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

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

Factors of economic globalization

Advancement of science and technology

Market oriented economic reforms

Contributions by multinational corporations

Positive effects

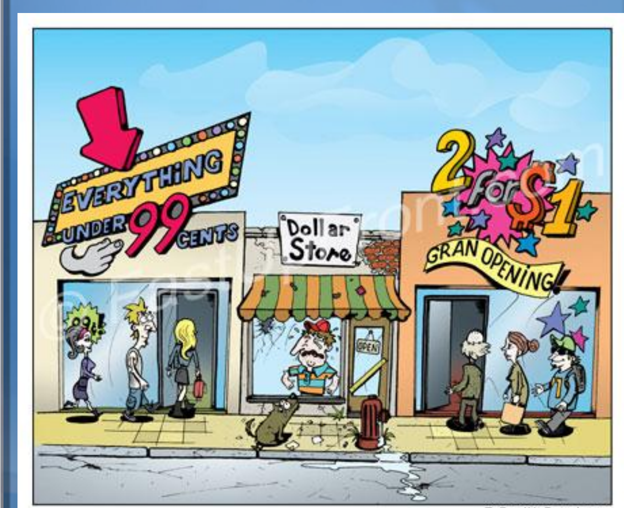
1. More efficient markets

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

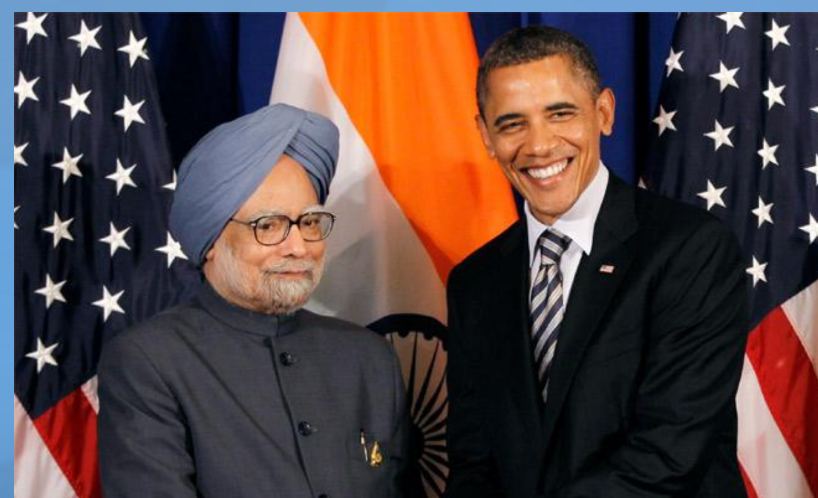
2. Increased competition

The quality of goods and services goes up



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.

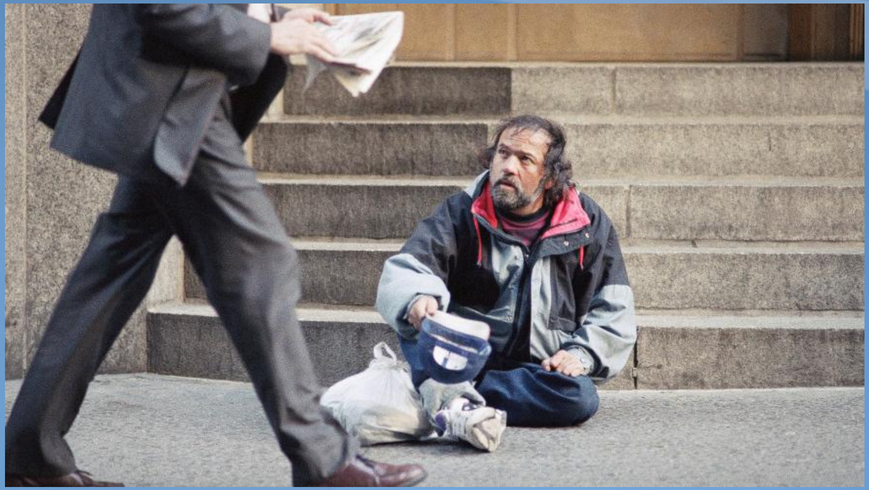
Negative effects

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

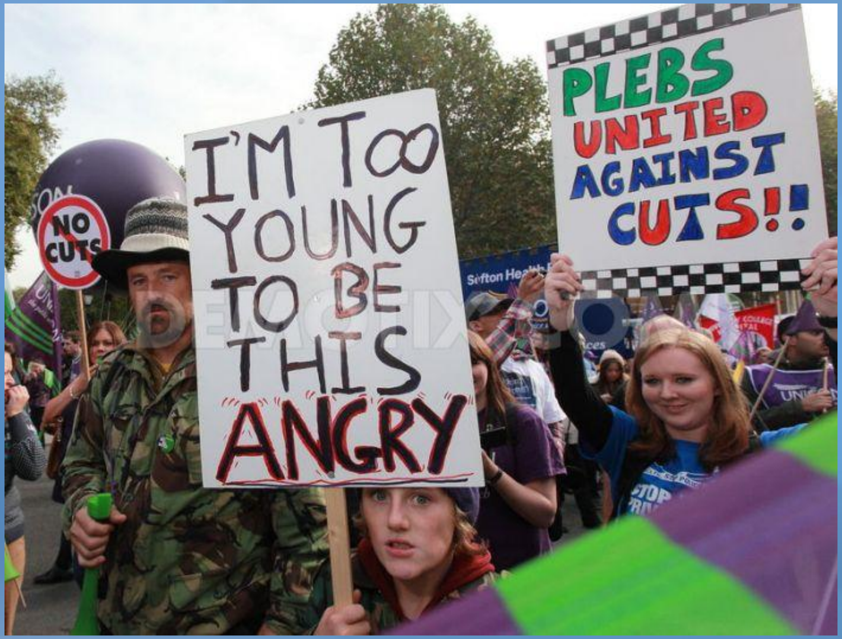
3. Tax havens

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!