Chapter 3
The Ethical Economy of the Capital Market

The need for capital and thus financial resources to finance firms and projects creates its own market in which capital, in its most abstract form, is bought and sold as a securitized, exchange-tradable share of a firm. This established market begets norms of practice and trade in this market, norms of exchange and norms of advice on trading, which arise in the interplay between the capital market’s factual development and the normative rules of ethics and of legislation.

The Globalization of the Capital Market

The capital market has entered a new phase since the beginning of the 1990s as a result of globalization. It has itself been globalized, which means it has become a single global market for capital. This market not only sells capital internationally but also “produces” it globally. In the past, internationalization meant that goods were produced nationally and sold internationally on global markets. Globalization implies that even the products – and not just sales – are now produced globally in a number of different countries. The precondition for globalization is the integration of the single global market by means of the Internet.

Globalization Extends the Simultaneity of Space and Compresses the Non-Simultaneous Nature of Human Time

Space, says Leibniz, is the ordering of all things that are simultaneous; time is the ordering of all things that are not simultaneous. Space and time order all things. Those things that are simultaneous are ordered by space, those that are not simultaneous, by time. All things are ordered in space and in time, i.e. spatially and temporally.

The Internet and new technologies alter the fundamental relations that order human experience, space and time, and thus alter the simultaneity and non-simultaneity of things for people. Leibniz’s definition describes absolute space and
absolute time, not human space and time. Even for human space and time, however, the definition is valid that human space is the ordering of things that are simultaneous for us and time is the ordering of things which are non-simultaneous for us. Human space is stretched by those things that a human being can access simultaneously. Human time is defined by what is not simultaneous for us. Time is things in their succession; space, things in their simultaneity. The Internet brings about a shift in the relations of simultaneity and succession and the relationship of center and periphery. It renders even distant places simultaneous that were never simultaneous for us in the past. Transactions and information over great distances, which used to be non-simultaneous and outside the decision-making scope of the individual, are becoming simultaneous and entering our decision-making scope. Transactions that could once only be executed with long time delays and did not therefore belong to the space of the human being, to our space of simultaneity, become simultaneous and grow into our decision-making space. The individual’s decision-making and action space is growing because the control of large spaces in simultaneity becomes possible.

Financial investments always comprise the element of corporate decision-making and corporate control. To the extent that effective control becomes possible across large distances, investments take on a growing spatial range and potential for control. With the help of online brokerage, an equities portfolio can be controlled from any place on Earth without high transaction costs.

The process of globalization in the 1990s led to the expansion of financial investments into territories which were not previously targets for such investments, mainly the countries of the former Eastern bloc as well as China and India. At the same time, the invention of the Internet, online banking and online brokerage created the instrument that enabled the transmission and dissemination of information about the new investment territories and brought these countries into a relationship of simultaneity and virtual proximity with the financial metropolises, i.e. these new territories were brought within “their” space.

Hand in hand with globalization which, in the domain of financial investments and financial markets, is more than just a spatial expansion, three major expansions of financial investments took place. Spatial expansion in a geographical sense was closely associated with informational expansion and the social expansion of financial investments. And the expansion of financial investments into wider sections of the population which had no previous engagement in the capital market introduces a third element, the phenomenon of debordering, to the historical dynamic towards spatial and informational expansion.

**Globalization of the Capital Market as the Driver of Globalization of the World**

The following processes, according to Klaus Müller, are commonly understood to be the defining features of globalization: