

# Economic globalization



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# Economic globalization

- is the increasing economic interdependence of national economies across the world through a rapid increase in cross-border movement of goods, service, technology, and capital

**Globalization** is centered around the rapid development of science and technology and increasing cross-border division of labor



**Economic globalization** is propelled by the rapid growing significance of information in all types of productive activities and marketization, and the advance of science and technologies



# History

- Three waves of economic globalization

|                             | <b>The First Wave</b>  | <b>The Second Wave</b>  | <b>The Third Wave</b>   |
|-----------------------------|--|---|---|
| <b>Time period</b>          | 1860-1914  | 1944-1971   | 1989-   |
| <b>Technology</b>           | Steam engine.<br>Telegraph.<br>Electricity.<br>Internal combustion engine. | Jet planes.<br>Television.<br>Communication satellites.<br>Container traffic. | Microprocessor.<br>PC.<br>Internet.<br>Mobile telephones.     |
| <b>Political Leadership</b> | Great Britain economic leader.<br>Colonialism.                             | USA economic leader.<br>Cold War.   | Multi-polar (USA, EU, China).<br>Global democratic processes. |



# Factors of economic globalization

**Advancement of science  
and technology**

**Market oriented economic  
reforms**

**Contributions by  
multinational corporations**



# Positive effects

## *1. More efficient markets*

**An efficient market** is where there is an equilibrium between what buyers are willing to pay for a good or service and what sellers are willing to sell for a good or service.



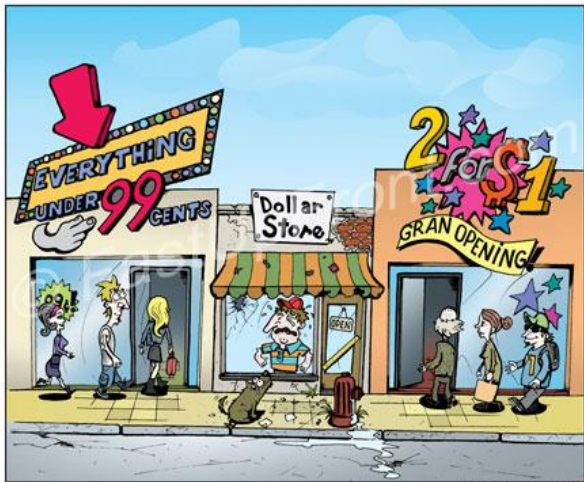
If you can improve the way you produce a good or service by doing things such as outsourcing certain processes or buying from an overseas supplier that offers discounts, you can then afford to lower your selling price which results in increased demand and affordability



## 2. Increased competition



The quality of goods and services goes up



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## 3. Stabilized security

- When your economy depends largely on another country's economy, it is hard to imagine either one of the countries attacking the other





## 4. Better conditions of living for some developing countries

- Evidence suggests that the growth of globalizers, in relation to rich countries, suggests that globalizers are narrowing the per capita income gap between the rich and the globalizing nations. China, India, and Bangladesh, who were among the poorest countries in the world twenty years ago, have greatly influenced the narrowing of worldwide inequality due to their economic expansion.







# Negative effects

## *1. Capital flight*

- Capital flight occurs when assets or money rapidly flow out of a country because of that country's recent increase in taxes, tariffs, labor costs, or other unfavorable financial conditions such as government debt defaulting, which disturb investors.



This leads to a sometimes very rapid **disappearance of wealth**, and is usually accompanied by a sharp **drop in the exchange rate** of the affected country, leading in turn to **depreciation of the currency**



## 2. Inequality

- Increasing international commerce with high barriers to entry, corporate consolidation, tax havens and other methods of tax avoidance, and political corruption



The increasingly unequal distribution of economic assets (wealth) and income within or between global populations, countries, and individuals



# 3. Tax havens

**A tax haven** is a state, country or territory where certain taxes are levied at a low rate or not at all, which are used by businesses for tax avoidance





# 4. Austerity

Economic globalization



Budget deficits



Austerity measures



These can include spending cuts, tax increases, or a mixture of the two





**Thank you for your  
attention!**