

# Global Economy

## Lecture 1

Dr Wioletta Nowak, room 205 C

wioletta.nowak@uwr.edu.pl

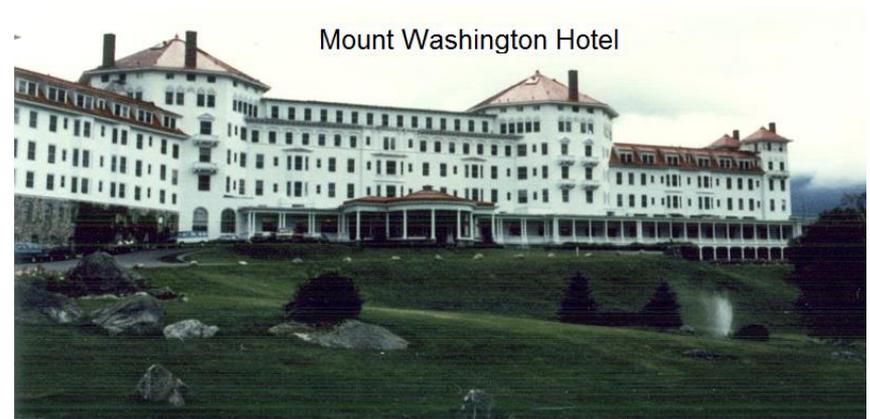
<http://prawo.uni.wroc.pl/user/12141/students-resources>

# Syllabus

- Introduction to Global Economy course.
- Defining and measuring globalization.
- Globalization in historical perspective.

# The Bretton Woods Conference (New Hampshire), 1-22 July 1944

- The United Nations Monetary and Financial Conference, 730 delegates from 44 Allied nations.
- Aim: to regulate the international monetary and financial order after World War II.
- The Bretton Woods system of exchange rate management.



# The Bretton Woods Institutions



**GATT/WTO**



The International Bank for Reconstruction and Development (IBRD)

The International Development Association (IDA)

The International Finance Corporation (IFC)

The Multilateral Investment Guarantee Agency (MIGA)

The International Centre for the Settlement of Investment Disputes (ICSID)

# Syllabus

- Measuring economic performance. Sources of economic growth.
- Development strategies.
- Stages of development of national economies in the global marketplace. From developing to emerging markets.

## **Economic Growth and Development**

- **Economic growth** is the increase in the amount of the goods and services produced by an economy over time.
- It implies only an increase in quantitative output.
- **Economic development** is the increase in the standard of living in a nation's population with sustained growth from a simple, low-income economy to a modern, high-income economy.
- It refers to social and technological progress and involves improvements in a variety of indicators such as literacy rates, life expectancy, and poverty rates.

# Economic Growth – Measures Economic Growth

- *National Income and Its Composition, 1919–1938* – published in 1941
- **Gross National Product (GNP)** is the market value of all goods and services produced in one year by labour and property supplied by the residents of a country.
- **Gross Domestic Product (GDP)** is the amount of goods and services produced in a year, in a country. It is the market value of all final goods and services made within the borders of a country in a year.

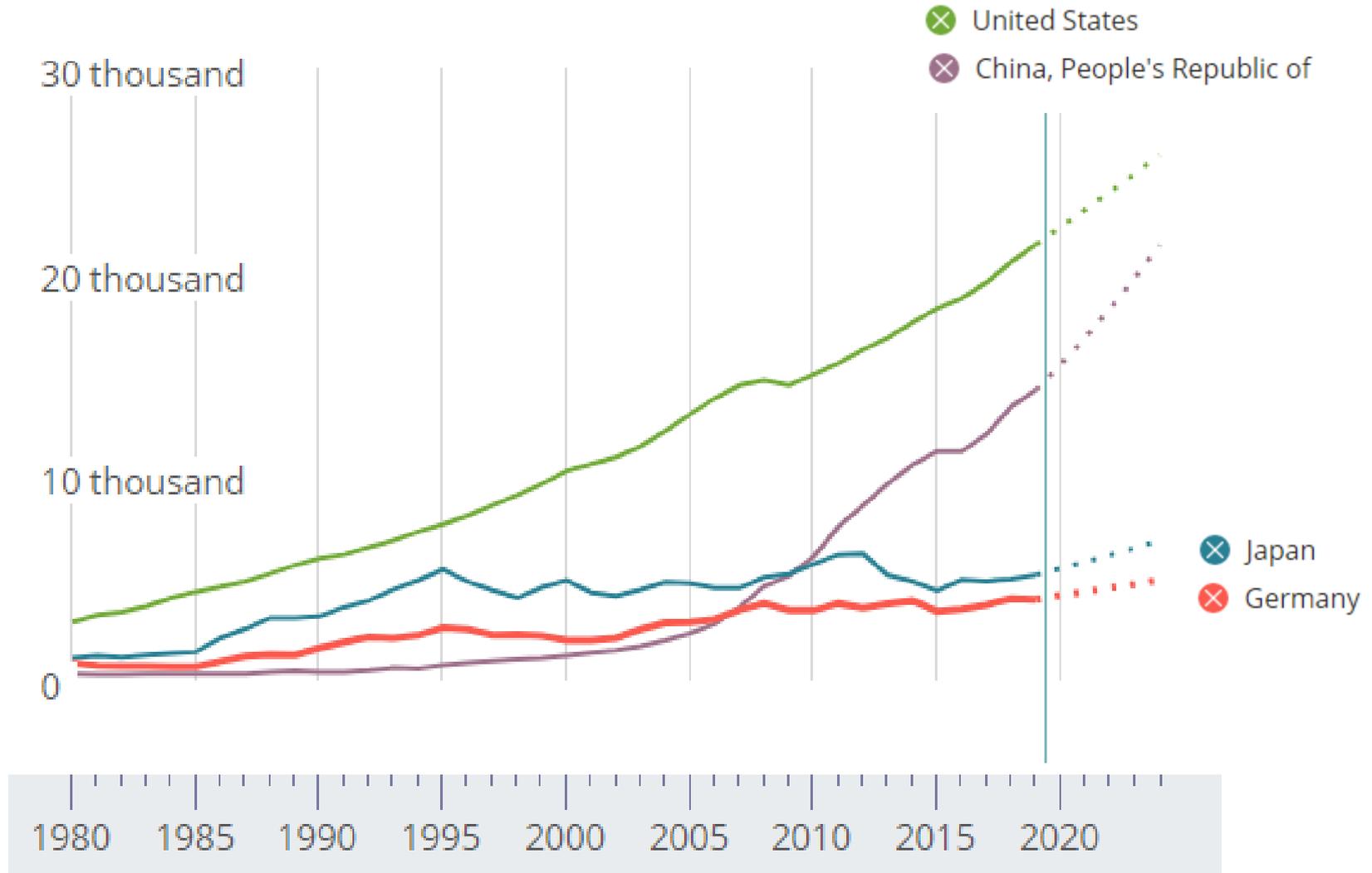
## Simon Kuznets (1901-1985)



1971- Nobel Memorial Prize in Economic Sciences

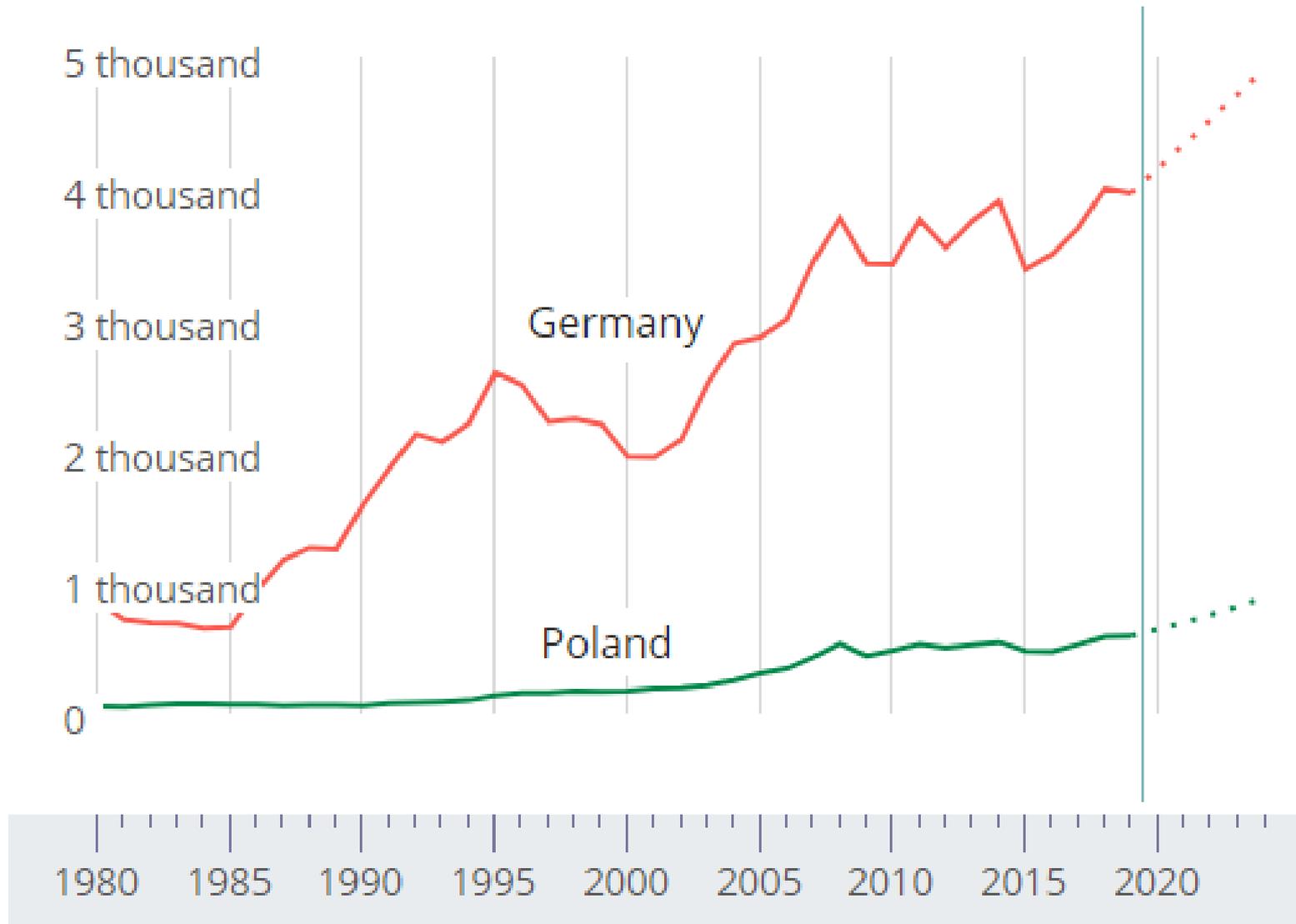
# Nominal GDP, 1980-2019, (billions of USD)

Source: <http://www.imf.org>



# Nominal GDP, 1980-2019, (billions of USD)

Source: <http://www.imf.org>



- Economic growth is measured as the percent rate of increase in real gross domestic product GDP (or GDP per capita).

## Rate of economic growth

$$\frac{GDP_1 - GDP_0}{GDP_0}$$

where  $GDP_1$  is GDP in current period,  
 $GDP_0$  is GDP in basic period.

## Growth Rate and Welfare

<b>Years</b>	<b>Country A</b>	<b>Country B</b>	<b>Country C</b>
	1%	5%	10%
0	100	100	100
10	110.46	162.89	259.37
30	134.78	432.19	1744.94
50	164.46	1146.74	11739.09

# GDP per capita and Population (World Total)

Source: *Statistics on World Population, GDP and Per Capita GDP, 1-2006 AD*, October 2008

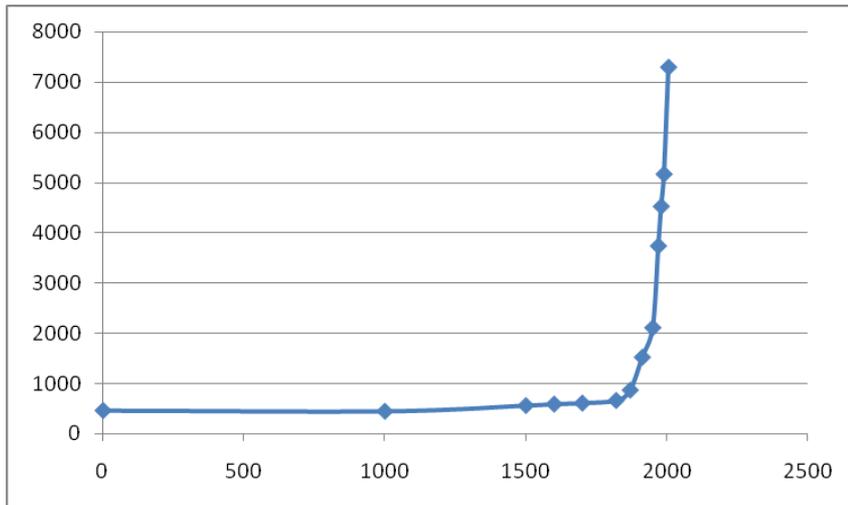
([www.ggdc.net/maddison](http://www.ggdc.net/maddison))

<b>Year</b>	<b>GDP per capita (constant 1990 US\$)</b>	<b>Population (in thousands)</b>
1	467	225 820
1000	453	267 330
1500	566	438 428
1600	596	556 148
1700	615	603 490
1820	667	1 041 720
1870	873	1 271 916
1913	1 526	1 791 214
1950	2 113	2 525 501
1970	3 736	3 685 775
1980	4 521	4 433 174
1990	5 162	5 256 680
2006	7 285	6 496 812

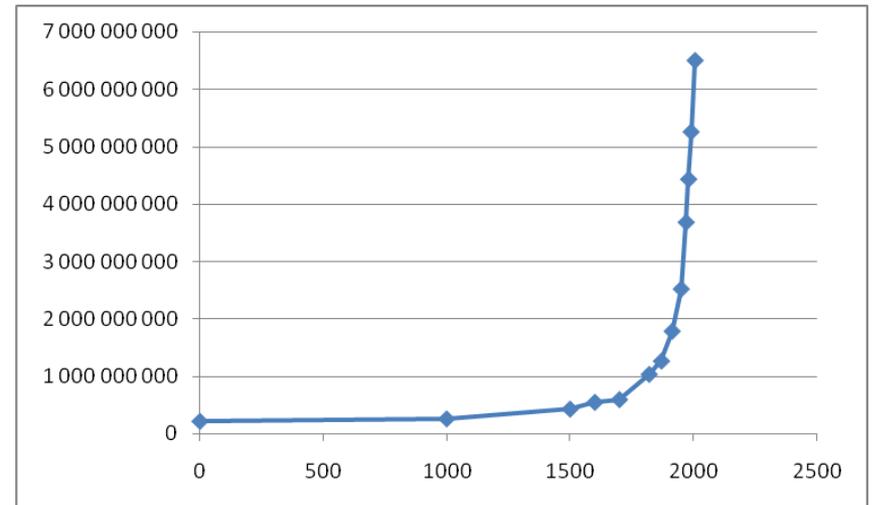
## GDP per capita and Population (World Total)

Source: *Statistics on World Population, GDP and Per Capita GDP, 1-2006 AD*,  
October 2008 ([www.ggd.net/maddison](http://www.ggd.net/maddison))

### GDP per capita (World Total)



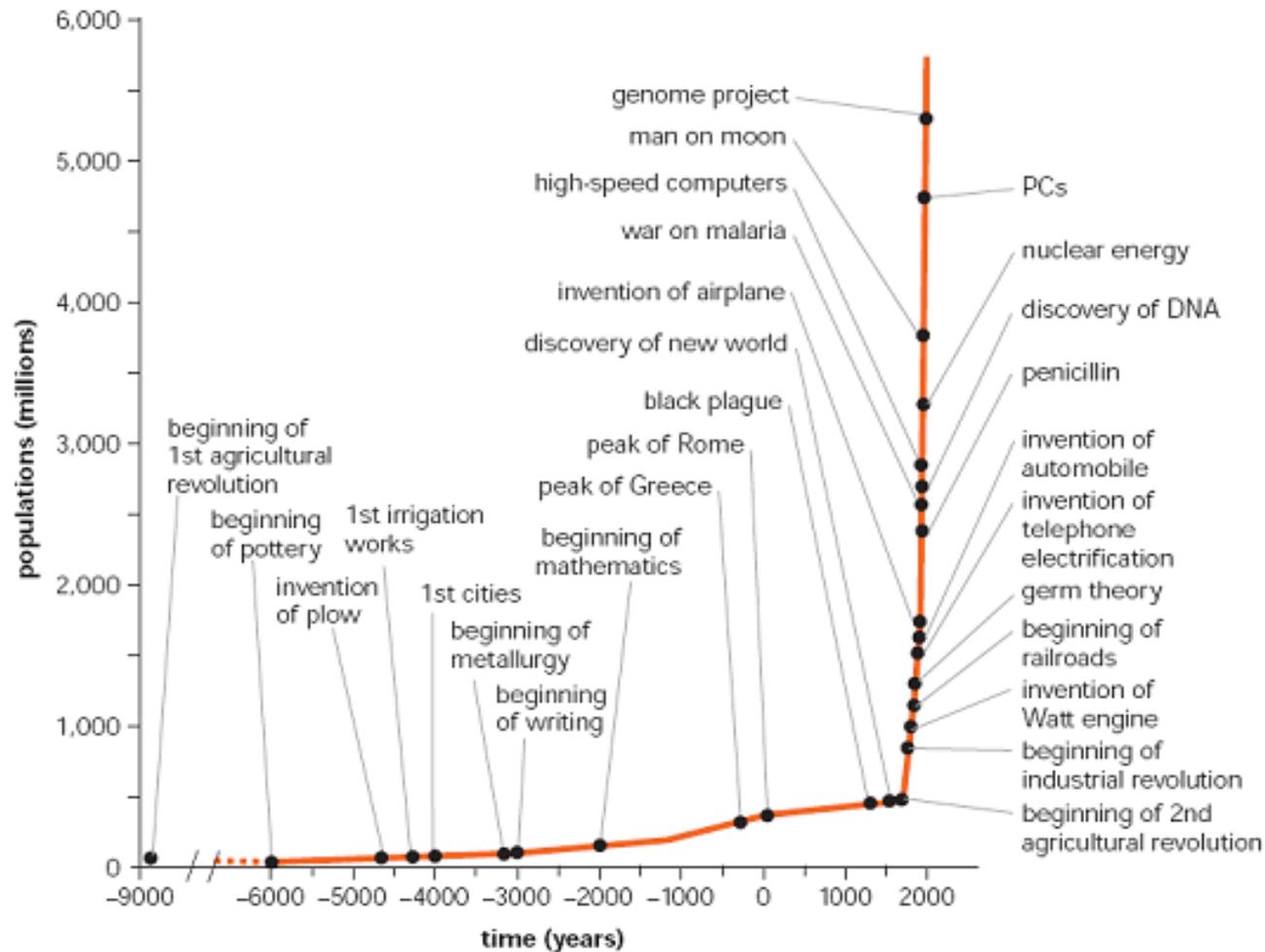
### Population (World Total)



# The Growth of the World Population and Some Major Events in the History of Technology

Source: *The Growth Report. Strategies for Sustained Growth and Inclusive Development*, 2008,

([www.worldbank.org](http://www.worldbank.org))



# The fastest growing countries, 2001-2018

Source: <https://data.worldbank.org/>

2001-2018		2009-2018	
Country	Average annual GDP growth	Country	Average annual GDP growth
Myanmar	9.7%	Nauru	12.2%
Qatar	9.2%	Ethiopia	9.8%
China	9.2%	Turkmenistan	8.7%
Ethiopia	9.1%	China	7.9%
Azerbaijan	8.4%	Zimbabwe	7.8%
Nauru	8.4%	Lao PDR	7.5%
Turkmenistan	8.2%	Myanmar	7.5%
Equatorial Guinea	8.2%	Rwanda	7.2%
Rwanda	7.8%	Uzbekistan	7.1%
Tajikistan	7.7%	India	7.1%

# The slowest growing countries, 2001-2018

Source: <https://data.worldbank.org/>

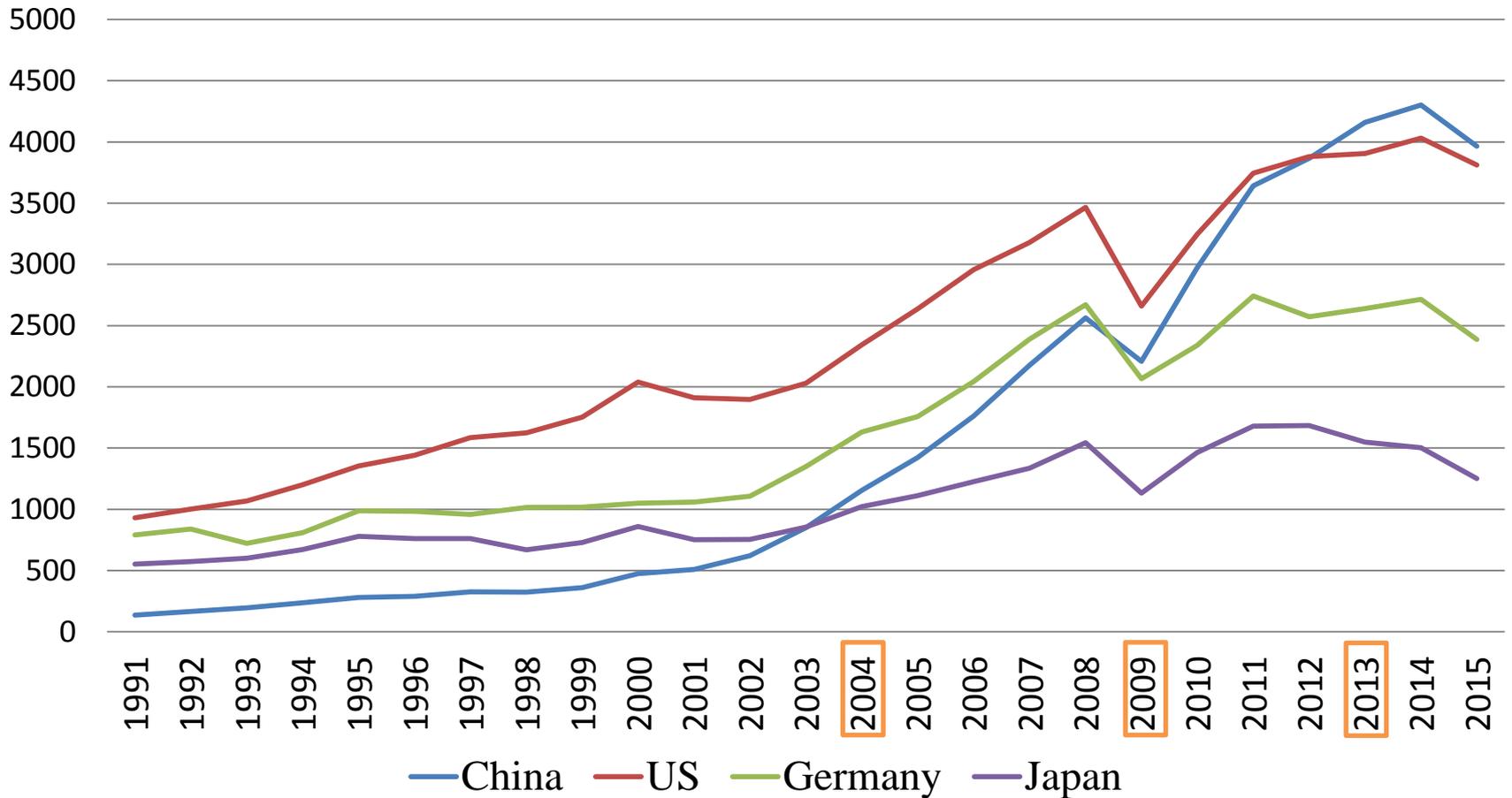
2001-2018		2009-2018	
Country	Average annual GDP growth	Country	Average annual GDP growth
Yemen, Rep.	-0.4%	Yemen, Rep.	-3.7%
Greece	0.03%	Libya	-3.5%
Italy	0.2%	Greece	-2.7%
Libya	0.3%	Equatorial Guinea	-2.4%
Micronesia	0.4%	Timor-Leste	-2.1%
Portugal	0.5%	Ukraine	-1.5%
Zimbabwe	0.6%	Dominica	-0.8%
Brunei Darussalam	0.7%	Trinidad and Tobago	-0.5%
Jamaica	0.8%	Italy	-0.3%
Japan	0.8%	Croatia	-0.1%

# Syllabus

- Trade and economic growth. Gains from trade. Global trading rules and institutions.
- Instruments of trade policy
- North-South trade competition in the world. Trade problems of developing countries. Fair trade movement.

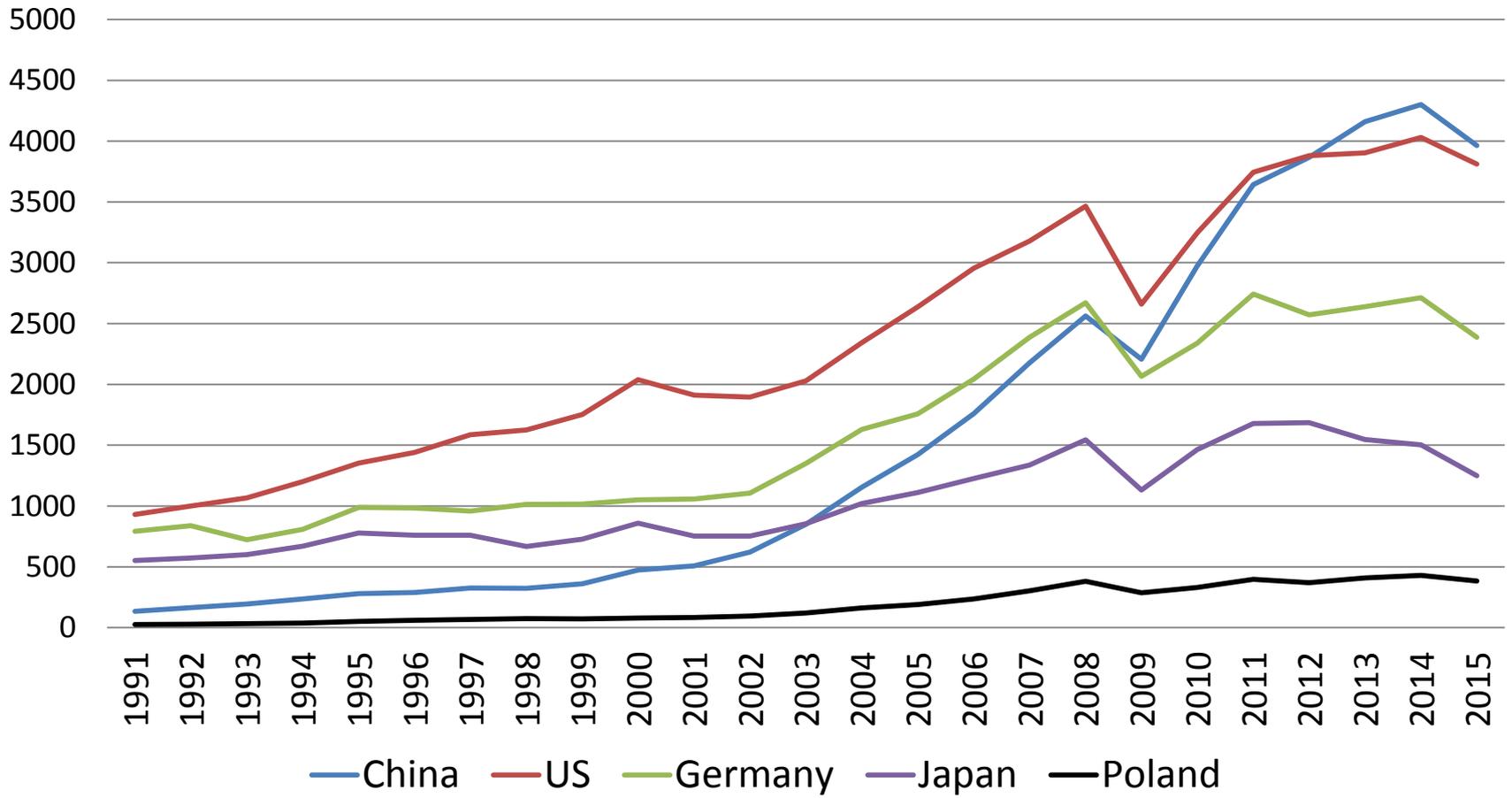
# Bilateral trade, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>



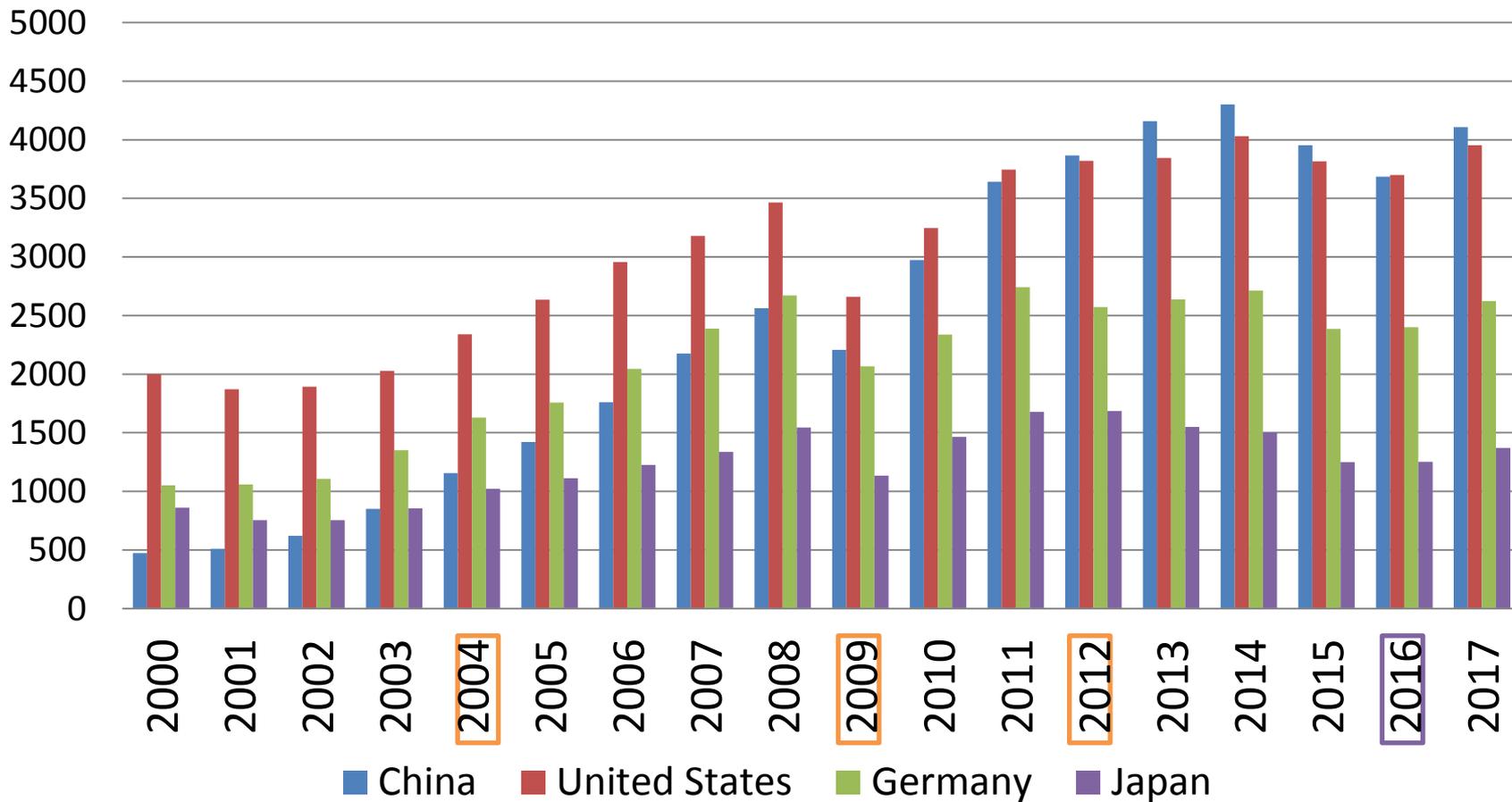
# Bilateral trade, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>



# Bilateral trade, 2000-2017 (USD Billion)

Source: <https://wits.worldbank.org>



# Leading exporters in world merchandise trade, 2015-2017

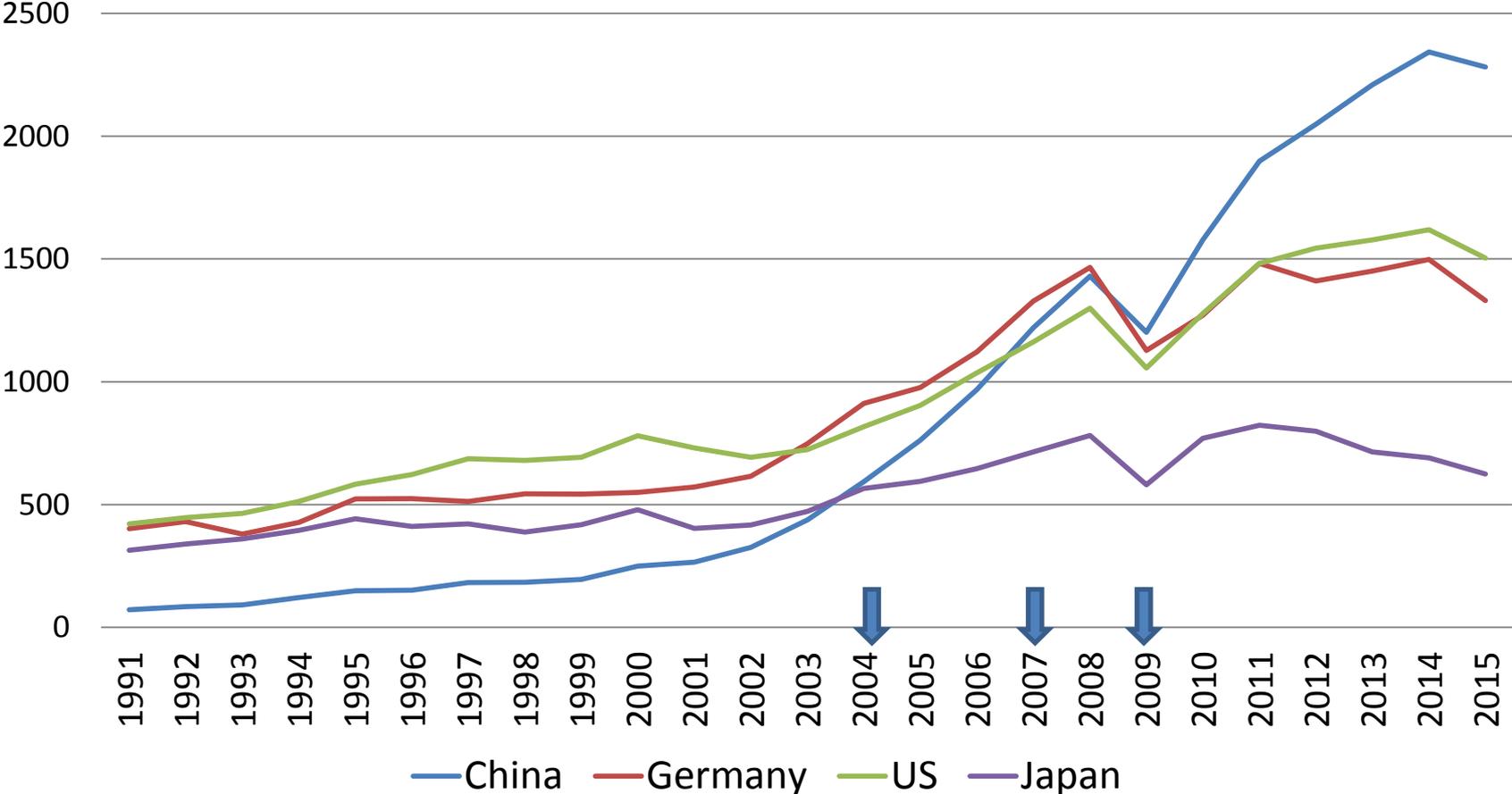
## (billion dollars and percentage)

Source: World Trade Report, 2016, 2018 ([www.wto.org](http://www.wto.org))

2015				2017			
Rank	Exporters	Value	Share	Rank	Exporters	Value	Share
1	China	2 275	13.8	1	China	2263	12.8
2	United States	1 505	9.1	2	United States	1547	8.7
3	Germany	1 329	8.1	3	Germany	1448	8.2
4	Japan	625	3.8	4	Japan	698	3.9
5	Netherlands	567	3.4	5	Netherlands	652	3.7
6	Korea	527	3.2	6	Korea	574	3.2
7	Hong Kong	511	3.1	7	Hong Kong	550	3.1
8	France	506	3.1	8	France	535	3.0
9	United Kingdom	460	2.8	9	Italy	506	2.9
10	Italy	459	2.8	10	United Kingdom	445	2.5
24	Poland	198	1.2	22	Poland	231	1.3

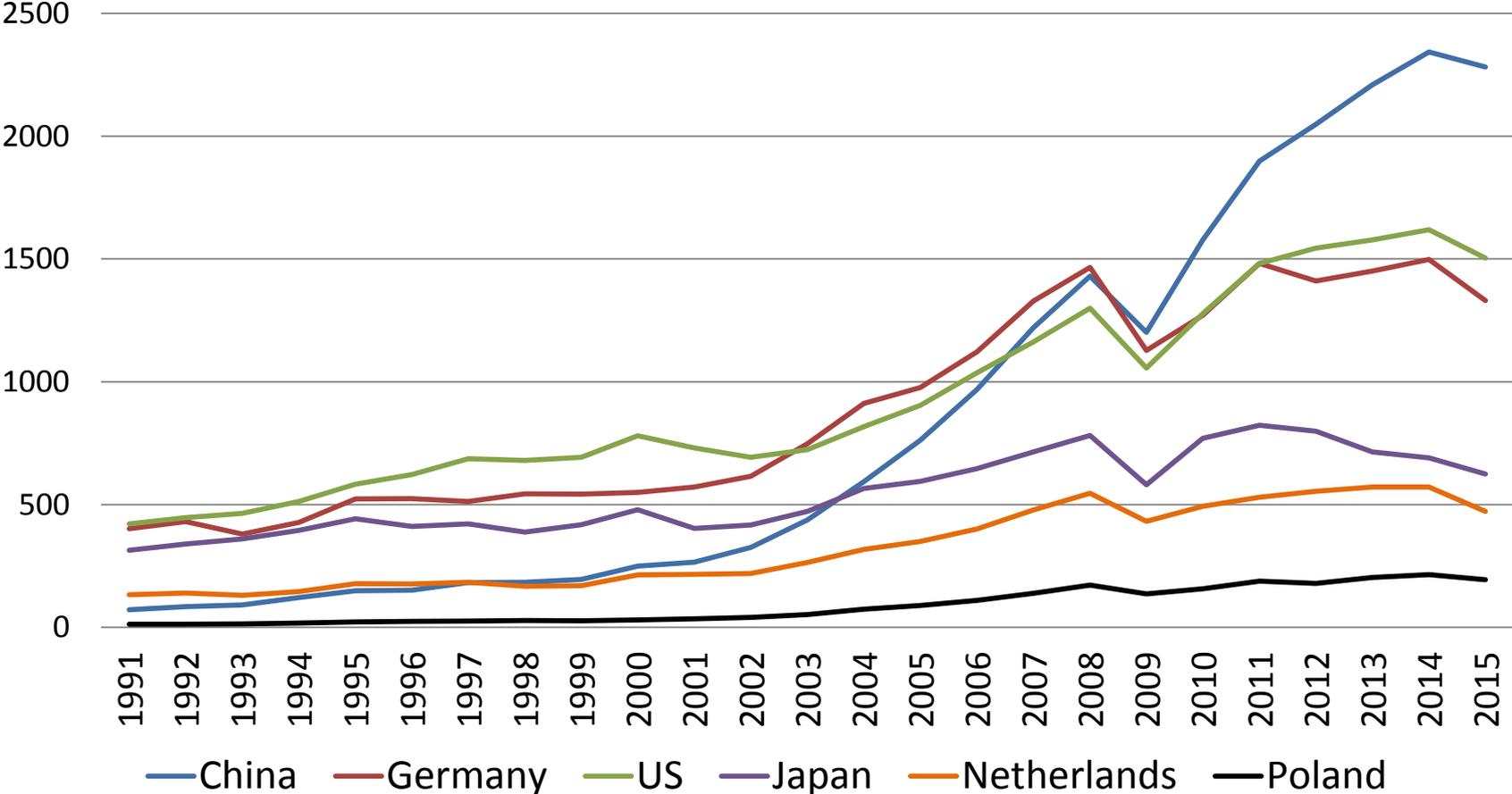
# Merchandise exports, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>



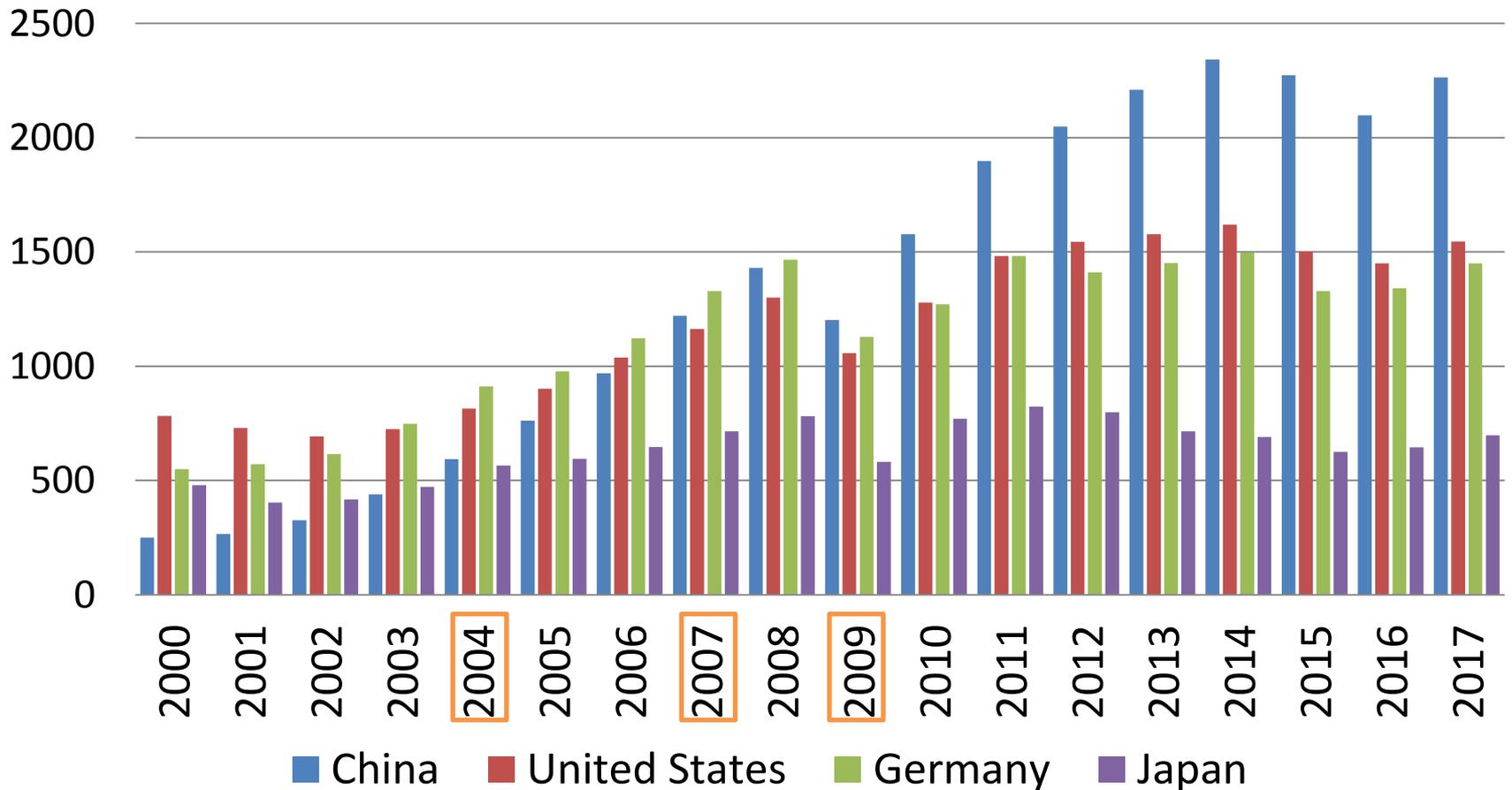
# Merchandise exports, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>



# Merchandise exports, 2000-2017 (USD Billion)

Source: <https://wits.worldbank.org>



# Leading importers in world merchandise trade, 2015-2017

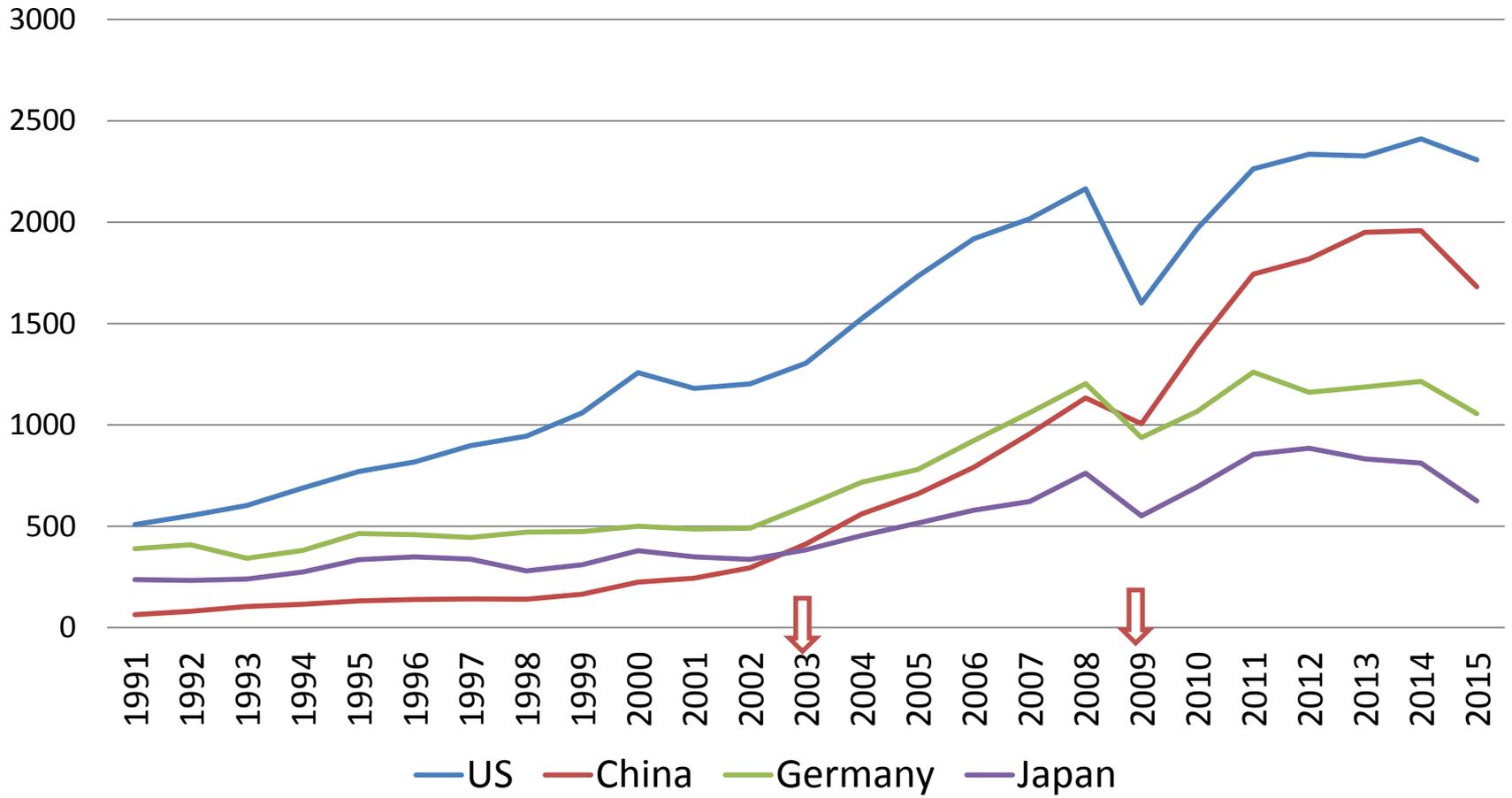
## (billion dollars and percentage)

Source: World Trade Report, 2016, 2018 ([www.wto.org](http://www.wto.org))

2015				2017			
Rank	Importers	Value	Share	Rank	Importers	Value	Share
<b>1</b>	United States	2 308	13.8	<b>1</b>	United States	2410	13.4
<b>2</b>	China	1 682	10.1	<b>2</b>	China	1842	10.2
<b>3</b>	Germany	1 050	6.3	<b>3</b>	Germany	1167	6.5
<b>4</b>	Japan	648	3.9	<b>4</b>	Japan	672	3.7
<b>5</b>	United Kingdom	626	3.7	<b>5</b>	United Kingdom	644	3.6
<b>6</b>	France	573	3.4	<b>6</b>	France	625	3.5
<b>7</b>	Hong Kong	559	3.3	<b>7</b>	Hong Kong	590	3.3
<b>8</b>	Netherlands	506	3.0	<b>8</b>	Netherlands	574	3.2
<b>9</b>	Korea	436	2.6	<b>9</b>	Korea	478	2.7
<b>10</b>	Canada	436	2.6	<b>10</b>	Italy	453	2.5
<b>24</b>	Poland	193	1.2	<b>22</b>	Poland	230	1.3

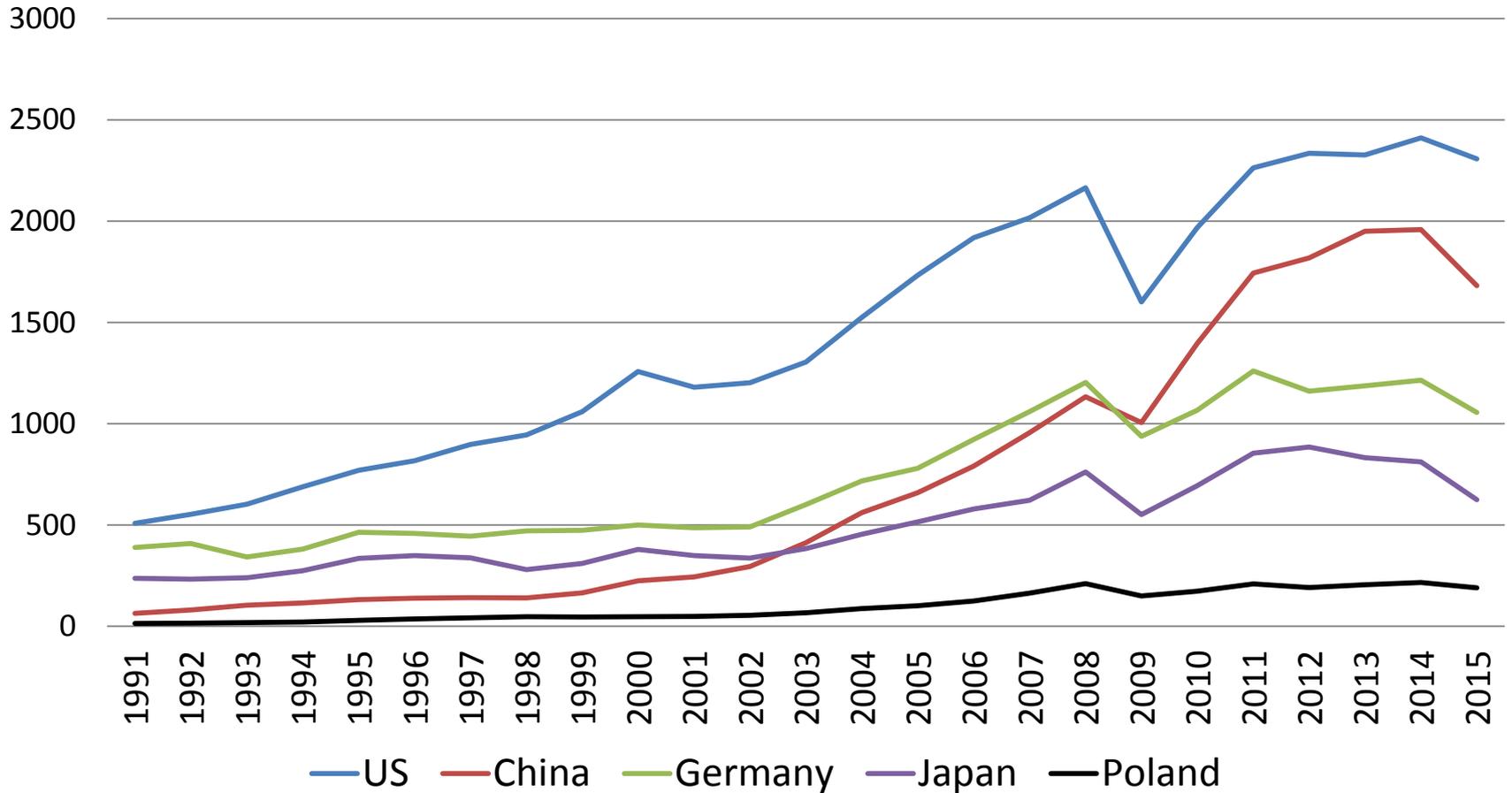
# Merchandise imports, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>



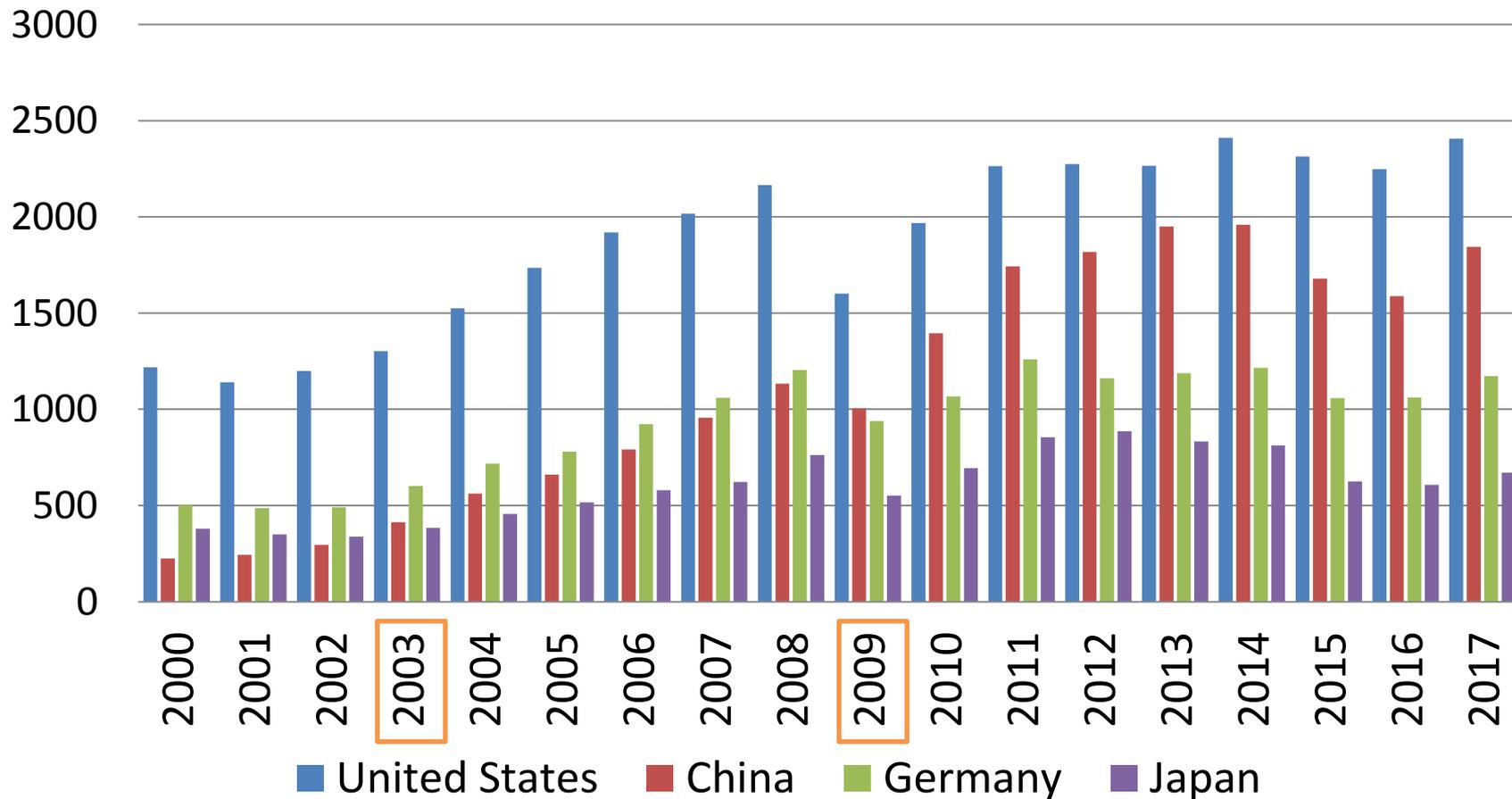
# Merchandise imports, 1991-2015 (USD Billion)

Source: <http://comtrade.un.org/data/>

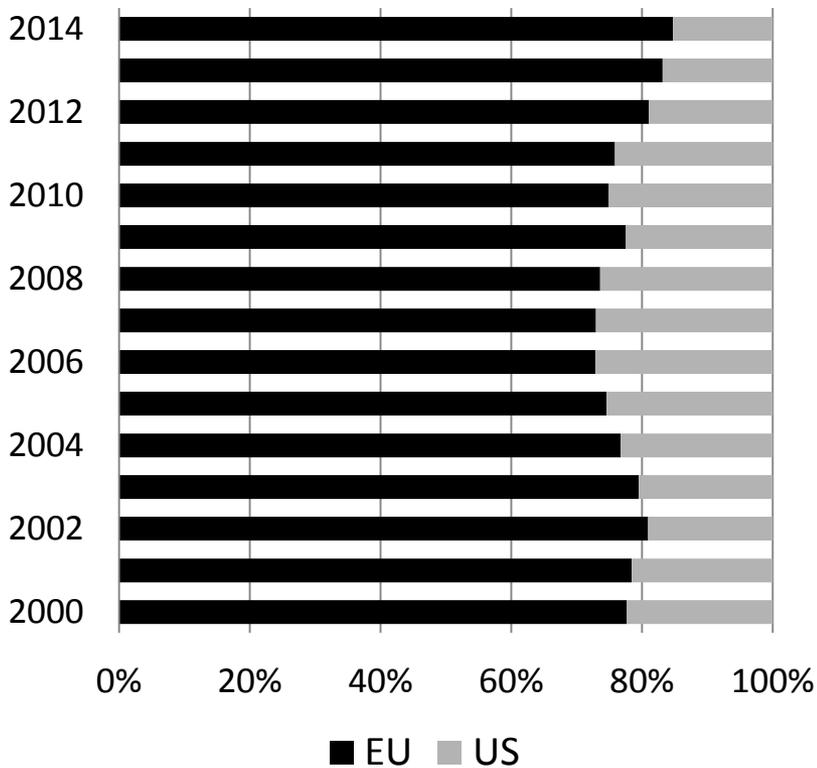


# Merchandise imports, 2000-2017 (USD Billion)

Source: <https://wits.worldbank.org>

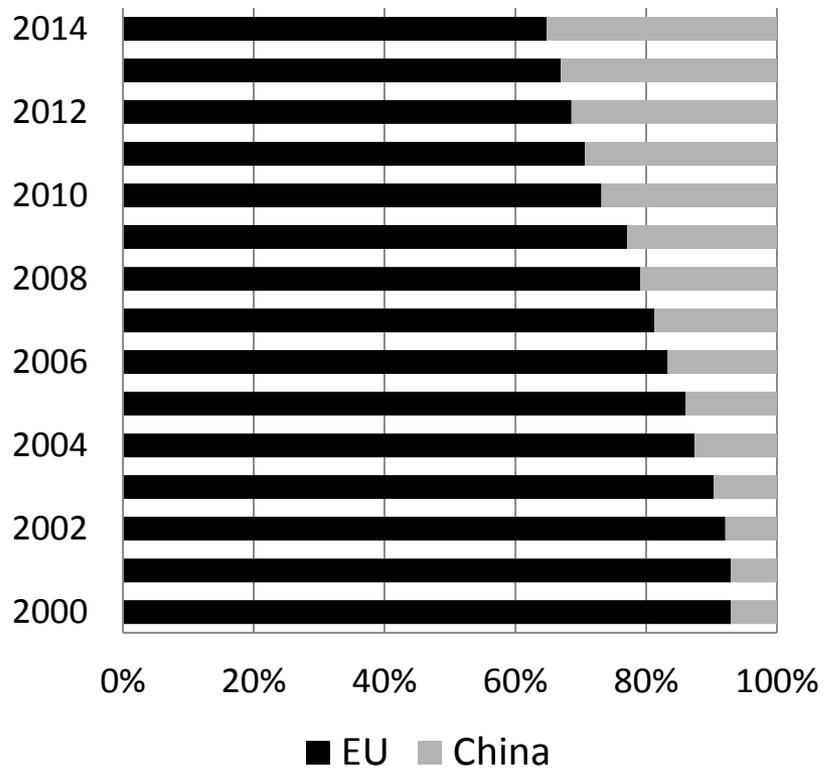


## Total trade of the EU and the US with Africa, 2000-2014



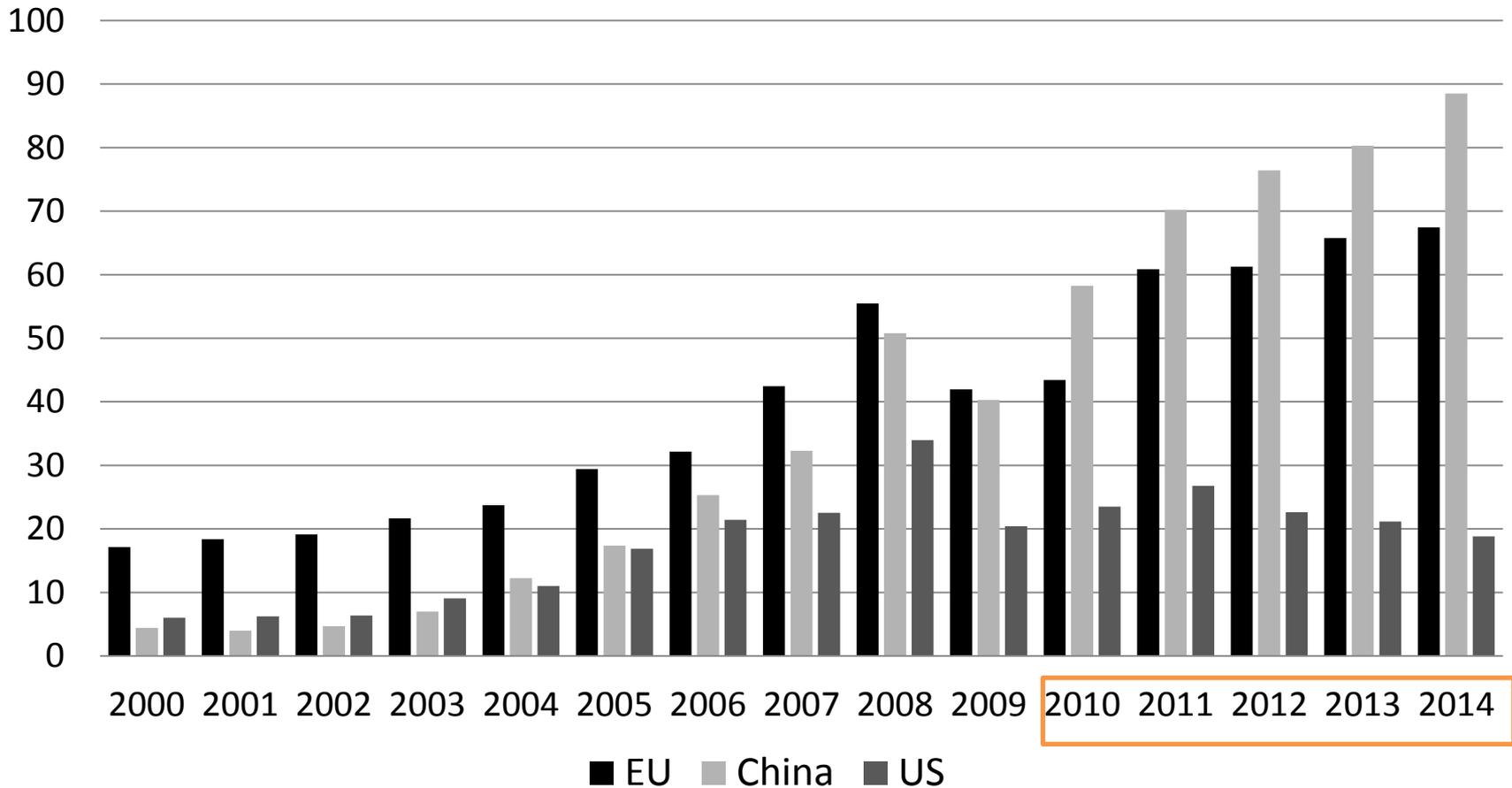
2000-2014 – a **7.0** percentage increase

## Total trade of the EU and China with Africa, 2000-2014

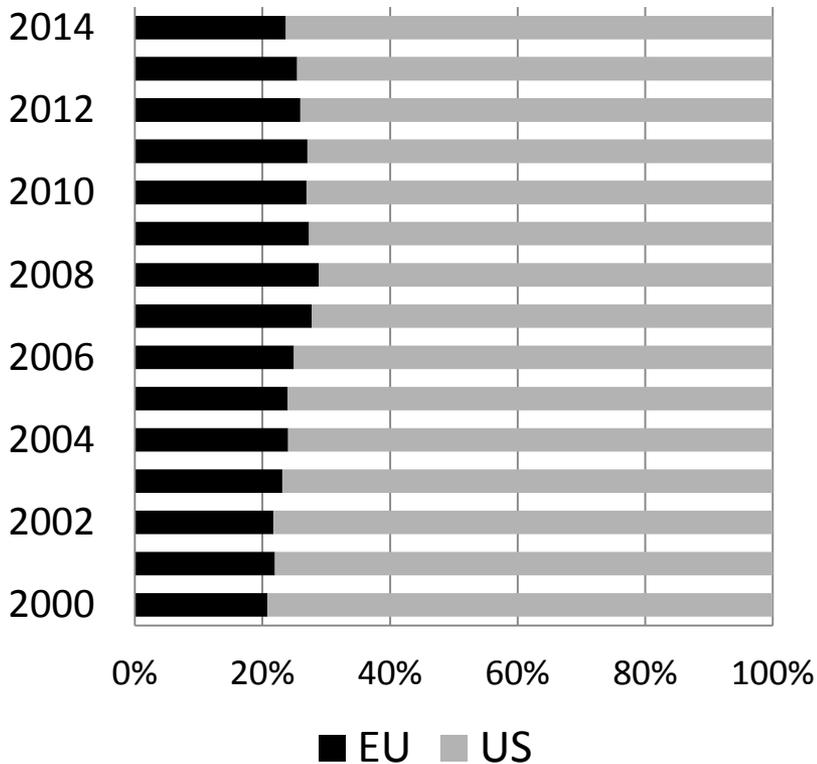


2000-2014 – a **28.2** percentage decrease

# Bilateral trade of the EU, China, and the US with Africa's 34 LDCs, 2000-2014 (USD billion)

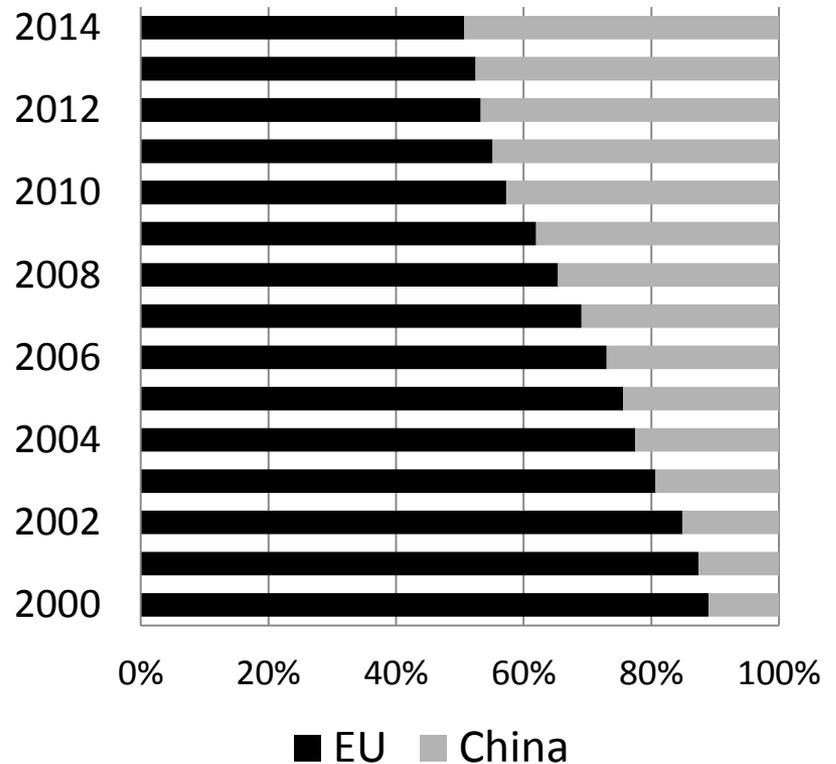


## Total trade of the EU and the US with Latin America, 2000-2014



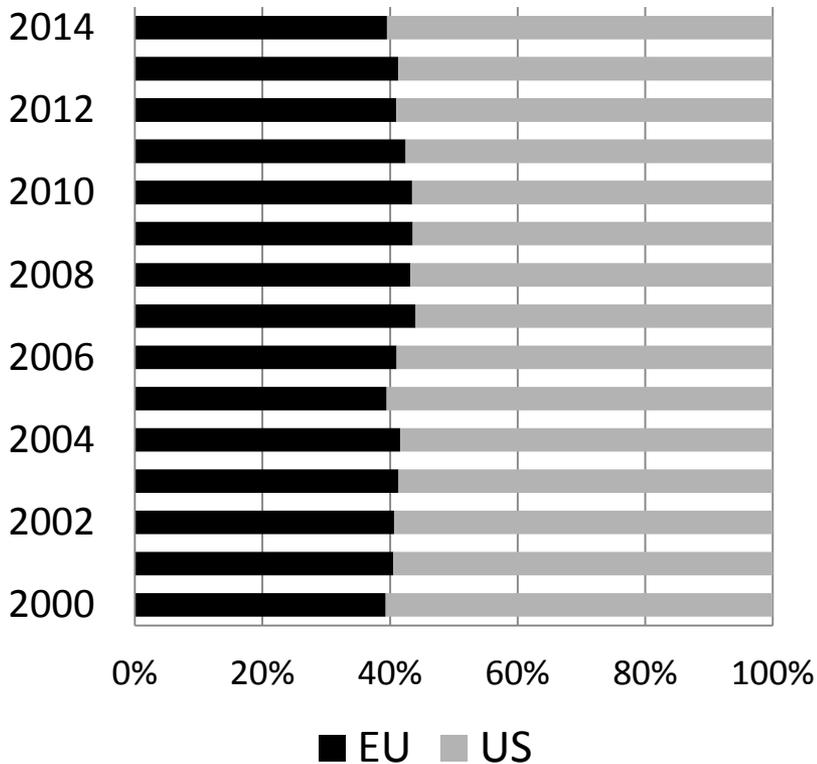
2000-2014 – a **2.9** percentage increase

## Total trade of the EU and China with Latin America, 2000-2014



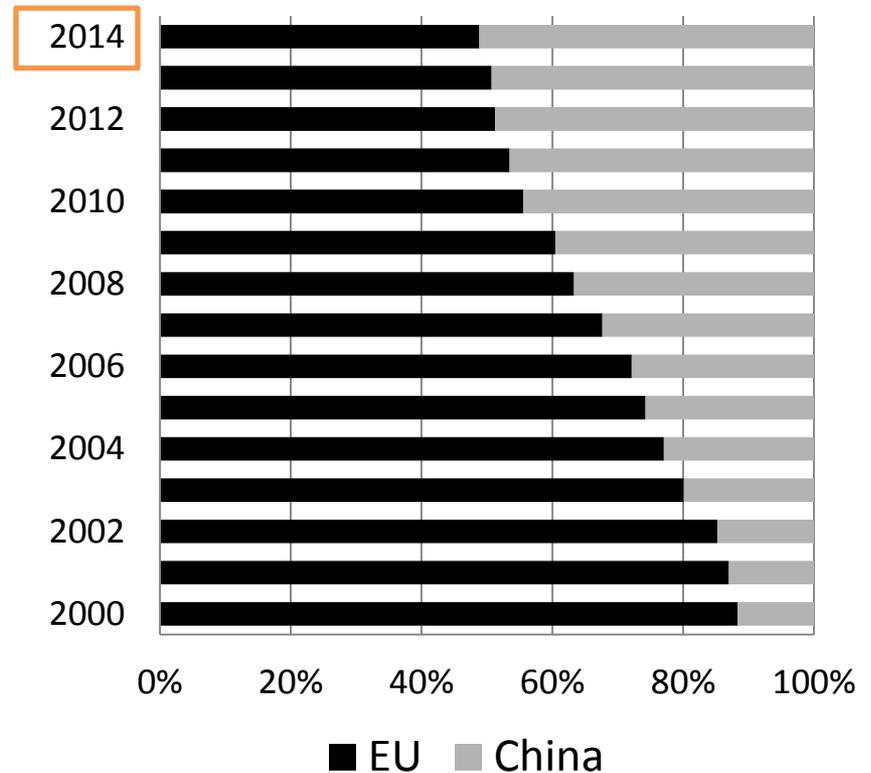
2000-2014 – a **38.3** percentage decrease

## Total trade of the EU and the US with Central and South America



2000-2014 – a **0.2** percentage increase

## Total trade of the EU and China with Central and South America



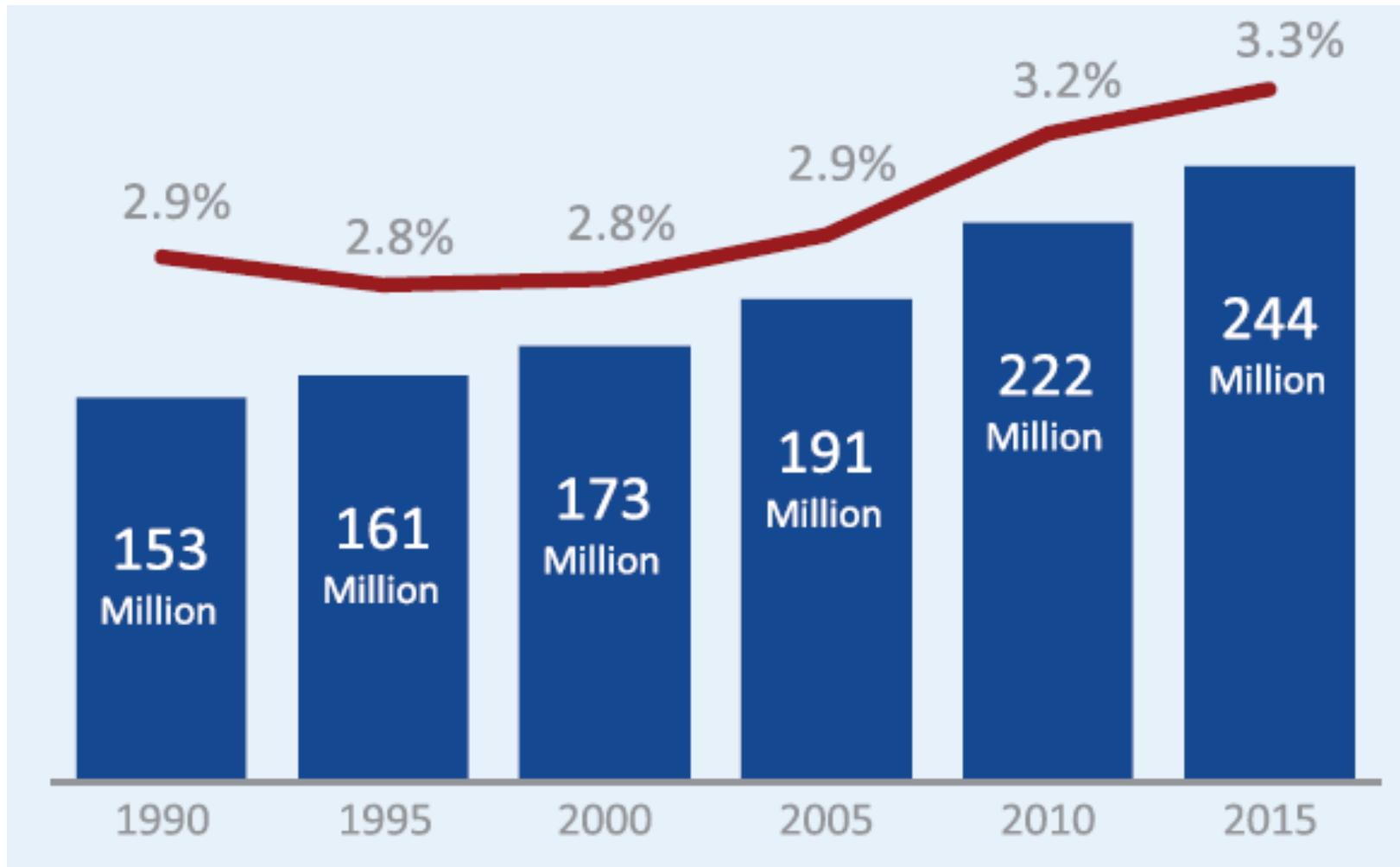
2000-2014 – a **39.5** percentage decrease

# Syllabus

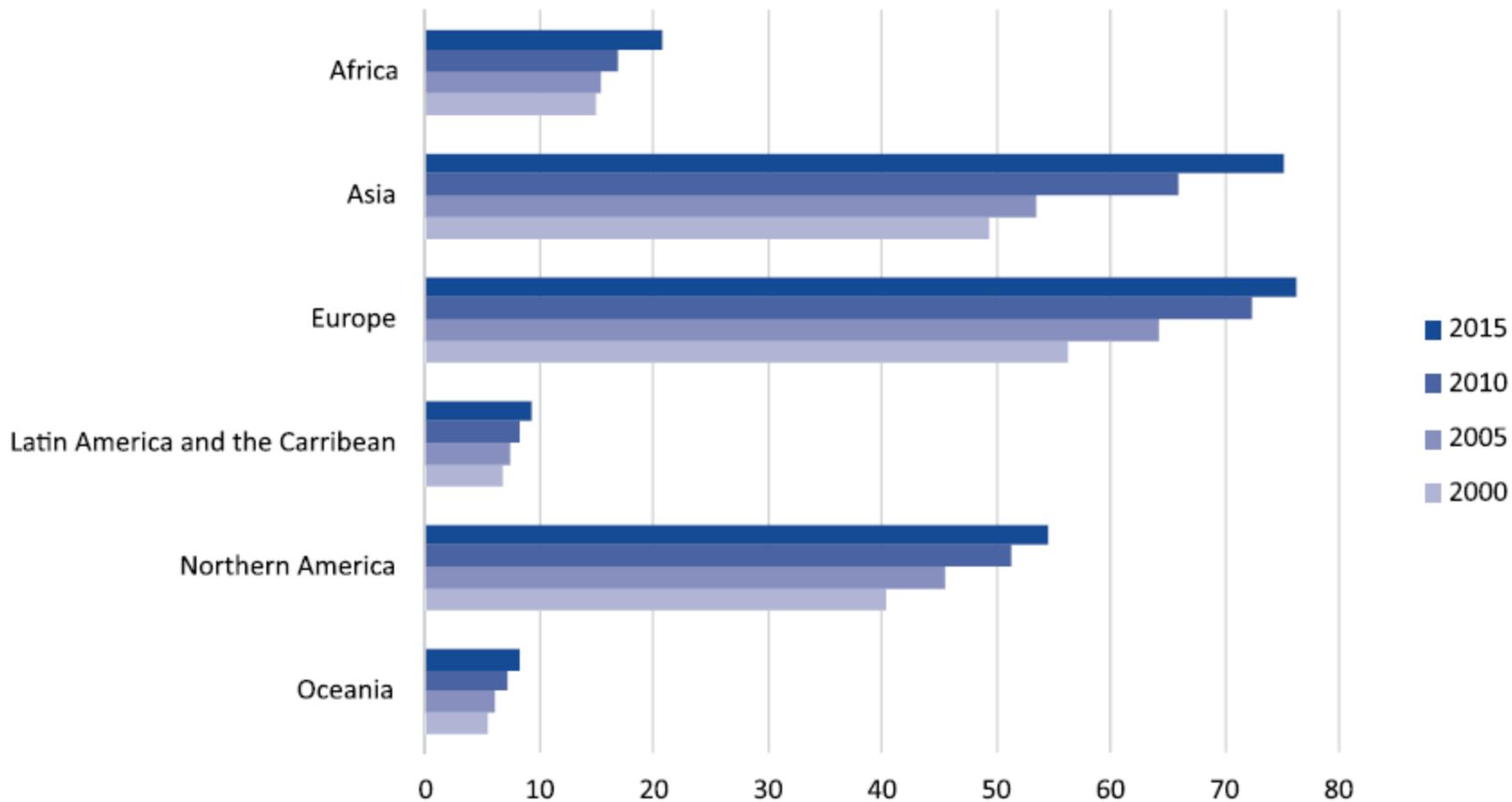
- Migration and economic development. Winners and losers from migration.
- International capital flows. Foreign direct investment in developed and emerging markets.

# International migrants, number of migrants and migrants as % of world's population

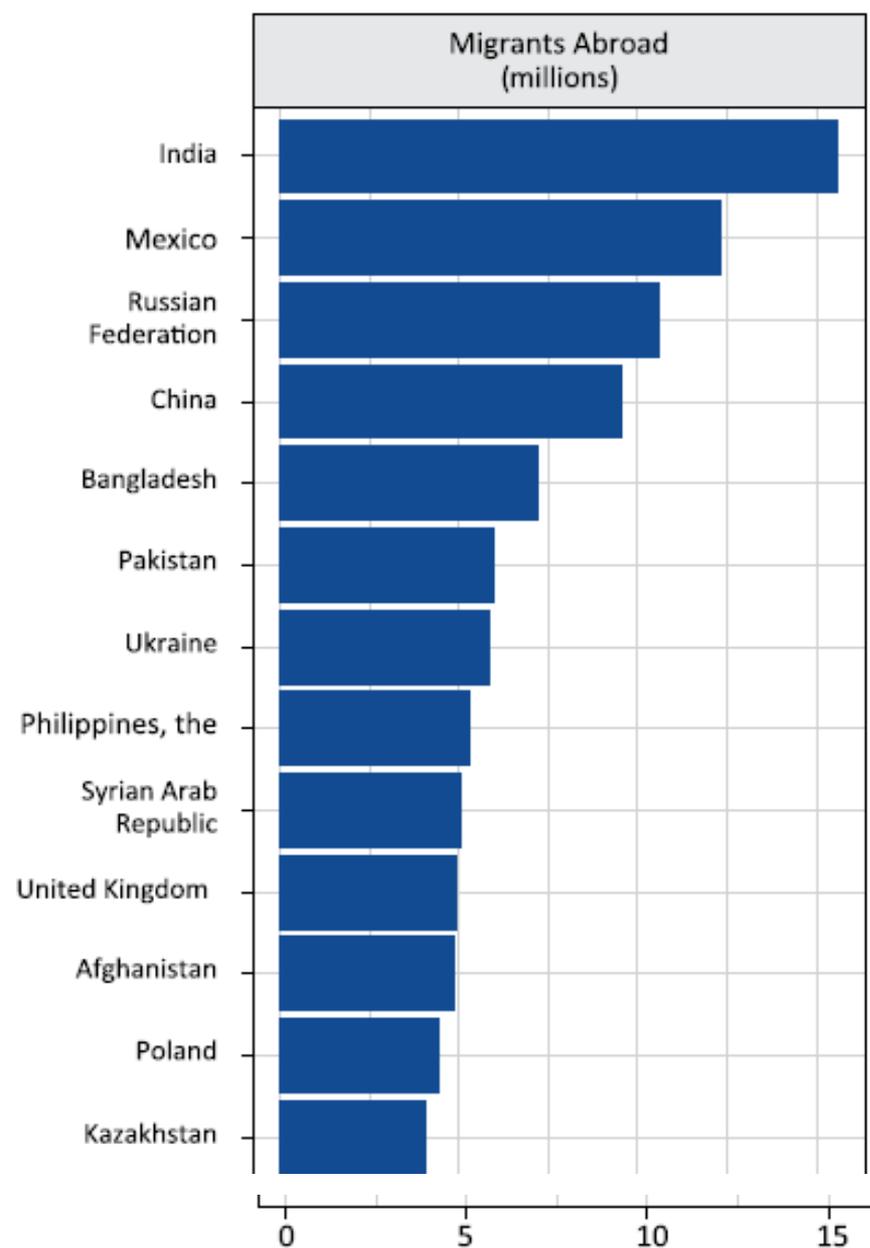
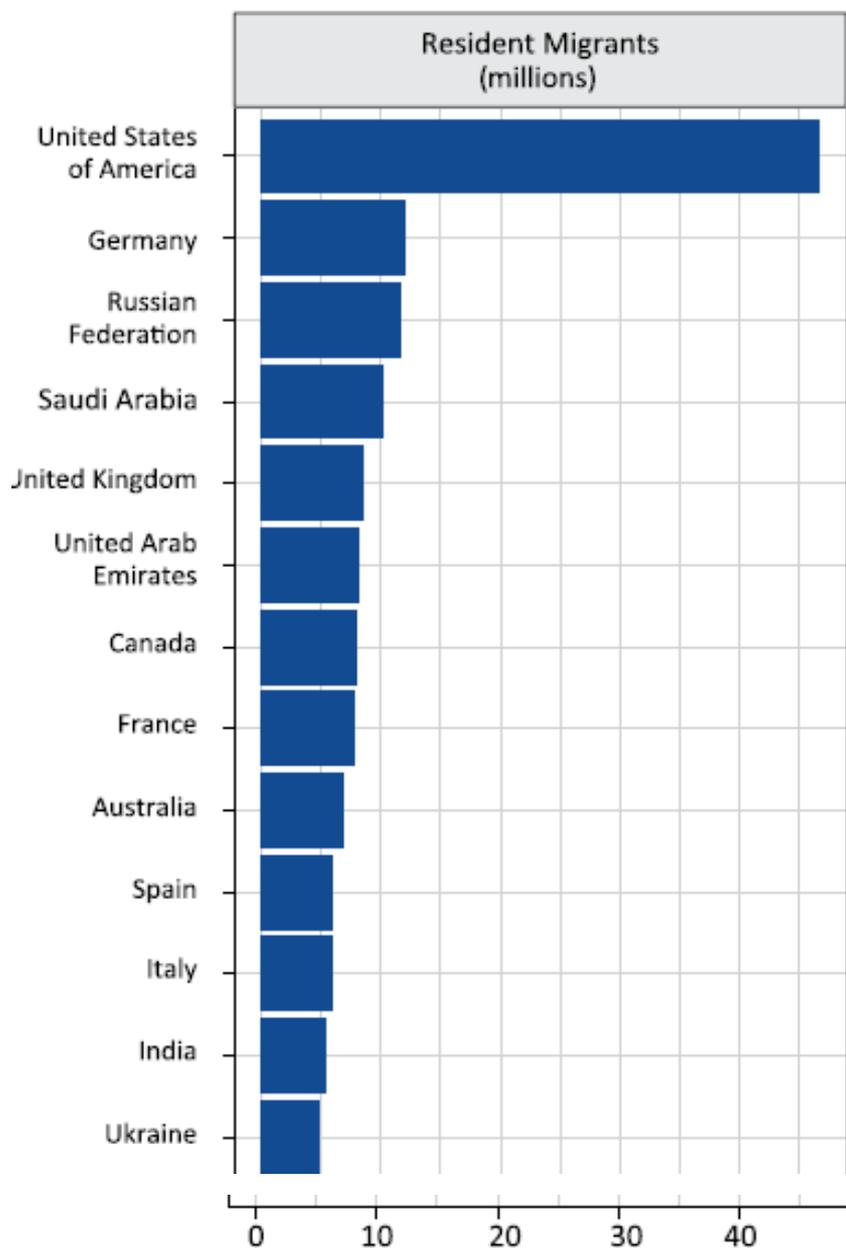
Source: [https://publications.iom.int/system/files/pdf/wmr\\_2018\\_en.pdf](https://publications.iom.int/system/files/pdf/wmr_2018_en.pdf)



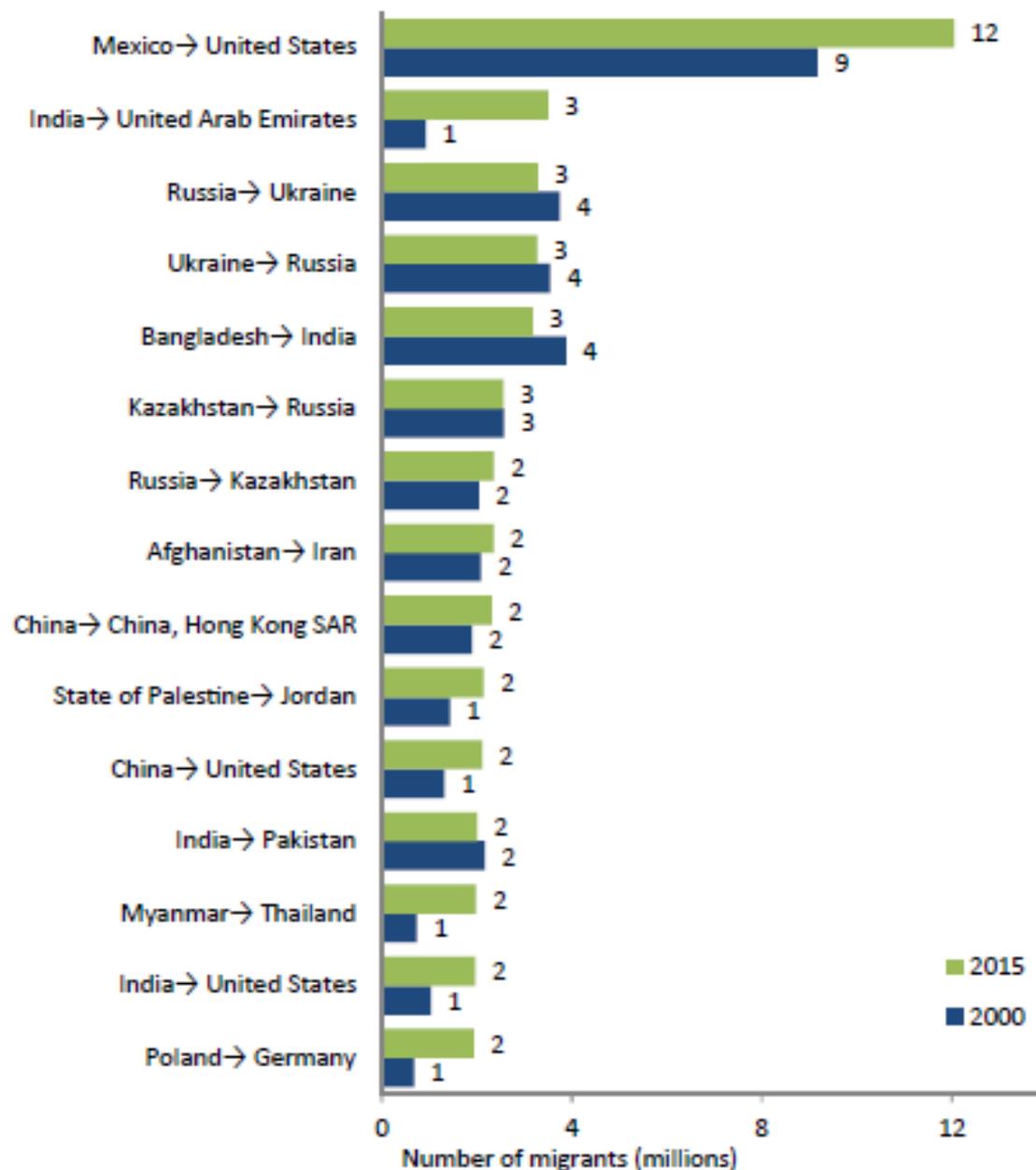
International migrants, by major region of residence, 2000 to 2015 (millions)



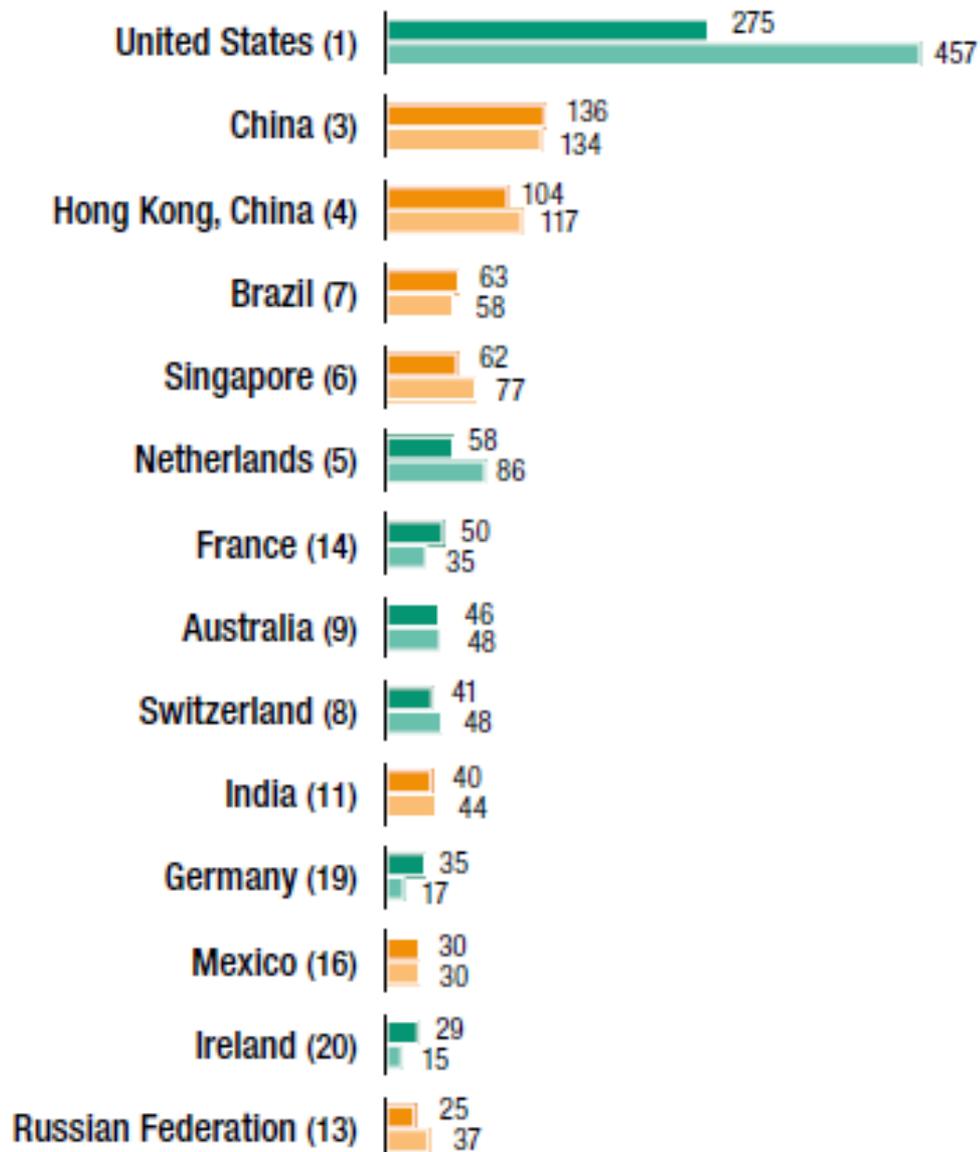
## Top destinations (left) and origins (right) of international migrants in 2015 (millions)



Fifteen largest populations of migrants from a single country or area of origin living in a single country or area of destination, 2000 and 2015

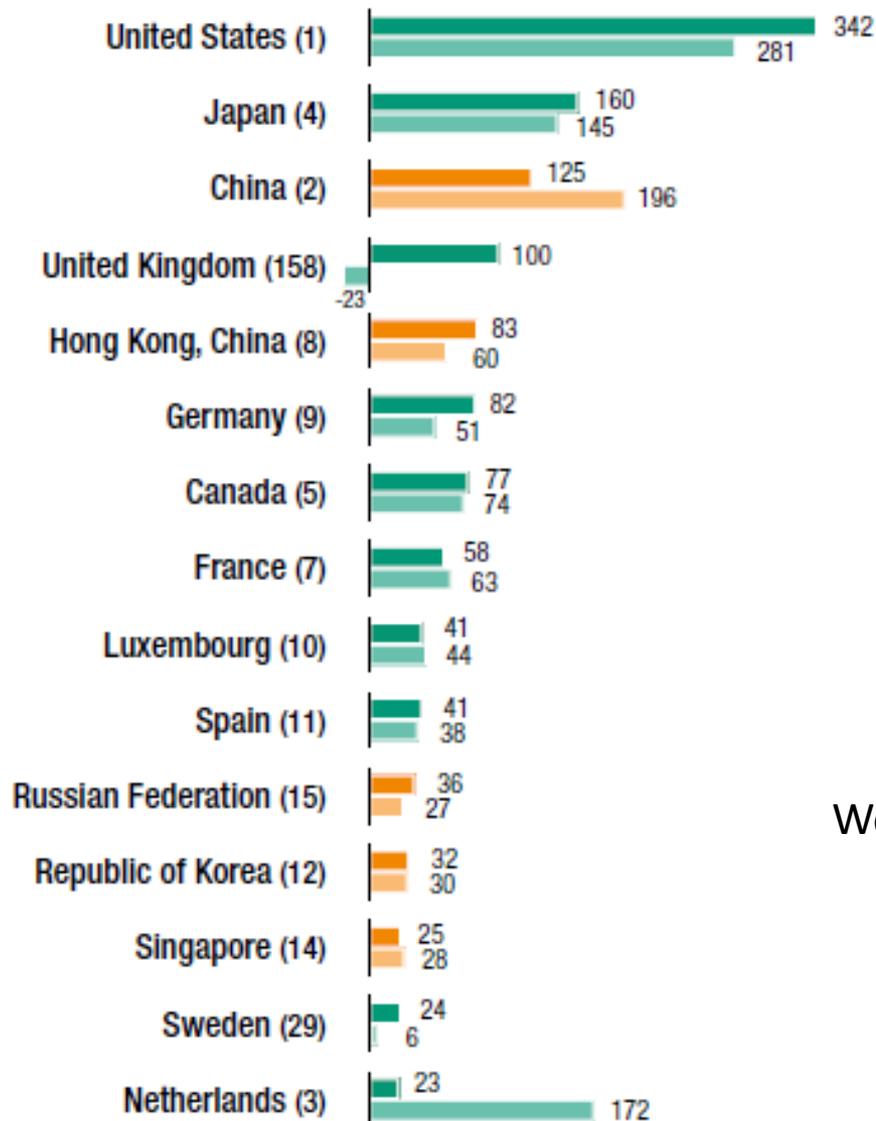


## FDI inflows, top host economies, 2016 and 2017 (Billions of dollars) (x) = 2016 ranking



World Investment Report 2018

**FDI outflows, top home economies,  
2016 and 2017** (Billions of dollars) (x) = 2016 ranking



World Investment Report 2018

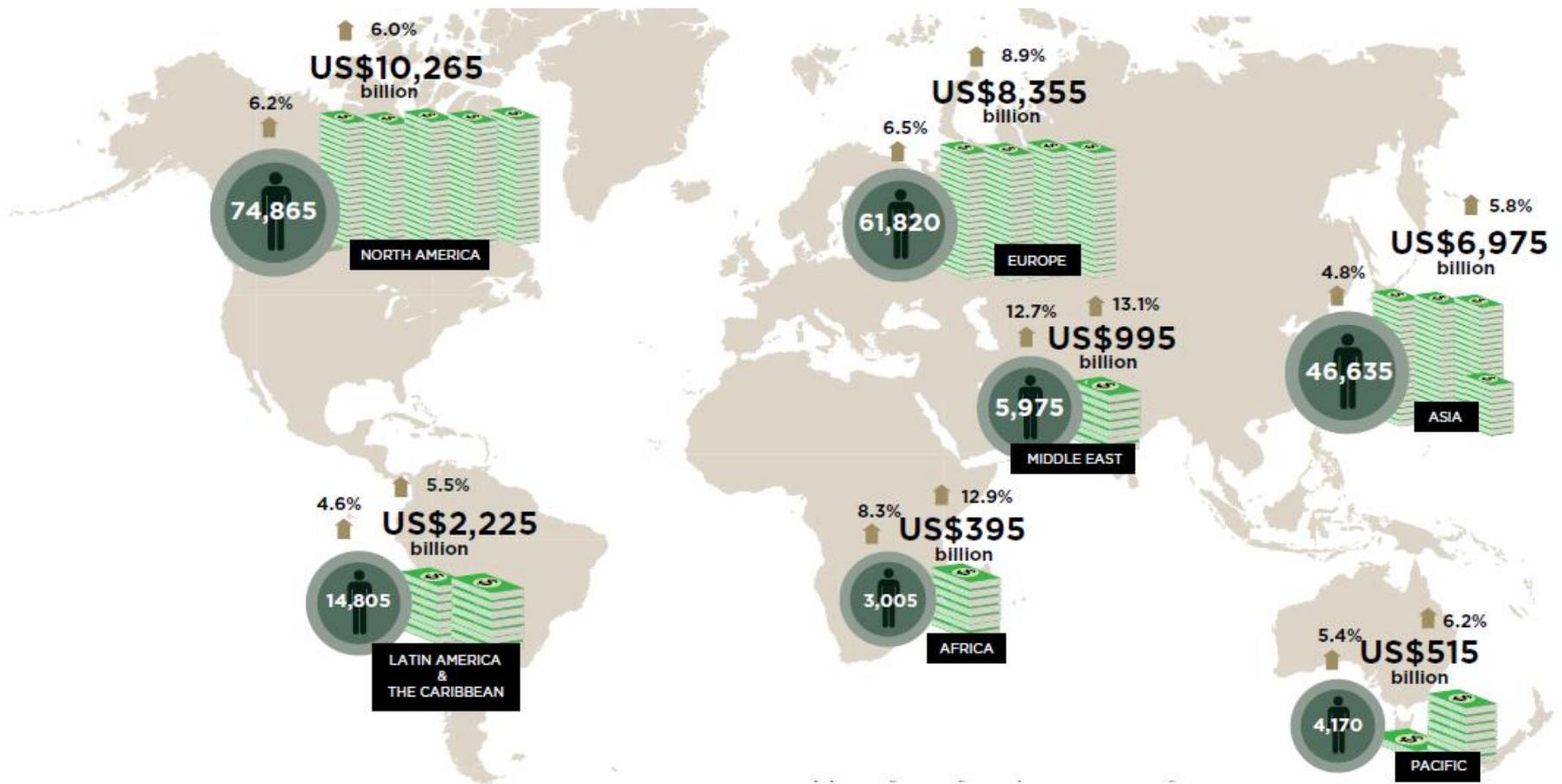
# Syllabus

- Determinants of exchange rates. Effectiveness of monetary and fiscal policy.
- Exchange rate regimes (hard pegs, soft pegs, floating arrangements).
- Financial crises.
- Long-term global economic challenges. Economic inequality and poverty.
- Global perspectives on hunger and food securities. Globalization of food systems.

# UHNW – ultra high net worth individuals, 2014

Source: World Ultra Wealth Report, 2014

<b>Net Worth</b>	<b>UHNW POPULATION</b>	<b>TOTAL WEALTH US\$ billion</b>
\$1 billion +	2 325	7 291
\$750 million to \$999 million	1 295	1 075
\$500 million to \$749 million	3 590	2 464
\$250 million to \$499 million	9 335	3 530
\$200 million to \$249 million	14 580	3 170
\$100 million to \$199 million	25 400	3 660
\$50 million to \$99 million	63 120	4 775
\$30 million to \$49 million	91 630	3 760
<b>TOTAL</b>	<b>211 275</b>	<b>29 725</b>



Source: Human Development Report 2015 (<http://hdr.undp.org>)

Overseas Development Institute (ODI)

- 29% of the population in 101 developing countries, or about **1.5** billion people, experience multidimensional poverty.
- The **1.5** billion people live on less than \$1.25 a day and the **2.5** billion people live on less than \$2 a day (ODI).

# Syllabus

- Development assistance. Aid effectiveness.
- North-South and South-South cooperation.  
Triangular development cooperation.

## Recommended Reading

- Krugman P., Obstfeld M., *International Economics: Theory and Policy*, Pearson, Addison Wesley, Boston, 2009.
- Gandolfo G., *International Trade Theory and Policy*, 2nd Edition, Springer, 2014.
- Barro, R.J., Sala-i-Martin, X., *Economic Growth*. 2<sup>nd</sup> edition, MIT Press, 2004.
- Helpman E., *Understanding Global Trade*, Harvard University Press, 2011.

# Exam 2020

- The essential factors of economic globalization.
- Advantages and disadvantages of globalization.
- Globalization with human face.
- Economic growth vs economic development.
- Sources and measures of economic growth and development.
- Growth and development strategies.
- Growth miracles and growth disasters.

# Exam 2020

- Growth problems of developing countries.
- Stages of development of national economies in the global marketplace.
- Causes of income inequality in the world.
- Arguments for trade liberalization and arguments for trade protection.
- Role of the GATT/WTO in international trade.
- Regional trade agreements.
- The North-South trade competition in Africa and Latin America.

# Exam 2020

- Motivations for migration (push and pull factors).
- Problems of international labour migration.
- Winners and losers from migration.
- The role of foreign direct investment in economic development.
- Benefits from FDI for host and origin countries.
- Foreign direct investment in developed and emerging markets.
- Financial crisis and their impact on world economy.

## **Exam 2020**

- Effectiveness of monetary and fiscal policy.
- Long-term global economic challenges.
- Ways of poverty alleviation in poor countries.
- Food security in the world.
- Impact of the IMF and the World Bank on developing countries.