

# Econ 340

## Lecture 1 Overview of the World Economy

### Lecture 1 Outline

- Overview of the World Economy
- “Globalization”
- Elements of the World Economy
- Ways that Countries Interact
  - Trade
  - Capital Flows
  - Migration
- Policies that Affect Others

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### Overview of the World Economy

- “Globalization”
  - Means different things to different people
    - My definitions (see my online Glossary):
      1. The increasing world-wide integration of markets for goods, services and capital.
      2. Also role of MNCs, IMF, WTO, World Bank.
      3. Elsewhere: domination by United States.
    - Some see good, others bad
      - Bad: reading by Powell
      - Good: reading by Bhagwati

Both make valid points. Read to see what they are.

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### Overview of the World Economy

- International Economics
  - Is NOT about countries
  - It IS about interactions among countries

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### Overview of the World Economy

- World Economy consists of
  - Countries: a few hundred  
(CIA lists about 240)  
(WTO has 159 members)
  - People: over 7 billion  
(7.140 b. 1/10/14, compare 319 m. US)
  - Land: about 15 times the US

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## (Aside, on getting information)

An excellent source of information about countries is the CIA World Fact Book (Just Google "fact book")



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## Overview of the World Economy

- World Economy consists of
  - GDP (2012 est., per CIA, in US\$)
    - World: Total = \$71.82 trillion  
per capita = \$12,500
    - US: Total = \$16.02 trillion  
per capita = \$51,700

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## Overview of the World Economy

- Implication
  - US is very unusual
    - Very rich
      - US has less than 5% of world population but more than 20% of world income

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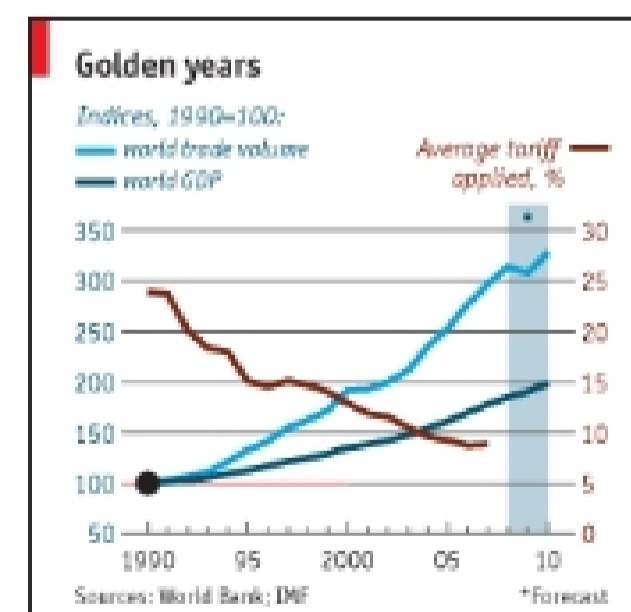
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## Overview of the World Economy

- Ways that countries interact economically
  - Trade (per CIA, 2012 est.)
    - World exports: \$18.28 trillion (compare world GDP of \$72 trillion)
    - World trade has grown faster than world GDP most years
      - But not during 2008-9, due to world recession

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## Overview of the World Economy

- See tables below for
  - Who trades most?
  - Who trades with whom?
  - Share of trade in GDP
  - US:
    - What do we export/import?
    - To/from whom?

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## Who Trades the Most?

(\$ b. & % share, 2012)

Exporters			Importers		
	Value	Share		Value	Share
EU-27*	2187	14.7	US	2338	15.6
China	2049	13.9	EU-27*	2301	15.4
US	1278	10.5	China	1818	12.2
Japan	799	5.4	Japan	886	5.9
Korea, S.	548	3.7	Hng Kng	553	3.7
World	14764	100.0	World	14965	100.0

\*EU external only

Source: WTO, International Trade Statistics, 2013, Table 1.8

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## Who Trades the Most?

- Developed countries are the biggest traders
- China is catching up, in trade volume
  - It was the #3 exporter five years ago when I taught the course; now it's #2.
  - Others are gaining as well: Three years ago Canada was #5 exporter. Two years ago that was S Korea. Last year and this, it is Hong Kong.

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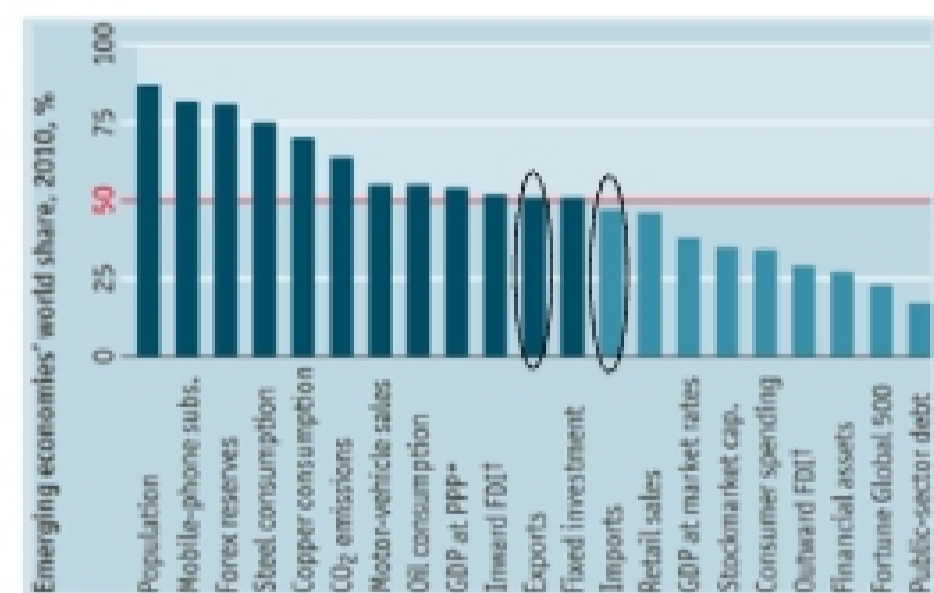
## Who Trades the Most?

- “Emerging Markets” in general are catching up to, or surpassing, the developed countries
  - In GDP, trade, and more
  - See Economics Focus from *The Economist*, “Why the Tail Wags the Dog”

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Economies' share of world GDP, %  
At market exchange rates



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