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Economic Globalization: From Microeconomic Foundation to National Determinants

Silvia Marginean^{a,*}

^a*Lucian Blaga University of Sibiu, Faculty of Economic Sciences, 17 Dumbrăvii Street, Sibiu, 550324, Romania*

Abstract

For many years, globalization was at the main source of economic growth for the world economy. During and after the 2009 crisis many questions about the positive effects of globalization have arisen. In this paper we argue there are two dimensions of economic globalization, micro and macro, and the perspectives of globalization is more related to the microeconomic determinants. Looking to the definitions and measures of globalization we conclude that for most of the countries the macro dimensions are important and many of them irreversible and not questionable in these days – barriers of trade, political integration, etc., but the microeconomic behavior of individuals and companies are the engine in this stage of globalization.

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1. Introduction

Globalization was a real challenge for the academic and political communities in the last thirty years. Despite the vast literature on this issue, we are far from a common approach. The differences start with globalization’s definitions and continues with measures, causes, effects and many other issues. This paper explore the idea that the definitions and measures of economic globalization are a source of information and a starting point if we want to understand the

* Corresponding author. Tel.: +40269 21.03.75;

E-mail address: silvia.marginean@ulbsibiu.ro

roots, the effects and the trends of globalization. In previous papers I have studied the problem of globalization's definition (Marginean & Orastean 2012) and measures (Marginean 2011). This paper focus on definitions and measures of globalization from another perspective, trying to answer the question: which factors are more important - microeconomic or macroeconomic?

Globalization dynamics can be followed based on different theories, approaches and explanations related to the causes and mechanisms. For the beginning of the third wave of globalization, national policies regarding free trade, foreign investments and capital movement were critical for countries participation to the process. The fact that globalization measured through different index seems to be more stable. We think that is more a question of structure of indicators, than a proof that globalization doesn't continue to grow. The answer could be the focus on microeconomic foundations of economic globalization.

2. Definitions of globalization

Defining and measuring globalization is a complex issue from two points of view: there is not a single, general accepted definition of globalization, therefore the wide range of indicators tries to reflect the complexity of the process - economic, social, political, technological, cultural dimensions of globalization are reflected separately or aggregated through indexes; globalization impact scale (individual, local, global) requires not only measures for the openness of countries but also for the individual and firm level international interaction.

Another challenge in studying such a complex process is the changing character of the globalization. One of the crisis effects was a dramatic collapse of international trade and foreign direct investment, the two main drivers of globalization. While the magnitude of the current trade crisis can be comparable with previous drops of flows for individual countries, the remarkable degree of synchronization explains the collapse in international trade and is directly related to globalization. As Araujo and Martins (Araujo & Oliveira Martins 2009) shows, in OECD countries after more than six years of positive trade growth, trade dived in October 2008, reaching a record negative growth of -37% in April 2009.

Globalization is the explanation for the fact that trade flows during the global crisis have fallen much more sharply than they did during the Great Depression (Eichengreen & O'Rourke 2009). The new thing about globalization is the scale, the high level of integration and synchronization of national economies.

Another new aspect of globalization, emphasized by OECD is the complexity of the linkages between the countries due to the global production networks, to the global value chains that have increased foreign direct investment flows and intra-firm trade, and have made them increasingly interdependent (2010).

But globalization is much more than growing trade and foreign direct investments. The internationalization of technology and the growing flows of services are parts of the globalization changes. Globalization is also deeper and wider, with a growing number of countries actively participating at the process. A very interesting group of definitions focus on the idea that globalization is a process of acceleration and intensification of the links and relations between partners. This kind of argument could be found in the early stage of globalization and are strongly related to economic and technological factors. Holm and Sorensen (Holm & Sorensen 1995) – globalization is an intensification of economic, political, social relationship outside the national border; at Stiglitz (Stiglitz 2002)– globalization is a stronger integration of countries and populations because of the diminishing costs of transport and communication; international organizations (1998)– globalization is a process of growing links between people.

Another important study about economic globalization was published almost 10 years ago by Al-Rodhan and Stoudmann (Al-Rodhan & Stoudmann 2006). They offer a comprehensive list of the definitions of globalization, which include 114 different definitions (before 2006); 67 of these are related to the economic dimension of globalization through market expansion, or selling goods and services. Many of these include also political and social dimensions of globalization.

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