Unit 3: Economic Globalization

SS 10-1 Ms.Gill

Economic: pertaining to the production, distribution, and use of income, wealth, and commodities.

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Globalization: an increased level of interconnectedness among the people of the world and their lives

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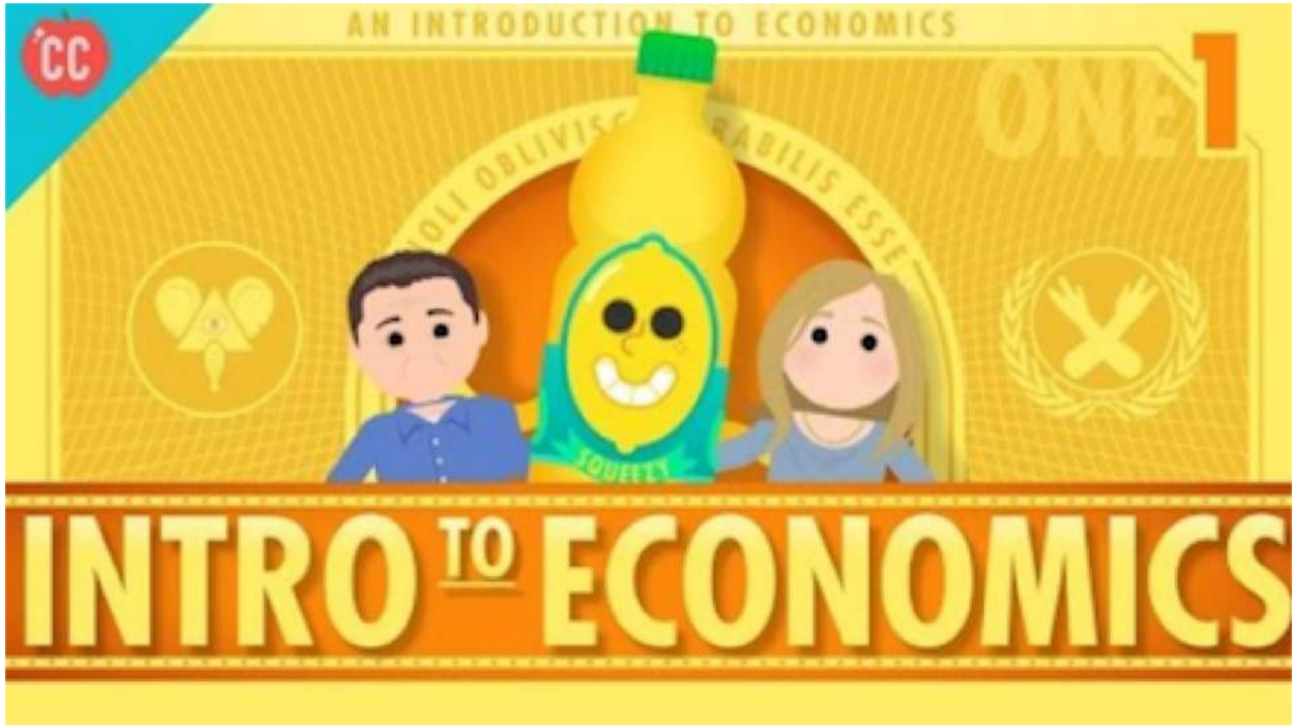
Economic globalization: refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital and wide and rapid spread of technologies



https://www.youtube.com/watch?v=3ez10ADR_gM

Crash Course: Economics #1

- **Opportunity Cost**: the loss of potential gain from other alternatives when one alternative is chosen. *"Whatever you give up to do something."*
  = what is more VALUABLE and LOGICAL

- **Scarcity:** the tension between infinite wants and finite resources. *"Human wants will always exceed the resources available to fulfill those wants."*
  = we must make CHOCIES

- **Macroeconomics:** the study of production, employment, prices, and policies on a nationwide scale.

- **Incentives:** A set of external (rather than intrinsic) motivators hat explain peoples choices. *"Reasons people do things."*
  = what are the REASONS we do things

Overview

- Chapter 10: Intro Economic Globalization + The IMF/World Bank
- Chapter 11: The Expansion of Economic Globalization
- Chapter 12: Challenges and Opportunities of Economic Globalization
- Chapter 13: Impacts on Environments
- Chapter 14: Global Sustainability and Prosperity

Chapter 10

The IMF and World Bank

The Bretton Woods Agreement

- As the Second World War dragged on, the democratic Allied countries, led by the United States, became concerned about rebuilding the global economy after the war.
- In 1944, delegates from 44 Allied countries met in the United States at Bretton Woods, New Hampshire, to discuss the postwar economic order. The end result was the signing of the Bretton Woods Agreement.
- This agreement established a system of rules, institutions, and procedures for the postwar global economy. The Bretton Woods Agreement effectively established a new international monetary system—a global network of institutions to promote international trade and the regulation of currency (money) among Western countries.
- **The Bretton Woods Agreement of 1944 was one of the foundations of economic globalization as it created the World Bank, the International Monetary Fund, and a system of international trade for the world's major industrial countries.**

The IMF

- The **International Monetary Fund (IMF)** is an organization of 189 countries, working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world.
- Created in 1945, the IMF is governed by and accountable to the 189 countries that make up its near-global membership.

The IMF

- The IMF was conceived at a UN conference in Bretton Woods, New Hampshire, United States, in July 1944. The 44 countries at that conference sought to build a framework for economic cooperation to avoid a repetition of the competitive devaluations that had contributed to the Great Depression of the 1930s.
- **Original aims:**
  - promote international monetary cooperation;
  - facilitate the expansion and balanced growth of international trade;
  - promote exchange stability;
  - assist in the establishment of a multilateral system of payments; and
  - make resources available (with adequate safeguards) to members experiencing balance of payments difficulties.

Perspectives on the IMF

Supporters…

- ✓ Surveillance: The IMF assesses each country's economic situation annually and discusses it with the country's authorities. The IMF's findings are published twice a year in World Economic Outlook and Global Financial Stability Report.
- ✓ Technical assistance and training: The IMF provides this service, generally offered free of charge, in the areas of banking and financial system supervision and regulation.
- ✓ Financial assistance: Like the World Bank, the IMF offers funds and loans to member countries to address debt problems and to help reduce poverty.
- ✓ Supporters of the IMF say that it is simply a funding agency with little power to change anything, let alone sovereign countries. They point out that the IMF's stated objective is to advise and promote financial stability, not to make social changes in the world. They also claim that economic stability is an important prerequisite for countries trying to build a strong democracy.

Critics…

- ✕ Some critics of the IMF claim that it deliberately supports capitalist military dictatorships friendly to American and European corporations.
- ✕ They say that the IMF often advocates **austerity programs** for countries in financial trouble. This means reducing government debt by increasing taxes and cutting social programs.
- ✕ Critics also claim that the IMF does not actively promote democracy, human rights, and labour rights. They argue that corrupt military dictatorships are given loans to support their regimes.
- ✕ Finally, critics maintain that the IMF, like the World Bank, is controlled by the United States and other more developed countries whose main focus is to protect their corporations and interests rather than those of less developed countries.

Overall, the IMF's success record is limited. It was created to help stabilize the global economy but, since 1980, more than 100 countries have experienced a banking collapse—far more than at any previous time in history.

Fast Facts About the IMF

1944	Year the IMF was established
189	Member countries
147	Nationalities represented by staff
24	Executive Directors representing 189 member countries
$1 trillion	Total amount the IMF is able to lend to its member countries
36	Current lending arrangements
0%	Interest rate on loans to low-income countries
$303 million	For hands-on technical advice, policy-oriented training, and peer learning


theres a few strings attached
IMF LOAN

The World Bank

- The World Bank is an international financial institution that provides loans to countries around the world for capital projects. In theory, the World Bank is an agency of the United Nations, but in practice it is independent and controlled by its 184 member countries.
- The World Bank provides loans to less developed countries that are in financial difficulty. However, in order to get these loans, the countries are usually required to meet certain political and economic conditions.
- Financial assistance can take the form of interest-free loans, low-interest loans, or grants. Usually, the funds are directed toward improving a country's education or health systems or its infrastructure.

Perspectives on the World Bank

Supporters…

- ✓ The proportion of people living in poverty in less developed countries fell by half—from 40 per cent to 21 per cent in the last 20 years.
- ✓ Life expectancy in less developed countries has increased by 20 years. The number of children dying before the age of five has been reduced by 50 per cent.
- ✓ Adult illiteracy has been halved to 25 per cent.
- ✓ Supporters of the World Bank argue that without these funds, citizens of less developed countries would experience much greater hardship

Critics…

- ✗ The World Bank has been criticized for operating on the assumption that the free market system can bring prosperity to all countries. According to this perspective, free market reforms are not always suitable for countries that are experiencing conflicts, such as ethnic wars or border conflicts, or for countries that are dictatorships and do not have stable, democratic political systems.
- ✗ A further criticism is that the Bank is under the political influence of more developed countries such as the United States. From this perspective, the World Bank might favor increased foreign investment and international trade, which could end up supporting corrupt governments.
  - *For example, China has a poor human rights record but has become a major trading partner of the United States and other more developed countries.*

The institutions in the World Bank Group are run by a board of 24 executive directors, with each director representing either one country (for the largest countries) or a group of countries. Directors are appointed by their respective governments or group of countries. By convention, the World Bank president has always been from the United States.

- Why do you think this is so?
- What impact might this fact have on the World Bank’s policies?

There are only two instances where this has not been true:

- 2012-2019 = South Korean/American
- 2019 – Bulgarian **she was also the first woman to ever serve*

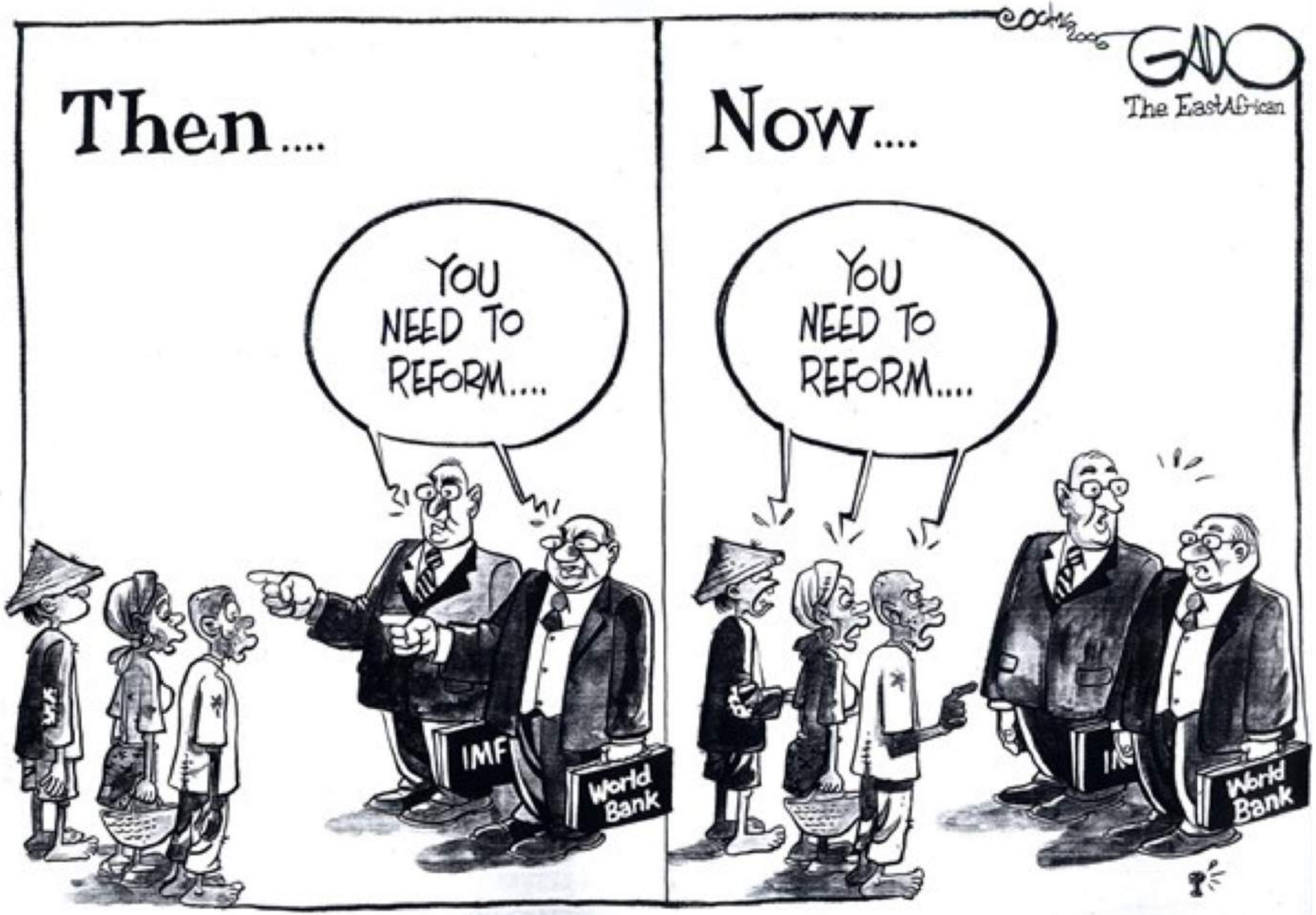
Similarities Between the IMF and World Bank

- ✓ Owned and directed by the governments of member nations
- ✓ Almost every country on earth is a member of both institutions
- ✓ Both concern themselves with economic issues
- ✓ Both focus on broadening and strengthening the economies of their member nations
- ✓ Hold joint annual meetings
- ✓ Headquartered in Washington DC, USA
- ✓ Share joint task forces, sessions and research efforts

Difference between IMF and World Bank

The International Monetary Fund	World Bank
Oversees the international monetary system	Seeks to promote the economic development of the world's poorer countries
Promotes exchange stability and orderly exchange relations among its member countries	Assists developing countries through long-term financing of development projects and programs
Assists all members--both industrial and developing countries--that find themselves in temporary balance of payments difficulties by providing short- to medium-term credits	Provides to the poorest developing countries whose per capita GNP is less than $865 a year special financial assistance through the international development association (IDA)
Draws its financial resources principally from the quota subscriptions of its member countries	Acquires most of its financial resources by borrowing on the international bond market
Has at its disposal fully paid-in quotas now totaling SDR 145 billion (about $215 billion)	Has an authorized capital of $184 billion, of which members pay in about 10 percent
Has a staff of 2,300 drawn from 182 member countries	Has a staff of 7,000 drawn from 180 member countries


WELL AUDLEY, HERE COMES OUR RESCUERS...
GOV'T
JAMAICA
IMF
LAS MAY 6/12



Then....
YOU NEED TO REFORM....
IMF
World Bank
Now....
YOU NEED TO REFORM....
World Bank
GADO
The EastAfrican