional banking institutions as intermediaries in the capital market and increase the liquidity in financial markets at international level[17]. Modern financialization of the economy is, in fact, the next phase of searching for new methods how to maximize profits in the money form. Referring to capitalism, in accordance with the economics of John Maynard Keynes, it should be thinking about monetary-commodity economy with the relation of: money (M) → commodity (C) → money (M')[18]. Not according to the traditional view, where commodity-monetary economy is defined as the relation of: commodity (C) → money (M) → commodity (C'). Because money is a fundamental element of the modern world, and commodities – only way to increase the money resources.

Manifestations of financialization of global economy are therefore considered as causative factors of modern banking sector instability. These are the reasons that were a direct source of destabilizing the conditions of functioning of the sector. Moreover, their escalation turned into the instability of the financial system, and finally the global financial crisis. These manifestations include: the growing role of "invisible transactions" and the development of the derivatives market. It caused the dissemination of a new form of ownership, with no awareness of being a co-owner, and the ownership, which is not accompanied by any rights and obligations. The derivatives' owner can be even interested in the bankruptcy of the company (rather than a stability) which activity is a source of creation an instrument, or significant events' volatility, affecting on the valuation of instruments and the possibility of gaining a speculative rent/profits[19]. It is estimated that approximately 75%-80% of total financial turnover, on a global scale before the crisis, was related to transactions involving derivatives, which were not accompanied by any flow of goods or finan-

[17] E. Engelen, *The Case for Financialization*, "Competition & Change" 2008, No. 2.
[18] J.B. Foster, *The Financialization of Capitalism,* op. cit.
[19] D. Wigan, *Financialisation and Derivatives: Constructing an Artifice of Indifference*, "Competition Change" 2009, No. 2.

cial services[20]. Significant role is ascribed to market derivatives, in particular credit derivative instruments (*Credit Default Swap* – CDS). Especially that, the value of the CDS market in 2000 was close to zero. In 2007, the market was estimated for about 60 trillion USD, while the value of the whole derivatives market for 600 trillion USD. CDS market is considered as one of the indicators to measure the risk of instability in the banking sector because it illustrates by the perception of the credit risk of the issuer. The level of complexity of advanced financial engineering instruments have caused that they became illegible to their customers and difficult in terms of quantifying the risks, that accompanied them, even by their creators or experts (such as credit rating agencies).

The significant role of financialization of the global economic in increasing banking sector instability is also seen in growing importance of financial institutions and their incomes in the economy as well as the scale of financial leverage of their activity (Table 1). In the 80s of twentieth century, banks which were listed in the United States, accounted about 5% of the market capitalization and represented approximately 10% of the profits of all listed companies. In turn, in 2007 it was accordingly 25% and 40%[21]. In Iceland, where three largest banks (Glitnir Bank, Kaupthing Bank, Landsbank Islands) was nationalized during the crisis, leading to the collapse of the domestic banking sector, the value of banks' assets in 2008 – on the eve of the collapse – was the equivalent of 10 times the country's GDP. This illustrates the significant role of the stability of the banking market for the Iceland macroeconomic stability.

Table 1. Overview of banks with the highest percentage of total assets in relations to GDP in 2008

Name of bank	Country of origin	Asset /GDP ratio*	Total assets (in bln USD)
1	2	3	4
UBS AG	Switzerland	3,723	1 852
ING Group NV	The Netherlands	2,218	1 813
Credit Suisse Group	Switzerland	2,126	1 058
Danska Bank A/S	Denmark	1,972	652
Dexia	Belgium	1,904	900
HSBC Holdings Plc	United Kingdom	1,707	2 437
Barclays Plc	United Kingdom	1,412	2 939
The Royal Bank of Scotland Plc	United Kingdom	1,282	2 669
BNP Paribas	France	1,042	2 824

[20] M. Ratajczak, *Financialization of the economy*, „Ekonomista" 2012, No. 3, p. 291.
[21] Ibid.

table 1 cont.

1	2	3	4
KBC Group-KBC Groep NV/ KBC Groupe SA	Belgium	1,011	478
Bank of Ireland	Ireland	0,991	302
DBS Group Holdings Ltd	Singapore	0,919	164
Banco Santander SA	Spain	0,910	1 387
Allied Irish Banks plc	Ireland	0,896	240
Deitsche Bank AG	Germany	0,870	3 021
Crédit Agricole SA	France	0,825	2 235
Skandinaviska Enskilda Banken AB	Sweden	0,767	311
DbnB Nord SA	Norway	0,690	250
Erste Group Bank AG	Austria	0,670	265
Svenska Handelsbankem	Sweden	0,659	267
United Overseas Bank Limited UOB	Singapore	0,658	118
Oversea-Chinese Banking Corporation Limited OCBC	Singapore	0,648	116
BOC Hong Kong (Holdings) Ltd	Hong Kong	0,634	137
UniCredit SpA	Italy	0,631	1 374
Standard Bank Group Limited	South Africa	0,617	151
Société Générale	France	0,563	1 526
National Australia Bank	Australia	0,555	503
Swedbank AB	Sweden	0,549	222
Millennium bcp-Banco Comercial Português SA	Portugal	0,538	124
Anglo Irish Bank Corporation Limited	Ireland	0,505	139

* Including banks which ratios exceeds the level of 0,5.

Source: Based on: A. Demirgüç-Kunt, H. Huizinga, *Are Banks too Big to Fail or Too Big to Save? International Evidence from Equity Prices and CDS Spreads*, European Banking Center Discussion Paper No. 2010-15, Center Discussion Paper Series No. 2010-59, January 2, 2010, pp. 29-30; http://www.ebs.edu/fileadmin/redakteur/funkt.dept.economics/Colloquium/Too_big_to_save_May_14.pdf. (3.02.2013).

Financialization promotes also so called finance democratization[22]. The development of markets and financial instruments, and the possibilities which offer the securitization process, allow companies even with very low creditworthiness to use a credit for example for purchasing a real estate, which in turn opens the way to further consumer spending, in connection with increasing the value of the acquired property. At the same time, this is accompanied by a high credit risk

[22] J. Montgomerie, K. Williams, *Financialised Capitalism: After the Crisis and beyond Neoliberalism*, “Competition & Change” 2009, No. 2.

and the risk of collapse of the banking sector, as a result of the borrowers' insolvency and the decline in value of the property, which was confirmed by the collapse of the subprime mortgages market in the United States.

The stage of financialization, which led to an intensification of modern banking sector instability, were also the actions of particular countries, disrupting the effectiveness of self-regulation market. It was a restriction of financial markets' supervision and the repeal of *Glass-Steagall Act* in 1999, which prohibited the banks to combine deposit and lending activities with investments. These changes began the period known as a "deregulation of the banking sector", and therefore a significant liberalization and the abolition of restrictions imposed on the banking institutions. The countries' macroeconomic policies contribute to these processes. In the monetary policy, it included too long-lasting very low interest rates policy at the beginning of the twenty-first century, which encouraged to take a credit and excessive indebtedness and at the same time to look for alternative forms of capital investment compared to traditional bank deposits (e.g. investments in mutual funds). Fiscal policy has also caused the increasing of instability. On the one hand, it was related to the tax solutions and the abolition of tax progressivity, which resulted that the richest social group invested their excessive income in financial instruments, rather than additional consumption[23]. On the other hand, it was connected with the borrowing needs of the state in order to finance the budget deficit and public debt. These needs lead to the creation of new financial instruments, based on the public debt.

The deregulation of the banking sector caused the explosion of the global banking market. It has began the process of "conglomeration", during which big financial institutions has formed, and which engaged in operations on several segments of the financial market (Table 2). This was a situation when Systemically Important Financial Institutions (SIFIs) have been established. Their economic and financial standing started to determine the condition of the banking sector[24]. There were also created institutions called "too big to fail"[25], which failure would threaten the stability of the banking sector. Financial liberalization was continued by the lack of regulation in the derivatives market – *over-the-counter market* (OTC market), where transactions take place directly between market participants, without the mediation of a third party (the stock exchange), made it impossible to control the market and the real risk assessment, created by the these instruments.

[23] T.I. Palley, *Financialization: What It Is and Why it Matters*, Working Paper Series, No. 153, Political Economy Research Institute, 2007.

[24] G.A. Dymski, *The Bank Merger Wave: The Economic Causes and Social Consequences of Financial Consolidation*, M.E. Sharpe, New York 1999; J.R. Macey: *The Business of Banking: Before and after Gramm-Leach-Bliley*, 25 J Corp L 691, 2000.

[25] J.F. Bauerle, *Regional Banking Outlook*, 127 Banking L J 463, 2010; A. Graham: *Bringing to Heel the Elephants in the Economy: The Case for Ending „Too Big to Fail*", 8 Pierce L Rev 117, 2010.

Table 2. Total assets of the biggest banking institutions in the world according to the ranking of *Global Finance* in years of 2000-2012 (in mln EUR)

Banks	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	1Q 2012
BNP Paribas	693 315	825 288	710 305	782 996	1 002 503	1 258 079	1 440 343	1 694 454	2 075 551	2 057 698	1 998 158	1 965 283	No data
Deutsche Bank	928 994	918 222	758 355	803 614	840 068	992 161	1 584 493	2 020 349	2 202 423	1 500 664	1 905 630	2 164 103	2 103 295
HSBC Holding	717 541	781 848	722 206	823 158	944 212	1 269 300	1 410 800	1 614 400	1 811 400	1 649 900	1 836 500	1 971 900	1 978 100
Barclays	502 707	582 484	617 985	629 330	760 584	1 342 600	1 463 400	1 668 700	2 144 500	1 553 800	1 737 600	1 871 000	No data
Royal Bank of Scotland	508 771	602 488	631 689	645 039	831 163	1 128 300	1 279 400	2 502 800	2 508 700	1 911 600	1 695 500	1 803 200	1 682 800
Bank of America	683 546	698 376	628 768	586 155	819 144	1 091 700	1 106 800	1 176 500	1 302 900	1 556 200	1 694 500	1 642 800	1 636 300
Credit Agricole	535 661	495 067	505 718	785 731	817 402	1 061 443	1 261 296	1 414 223	1 653 220	1 557 342	1 593 529	1 723 608	1 723 200
JP Morgan Chase	761 414	779 035	722 391	613 588	853 680	1 013 200	1 024 700	1 071 200	1 558 800	1 417 900	1 584 300	1 748 300	1 740 400
ICBC	514 085	588 851	549 423	438 217	451 827	676 072	729 491	816 034	1 024 500	1 204 500	1 528 000	1 895 700	1 956 700
Citibank	960 309	1 181 000	1 044 500	1 006 100	1 094 800	1 262 600	1 428 700	1 500 000	1 389 300	1 295 500	1 431 900	1 445 900	1 458 500
Mizuho	No data	No data	No data	1 041 300	1 075 400	1 029 200	1 048 900	953 256	978 105	1 162 000	1 235 700	1 368 200	1 338 900
Bank of Tokyo Mitsubishi	760 286	813 208	698 248	618 487	684 574	673 536	1 127 200	991 309	986 909	1 223 700	1 305 600	1 387 900	No data
ING Group	650 172	705 119	716 370	778 771	876 391	1 158 639	1 226 307	1 312 510	1 331 663	1 163 643	1 247 005	1 279 228	1 241 729
China Construction Bank	No data	No data	328 719	342 064	348 489	480 209	529 282	620 050	793 338	983 589	1 227 400	1 504 300	1 581 200
Banco Santander	348 872	358 116	324 208	351 780	664 486	809 107	833 873	912 915	1 049 632	1 110 529	1 217 501	1 251 526	1 283 349
Bank of China	No data	No data	No data	382 089	380 157	496 368	517 967	563 012	729 941	894 523	1 187 600	1 449 000	1 535 500
Agricultural Bank of China	No data	343 078	342 364	No data	No data	499 611	519 124	498 574	736 522	907 876	1 173 700	1 430 300	1 495 600
Lloyds Banking Group	348 365	385 140	387 233	357 719	401 959	449 906	504 442	480 408	455 471	1 157 500	1 156 600	1 161 400	1 159 600
Société Générale SA	455 881	512 499	501 265	539 224	601 355	835 134	956 841	1 071 762	1 130 003	1 023 701	1 132 072	1 181 372	1 193 900
UBG AG	716 816	848 129	813 813	888 063	1 123 500	1 322 600	1 489 400	1 373 200	1 351 000	904 041	1 055 300	1 166 500	1 134 700

Source: Based on Bloomberg data.

Conclusions

Financialization is considered as one of the main causes of modern banking sector instability. At the same time, not the only one. These problems are stuck in the mechanisms of functioning of modern market economy and its capitalist nature, which is associated with the permanent prosperity idea, often associated primarily with the financial dimension. Moreover, the consequences of financialization cause the evolution of the shape of the modern banking sector and activity of banking institutions. Representatives of mainstream economics – neoclassicals, indicate that financialization of the global economy is only a manifestation of the natural changes, occurring in the market economy, and they do not give a basis to a substantial revision of the paradigms and effects which they cause for the financial system, including the banking sector.

Banking sector is considered to be crucial for the functioning of the financial system. However, with the increase of scale of banking institutions activity since the 90s of twentieth century, and especially at the beginning of new century, banking sector also began to determine the condition whole global economy. It has caused that the instability of modern banking sector, the most severe since the Great Depression, quickly spread to other segments of the financial system, and finally caused a recession of many economies in the world. This illustrates that too fast progressing financialization process, without appropriate control of his transformation of national governments, central institutions – central banks and supervisory institutions, international institutions responsible for financial stability may be a significant source of risk of the financial instability phenomenon.

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