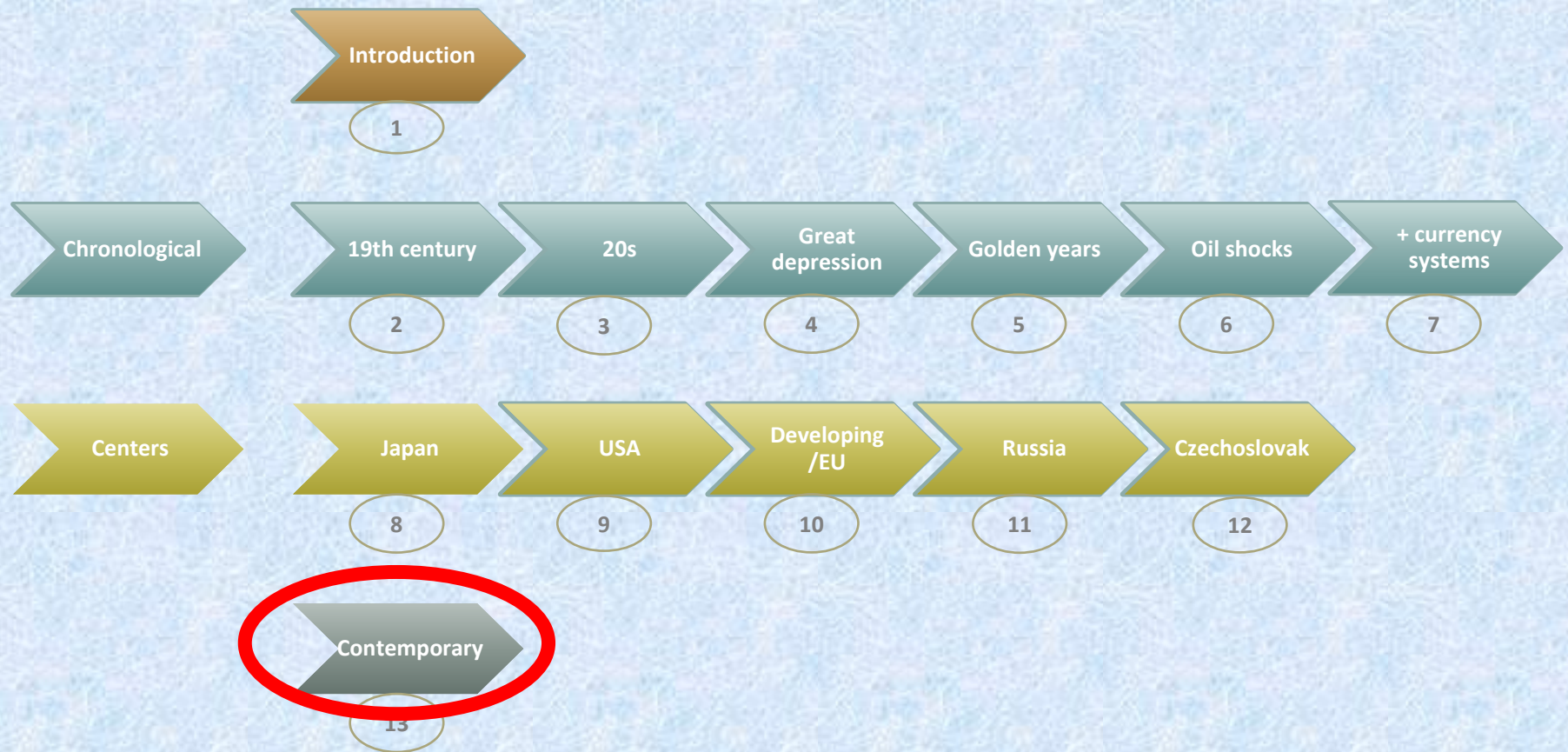




Current situation in world economy

The course schedule



Content

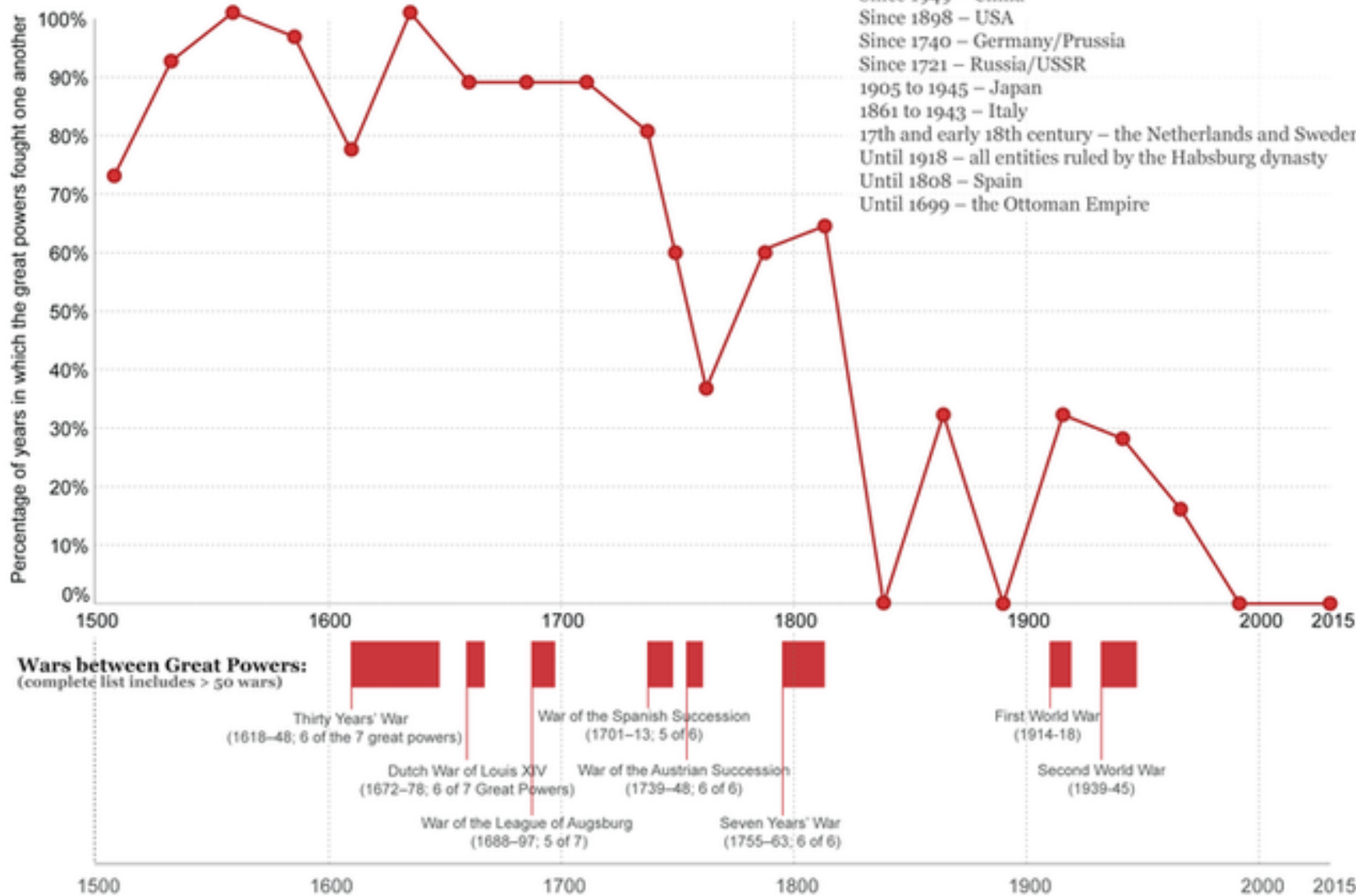
- A. Long-term trends
- B. Current economic situation by regions
- C. Globalization



Percentage of years in which the 'Great Powers' fought one another, 1500-2015 – by Max Roser

Between 1500 and today there were more than 50 wars between 'Great Powers'.
Data are aggregated over 25-year periods.

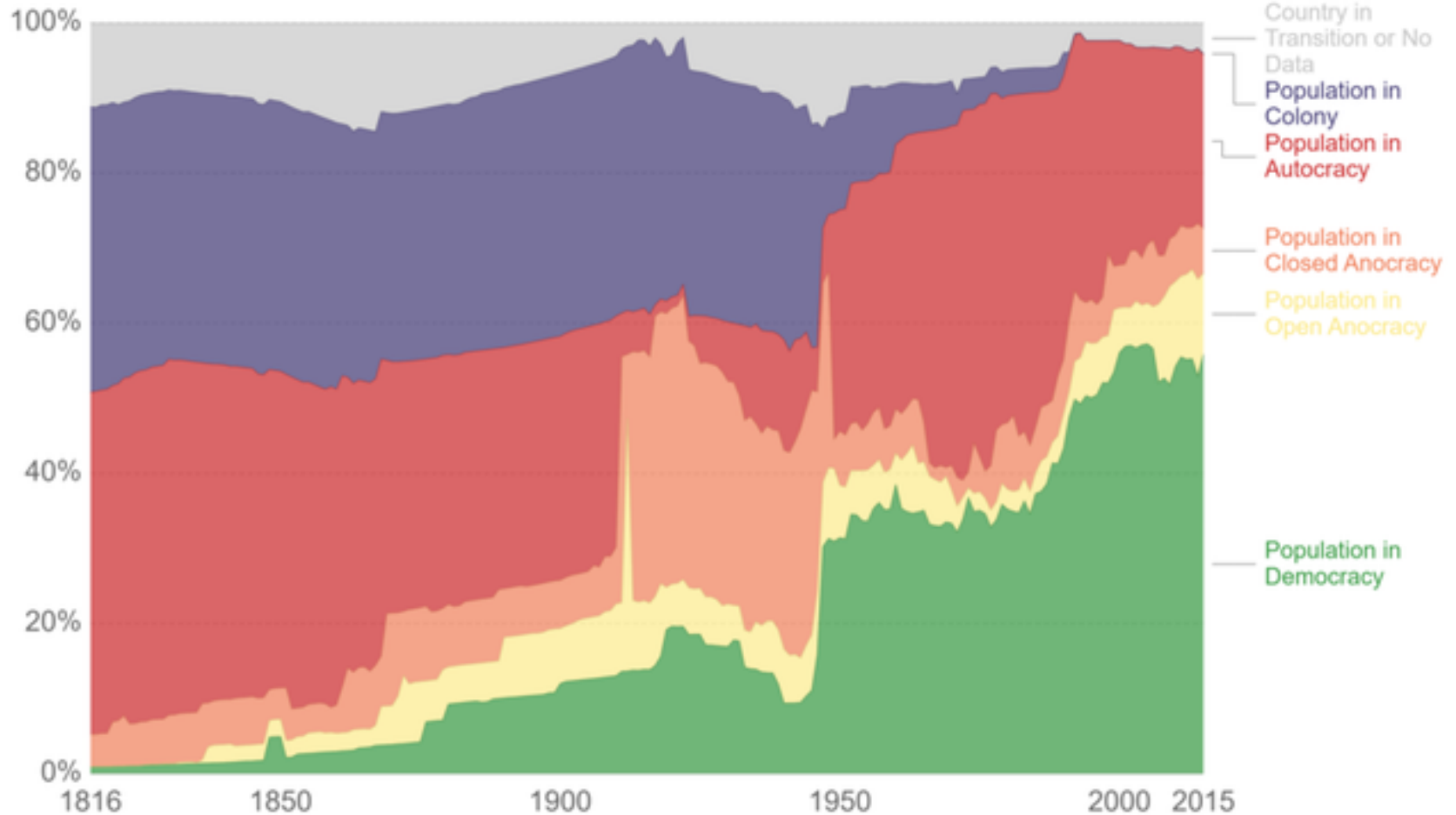
The Great Powers:
 Entire period – France and England/Great Britain/U.K.
 Since 1949 – China
 Since 1898 – USA
 Since 1740 – Germany/Prussia
 Since 1721 – Russia/USSR
 1905 to 1945 – Japan
 1861 to 1943 – Italy
 17th and early 18th century – the Netherlands and Sweden
 Until 1918 – all entities ruled by the Habsburg dynasty
 Until 1808 – Spain
 Until 1699 – the Ottoman Empire



Number of world citizens living under different political regimes



The Polity IV score captures the type of political regime for each country on a range from -10 (full autocracy) to +10 (full democracy). Regimes that fall into the middle of this spectrum are called anocracies.



Source: World Population by Political Regime they live in (OWID (2016))
OurWorldInData.org/a-history-of-global-living-conditions-in-5-charts/ • CC BY-SA

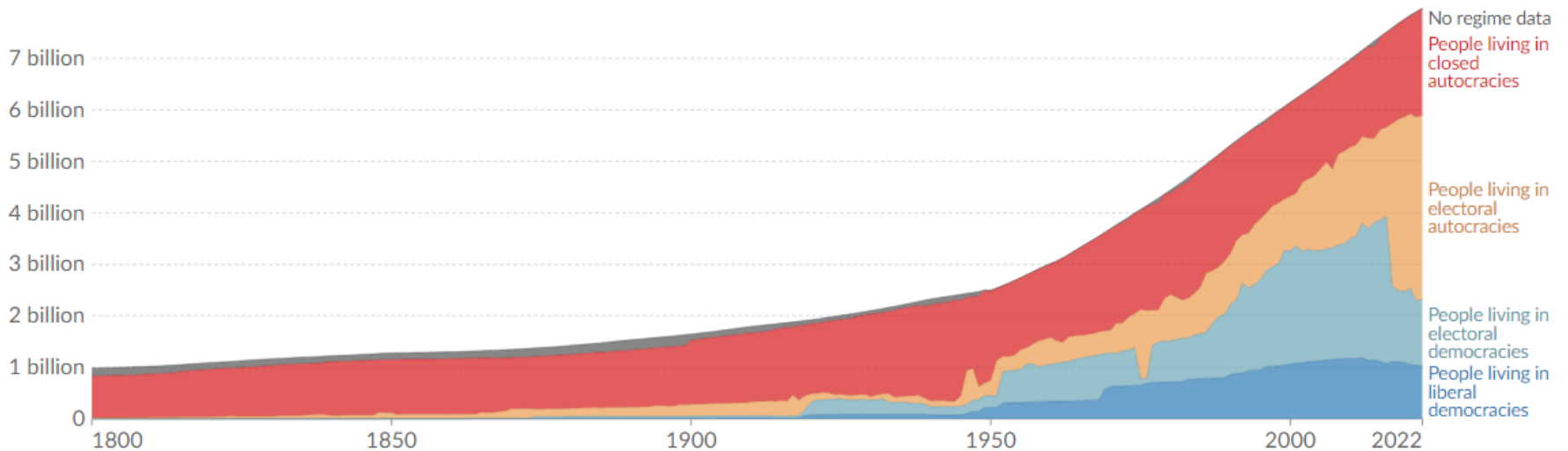
People living in democracies and autocracies, World

Our World
in Data

Political regimes are based on the criteria of the classification by Lührmann et al. (2018) and the assessment by V-Dem's experts.

Table Chart

Change region Settings



Play time-lapse 1800 2022

Data source: V-Dem (2023) - [Learn more about this data](#)

OurWorldInData.org/democracy | CC BY

Download

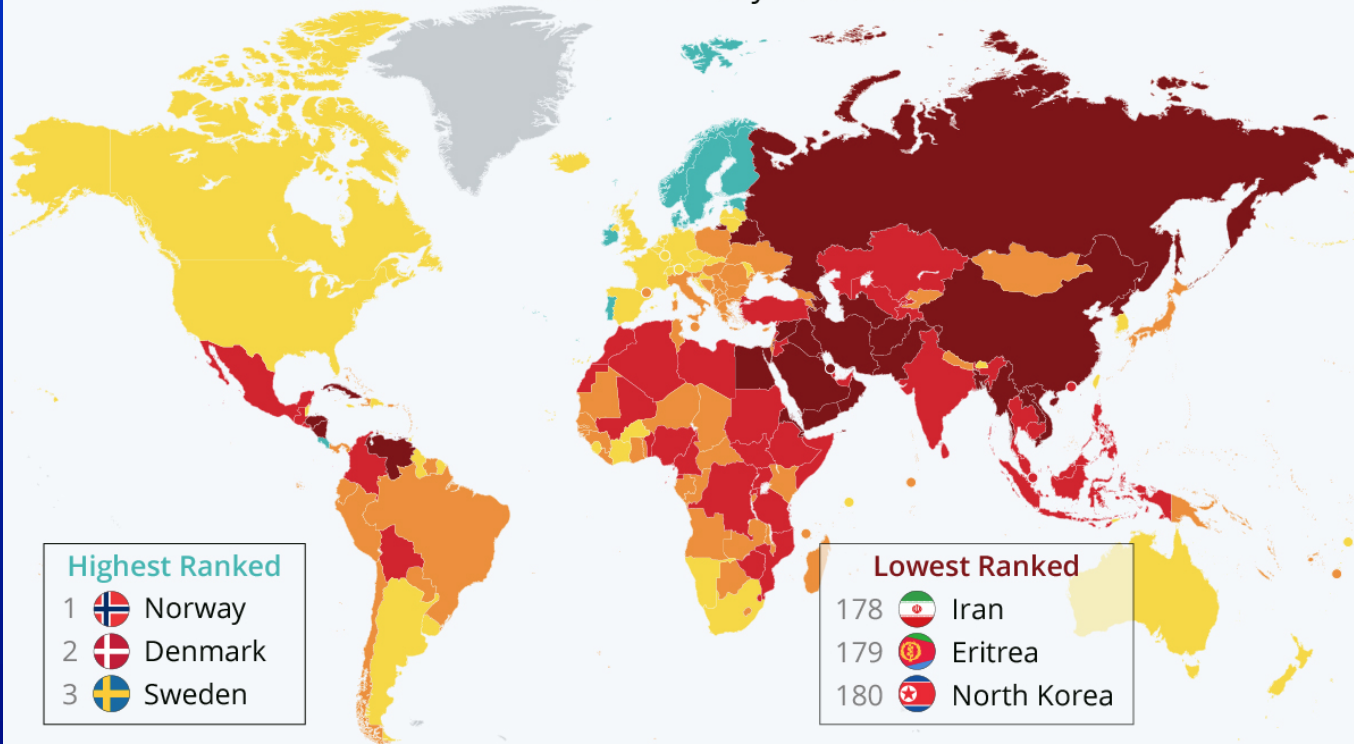
Share

Explore the data →

The State of World Press Freedom

Countries ranked by level of press freedom in 2022

■ Good situation ■ Satisfactory situation ■ Noticeable problems
■ Difficult situation ■ Very serious situation

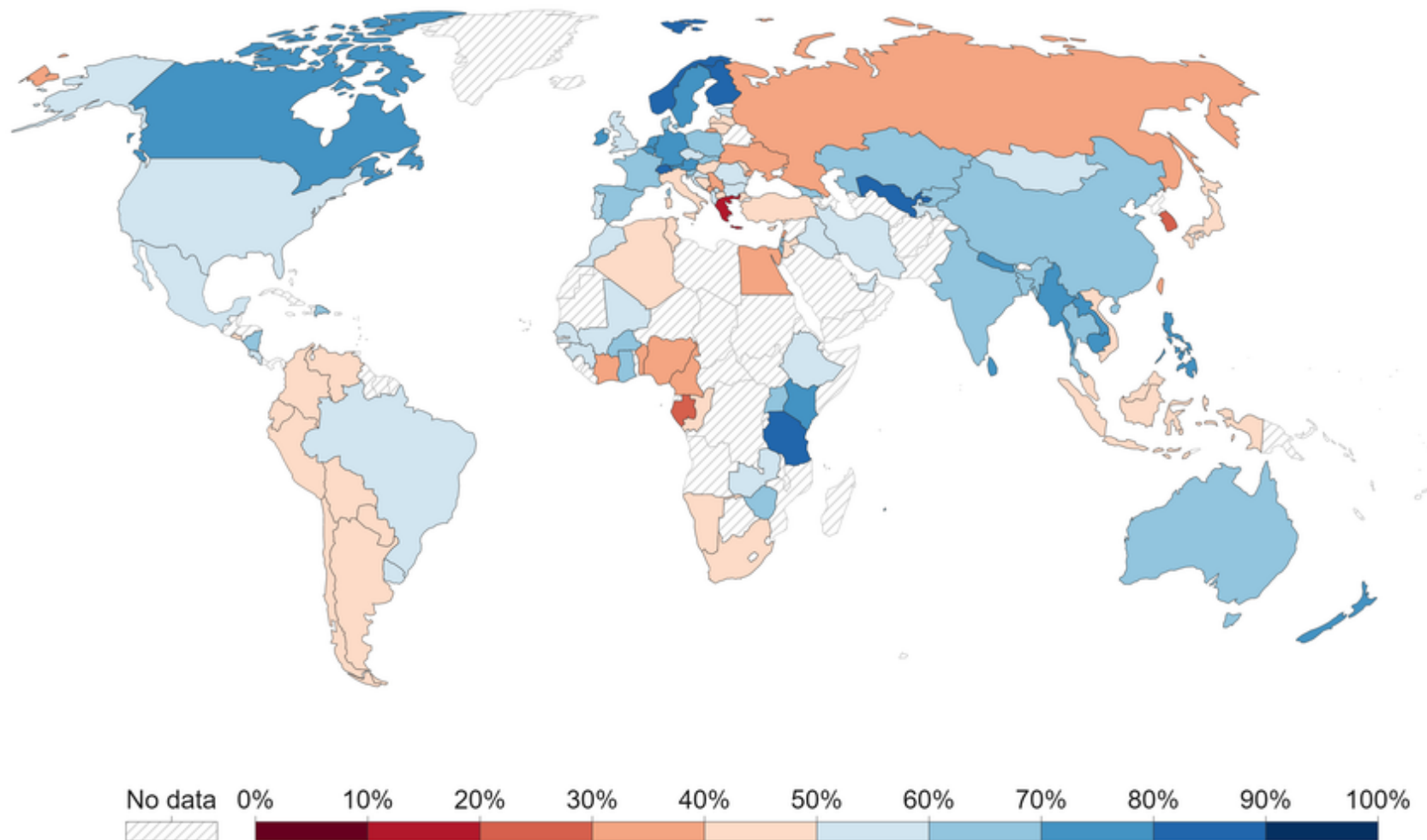


Source: Reporters Without Borders World Press Freedom Index



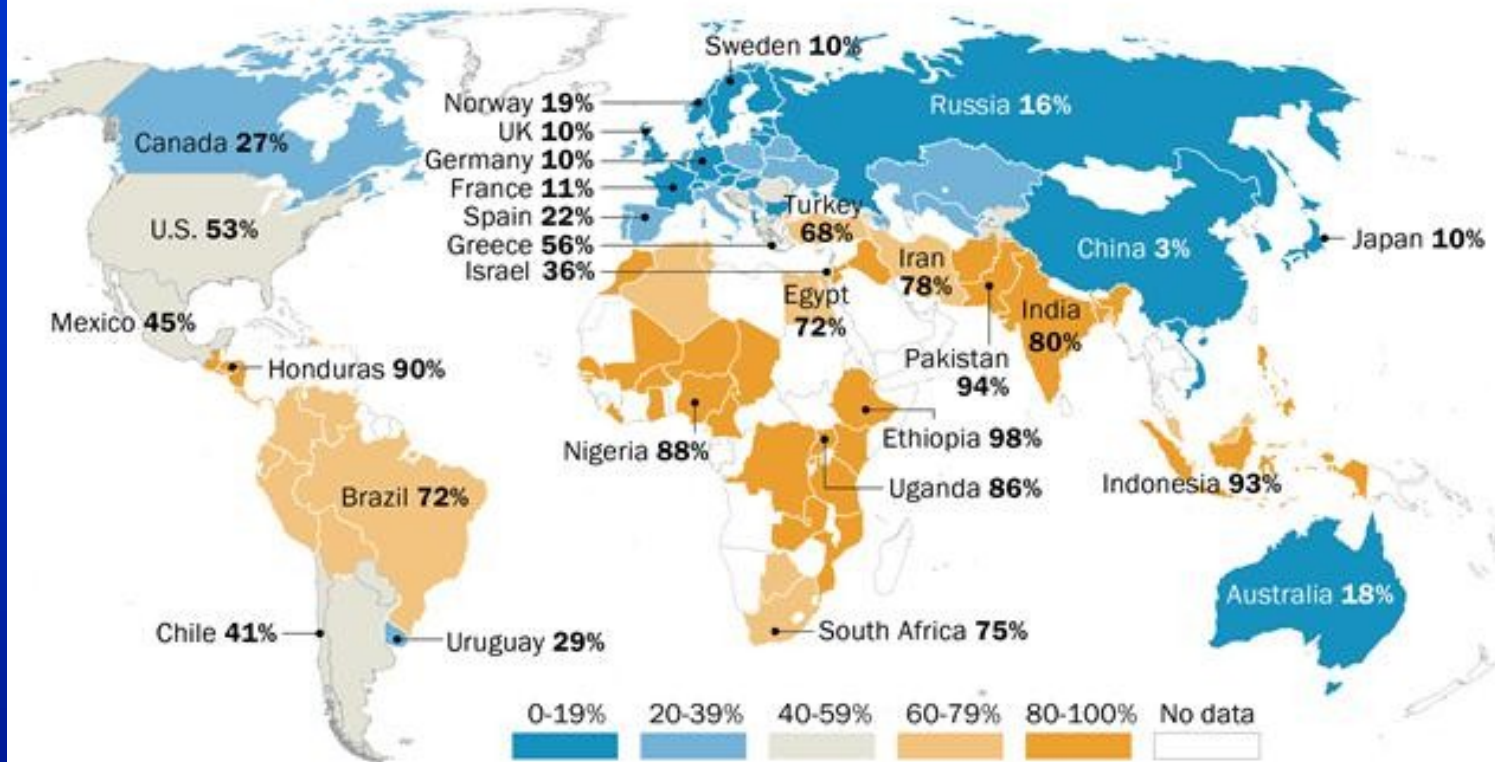
Share of people who trust journalists in their country, 2020

The share of respondents who answered "a lot" or "some" to the question: "How much do you trust journalists in your country?"



People in Europe and East Asia say religion is not very important to them

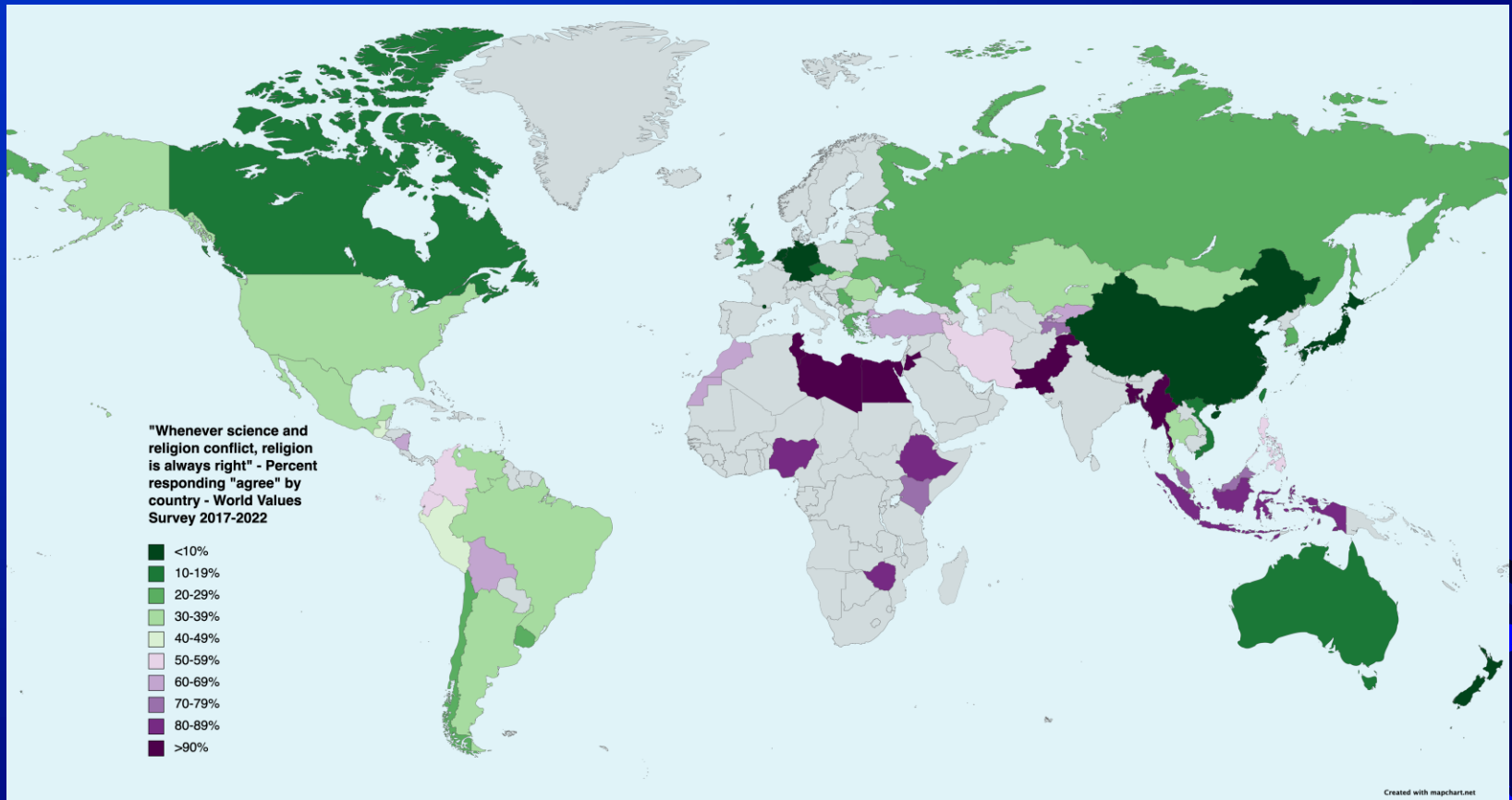
% who say religion is very important in their lives



Source: Pew Research Center surveys, 2008 to 2017.
"The Age Gap in Religion Around the World"

PEW RESEARCH CENTER

Whenever science and religion in conflict – religion is always right



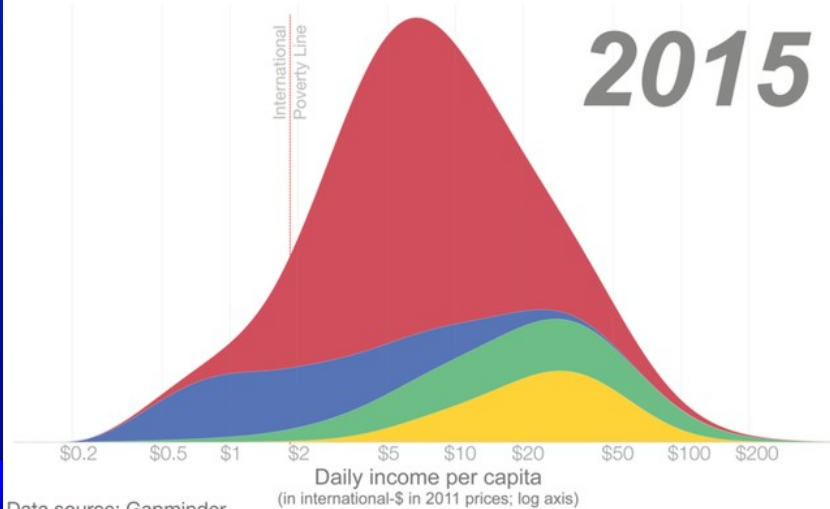
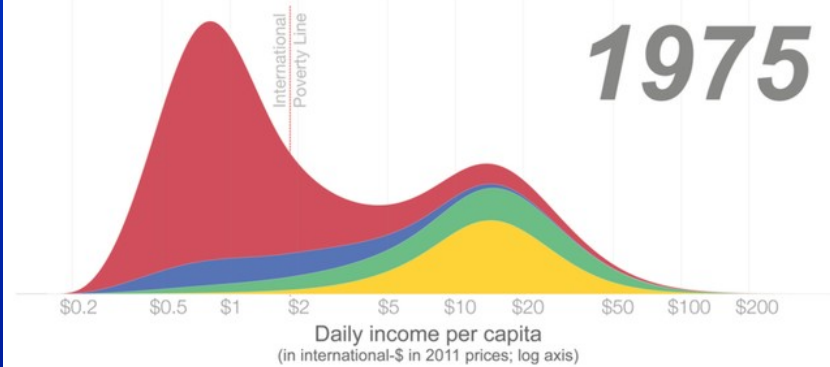
Global income distribution in 1800, 1975, and 2010

Our World in Data

Income is measured by adjusting for price changes over time and for price differences between countries (purchasing power parity (PPP) adjustment).

These estimates are based on reconstructed National Accounts and within-country inequality measures. Non-market income (e.g. through home production such as subsistence farming) is taken into account.

Europe Asia and Pacific Africa North- and South America

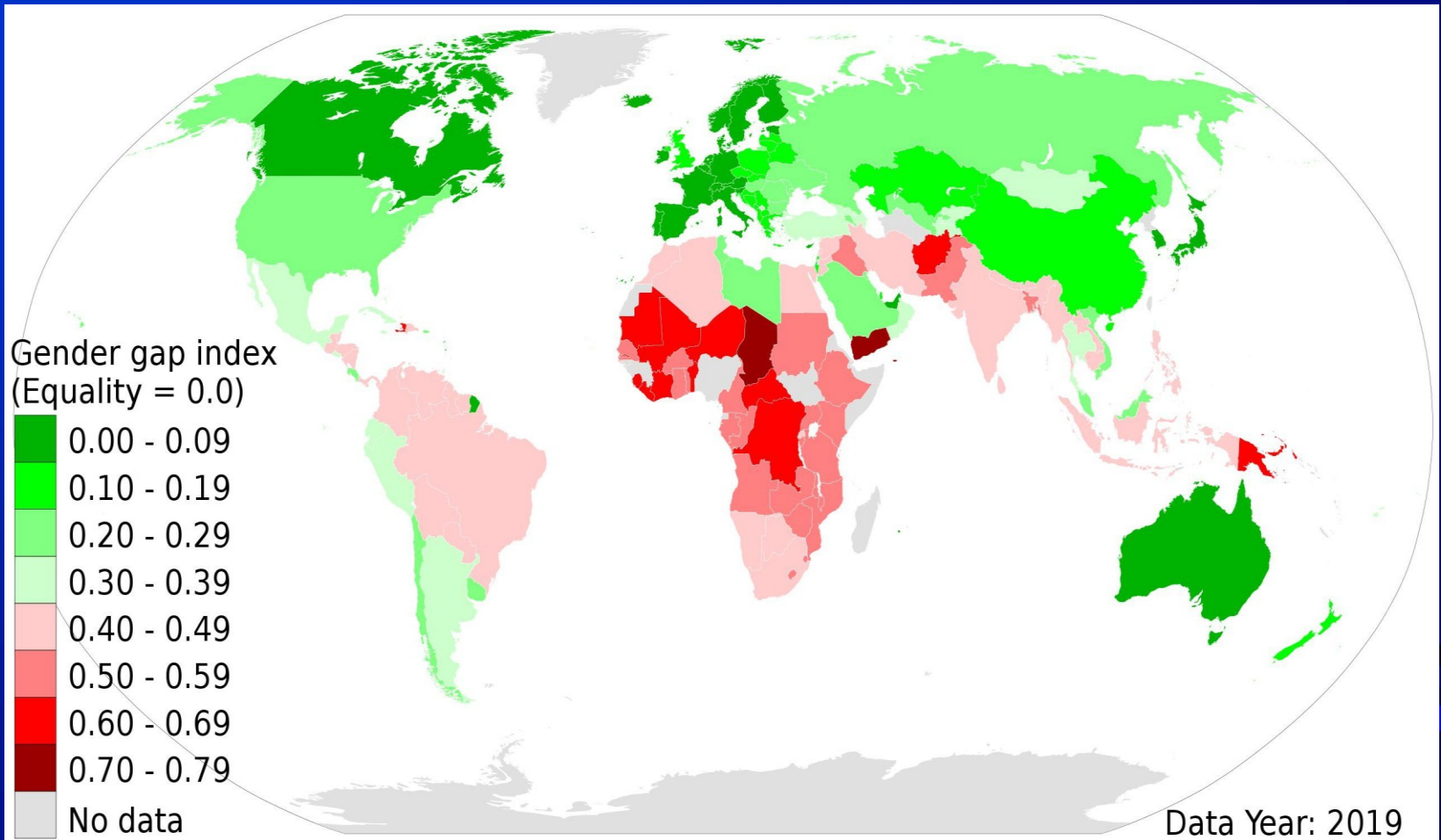


Data source: Gapminder

The visualization is available at OurWorldinData.org where you find more visualizations and research on global development.

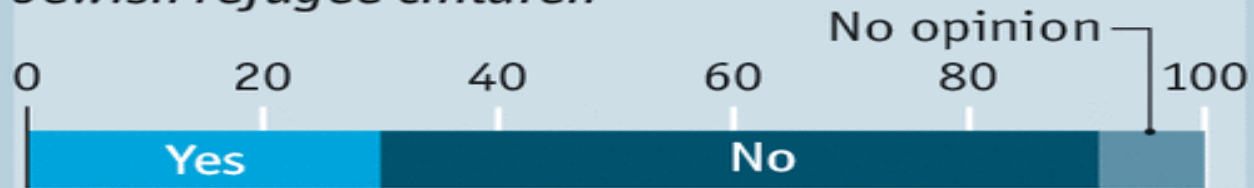
Licensed under CC-BY-SA by the author Max Roser.



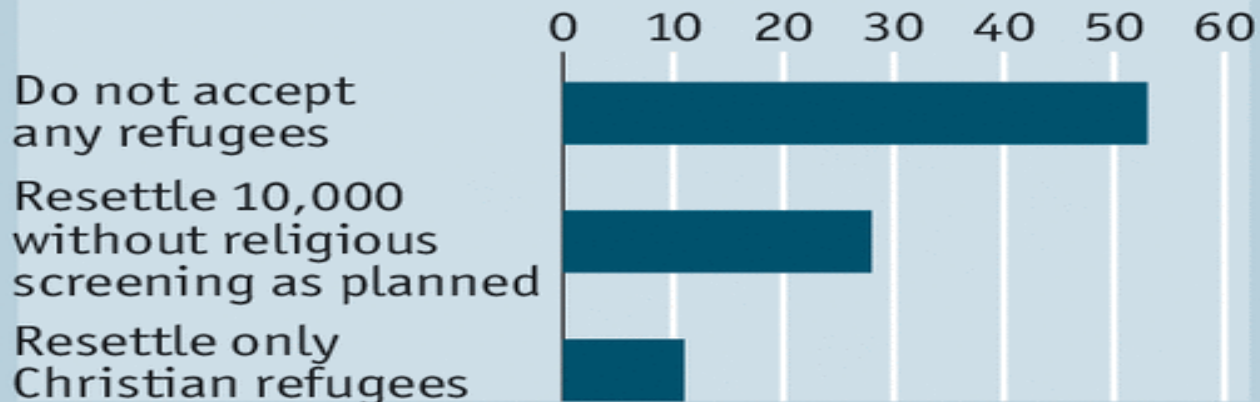


Some context

% of Americans who believed in 1939 that America should accept 10,000 German-Jewish refugee children **1939**



What is the best approach for America to take with refugees fleeing the Syrian civil war? **2015**
% of respondents*

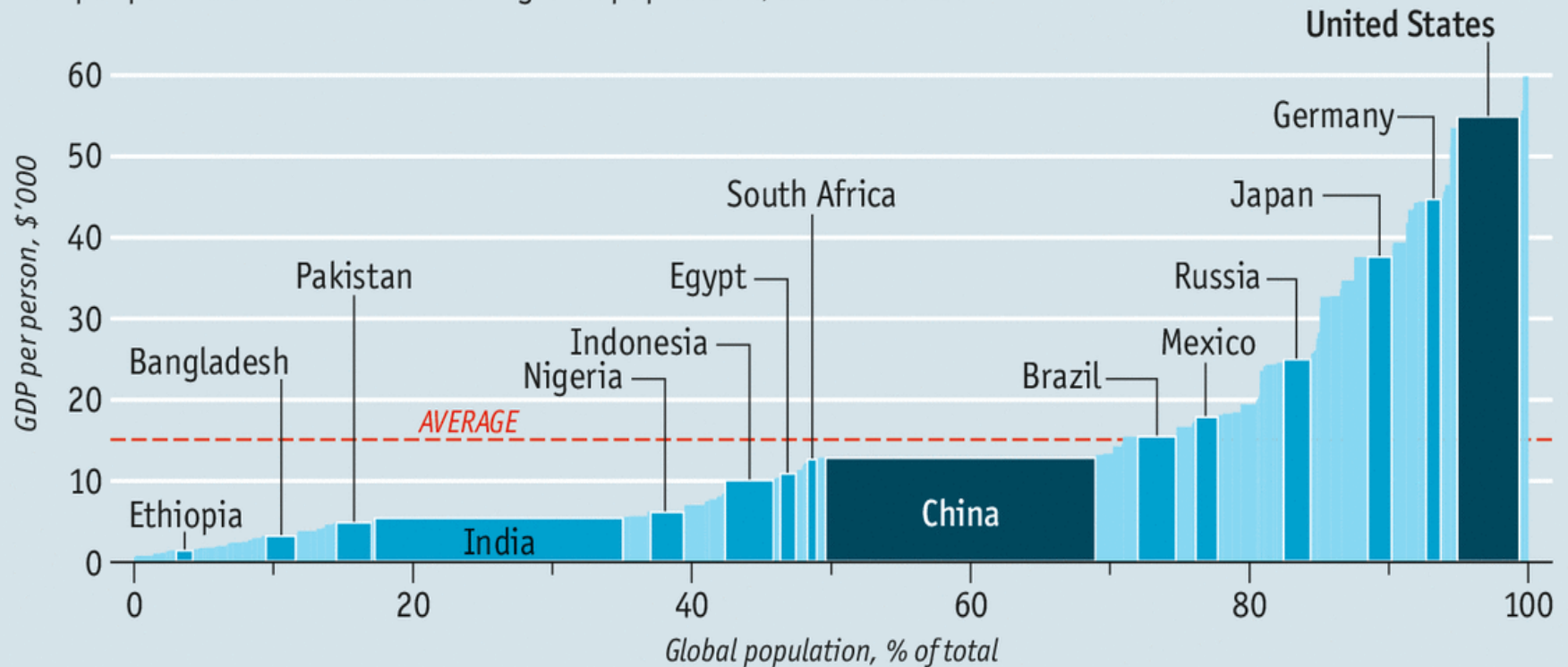


Sources: American Institute of Public Opinion; Bloomberg poll

*628 adults
Nov 16th-17th 2015

A world of difference

GDP per person at PPP* and share of global population, 2014 forecast



Sources: International Comparison Programme; IMF; *The Economist*

*Purchasing-power parity

GDP per capita (current US\$)

World Bank national accounts data, and OECD National Accounts data files.

License : CC BY-4.0 [🔗](#)

Line

Bar

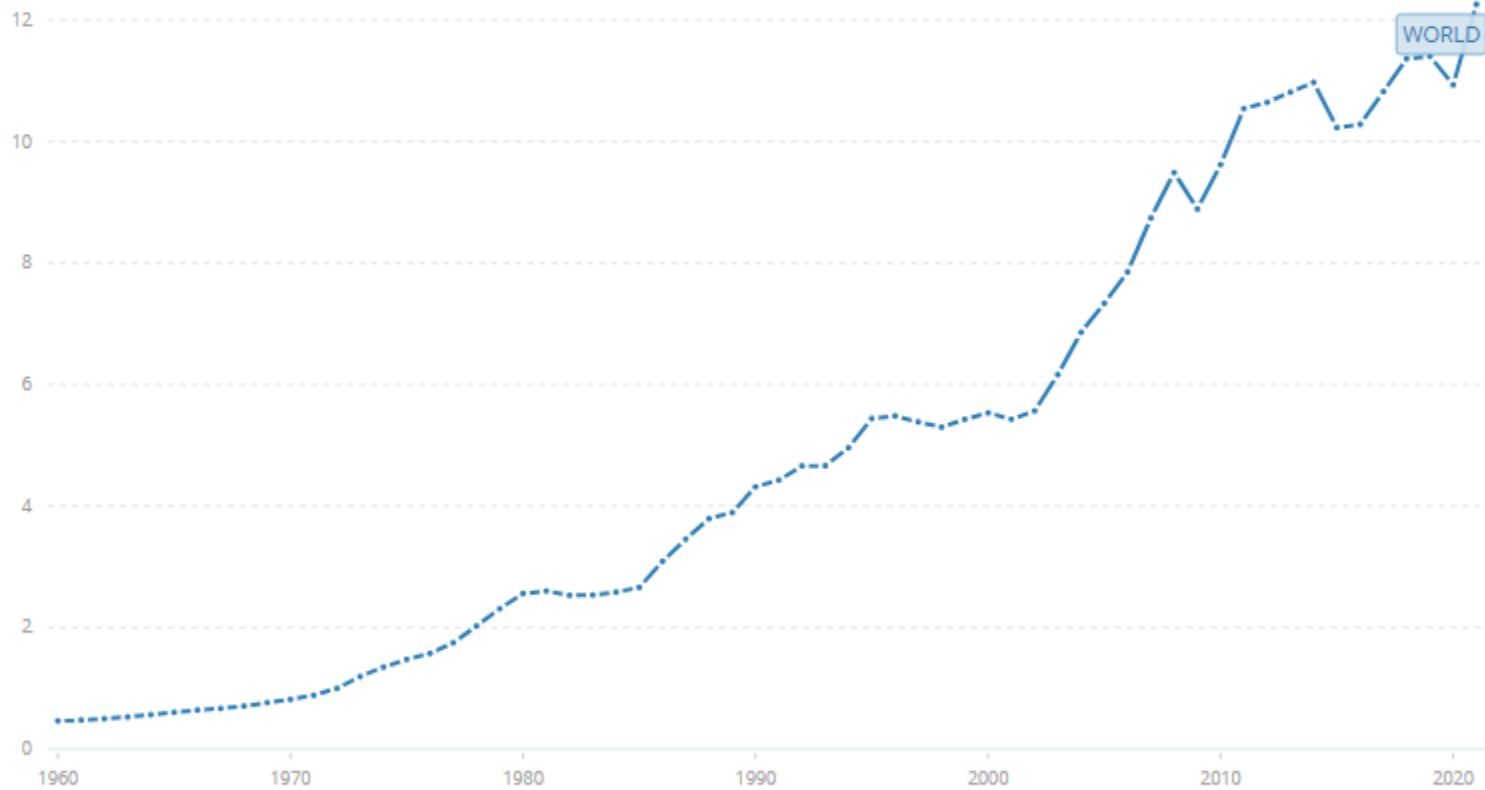
Map

← Share

ⓘ Details

Thousand

LABEL



1960 - 2021



GDP per capita growth (annual %)

World Bank national accounts data, and OECD National Accounts data files.

License : CC BY-4.0 [🔗](#)

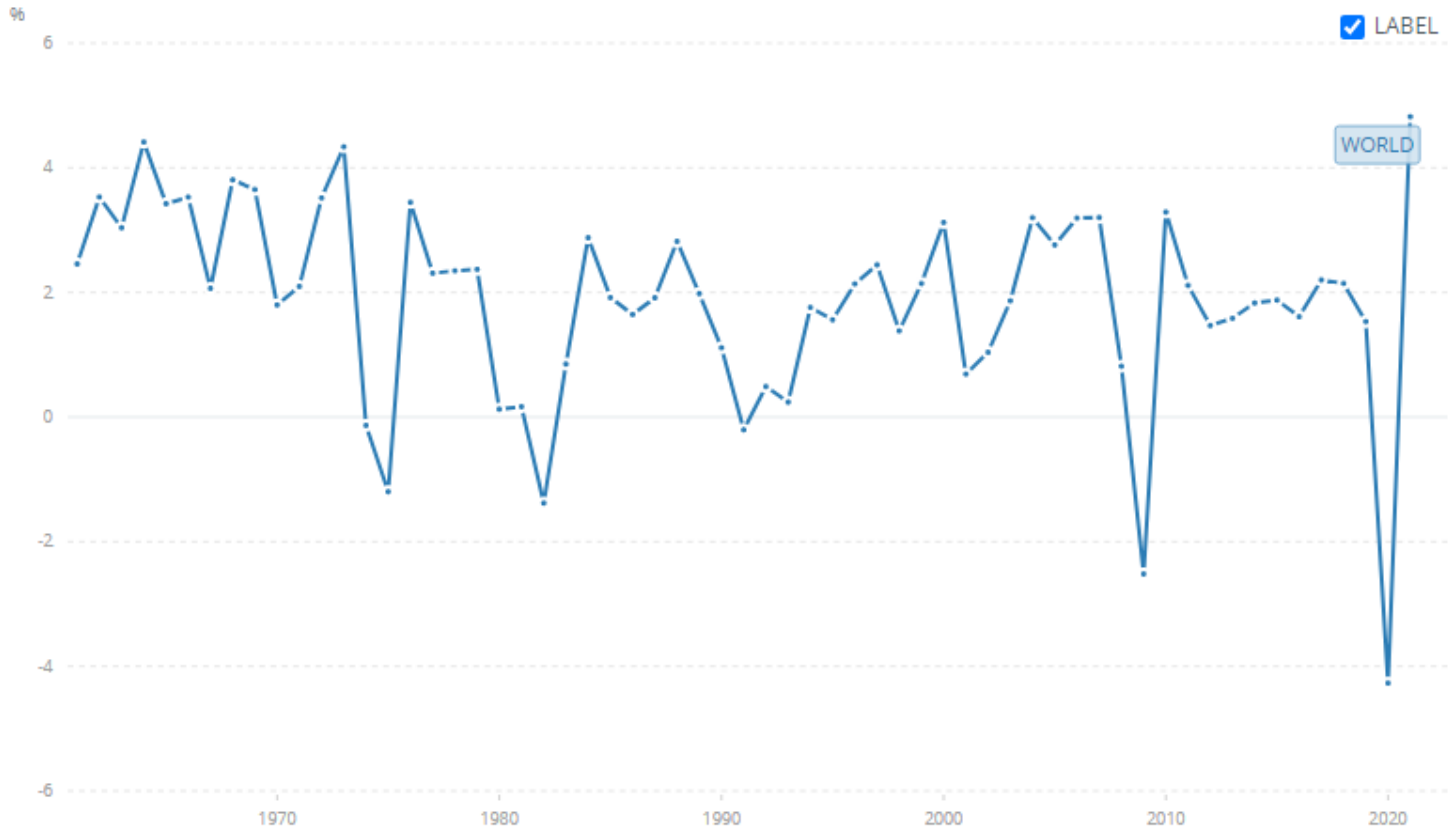
Line

Bar

Map

← Share

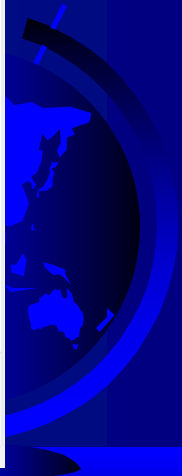
ⓘ Details



1961 - 2021

|||

|||

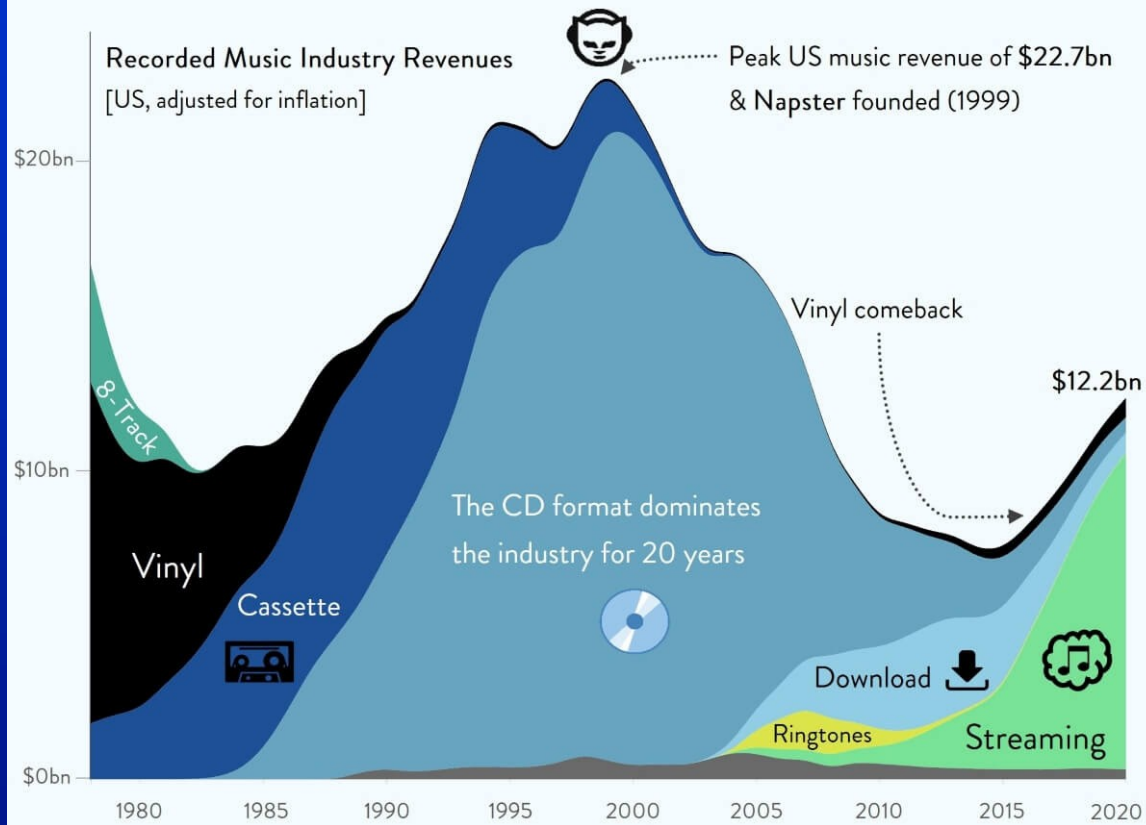


World, merchandise exports

% of GDP

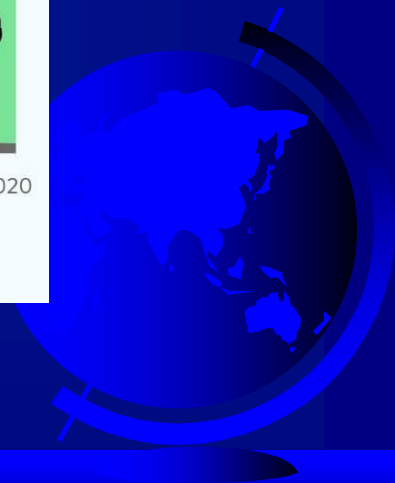


Here Comes The Sun: Streaming Revives The Music Industry



Source: RIAA

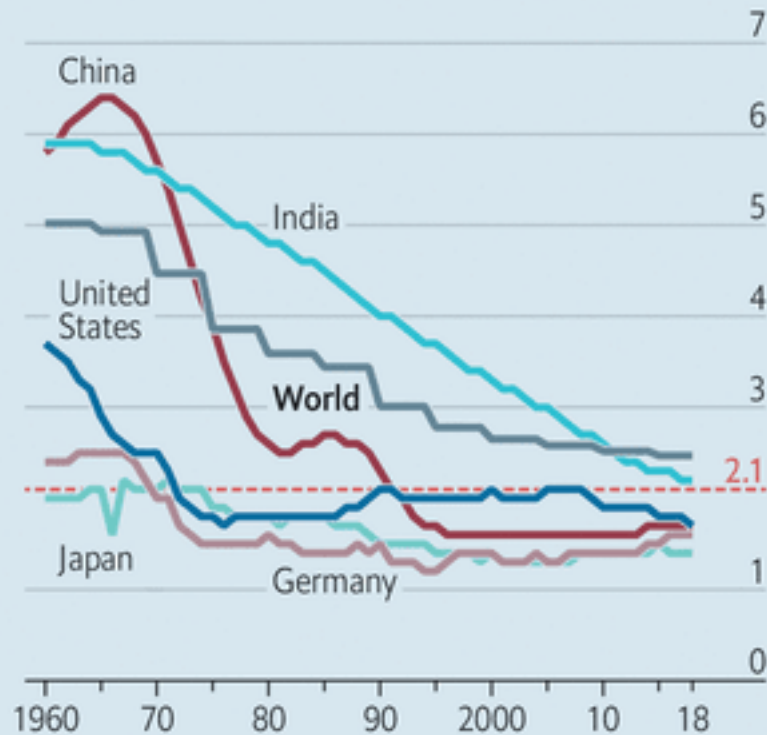
charttr



Pregnant pause

Fertility rate, births per woman

----- Replacement rate

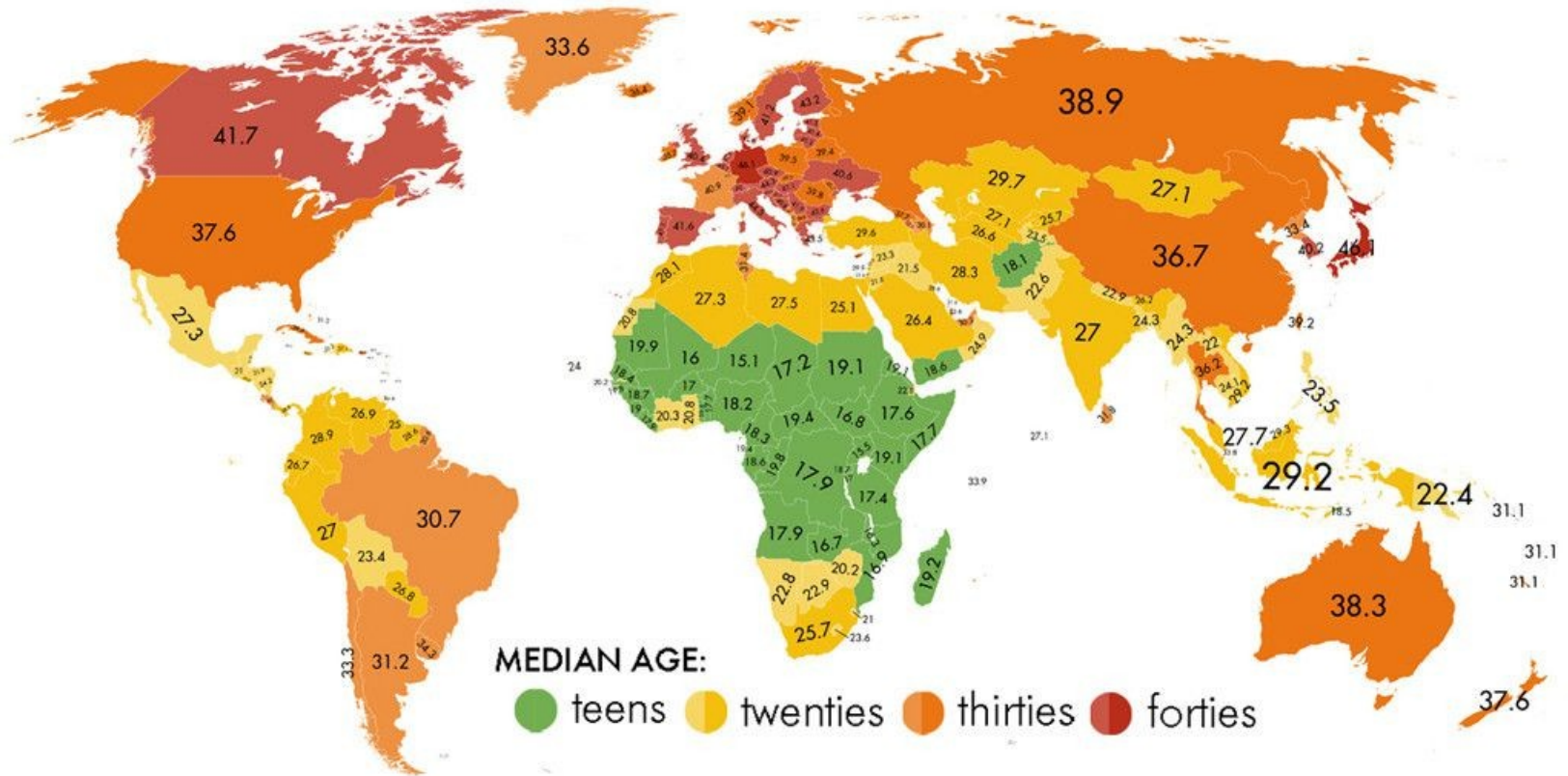


Sources: OECD; UN Population Dynamics

The Economist



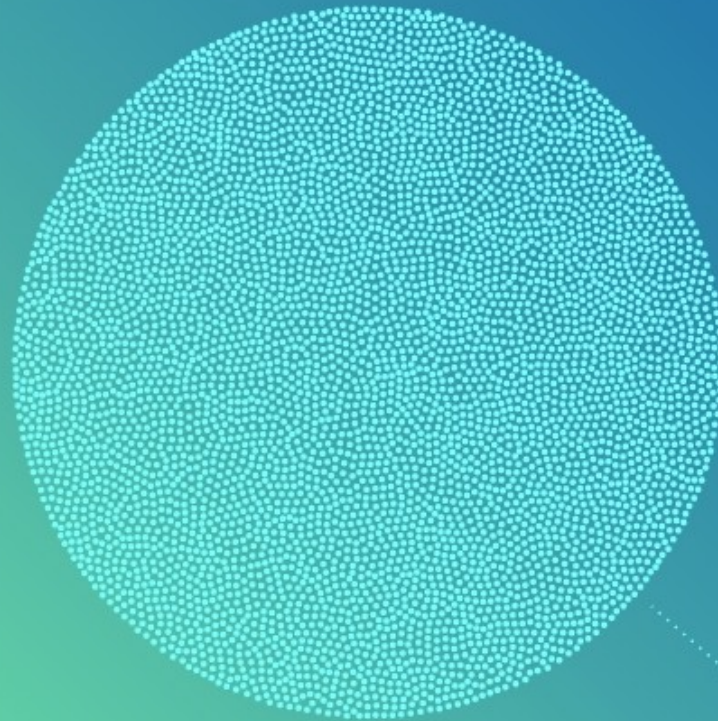
World Median Ages



YOUNGEST: 1. Niger (15.1) 2. Uganda (15.5) 3. Mali (16) 4. Malawi (16.3) 5. Zambia (16.7)

OLDEST: 1. Germany & Japan (46.1) 2. Italy (44.5) 3. Austria (44.3) 4. Virgin Islands (44.2)

Famine Deaths Have Plummeted Globally



1960s
5,470 DEATHS
per million people



2000s
460

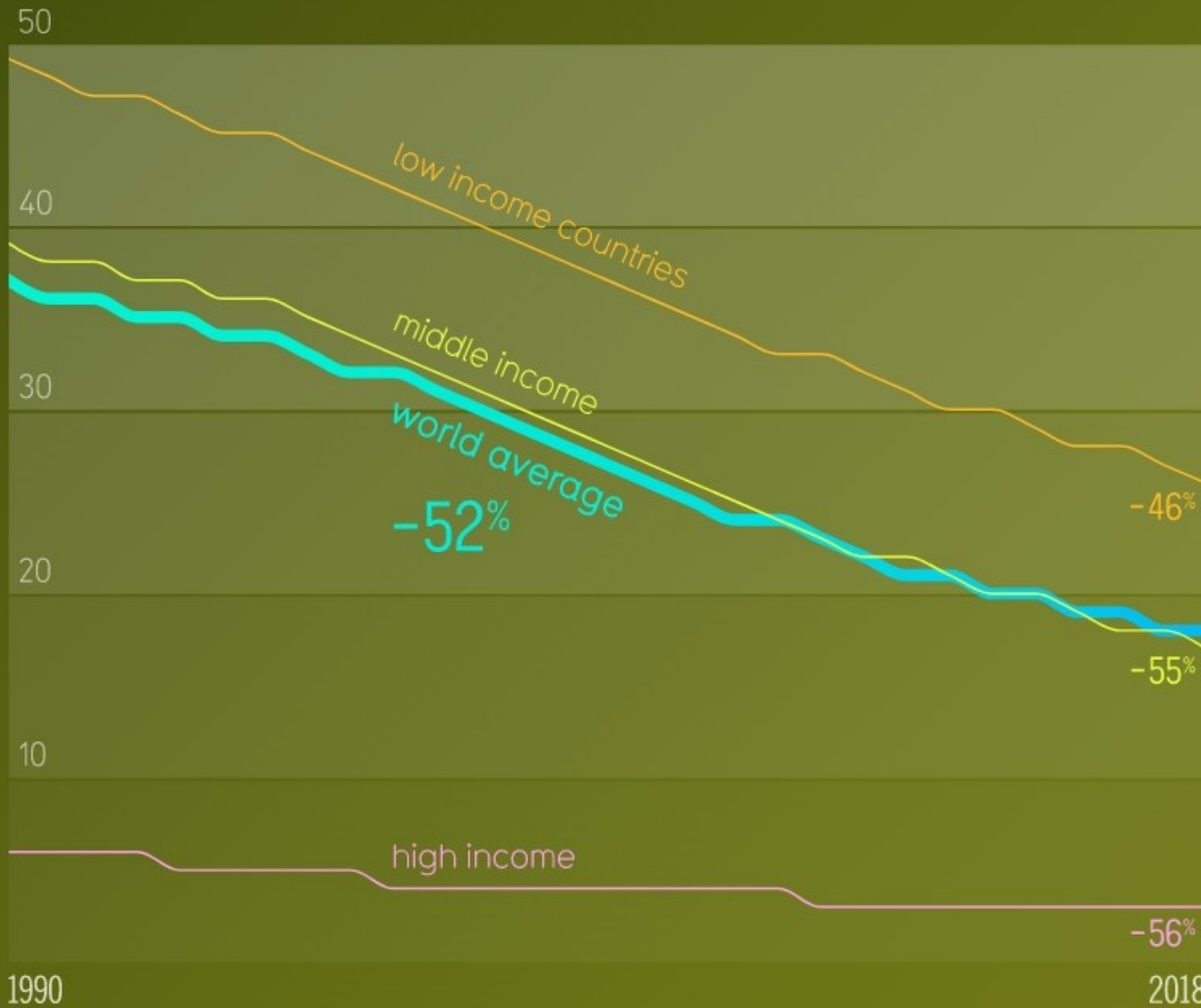


2010-2016
40



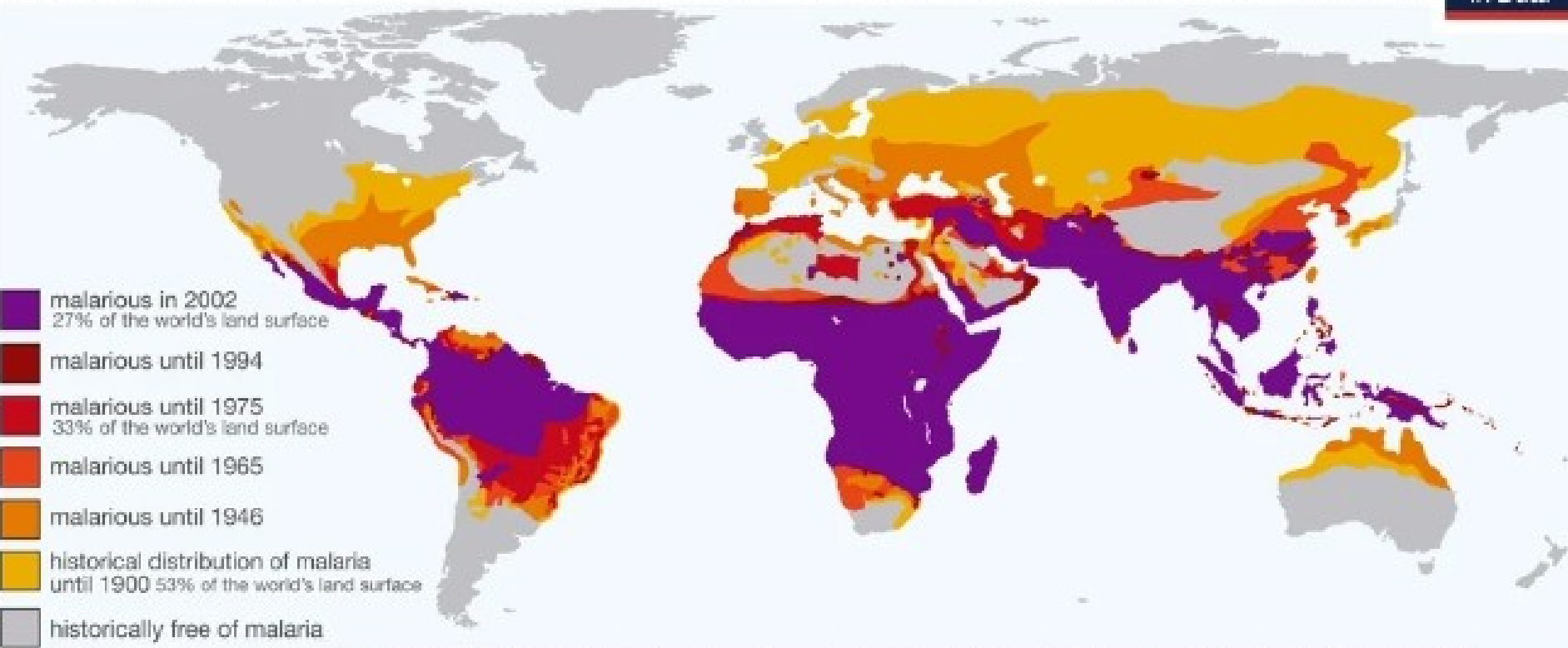
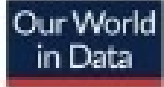
Newborn Deaths Have Halved Worldwide

Deaths per 1,000 live births



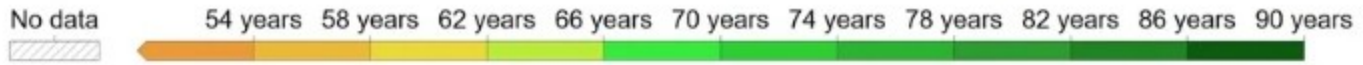
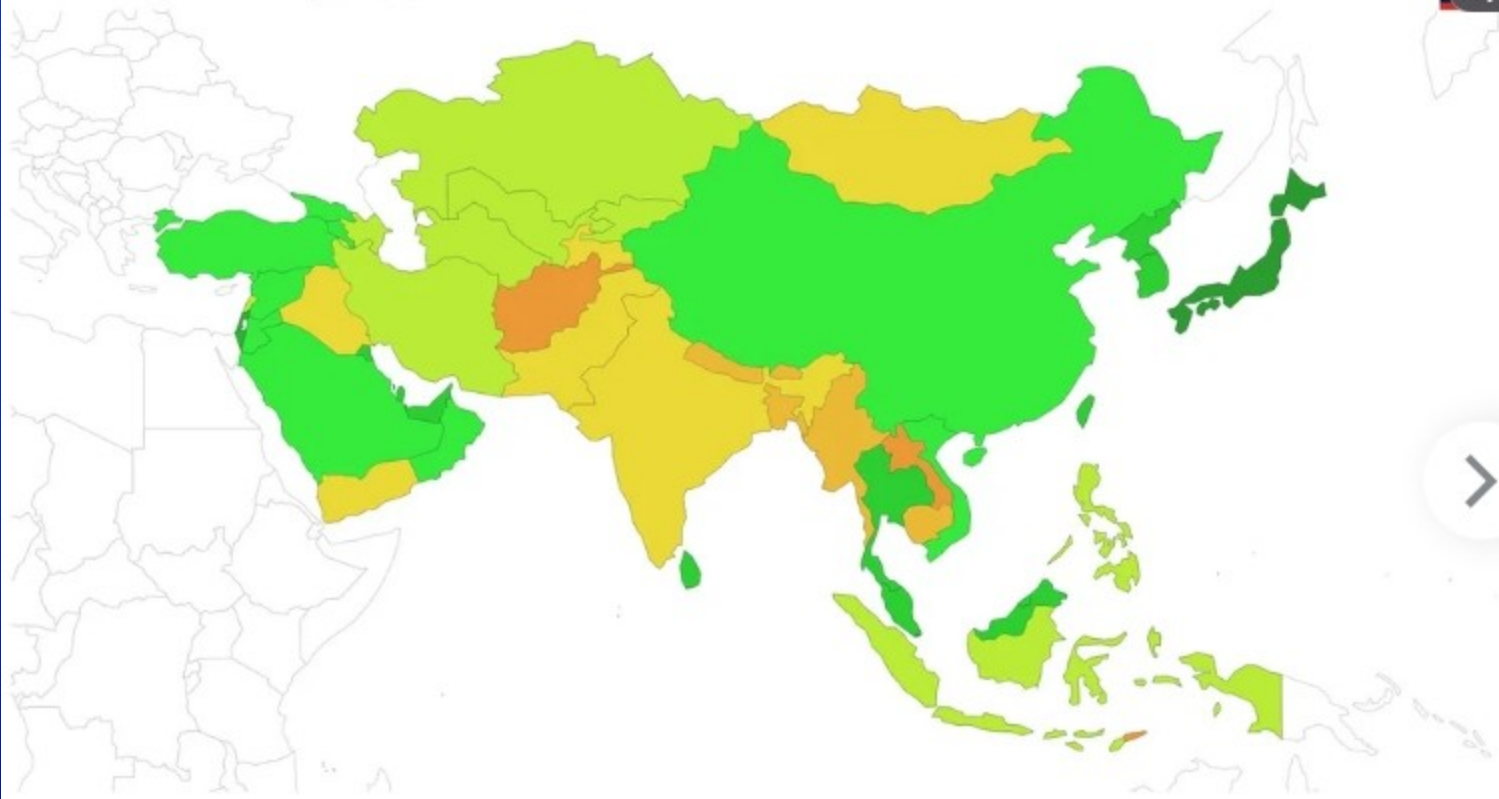
The incredible decline in the spread of malaria

Malaria was prevalent in many parts of the world that are free of malaria today



Source: Hay et al. (2004) - The global distribution and population at risk of malaria: past, present, and future. In The Lancet Infectious Diseases. Redrawn by Our World in Data. OurWorldinData.org - Research and data to make progress against the world's largest problems. Licensed under CC-BY by the author Max Roser

Life expectancy, 1990



Source: UN WPP (2022); Zijdeman et al. (2015); Riley (2005)

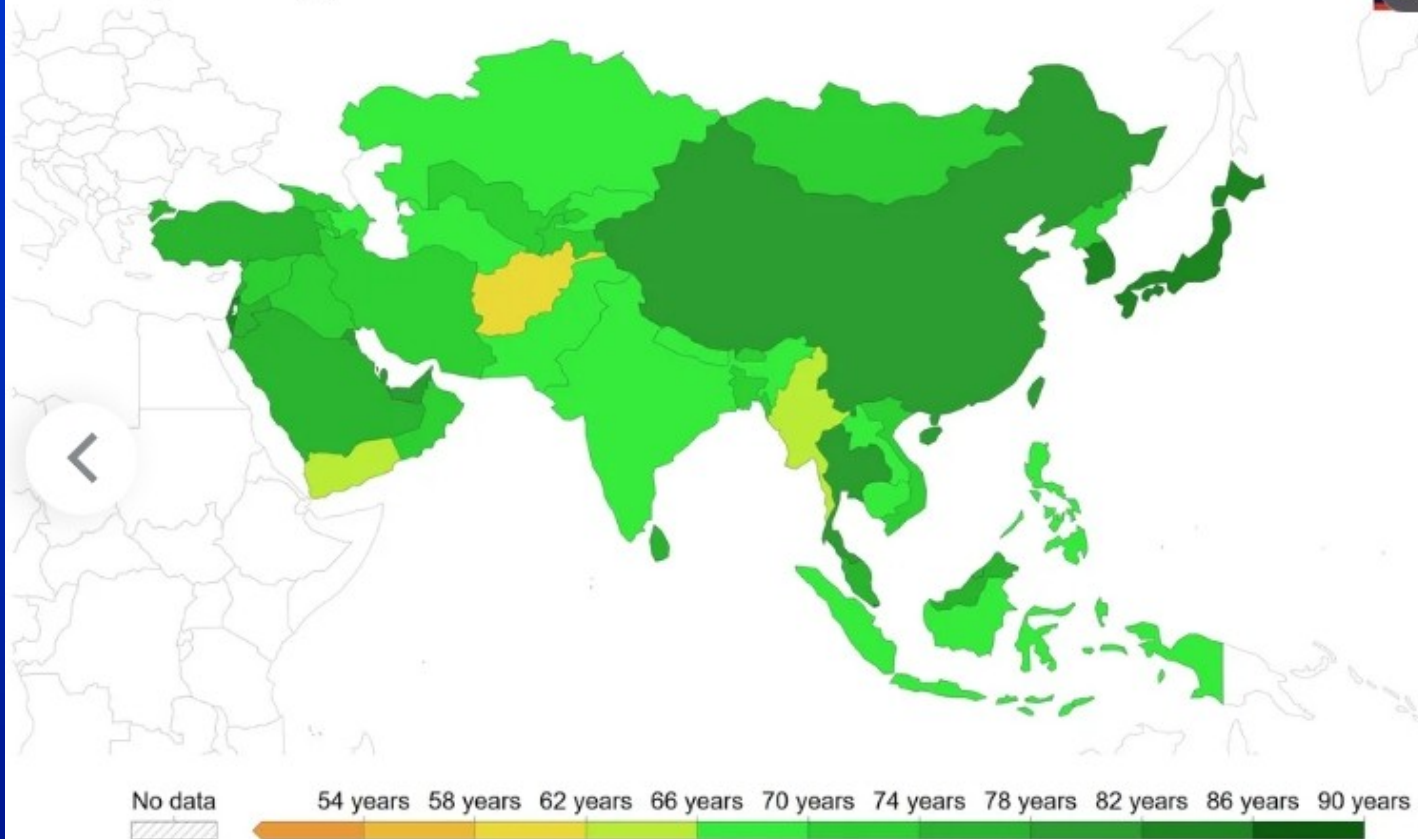
OurWorldInData.org/life-expectancy • CC BY

Note: Shown is the 'period life expectancy'. This is the average number of years a newborn would live if age-specific mortality rates in the current year were to stay the same throughout its life.

Life expectancy in Asia 1990 vs 2021:

Life expectancy, 2021

OurWorld
2/2



Source: UN WPP (2022); Zijdeman et al. (2015); Riley (2005)

OurWorldInData.org/life-expectancy • CC BY

Note: Shown is the 'period life expectancy'. This is the average number of years a newborn would live if age-specific mortality rates in the current year were to stay the same throughout its life.

The frayed knot

2

Births outside marriage, % of all births

● 1970 ● 2018



Source: OECD

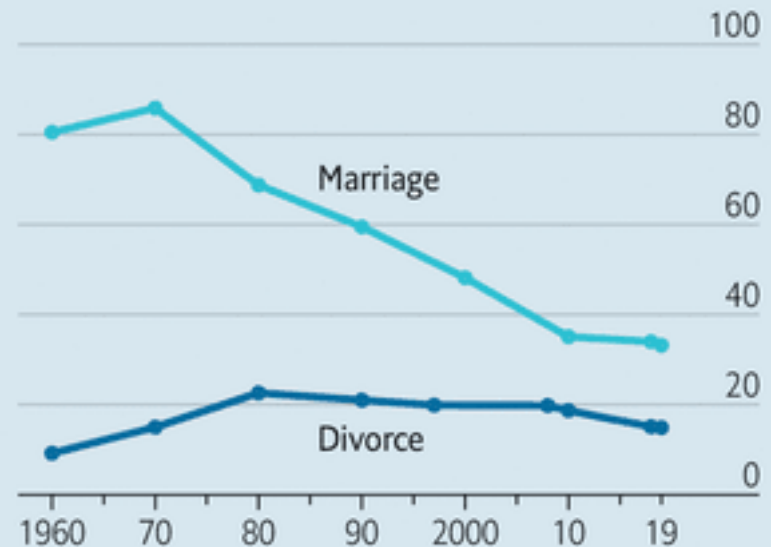
*No data in 1970 †2017 ‡1975

The Economist

Happily ever after?

1

United States, marriage and divorce rates
Per 1,000 people, each year



Source: Institute for Family Studies

The Economist

1962

1972

1982




1992

2002

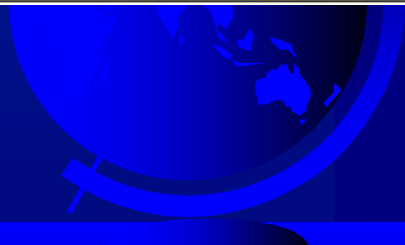
2012



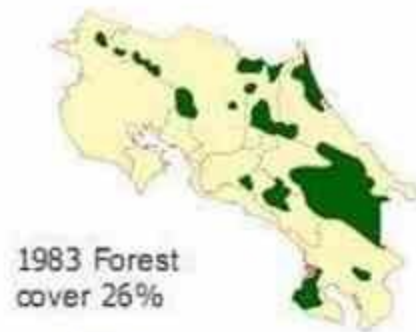
 — States in which homosexuality was illegal

Europe's **Economy** Is Growing While Emissions Are Falling



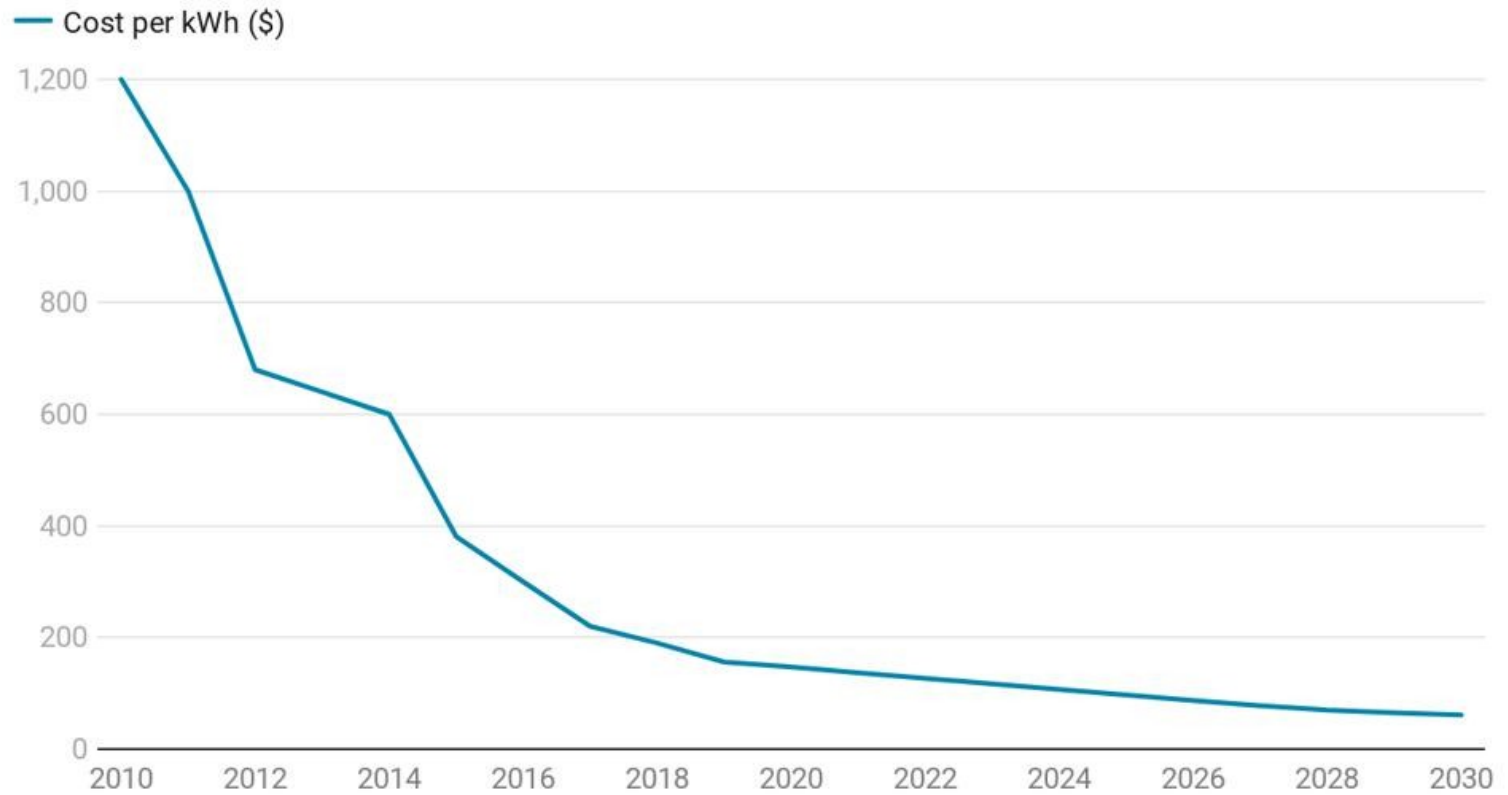


Forest Cover Loss and Recovery



The forest cover now stands at 59.8% as of 2021

Price of lithium-ion battery packs per kWh

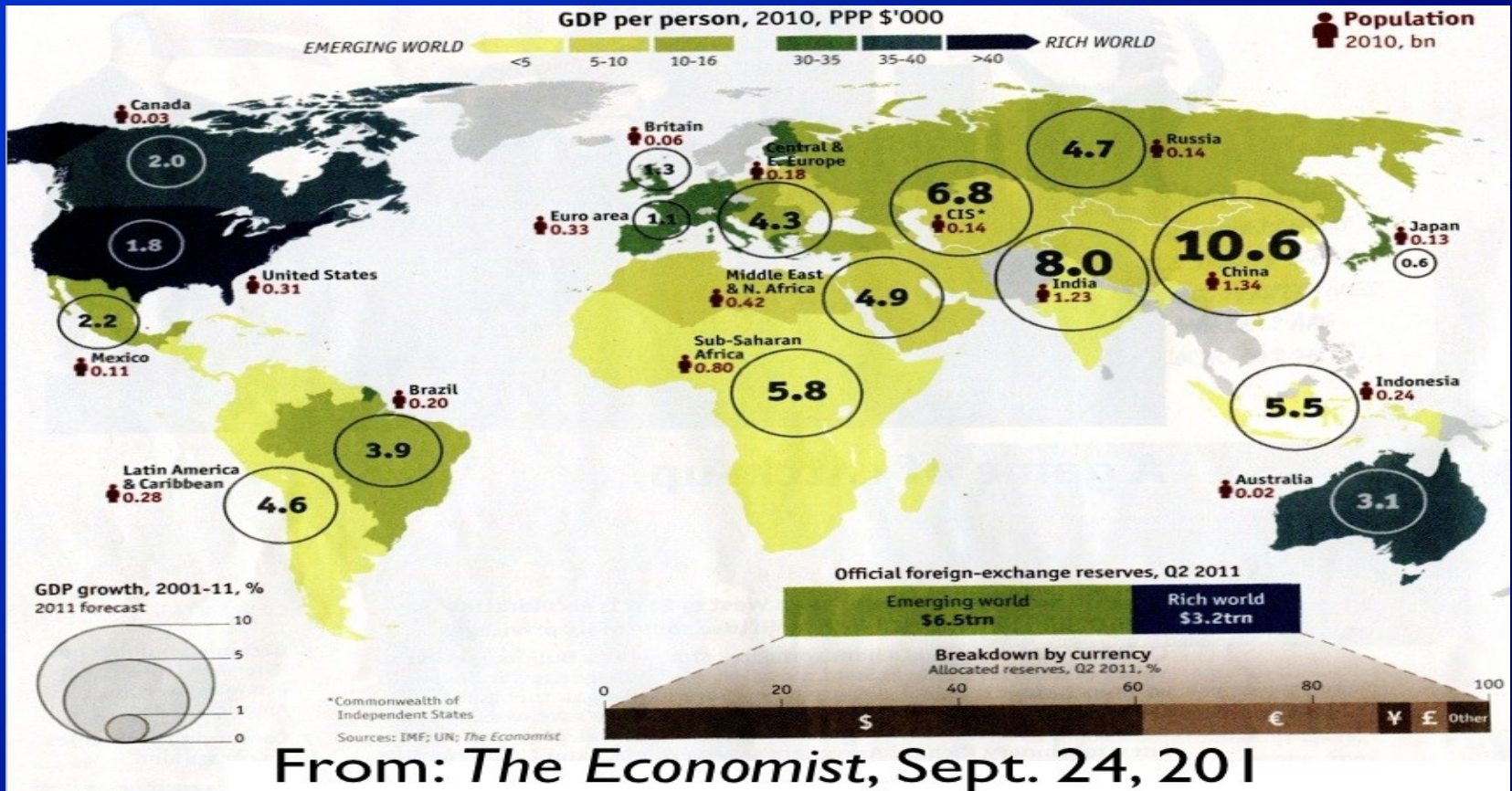


Source: BloombergNEF • Created with Datawrapper

Content

- A. Long-term trends
- B. Current economic situation by regions
- C. Globalization





CURRENT ECONOMIC SITUATION BY REGIONS

1. Asia – Japan, Southeast Asia, China
2. Africa
3. America – Latin America, USA
4. Europe



A1. Japan

- since 2008 recession – huge decline
- 2011 nuclear power plant
- sluggish economic growth
 - new taxis ...
- enormous debt
- society highly conservative and homogenous ... now advantage



GDP per capita growth (annual %) - Japan

World Bank national accounts data, and OECD National Accounts data files.

License : CC BY-4.0 [🕒](#)

Line

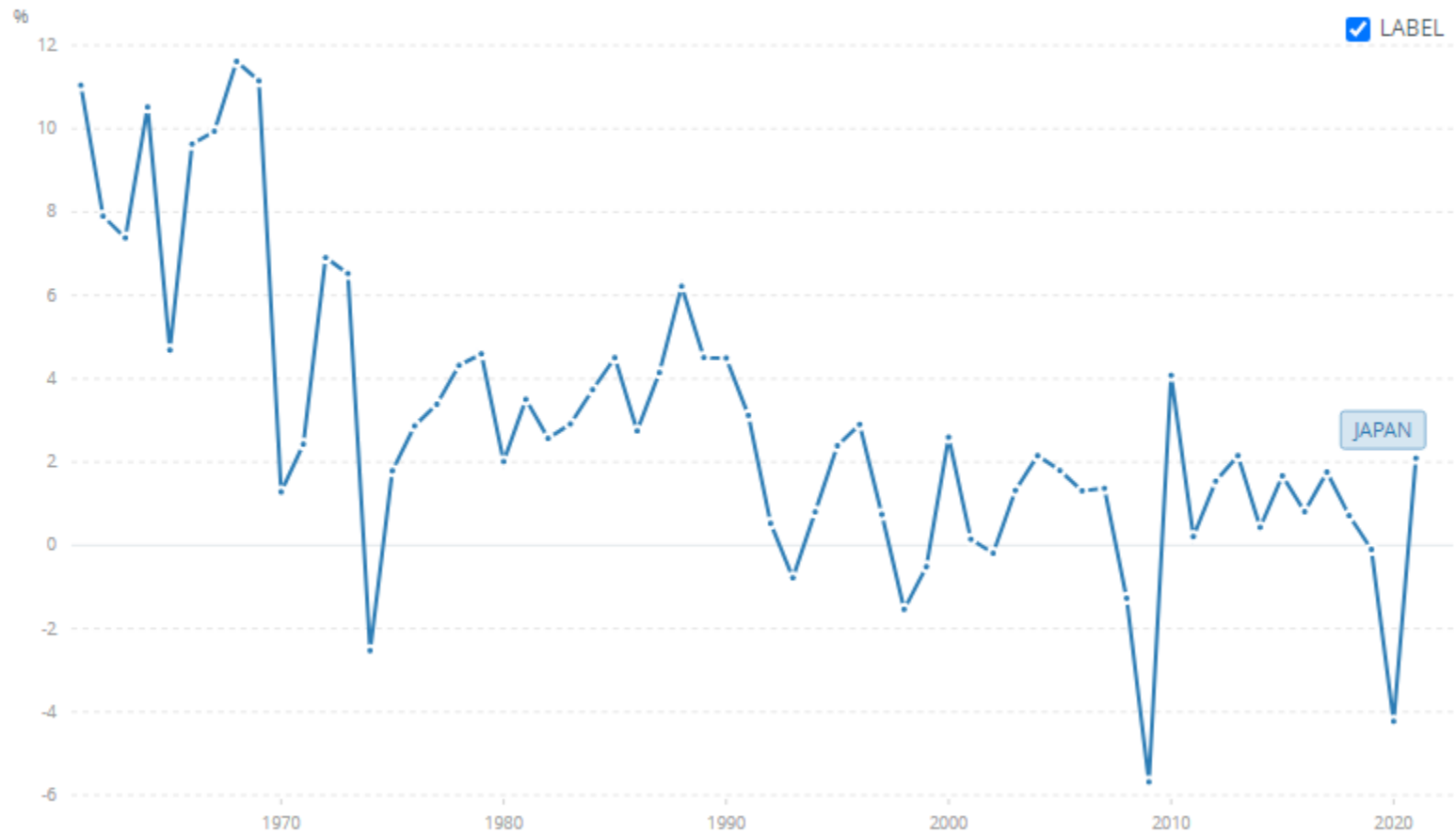
Bar

Map

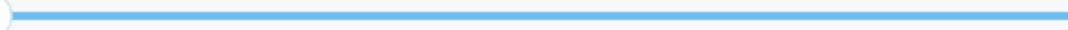
⋮ Also Show

↶ Share

ⓘ Details



1961 - 2021



Crisis in Southeast Asia

● before 1996

- significant growth + balanced state budgets (even surpluses) + current account deficit considered as normal (support of INV)

● ⇒ inflow of **foreign capital**

■ acceleration after 1995 (Mexico) + ↑ after 1996

■ mainly short-term capital in the form of bank loans

• **1997 outflow of capital (7% GDP)**

- mainly bank loans



Net foreign capital inflow to Asia (USD billion)

	1991	1992	1993	1994	1995	1996	1997
Inflow total	29	30.3	32.6	35.1	62.9	72.9	-11
Direct investment	7.2	8.6	8.6	7.4	9.5	12	9.6
Portfolio investment	3.3	6.3	17.9	10.6	14.4	20.3	11.8
Others	18.5	15.4	6.1	17.1	39	40.6	-32.3



- **July 1997** - Thai baht abandoned the fixed exchange rate system \Rightarrow \downarrow exchange rate + \downarrow share prices + \uparrow capital outflows (also domestic)
 - \uparrow debt service + \uparrow risk + \downarrow price of real estates \Rightarrow banks in problem

- **spread of the crisis**

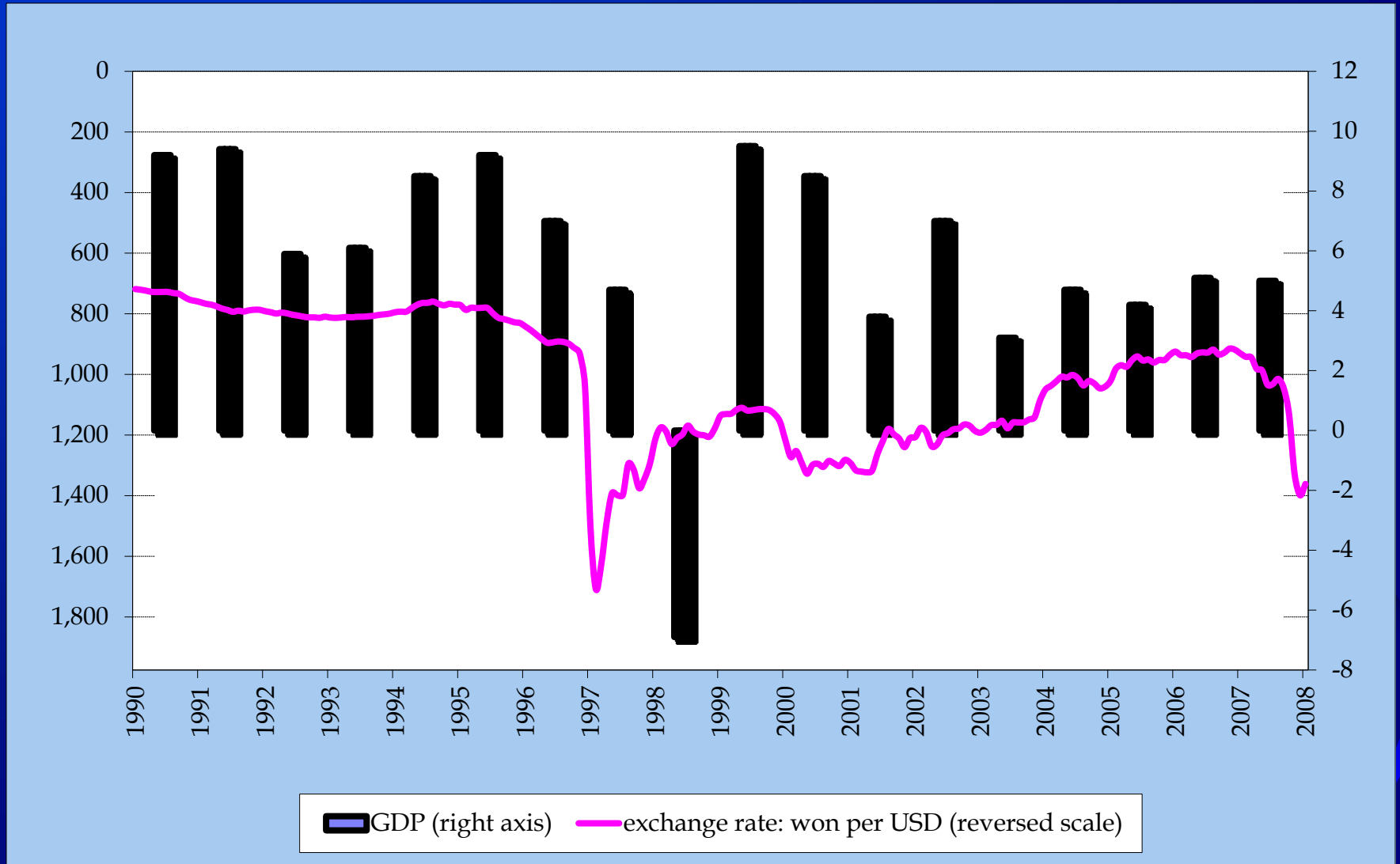
- \downarrow baht \Rightarrow \uparrow other currencies \Rightarrow \downarrow their competitiveness
- investors assumed that local countries had similar problems
- regional linkage – mainly bank loans



- monetary crisis -> into real economy
- \downarrow INV + \downarrow C (b/c \downarrow private incomes) \Rightarrow \uparrow U + \downarrow production
 - + bad situation in Japan
- help of the IMF BUT „advices“
 - \uparrow r
 - ◆ x \downarrow exchange rate
 - ◆ high indebtedness
 - ◆ x speculations
 - + structural reforms in the financial sector
 - + relatively loose fiscal policy
- \Rightarrow \downarrow exchange rate stopped + later also \uparrow BUT \downarrow econ. performance
- criticism against IMF
 - same solutions for different problems
 - too strict restriction
 - moral hazard



Changes in real GDP (in %) and exchange rates (won per dollar) in Korea, 1990-2008



A1. China

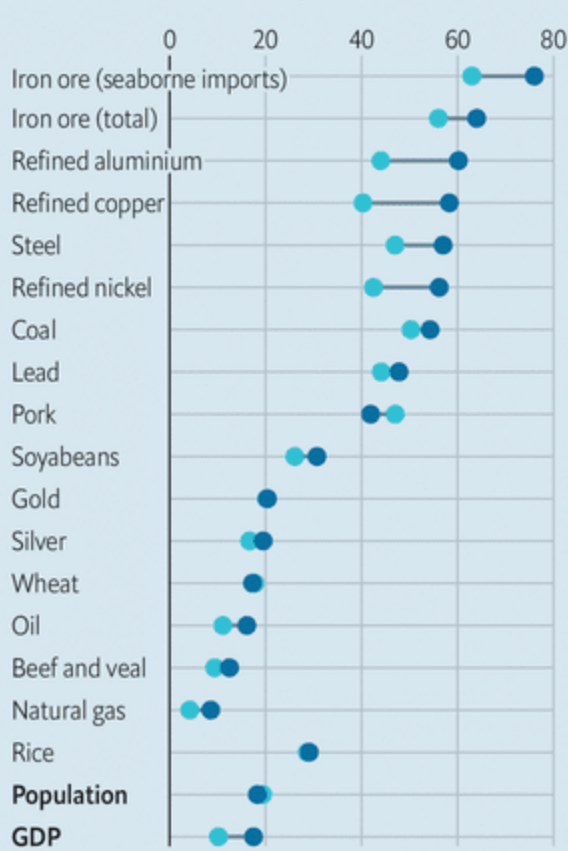
- gradualist reforms since 1979
- 1989 Tiananmen
- long term stable economic and political situation
- high economic growth but from low bases
- special economic zones
- high percentage of SOE ... banks
- 2002 WTO
- 2008 strong impact on prices of commodities
- today
 - covid
 - state own companies ... banks
 - growing old of population
 - minorities ...
 - gini 46 ...



A voracious appetite

1

China, % of world consumption

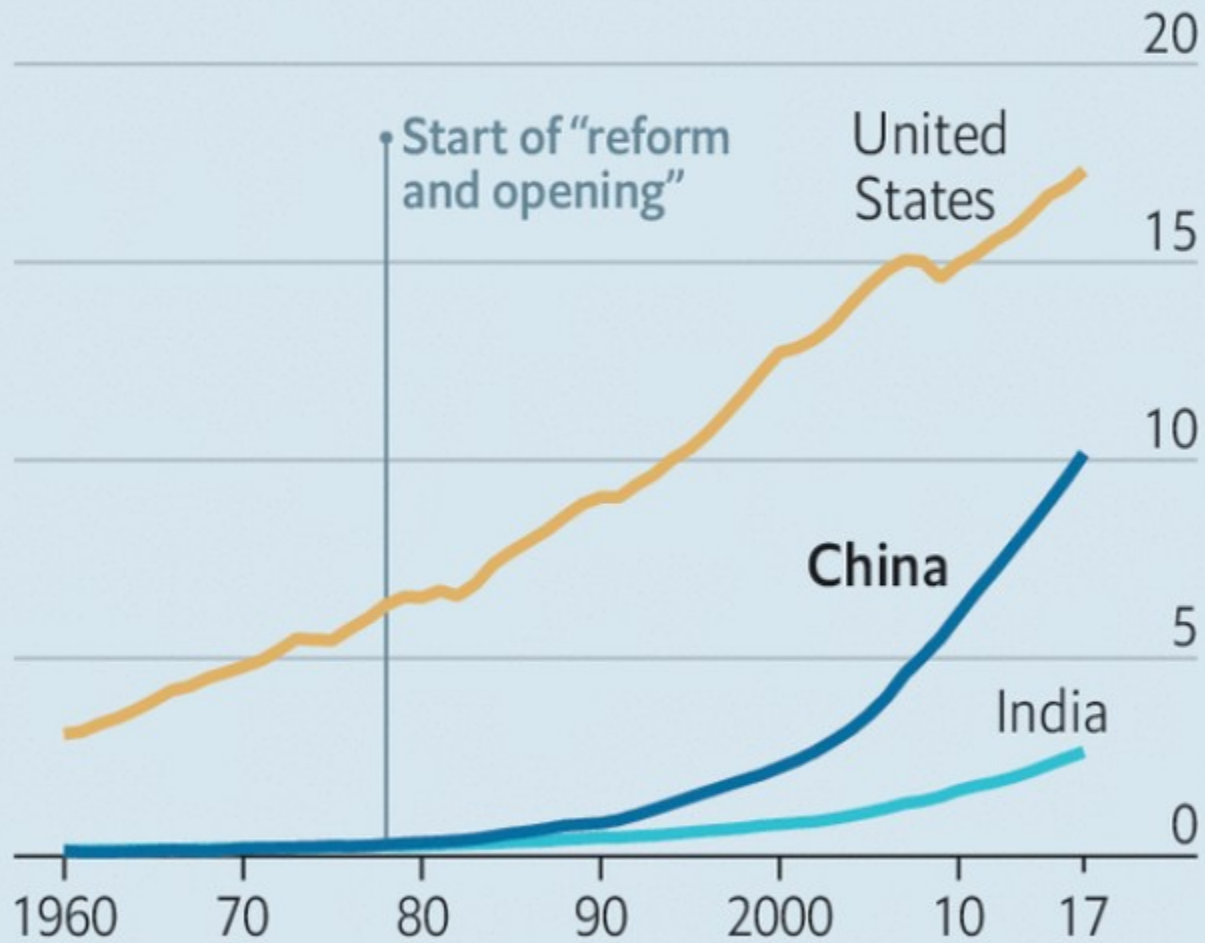


Sources: BP; CRU Group; IMF; OECD; UN; World Bureau of Metal Statistics



Turning forte

GDP*, \$trn



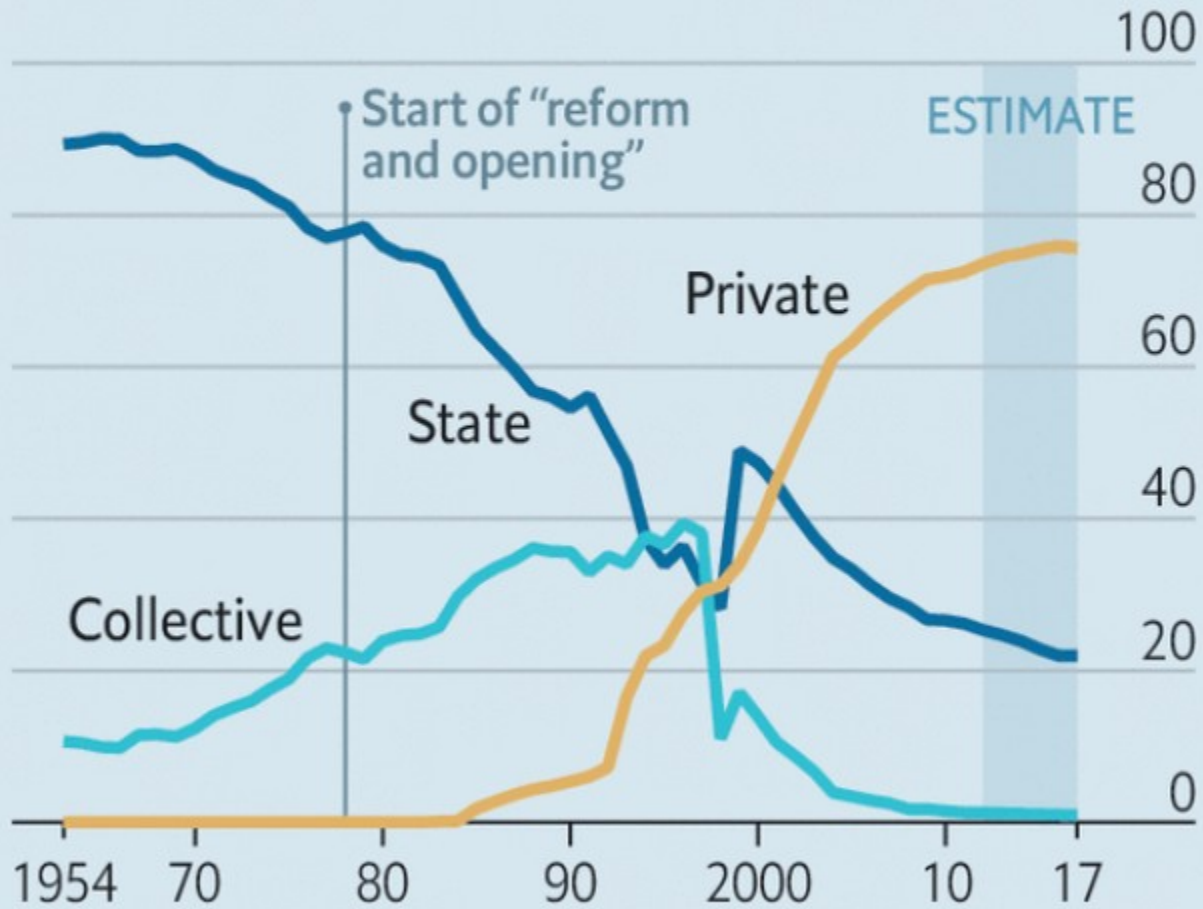
Source: World Bank

*Constant 2010 \$



Private rise

China, % of total industrial output
By type of enterprise ownership



Sources: CEIC; NBS; Wind Info



Rio de Janeiro, 1993



Xangai, 1993

(sem metrô)

Rio de Janeiro, 2013

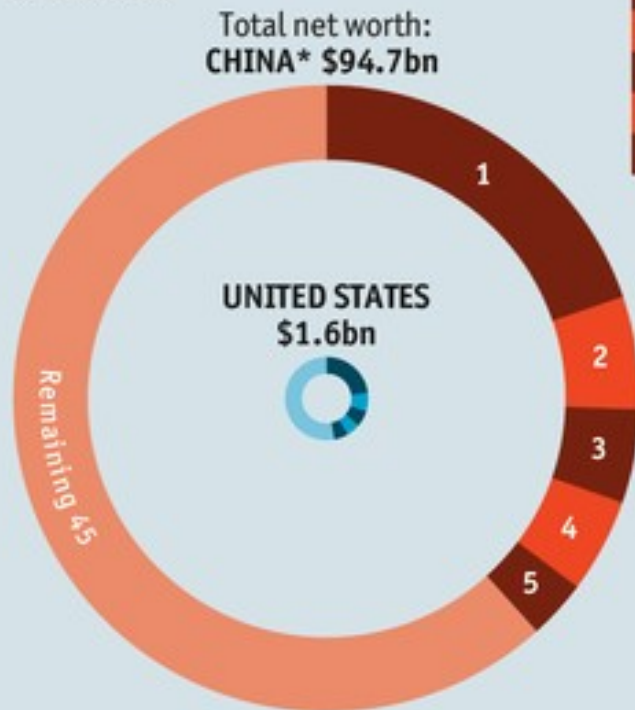


Xangai, 2013

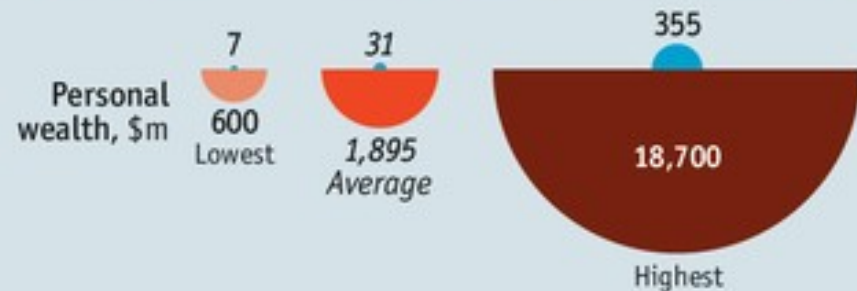


Power and money

Fifty wealthiest members of Congress
2013 or latest



Five wealthiest, \$m		China	US	
1	Zong Qinghou & family	18,700	Darrell Issa	355
2	Liu Yonghao & family	5,500	Michael McCaul	114
3	Wu Yajun & family	4,600	Mark Warner	96
4	Zhang Shiping & family	4,600	Richard Blumenthal	85
5	Wei Shaojun	2,900	Jay Rockefeller	84



Main three sources: **metals & mining; pharmaceuticals; real estate** **spouse; real estate; inheritance**

Sources: Hurun Report; CQ Roll Call; The Economist

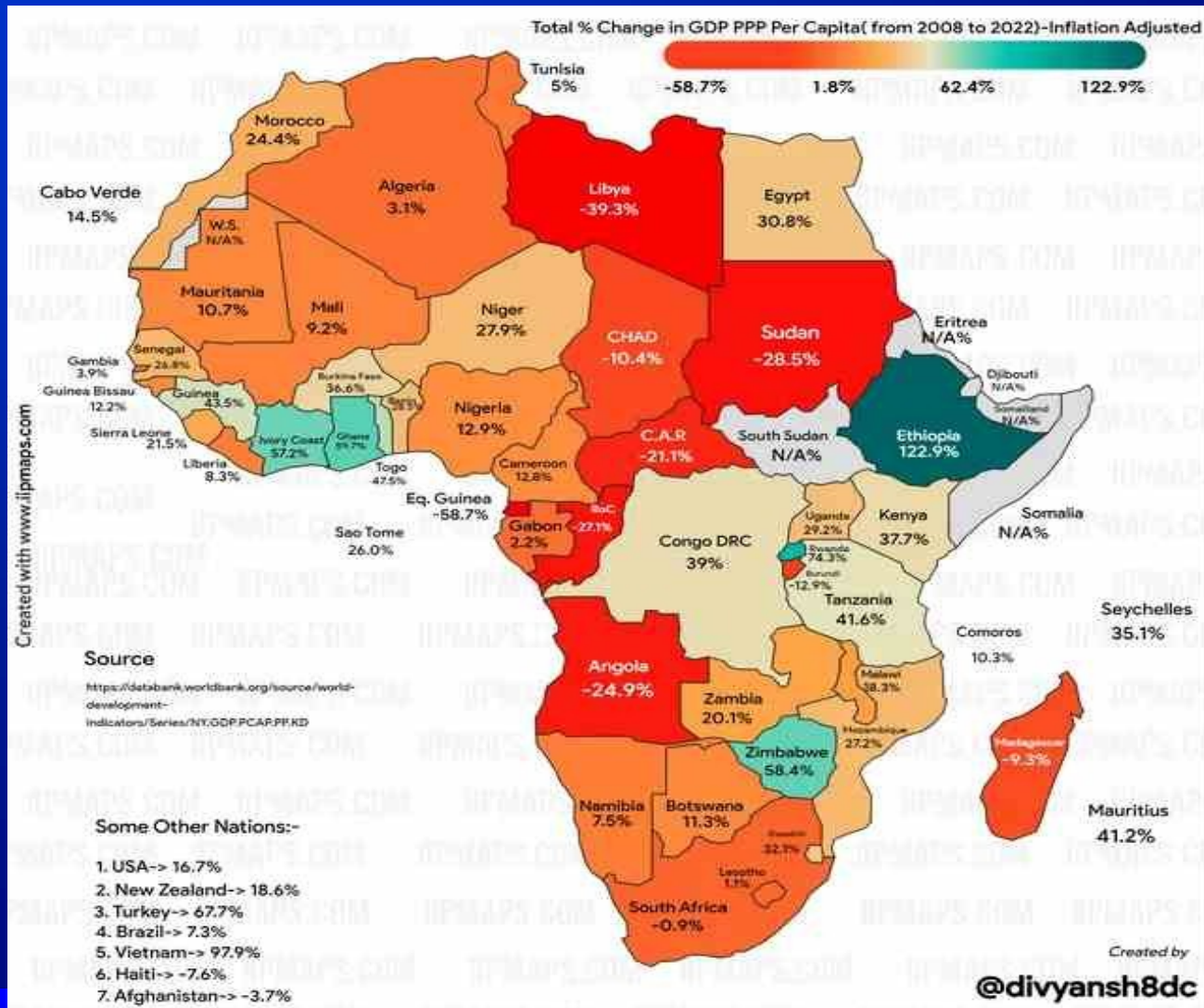
*Includes a family with two delegates

A2. Africa

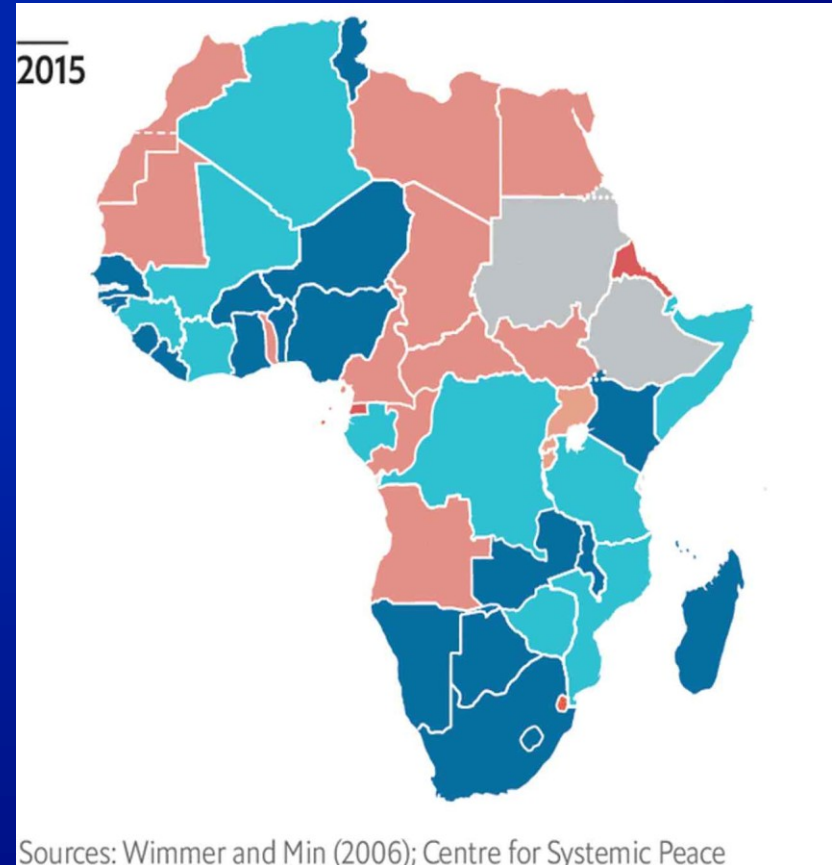
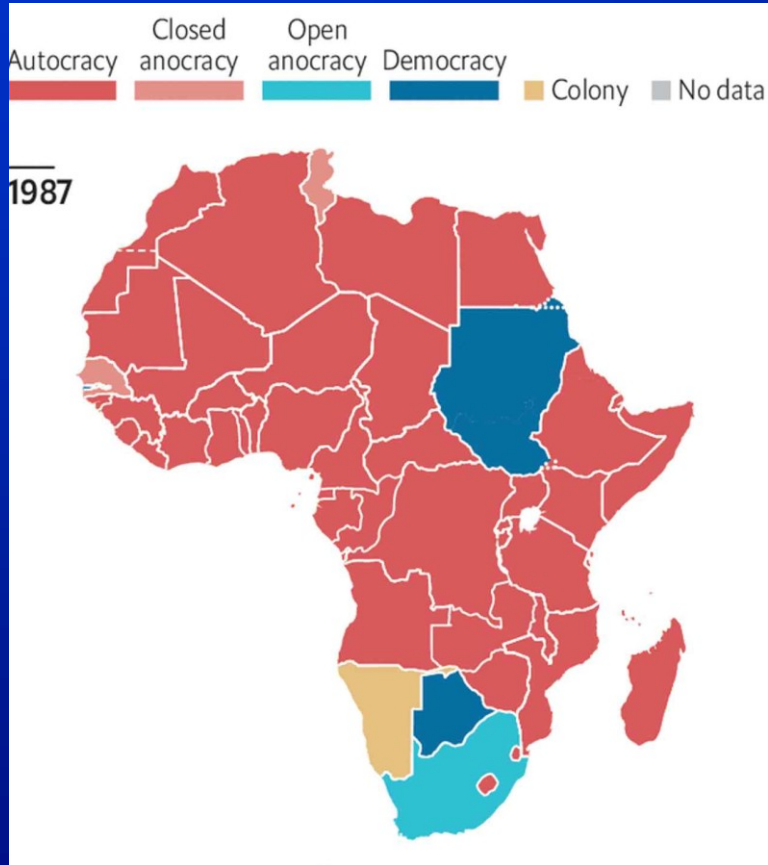
- **good perspective:**
 - cheap LF
 - commodities
- huge differences among countries
- recently
 - ↑ GDP
 - ↑ trade
- debts + quality of LF + productivity + economic policy + lack of capital + AIDS
- political regimes



change GDP/cap 2008-2022



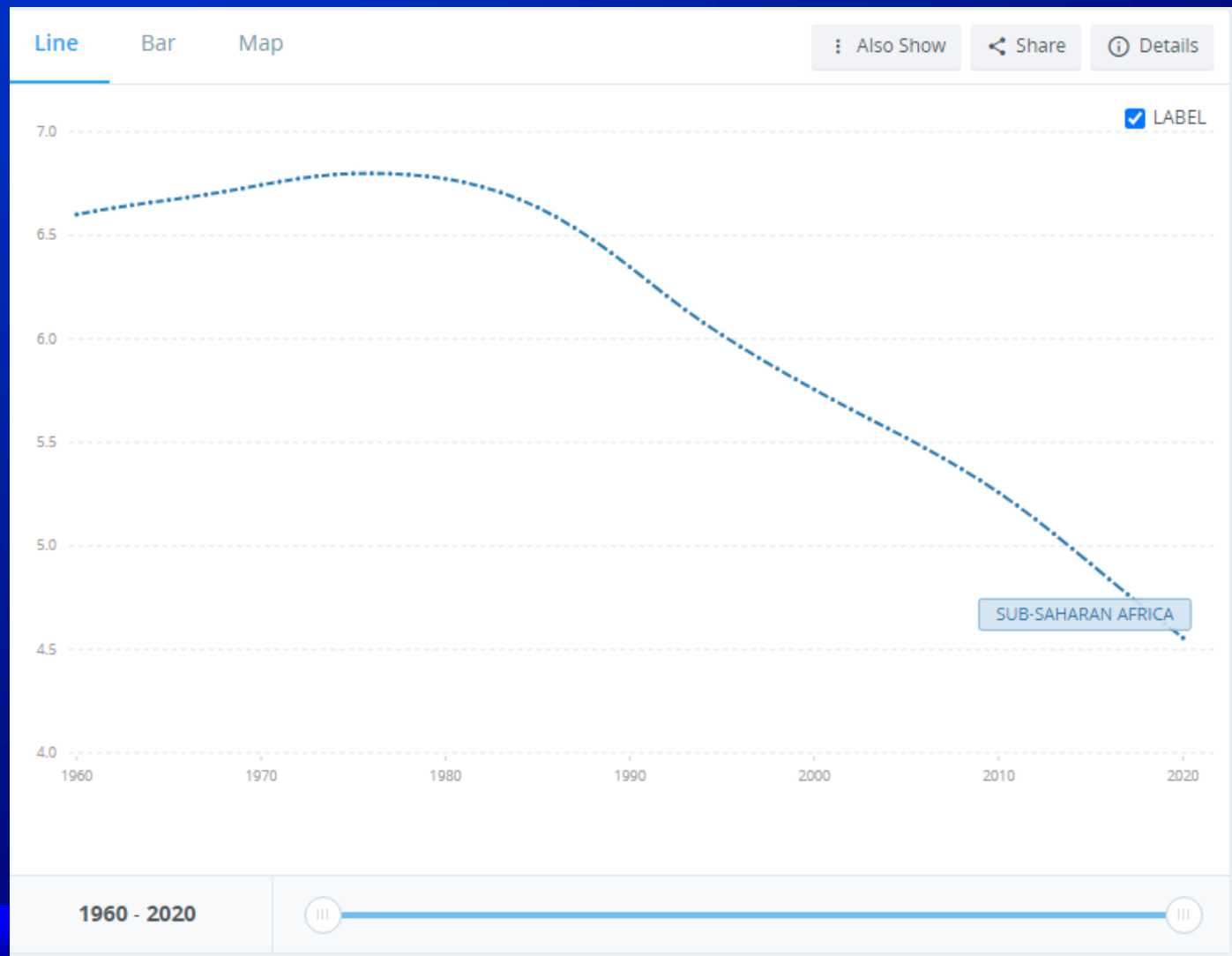
Democratization



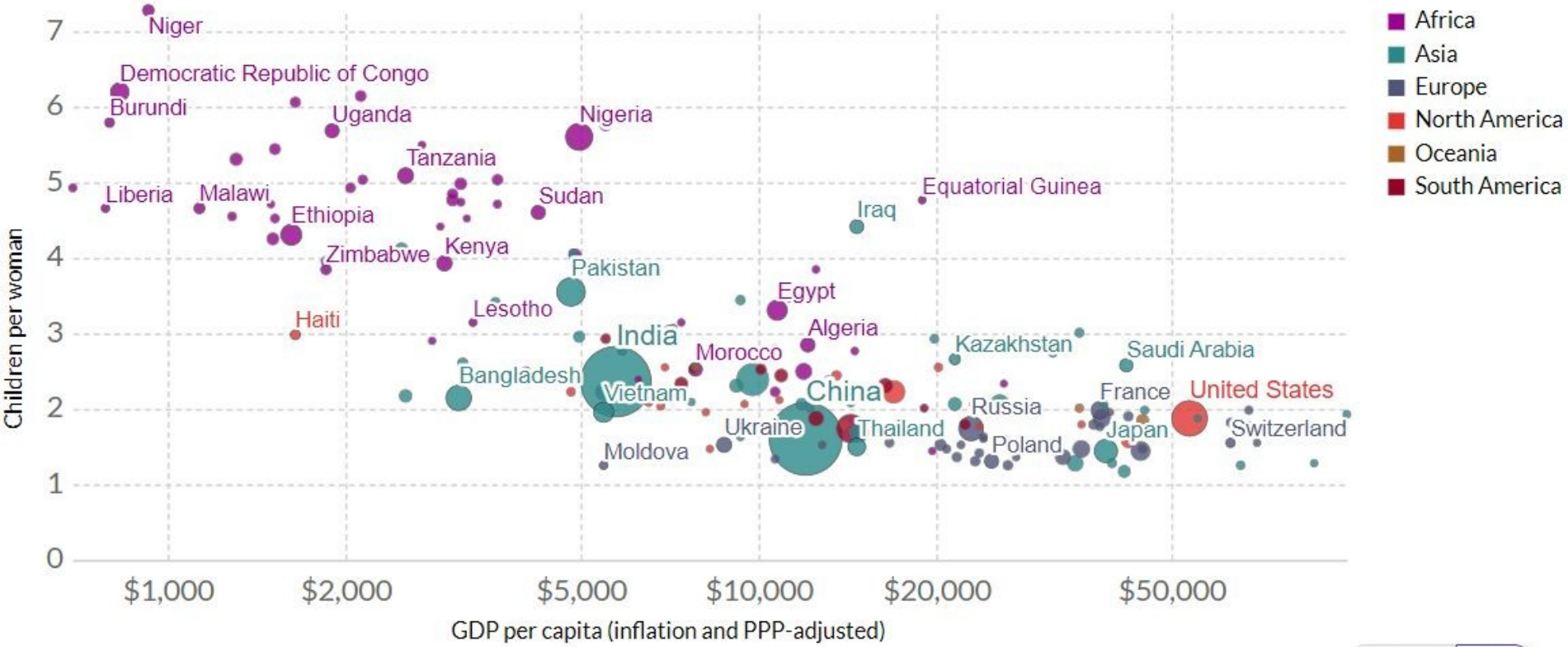
Sources: Wimmer and Min (2006); Centre for Systemic Peace



Fertility rate, total (births per woman) - Sub-Saharan Africa



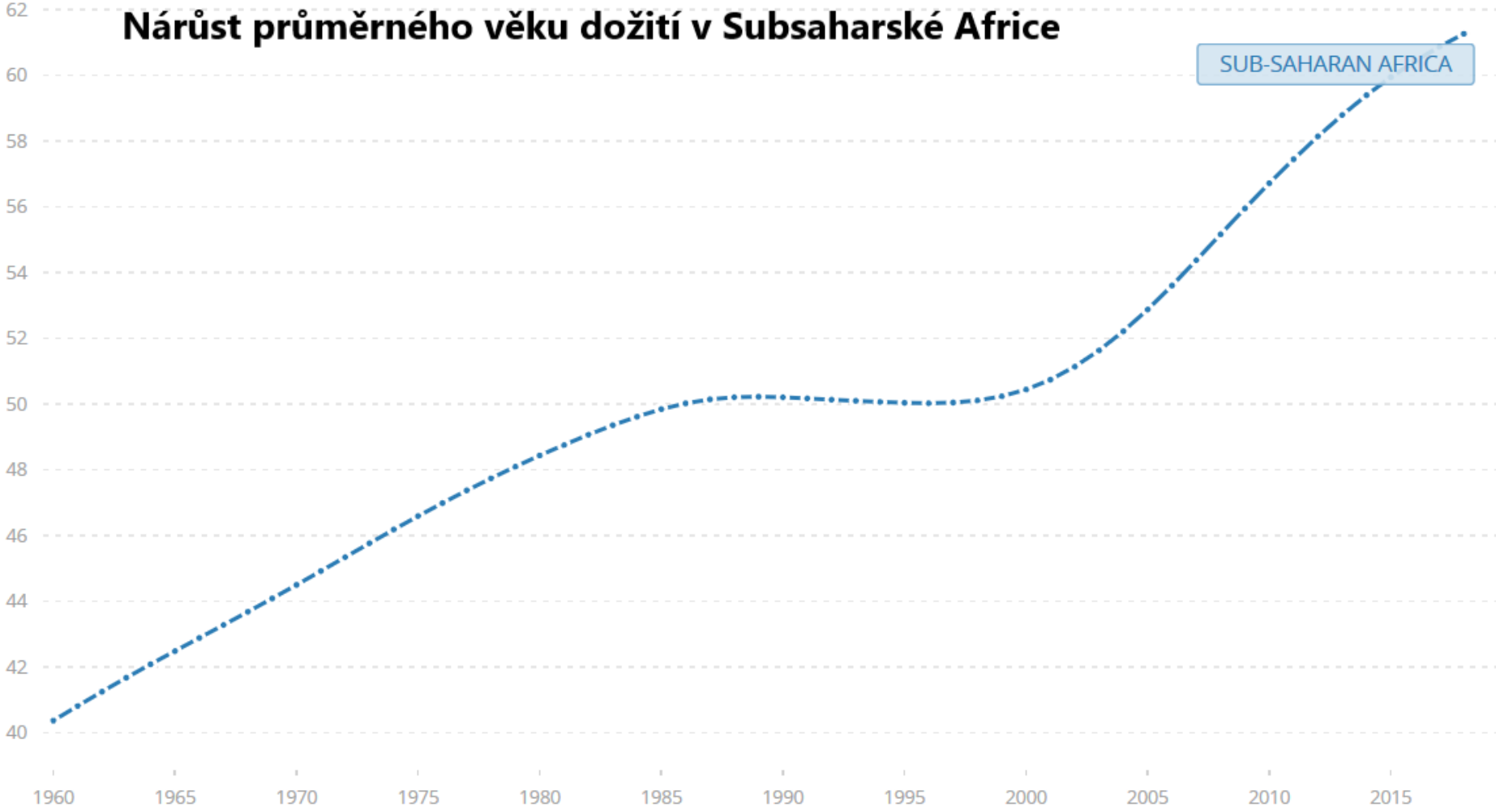
Select countries Average annual change Hide countries < 1 million people



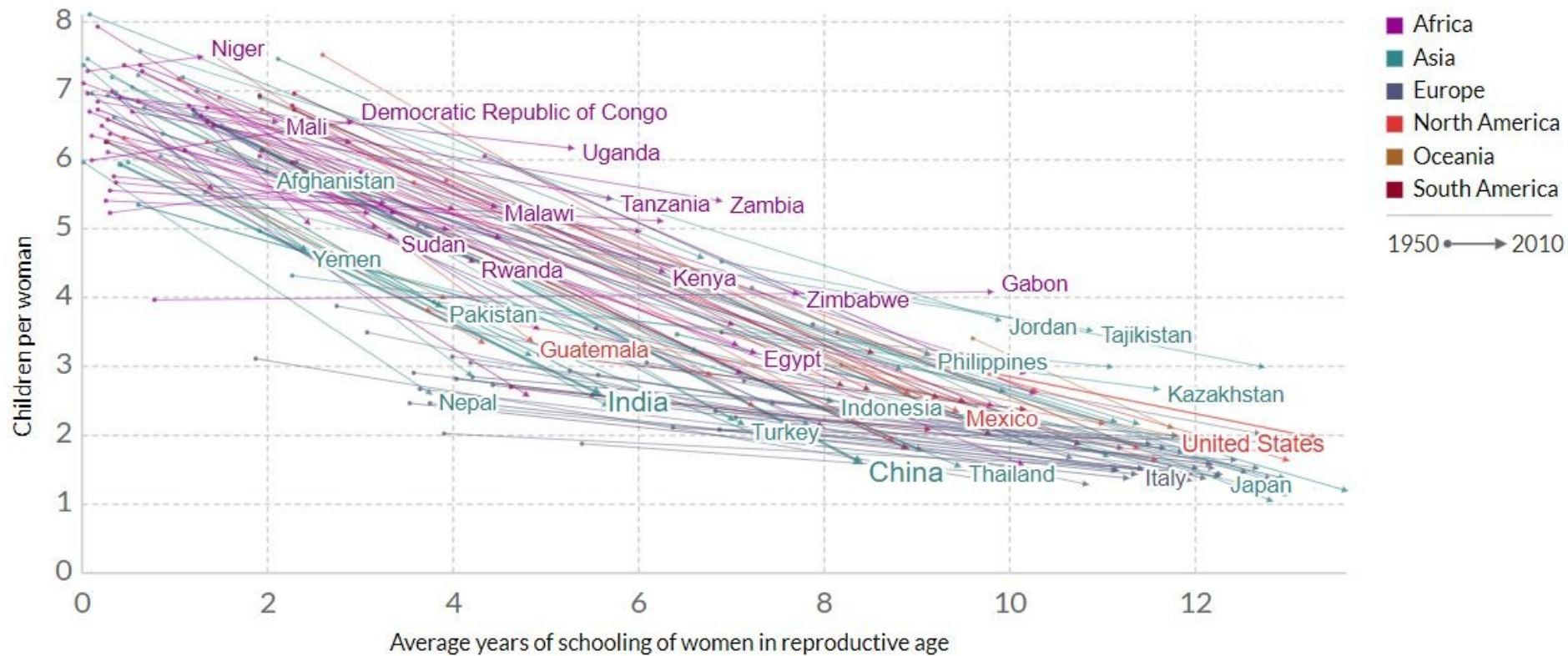
LINEAR LOG



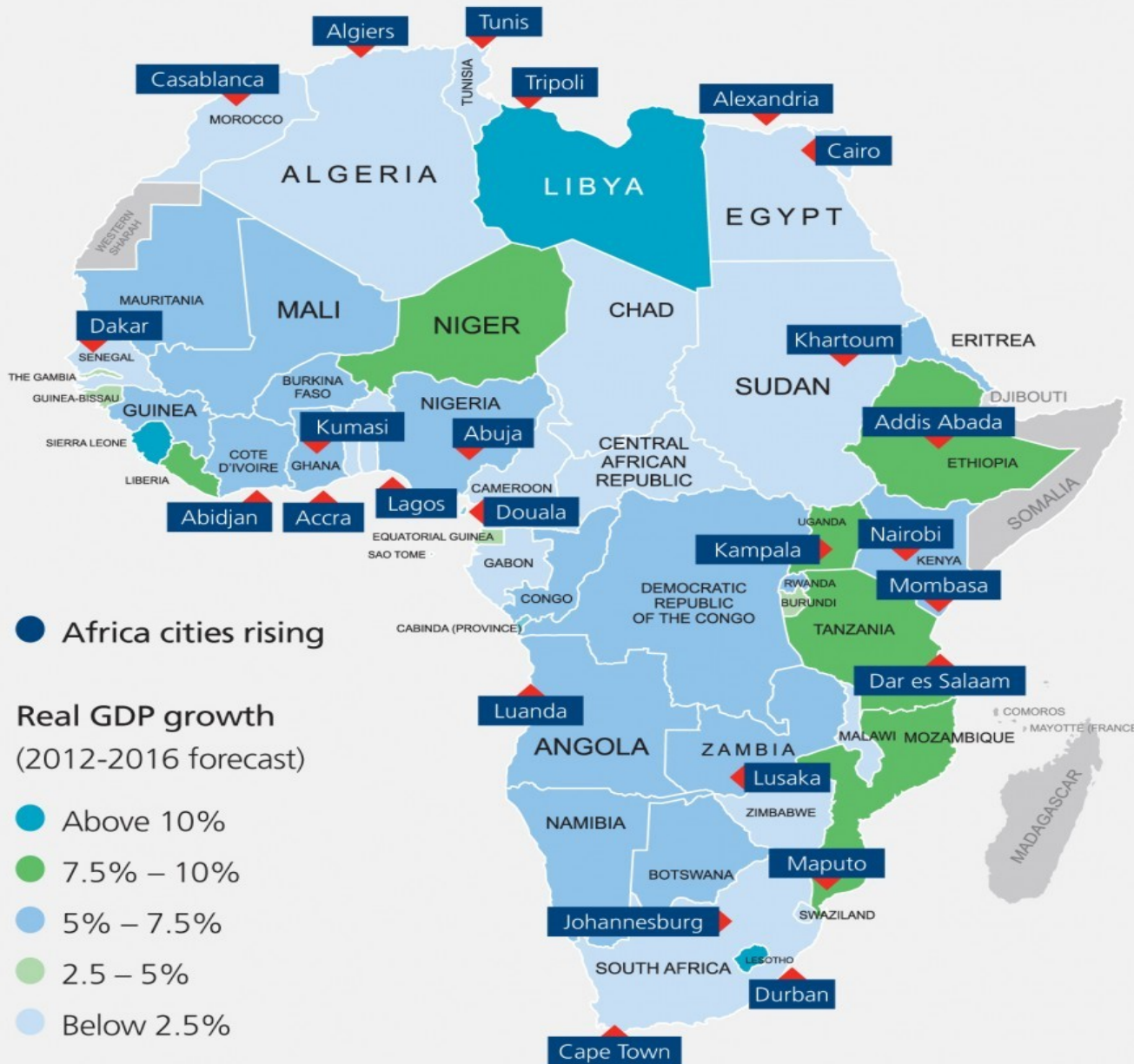
Nárůst průměrného věku dožití v Subsaharské Africe

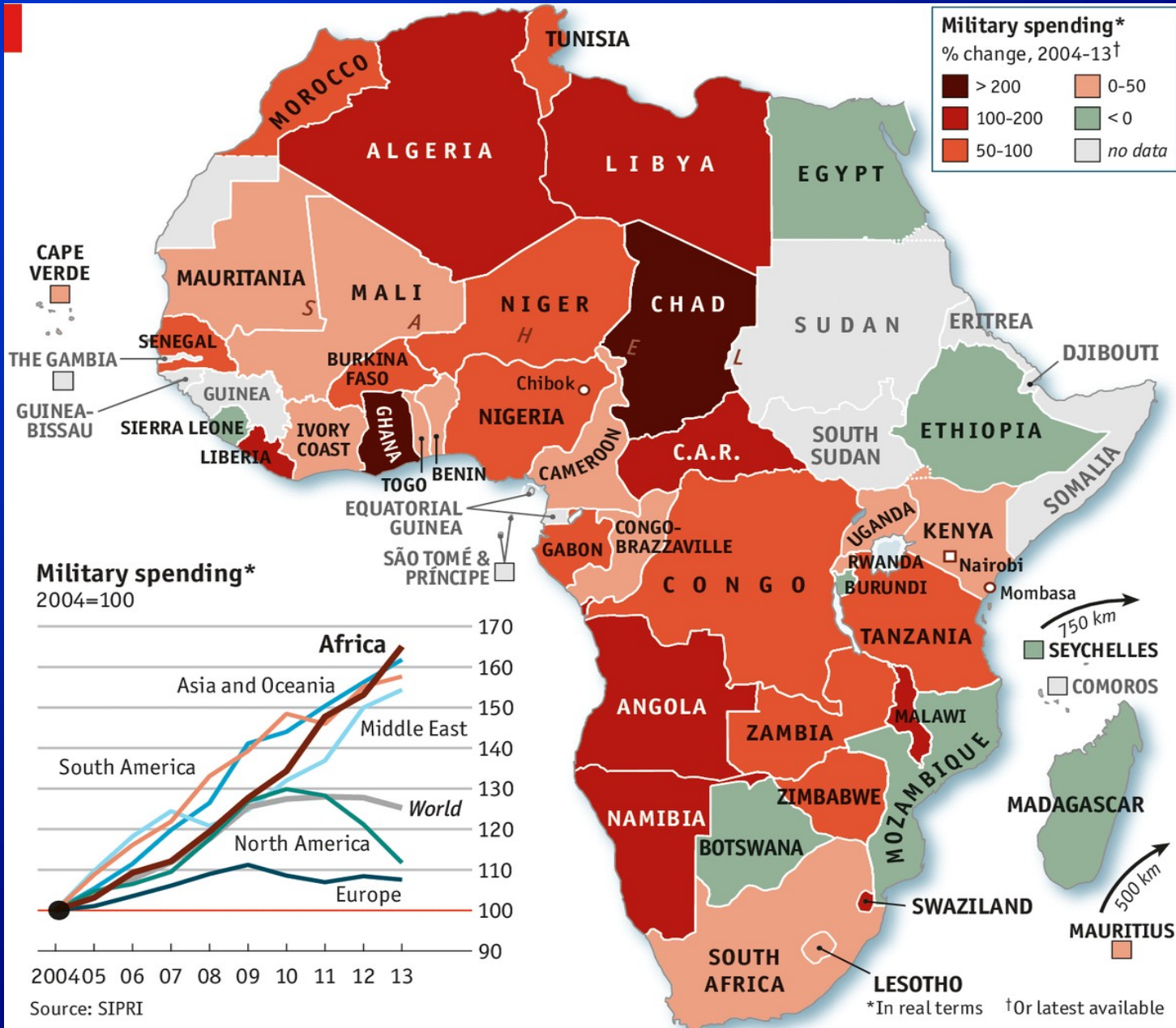


Select countries
 Average annual change
 Hide countries < 1 million people

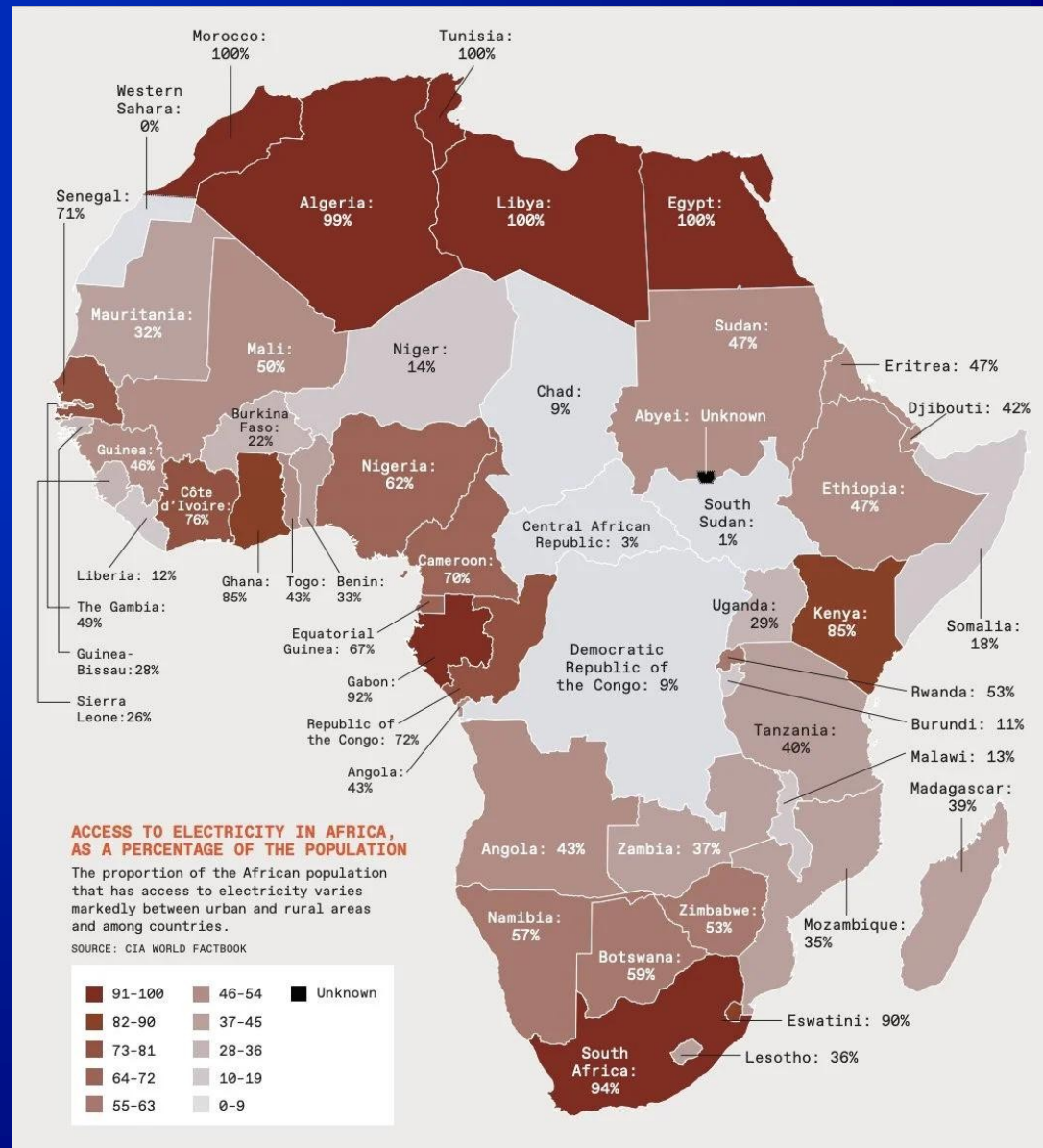


Source: Our World In Data (2017), UN Population Division (2017 Revision), Population (Gapminder, HYDE(2016) & UN (2019)), Our World In Data CC BY





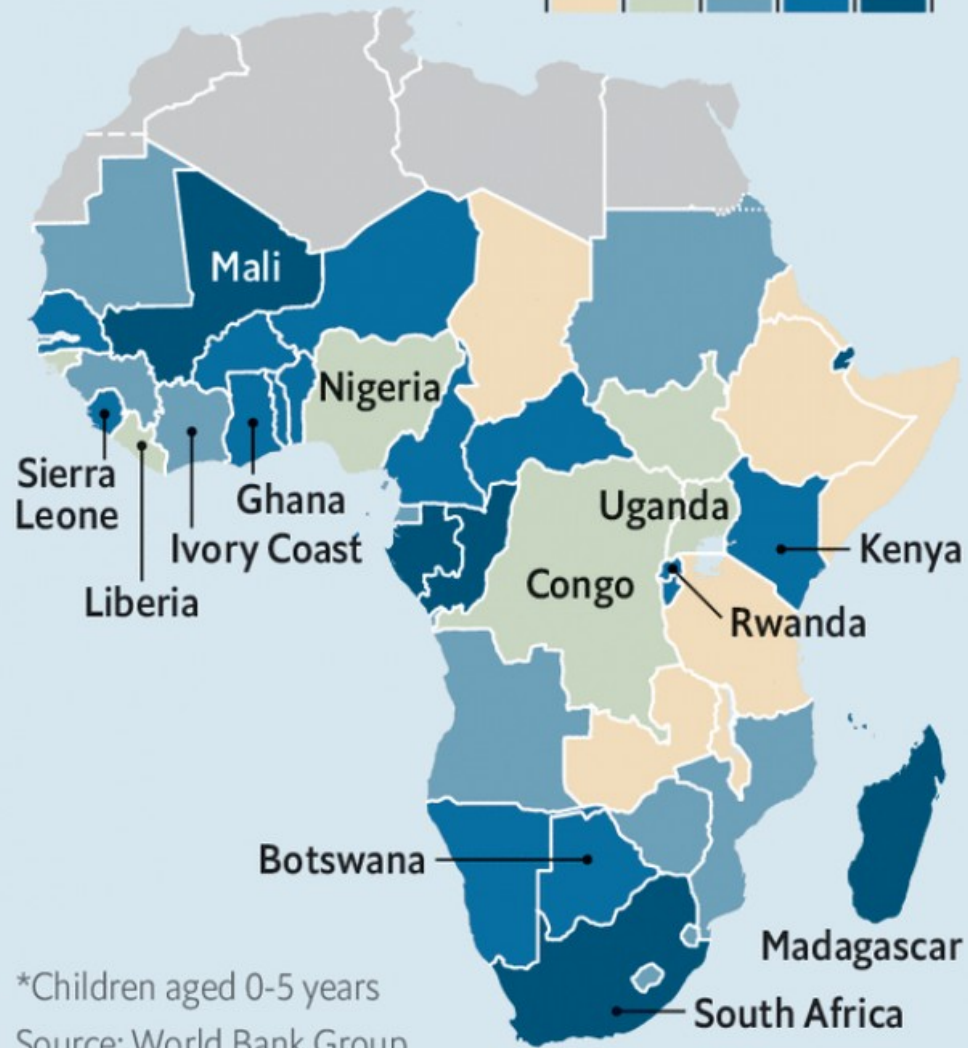
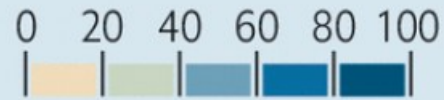
Electrification in Africa 2018-20



Undercount

Sub-Saharan Africa, birth registration*, %

2016 or latest available



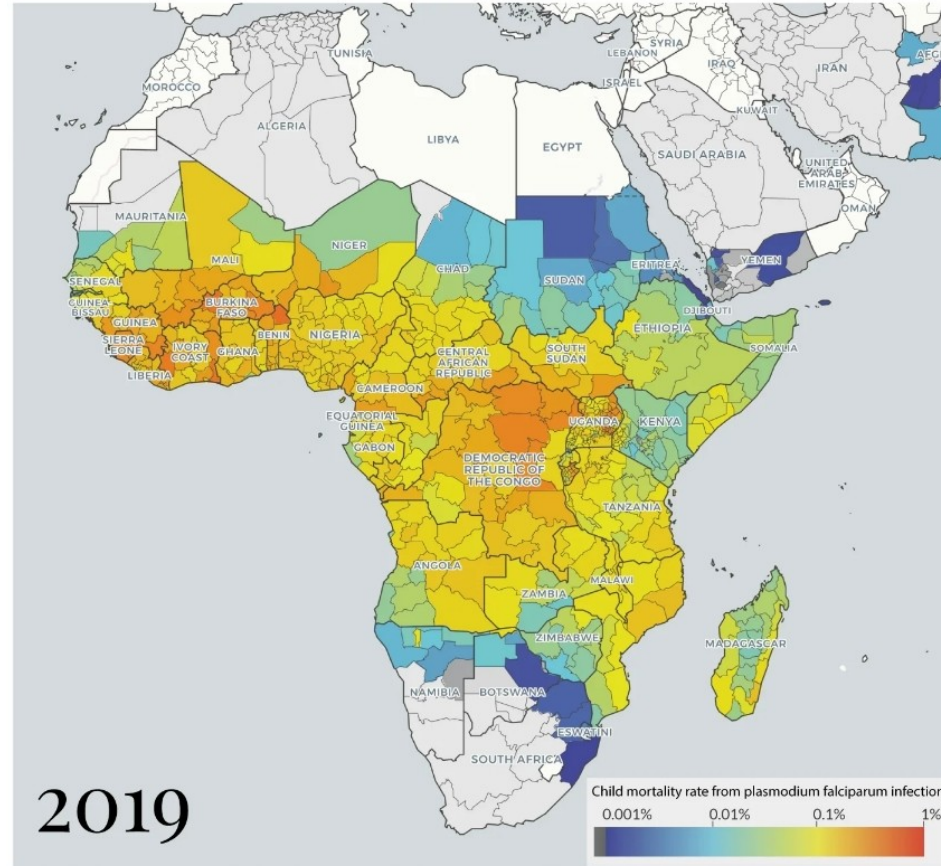
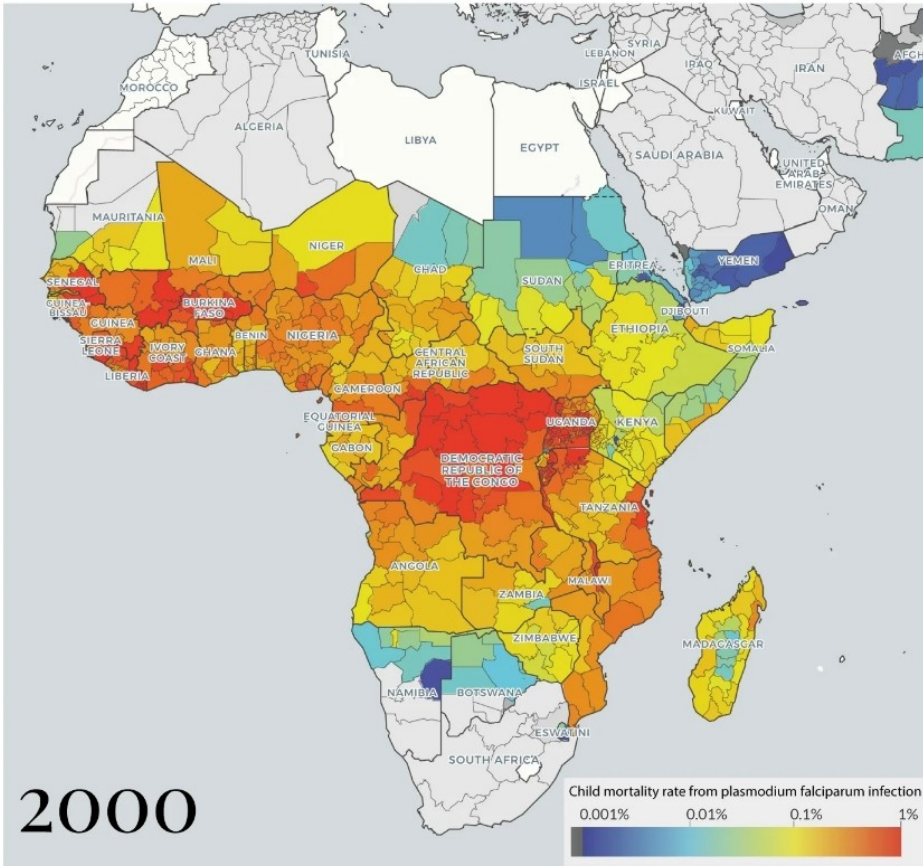
*Children aged 0-5 years

Source: World Bank Group



Malaria mortality rate of children in 2000 and 2019

Shown is the mortality rate of children younger than 5 years due to the malaria (caused by plasmodium falciparum)

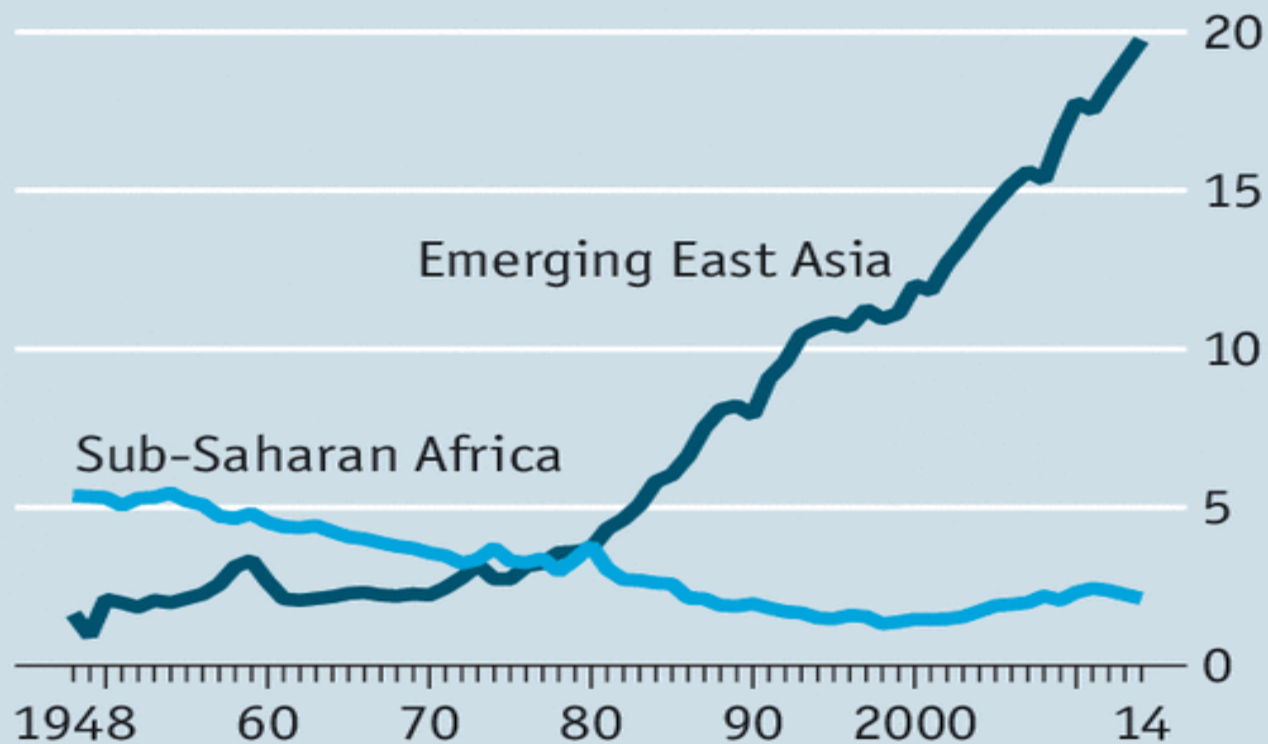


Data source: IHME Malaria Atlas Project (2020)
OurWorldinData.org - Research and data to make progress against the world's largest problems.

Licensed under CC-BY by the author Max Roser

Failure to launch

Exports as a share of world total, %
Current prices

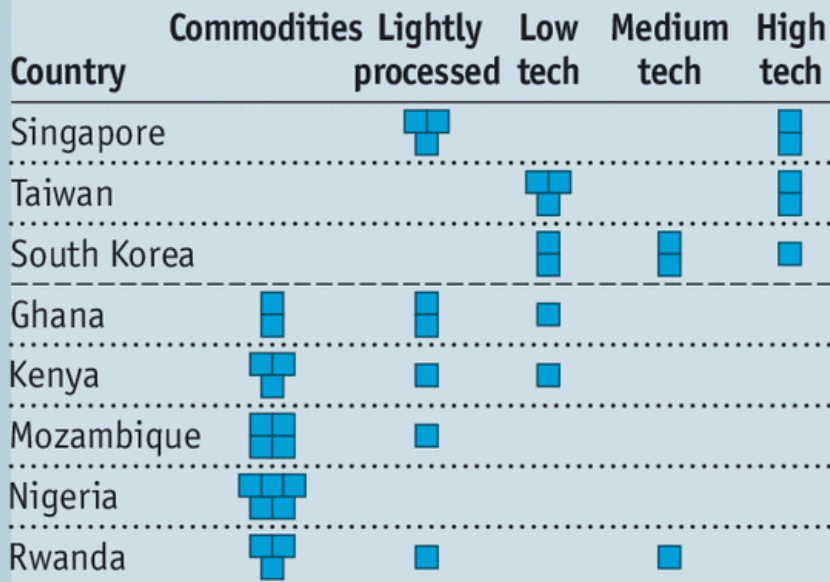


Source: UNCTAD

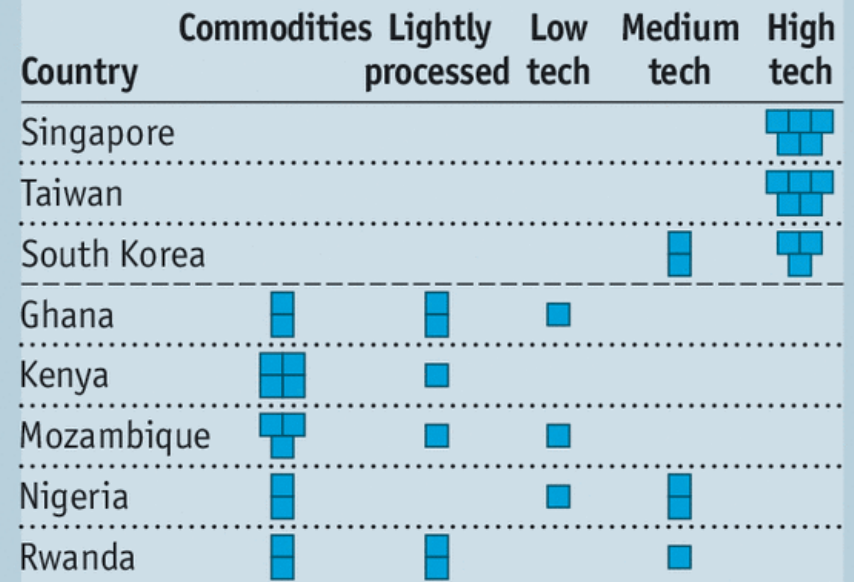
A blessing and a curse

Biggest five exports for each country, by sector

1985



2008



Source: "From Flying Geese To Leading Dragons" by Justin Lin, November 2012



A3. Latin America

- relatively stable situation
- experience with high inflation, slow econ. growth, dictatorships
- econ. reforms + econ. \uparrow + stable price level
- 2001 econ. crisis in Argentina
 - ◆ Fixed exchange rate pegged to dollar – devaluation in Brazil
 - ◆ state bankruptcy + devaluation
 - problems in banking sector
- 2008 crisis only slowing down
- gini high – Brasil > 50 ...
- political turmoils ... turn to left



A3. USA

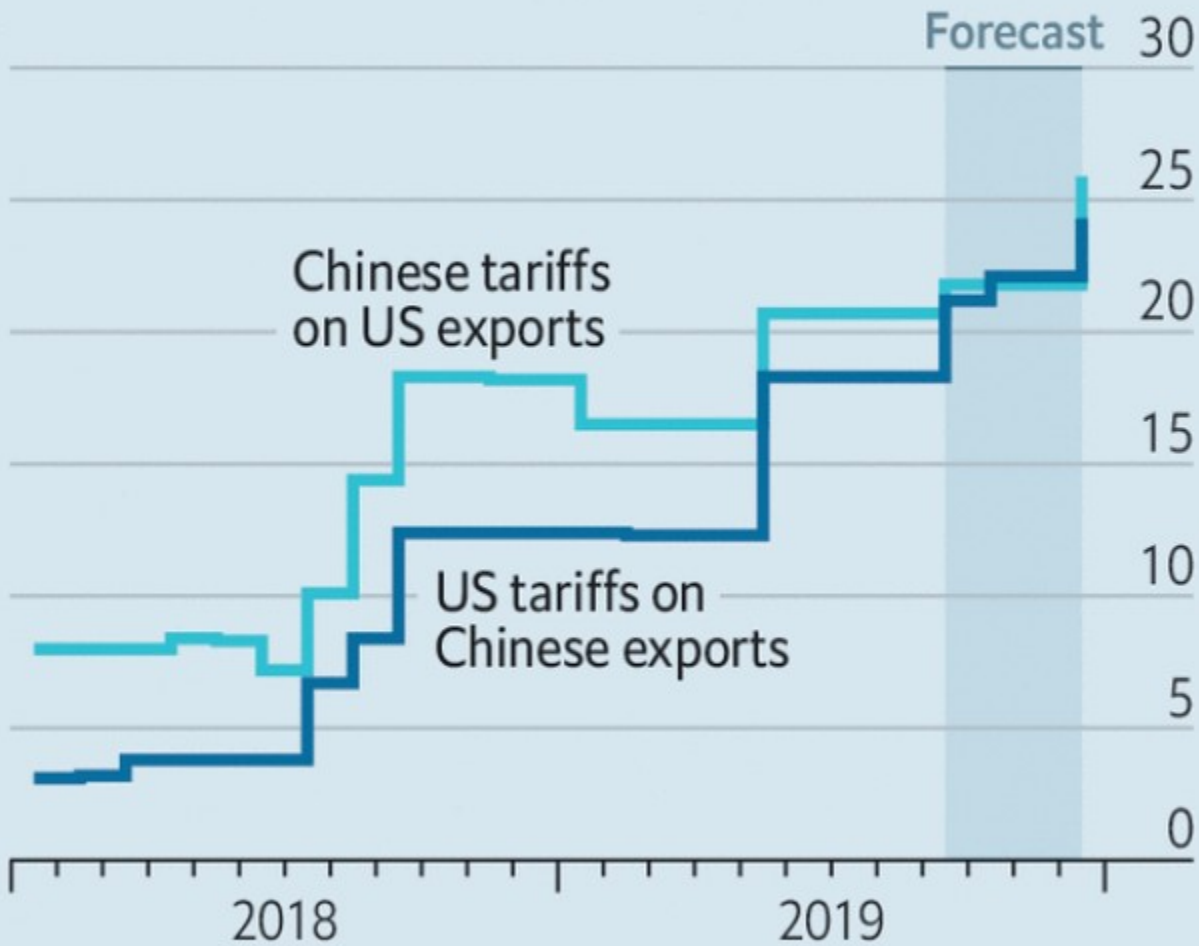
- **very long conjuncture**
- **low unemployment**
- **banks OK**
- **relatively high inflation ... restrictions**

- **trade war**
- **leadership :-)**



Escalation

Tariffs on exports, %



Source: Peterson Institute for International Economics

Unemployment in USA and EU, 1991-2021 (in %)



The great recession (2008)

- center USA
 - monetary expansion dealing with 2001 crisis
 - mortgages ... banks ... problems with financial sector
 - spread to real economy
- interdependence in the WE ... spread of the crisis to other countries
- expansive EP
 - problems if expansive policies already before the crisis

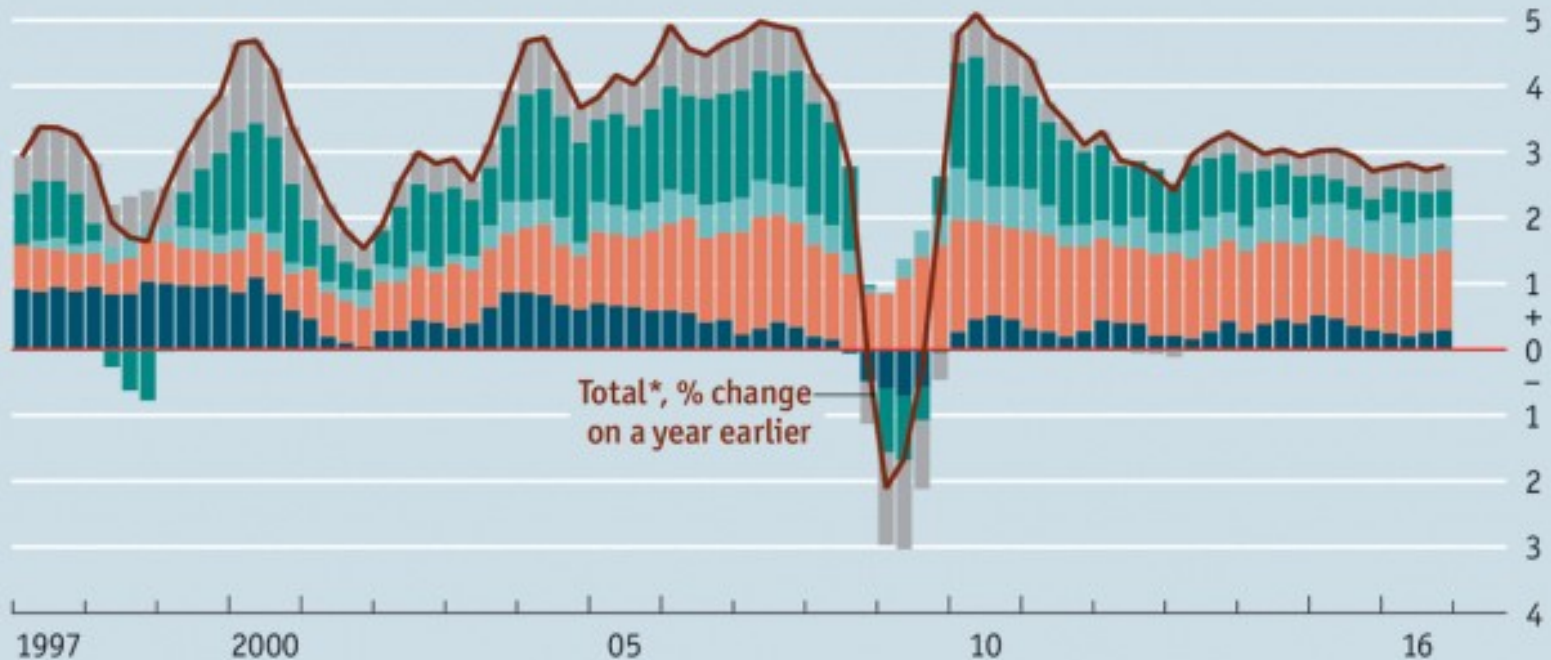


World GDP

World GDP

Contribution to growth, percentage points

United States China India All other developing countries All other rich countries



Total*, % change on a year earlier

Sources: Haver Analytics; IMF; *The Economist*

*Estimates based on 61 economies representing 83% of GDP. Weighted GDP at purchasing-power parity

A4. Europe

- slow dynamics
- unemployment
- reforms – liberalization (posts, ...), CAP ...
- **Stability and Growth Pact**
- Lisbon Strategy -> **Europe 2020**
- different course of crisis among the member states
 - serious problems – Ireland, Hungary, ..., Island vs. Poland
- **Brexit ...**
- Covid
- Ukraine
- Hungary and Poland

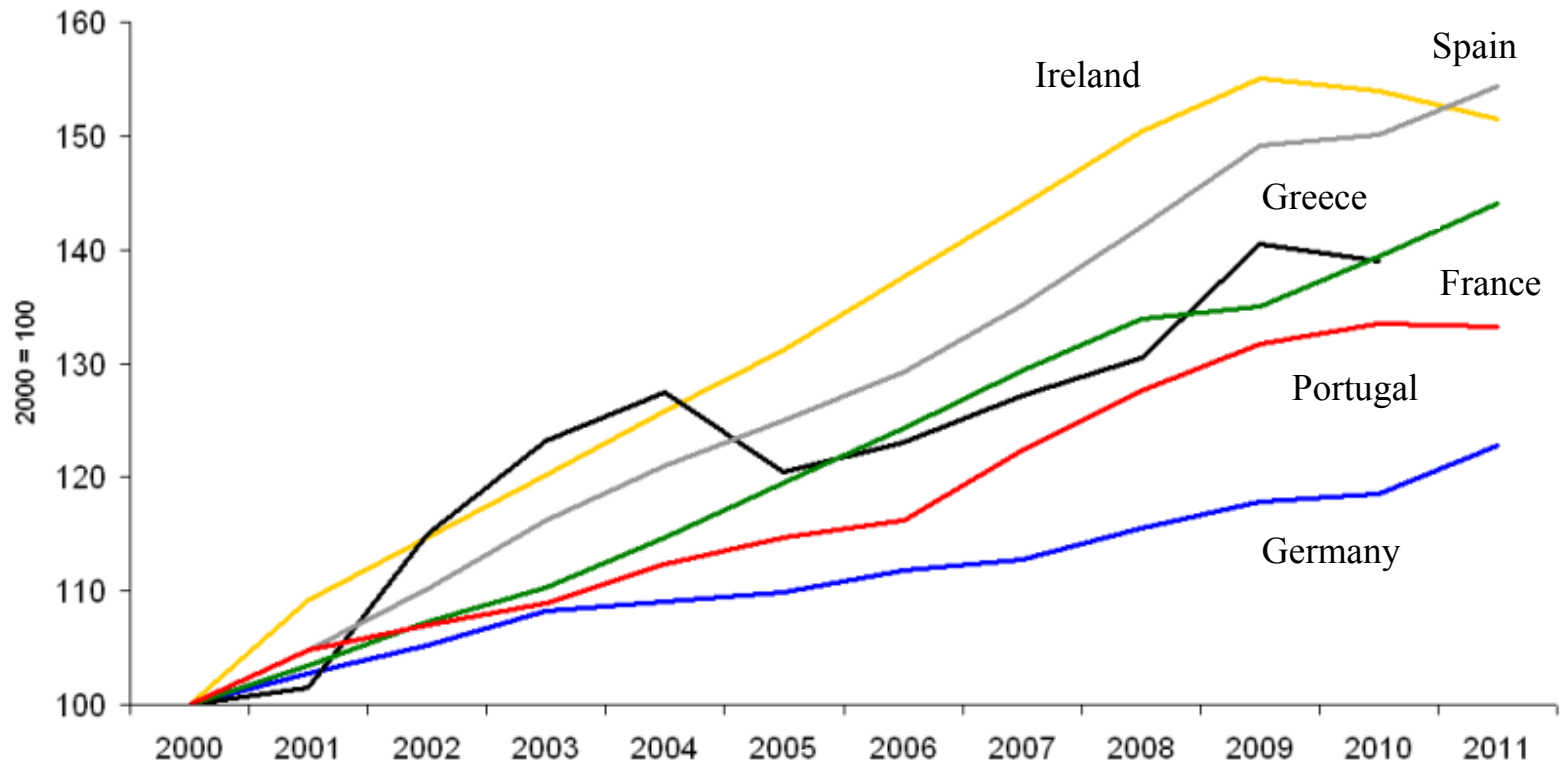


Eurozone crisis

- Greece
- Ireland, Portugal, Spain, Italy
=PIIGS
- public sources in successful years
- pressing solution – money to Greece or ...
- fiscal restriction – different attitudes
- medium-term – fiscal integration – at least budget controls

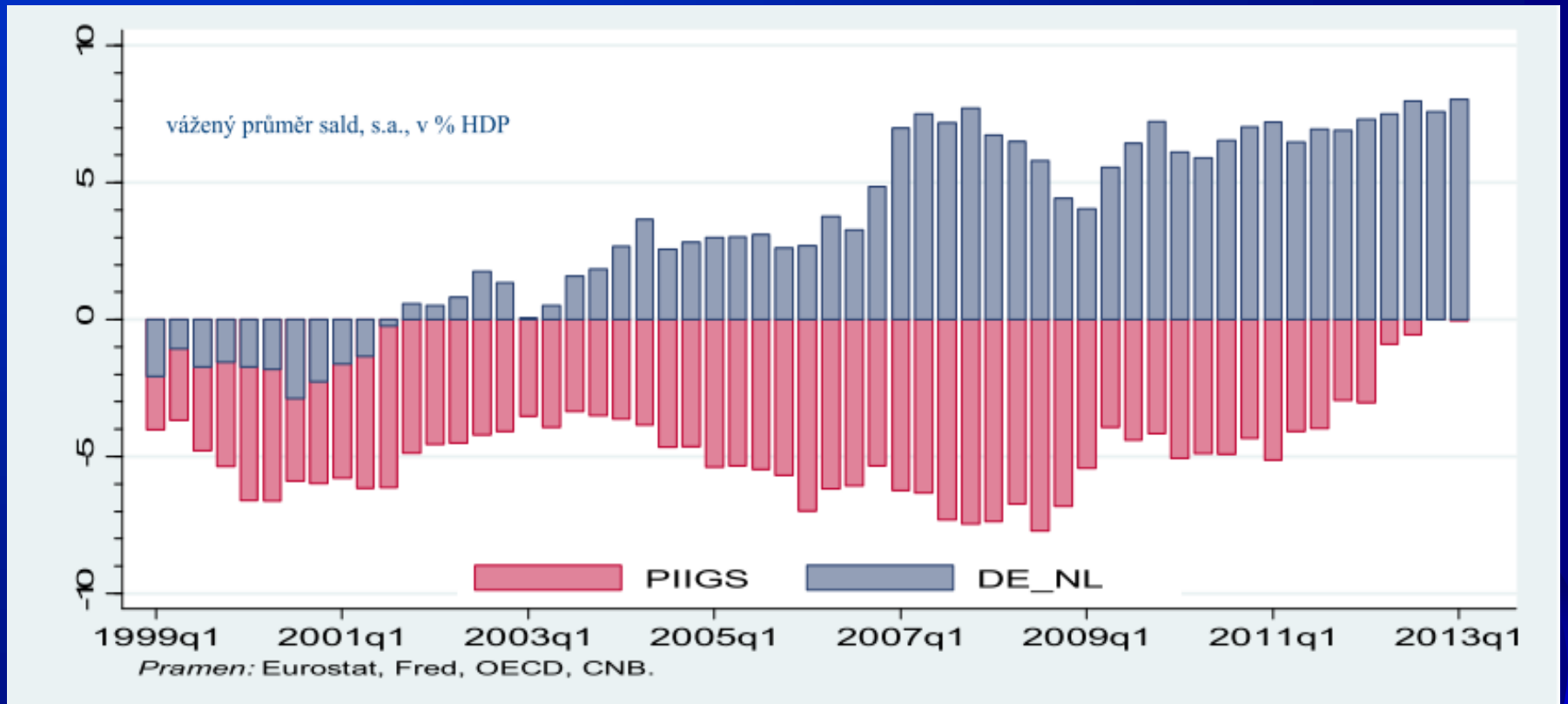


Labour costs index, 2000-2011

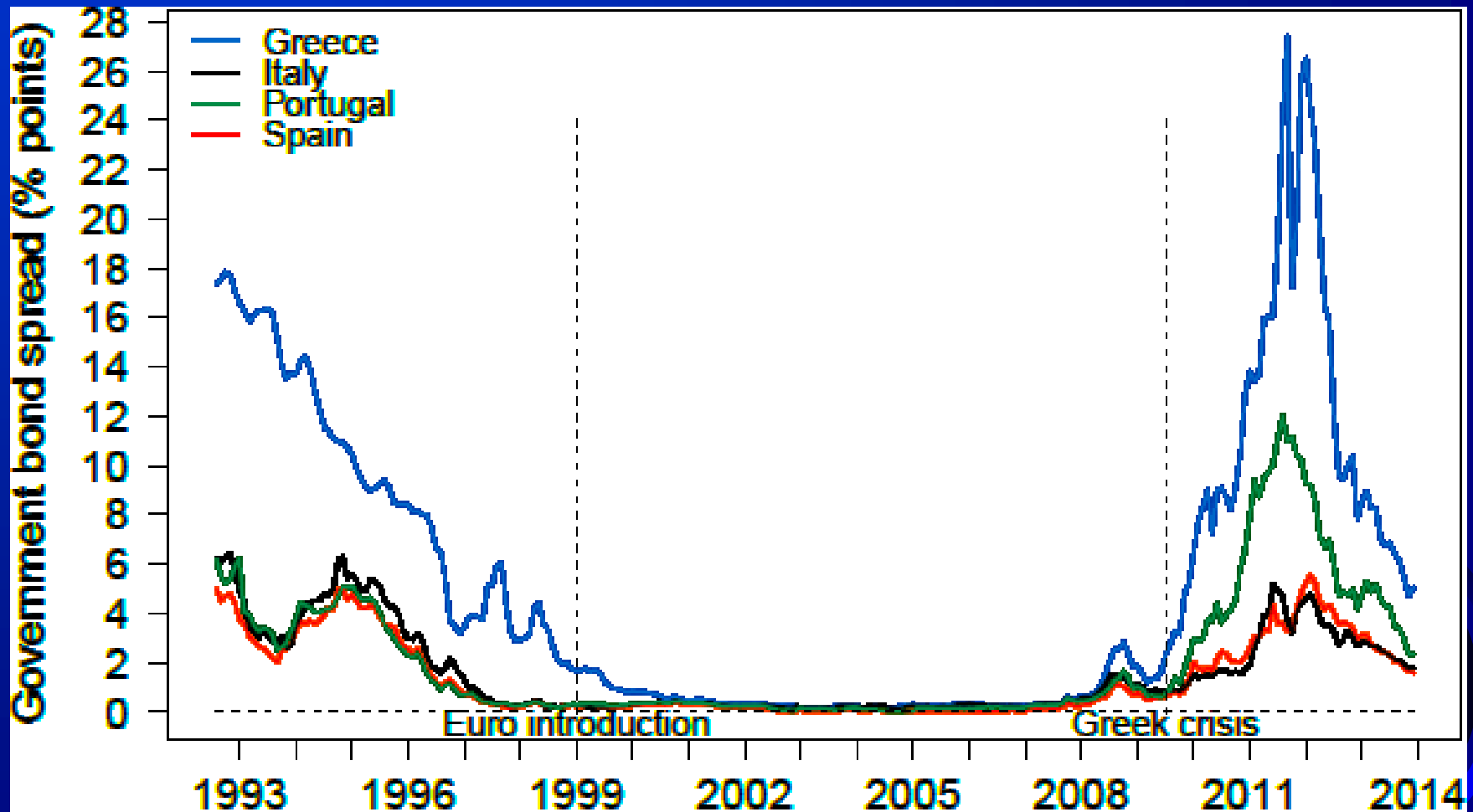


Pramen: Eurostat

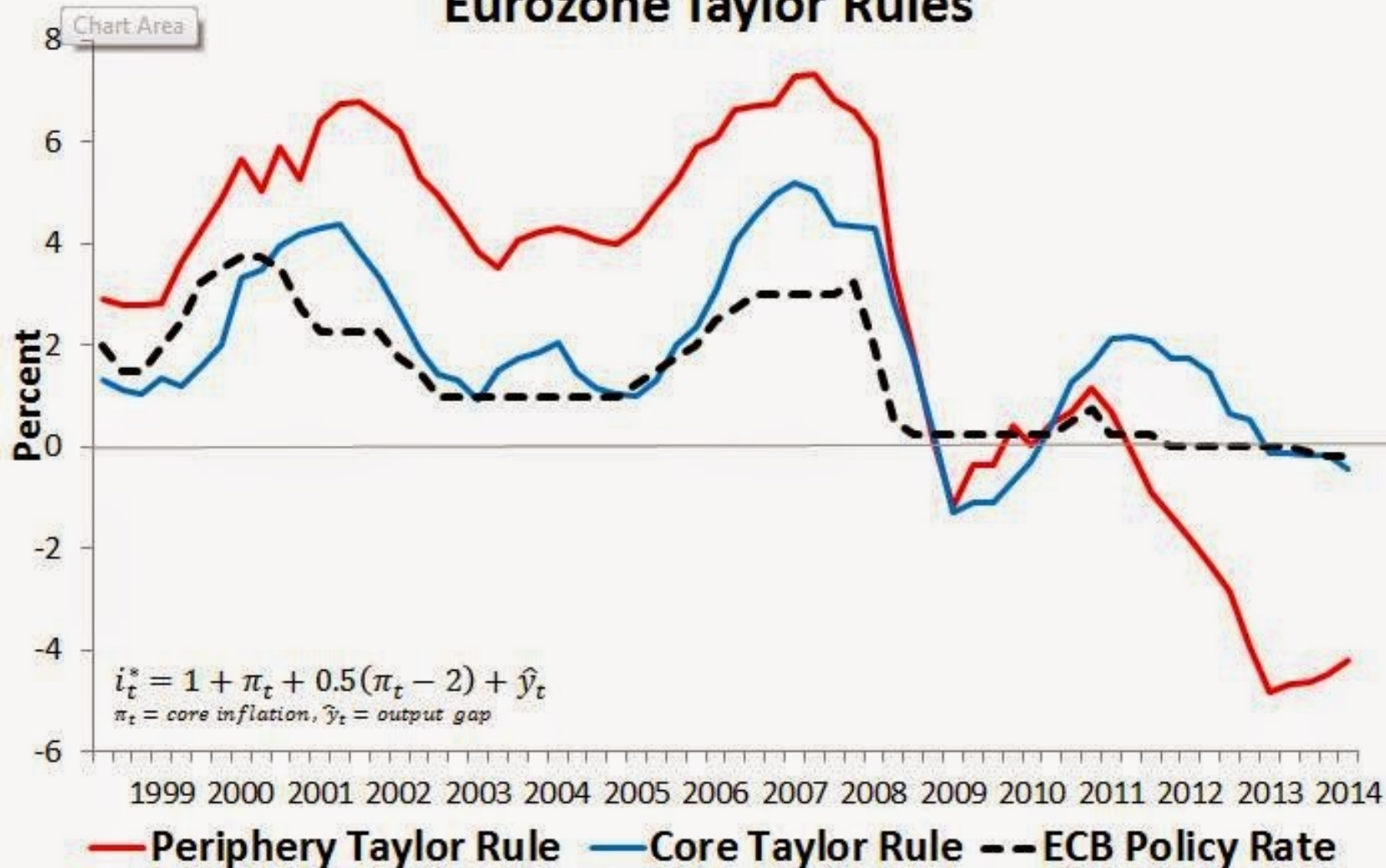
Current account, 1999-2013



Spreads in interest rates on sovereign bonds (as compared to German bonds)

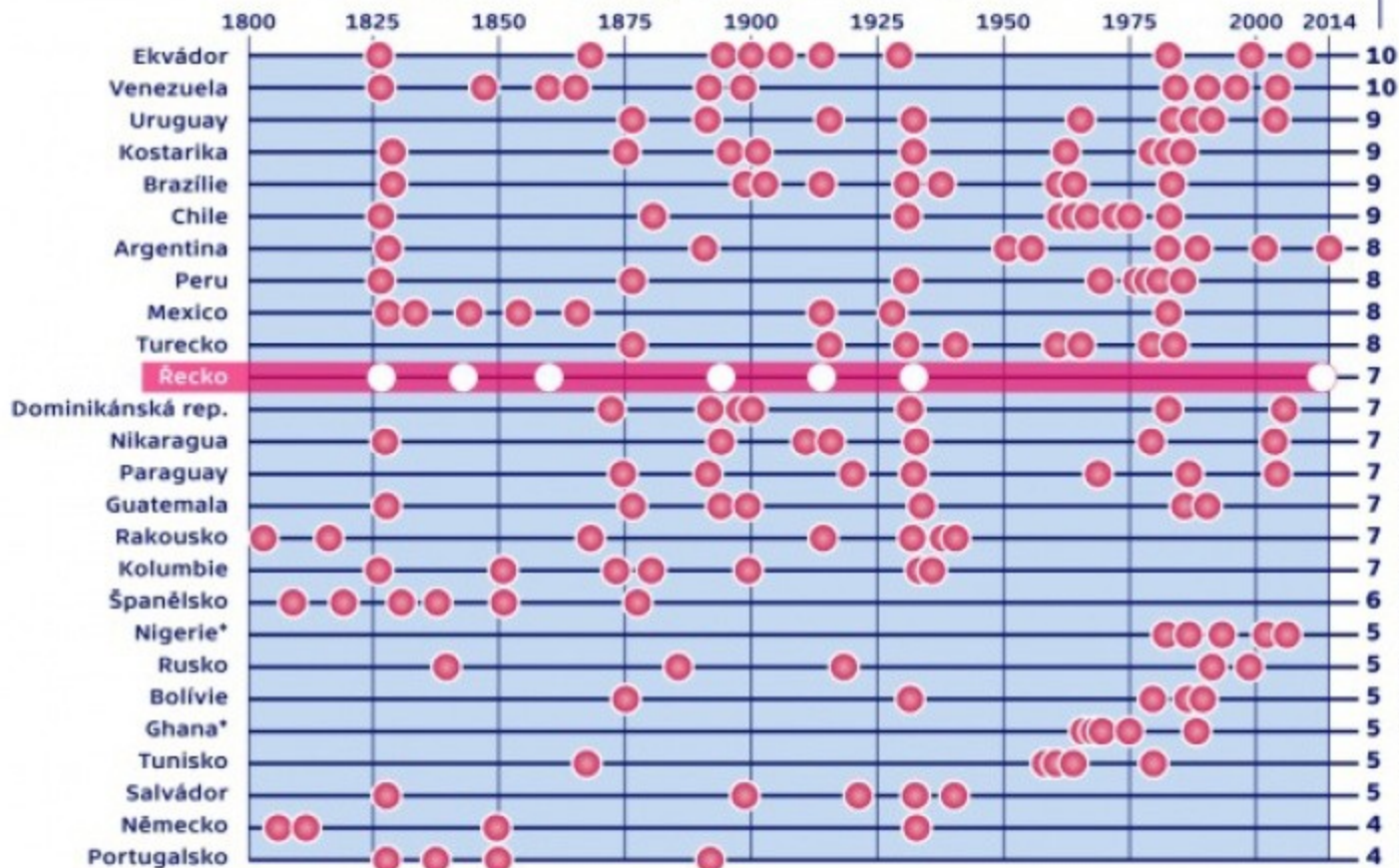


Eurozone Taylor Rules



Periphery: Greece, Ireland, Italy, Portugal, Spain
Core: Austria, Belgium, Finland, France, Germany, Netherlands

Počet bankrotů jednotlivých států

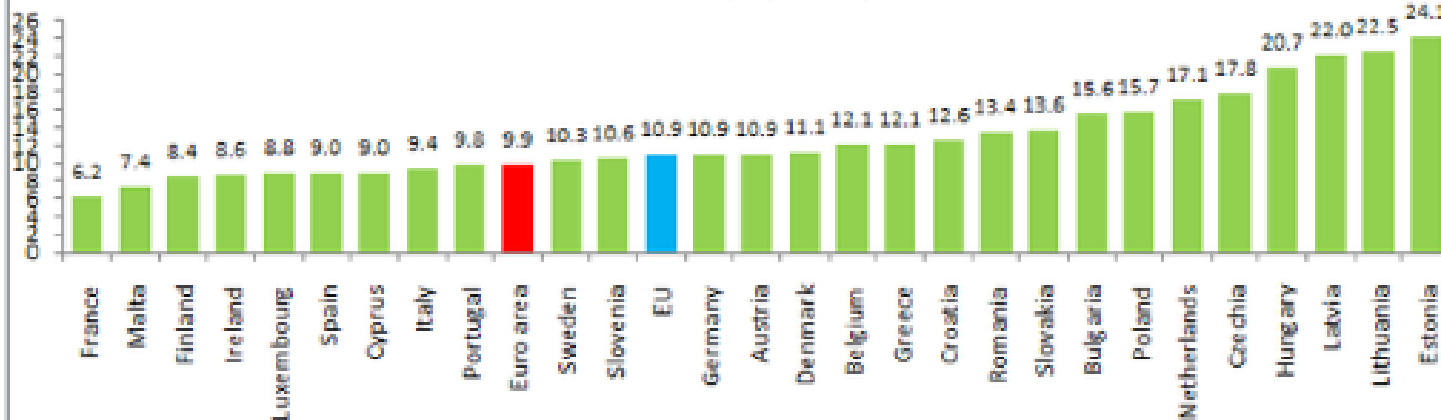


*údaje z roku 1960

Zdroj: Economisist.com /Carmen Reinhart a Kenneth Rogoff

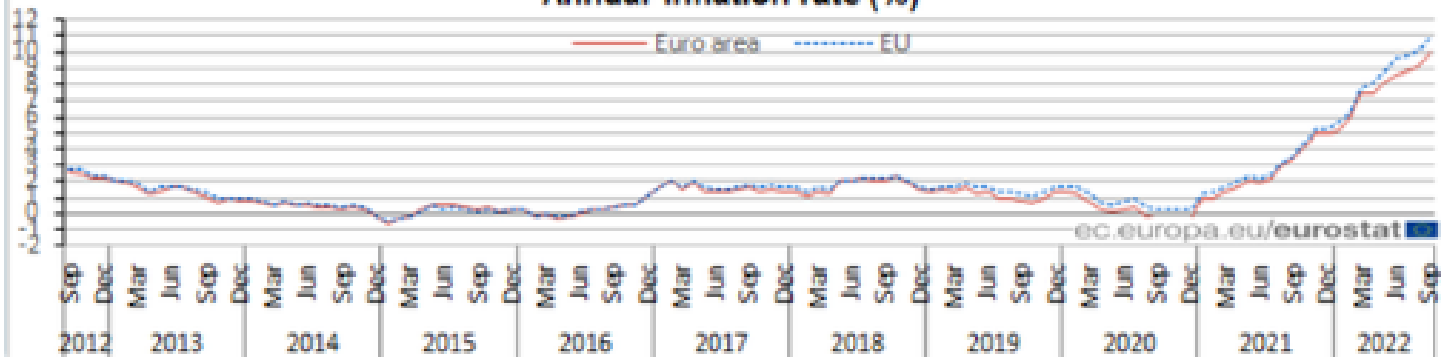
Eurozone inflation 9/2022

Annual inflation rates (%) in September 2022



ec.europa.eu/eurostat

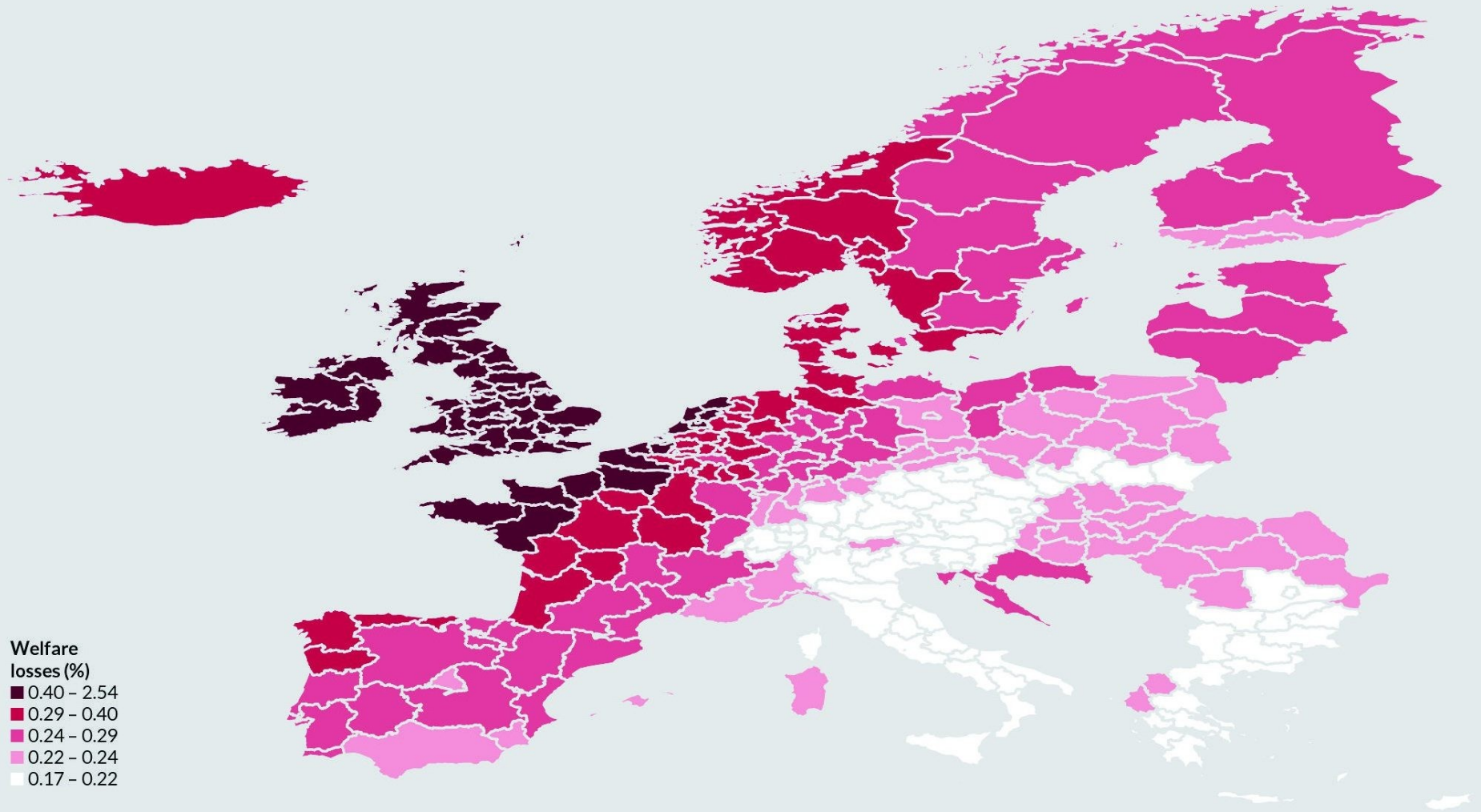
Annual inflation rate (%)



ec.europa.eu/eurostat



Welfare losses related to a hard Brexit



Based on a counterfactual equilibrium analysis of a hard Brexit scenario. Welfare corresponds to the change in income that, given initial prices, would allow consumers to reach the same utility level corresponding to the counterfactual equilibrium.

COVID AND WAR

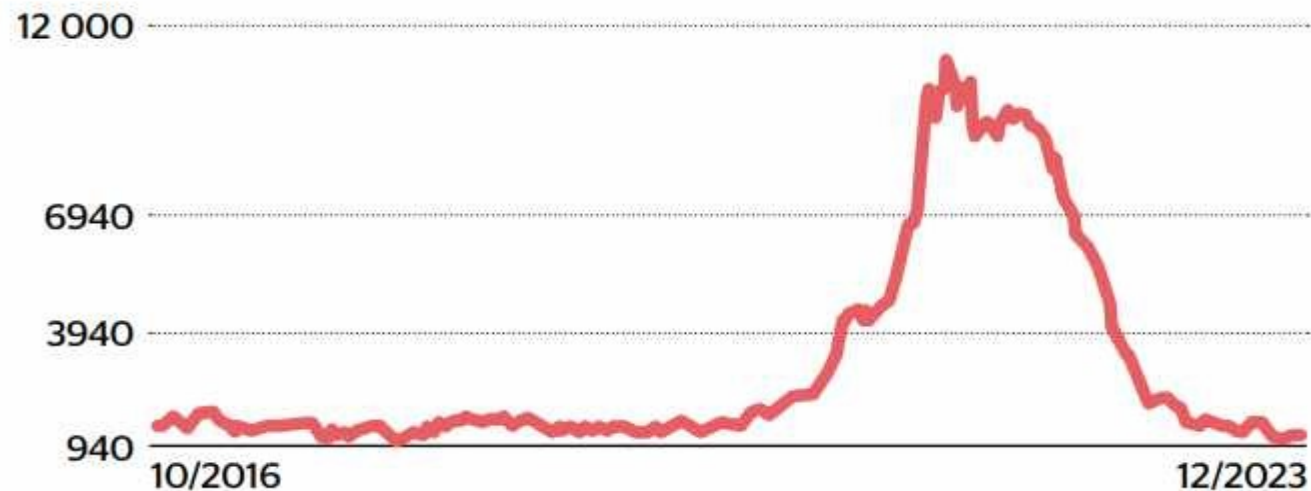
Disruption of trade routes

Inflation

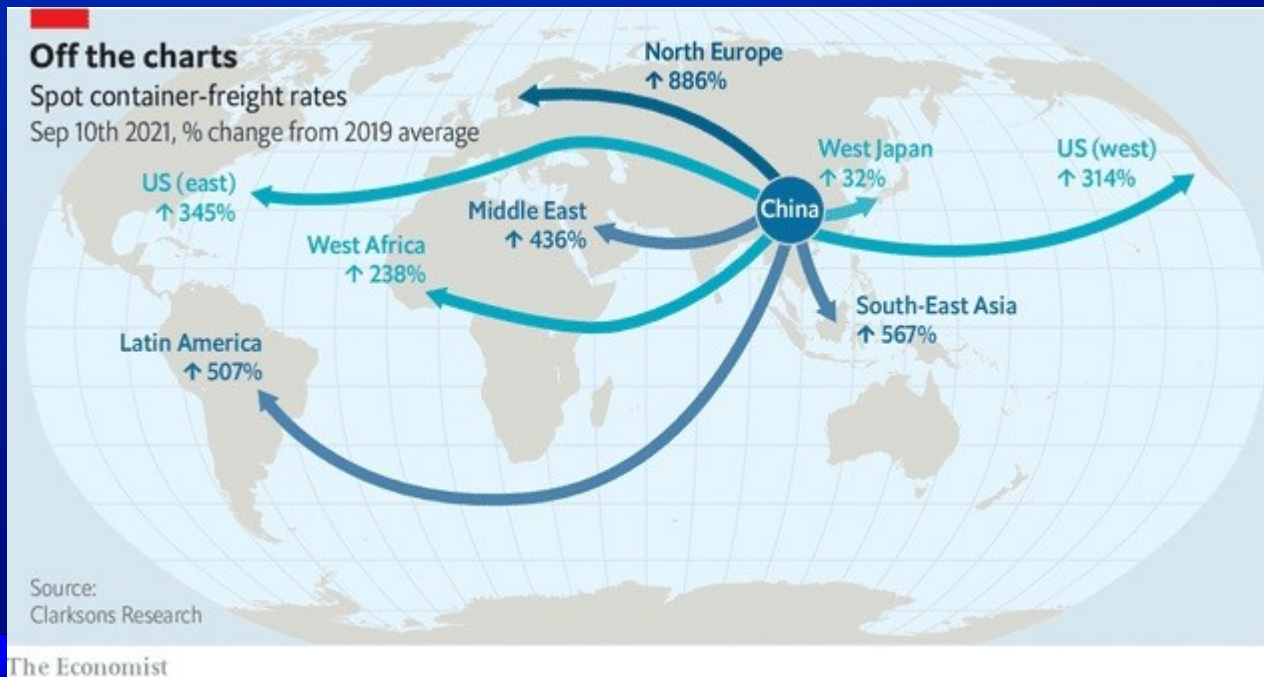


Vývoj cen námořní přepravy

(v USD, průměrná cena za přepravu námořního kontejneru na hlavních trasách)



Zdroj: Freightos Global Container Index



Vývoj ceny americkej ropy WTI

— Cena za barel v USD

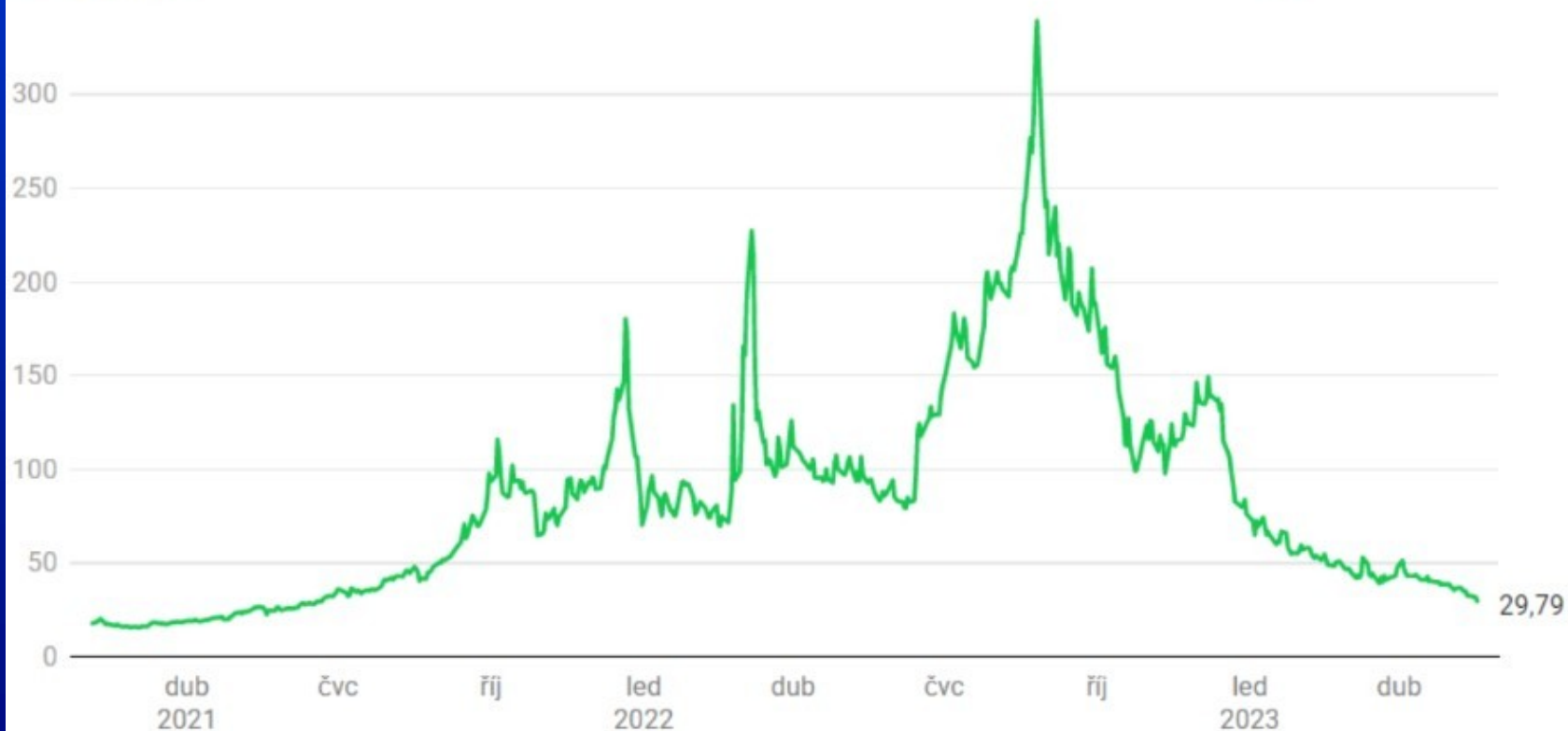


Graf: Portu • Zdroj: Yahoo Finance • Vytvorené pomocou Datawrapper

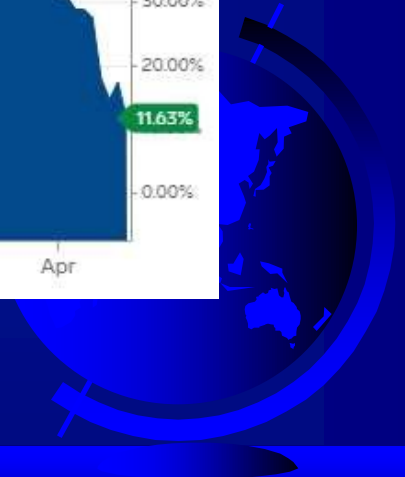
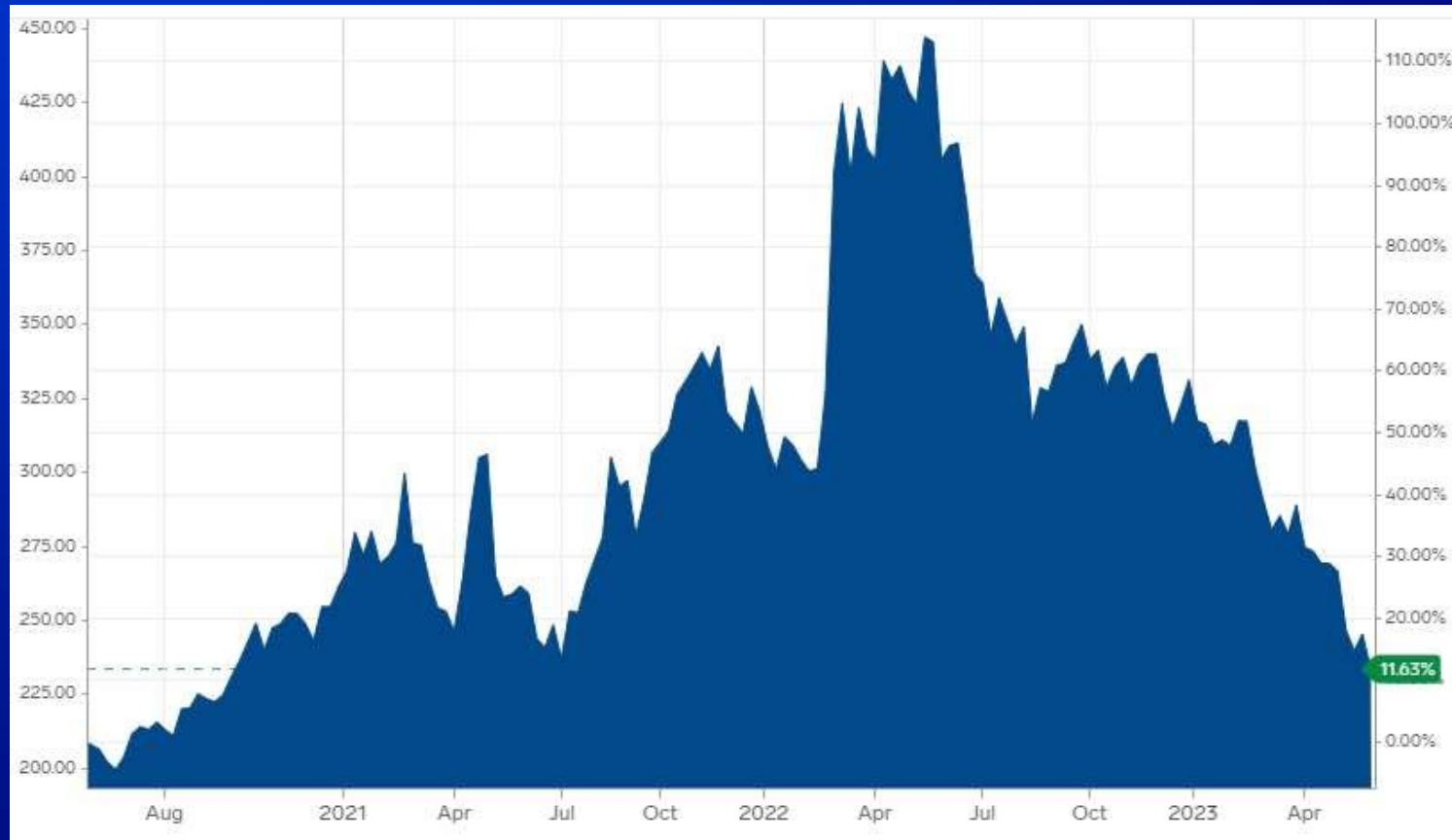
Vývoj ceny zemního plynu



— Cena (EUR)



světové ceny obilí



Content

- A. Long-term trends
- B. Current economic situation by regions
- C. Globalization





GLOBALIZATION

1. Integration
2. International trade
3. Capital flows
4. Labour flows
5. Supranational enterprises
6. Spread of technologies



Part name
Company (country)

Wingtips
KAA (Korea)

Fixed & movable leading edge
Spirit (U.S.)

Wing
Mitsubishi (Japan)

Centre fuselage
Alenia (Italy)

Forward fuselage
Spirit (U.S.)
Kawasaki (Japan)

Centre wing box
Fuji (Japan)

Landing gear structure
Messier-Dowty (France)

Lithium-ion batteries
GS Yuasa (Japan)

Movable trailing edge
(U.S., Canada, Australia)

Rear fuselage
Boeing (U.S.)

Wing-to-body fairing
Boeing (U.S.)

Engine nacelles
Goodrich (U.S.)

Engine
Rolls-Royce (U.K.)
General Electric (U.S.)

Horizontal stabilizer
Alenia (Italy)

Tail fin
Boeing (U.S.)

Passenger entry doors
Latecoere (France)

Lithium-ion batteries
GS Yuasa (Japan)

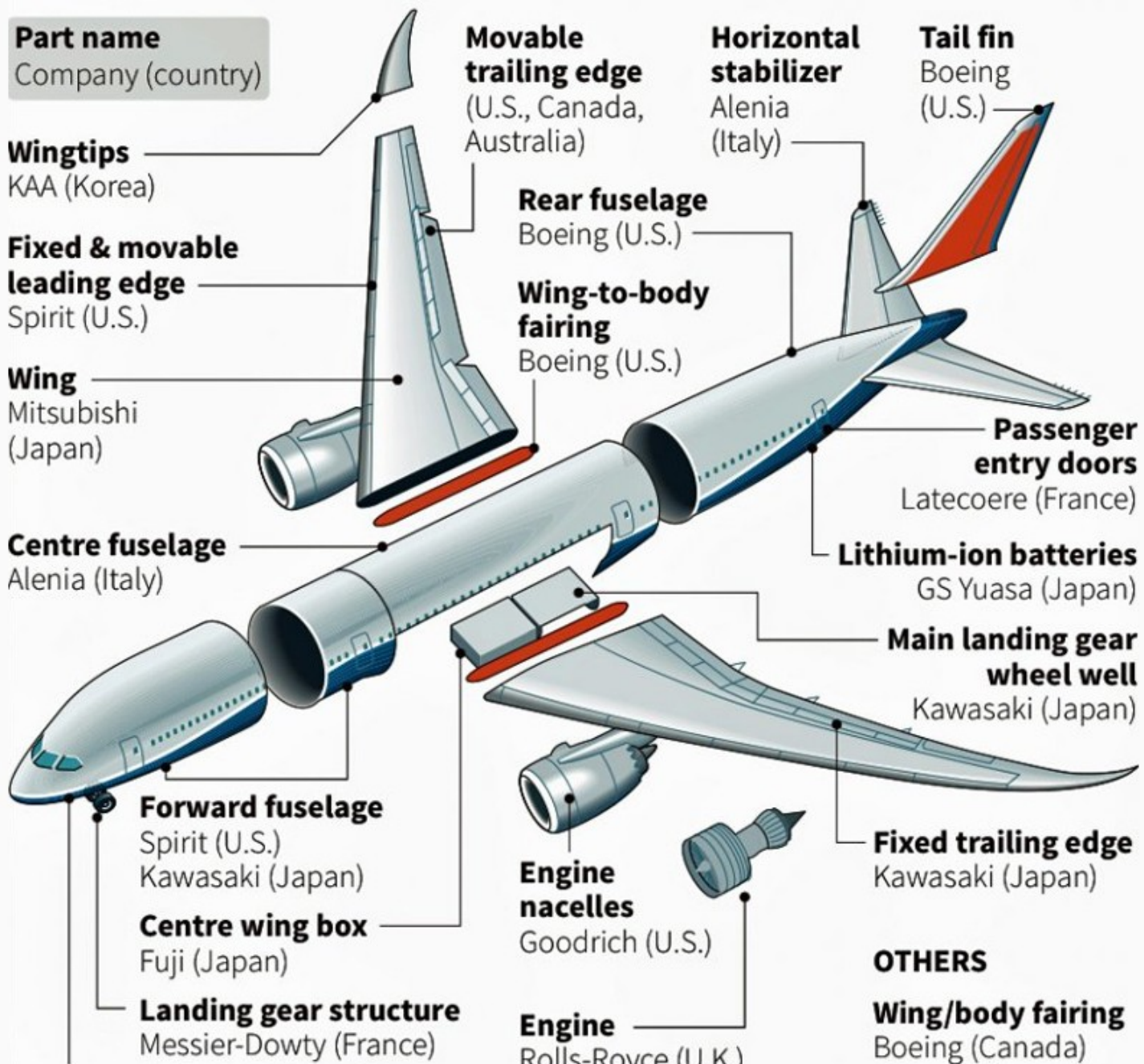
Main landing gear wheel well
Kawasaki (Japan)

Fixed trailing edge
Kawasaki (Japan)

OTHERS

Wing/body fairing
Boeing (Canada)

Cargo access doors
Saab (Sweden)



Nutela



Apple - iphone

Design & Development



Sourcing



USA , China, Europe , Asia

Manufacturing/ Assembling



China (50/50 split between Foxconn & Pegatron)



Distribution



Intermediate warehouses via **UPS/FEDEX** for online stores.



C. Globalization

- **no single definition** \Rightarrow various explications
 - \uparrow interdependence in the WE
- **both advantages and disadvantages**
- **pros:**
 - \uparrow competition (?) \Rightarrow efficiency – better allocation of resources
 - \uparrow production (?)
 - technological and knowledge spillover
 - better economic situation in DC (?)
 - \downarrow role of governments
 - \downarrow danger of international conflicts (?)



- **ambiguous:**
 - interdependence
 - ◆ GDP growth in USA help to other countries vs current situation
 - ◆ prices ...
- **CONS:**
 - ↓ role of governments (?)
 - loss of own culture and identity (?)
 - ↑ income differences (?)
 - Persistant impact on certain groups of population
 - ◆ mainly unqualified labor force in advanced economies



C1. Integrate

- **international agreements** (see previous lectures)
 - the most important one – EU + last lecture does
 - today at least 80 regional agreements
- **also arguments against international agreements**
 - higher internal competition but higher protection against third parties
 - ◆ e.g. EU or MERCOSUR



C2. International trade

- **enormous** ↑ international trade after WWII
 - GATT ⇒ WTO
- but the majority of world trade **between relatively close states**
- within the last 20 years ↑ **world trade was two times higher than** ↑ world GDP (6% X 3%)
- **pros:**
 - intention to maintain free trade in crisis
 - ◆ lessons from the development in 1930s ↑ protectionism within the bounds of possibility
 - dispute settlement via WTO
 - new round of negotiations but only limited progress



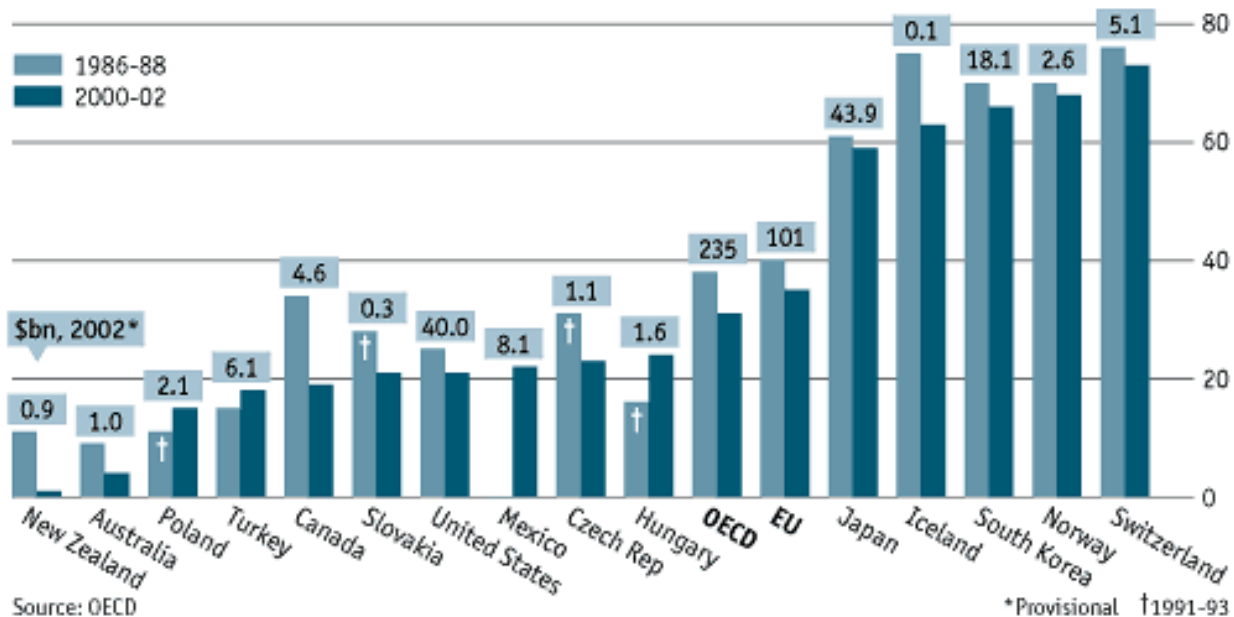
Threats for international trade

- **USA - EU disputes**
 - USA: steel, agricultural products, ...
- **pressure groups – e.g. Seattle**
 - ecology + agriculture + human rights + ...
- **antidumping**
 - huge number of cases – agenda of the WTO
 - abuse
 - ◆ Real dumping only in 3% of the cases in EU and 4% in USA
- **regional blocks**
- **⇒ the most affected states = DC**
 - liberalization – only trade with products 250 – 630 mld \$ per year – DC 1/3 – 1/2



Agricultural subsidies

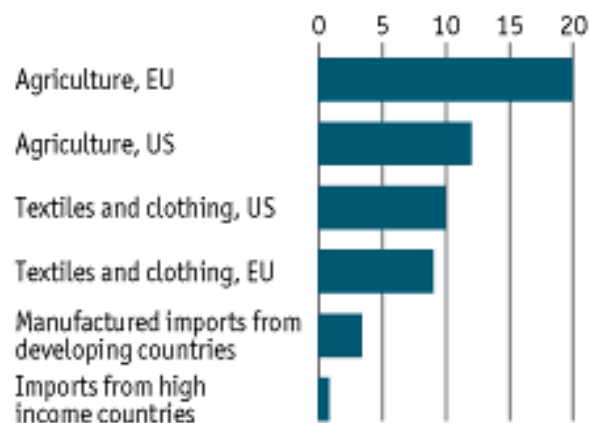
Producer support estimate, % of value of gross farm output



Source: OECD

The fortress

Average tariffs in high-income countries, %



Source: Oxfam

1



PEW, 2010

Most Better Off in a Free Market Economy?

Trade and Business Ties Good for the Country?

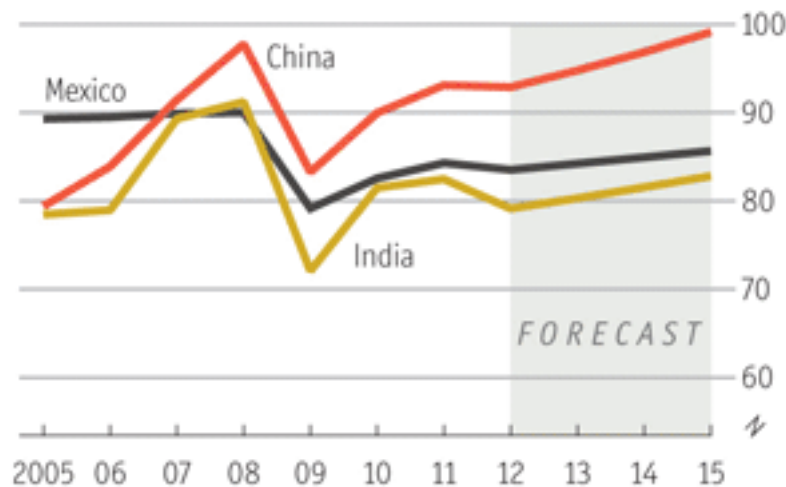
	% Agree			% Good		
	2007	2009	2010	2007	2009	2010
	%	%	%	%	%	%
U.S.	70	76	68	59	65	66
Britain	72	66	64	78	82	84
France	56	57	67	78	83	79
Germany	65	61	73	85	85	90
Spain	67	57	62	82	89	90
Poland	68	65	68	77	81	84
Russia	53	51	60	82	80	86
Turkey	60	60	64	73	64	83
Egypt	50	60	51	61	67	64
Jordan	47	54	48	72	60	71
Lebanon	74	64	60	81	90	93
China	75	79	84	91	93	93
India	76	81	79	89	96	90
Indonesia	45	49	63	71	79	82
Japan	49	41	43	72	73	72
Pakistan	60	65	57	82	79	86
S. Korea	72	76	78	86	92	88
Argentina	43	36	40	68	65	72
Brazil	--	--	75	--	--	87
Mexico	--	52	44	77	79	71
Kenya	78	84	72	93	80	90
Nigeria	79	66	82	85	90	84

Pew Research Center Q23a & Q24.



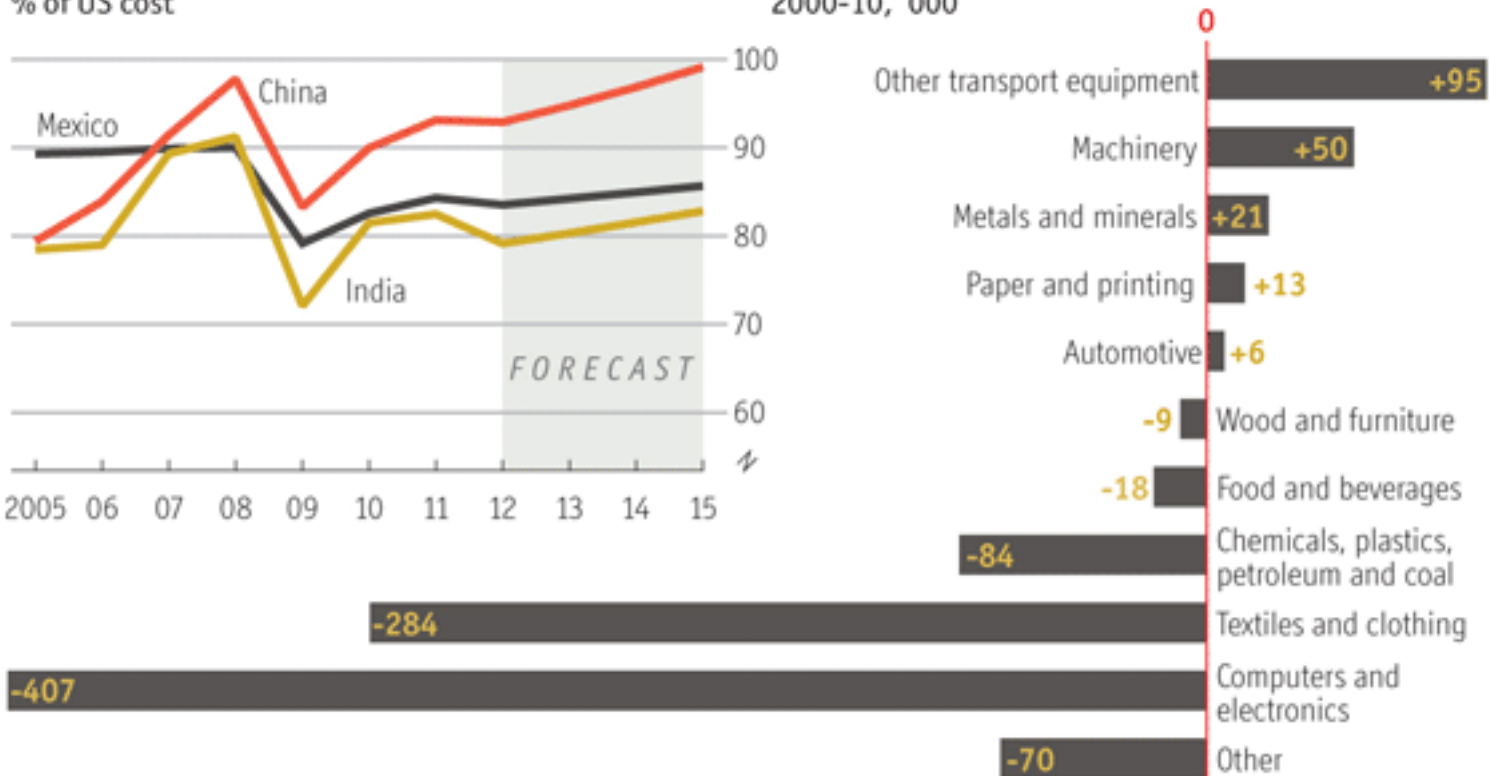
Manufacturing outsourcing cost index

% of US cost

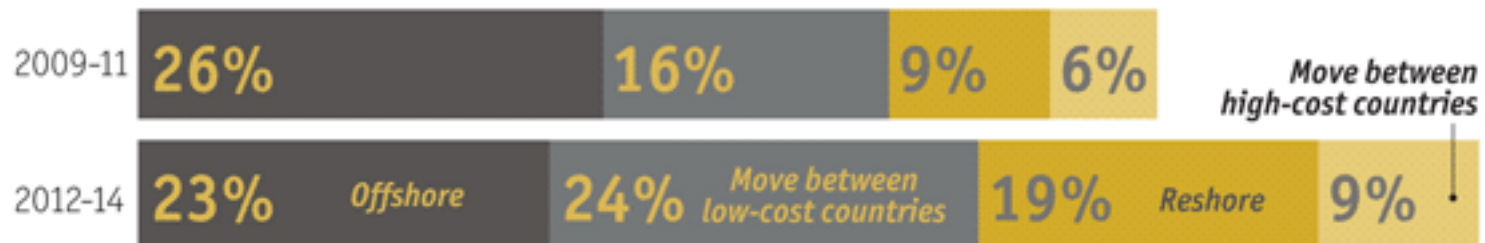


Change in US jobs because of outsourcing

2000-10, '000



Companies' intentions to change manufacturing source, worldwide, % of capacity



C3. Capital flows

- short-term capital
 - speculative capital – What does it mean?
- foreign direct investment (FDI)
 - in advanced economies to services
 - in DC to manufacturing industry
 - majority between advanced economies (EU - USA)
 - ◆ financing of advanced from DC
 - investors' preferences
 - ◆ knowledge of environment, low risk, political and economic stability, similar culture and level of development ⇒ incentives not so important
 - FDI may
 - ◆ push out the domestic firms + abuse their economic power + make more difficult to get loans



FDI inflows

Cumulative, 1992-2001, \$trn

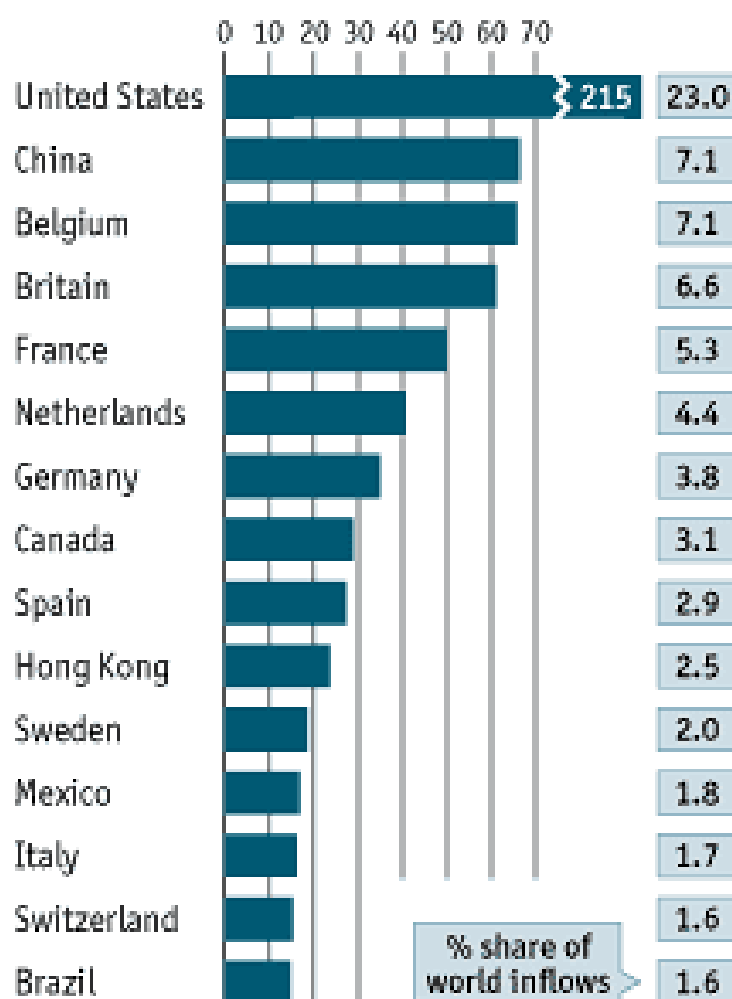


Source: OECD

*Includes Luxembourg

Foreign direct investment

2003-2007 average annual inflow, forecast, \$bn



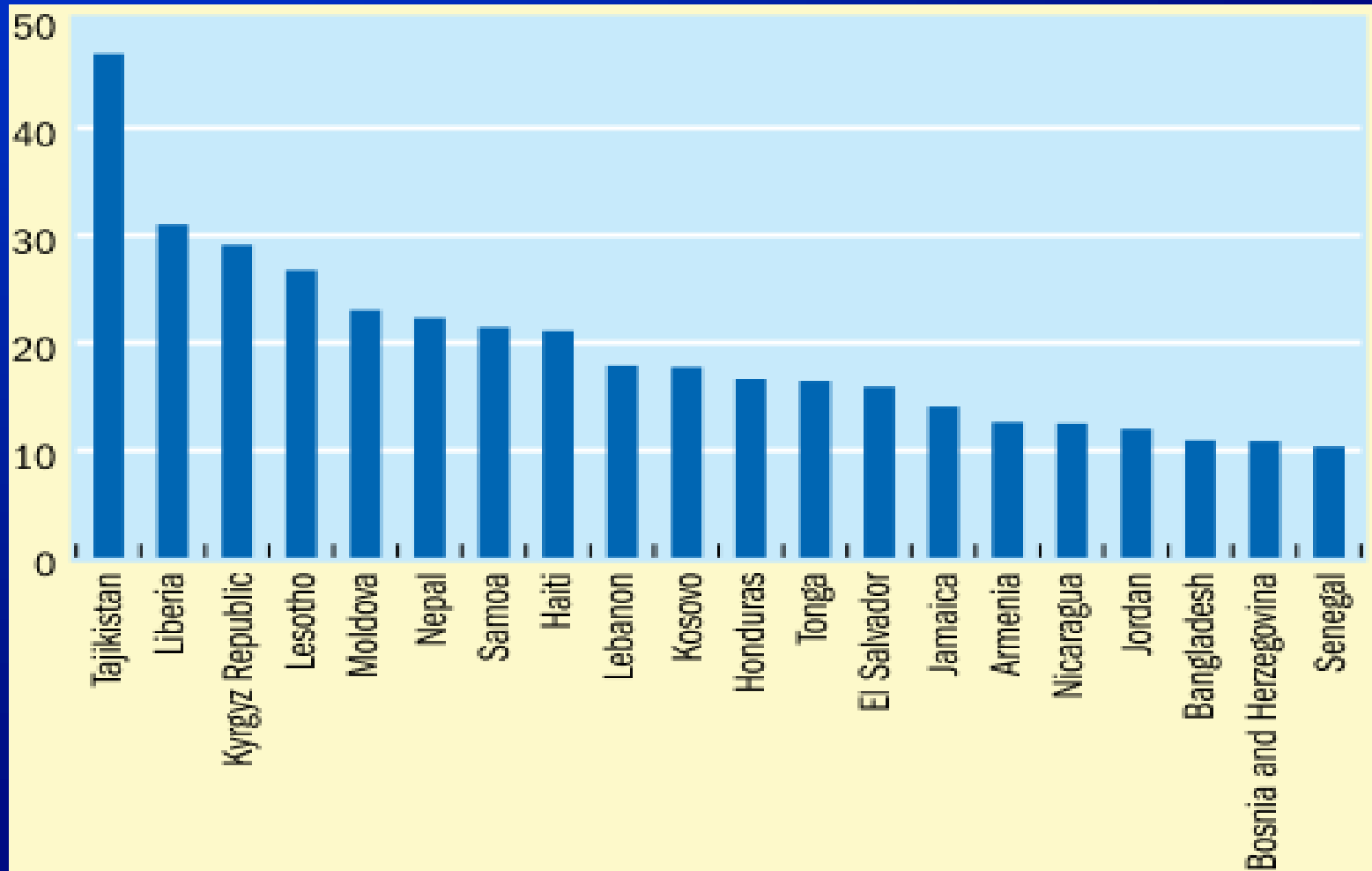
Source: Economist Intelligence Unit

C4. Labour flows

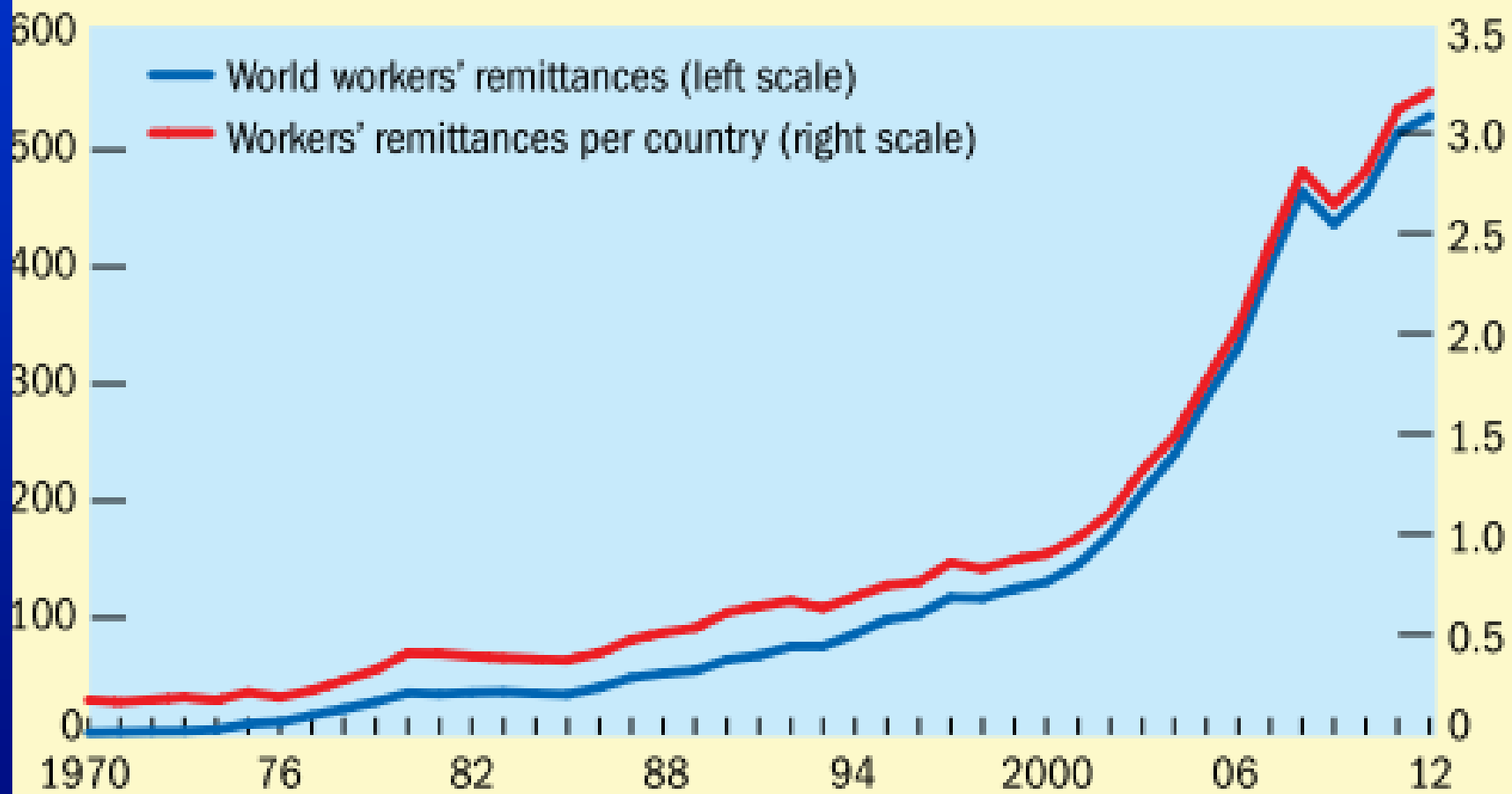
- **Gastarbeiters**
 - Ukrainians in the CR
 - Threat for employment in the CR?
- **remittances**
- **political x economic** emigration
- in general – **the least connected** international market
 - relatively small migration also within the EU



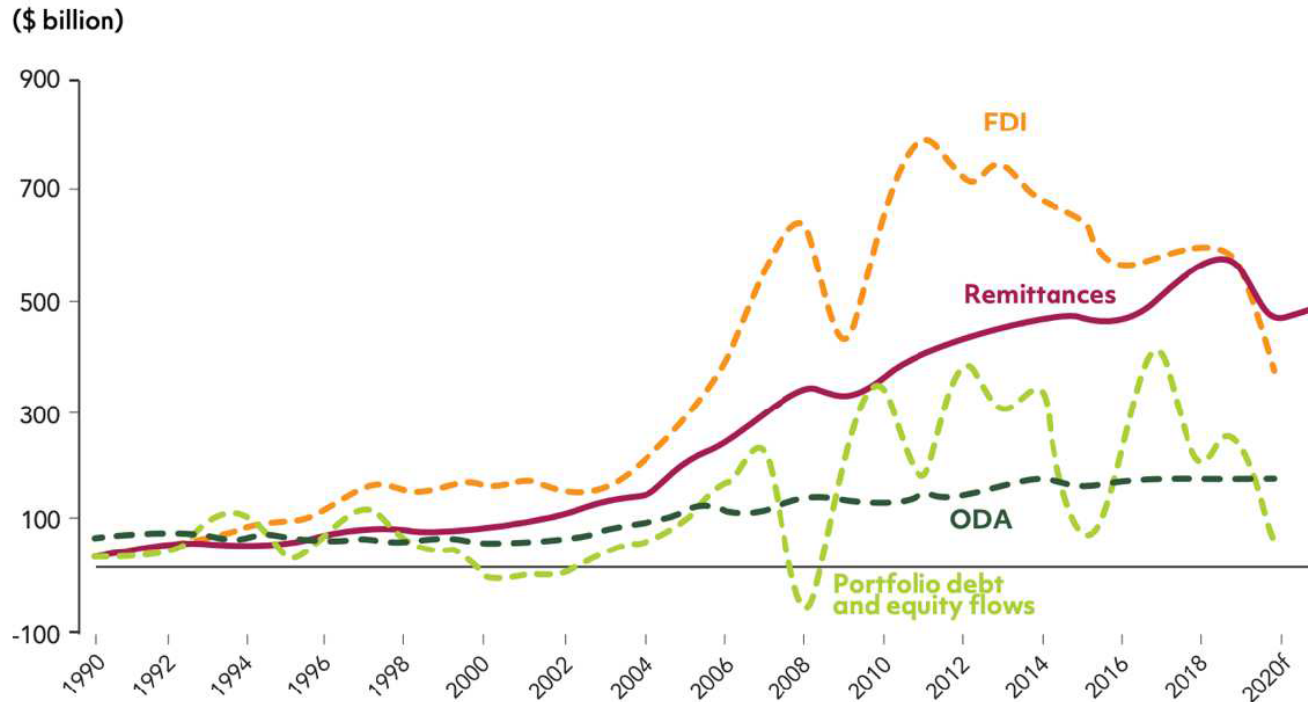
Proportional share of remittances in GDP in selected countries in 2012 (% of GDP)



(billions of dollars)

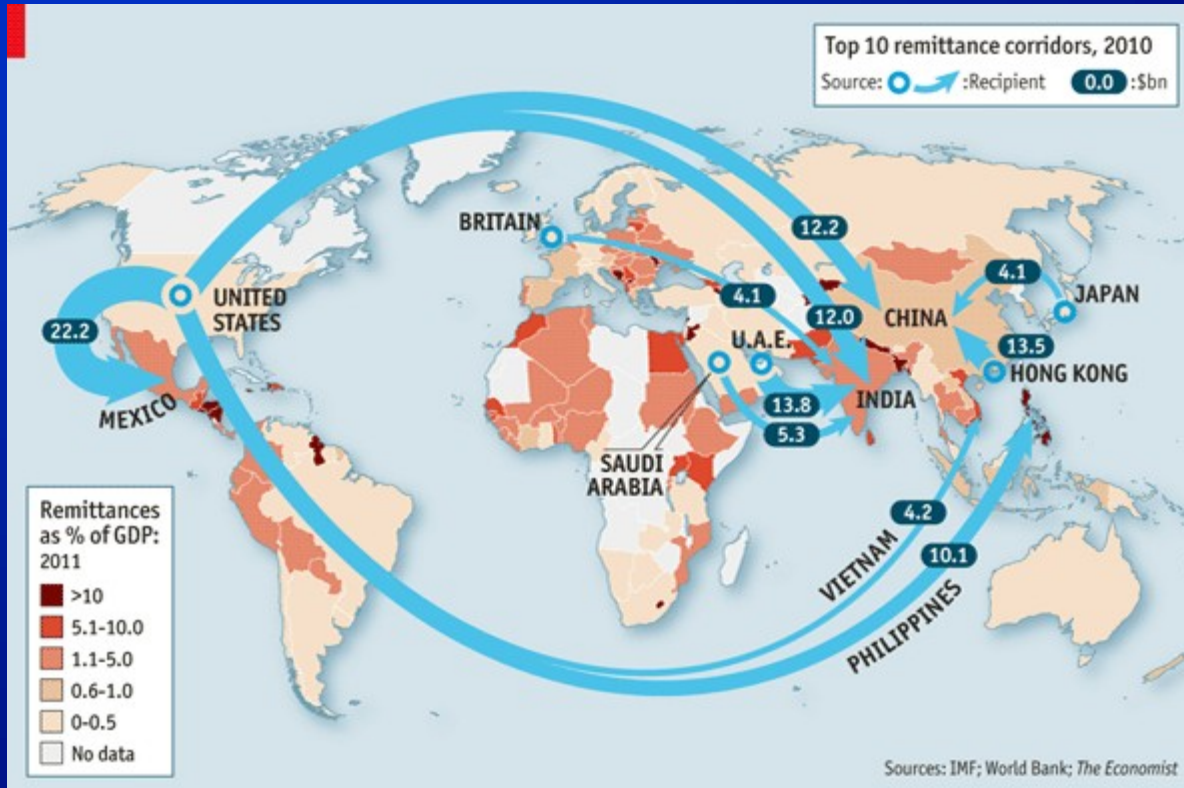


Global remittances and other transfers across the borders



Obr. 1 Objem remitencí do nízkopříjmových a středněpříjmových zemí (1990–2019)

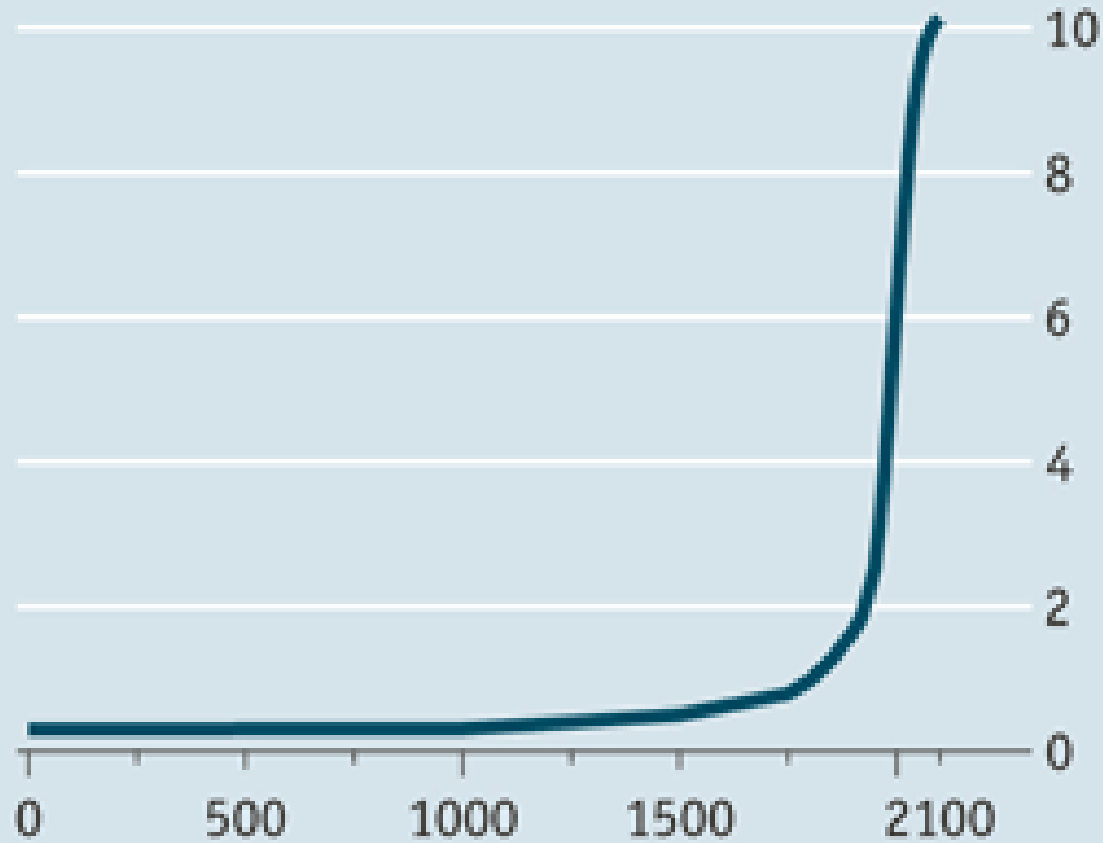
Zdroj: Ratha et al. (2020, s. 7)



Standing-room only?

1

World population estimate, bn



Source: United Nations



C6. Technologies

- **telecommunication**
- **information technologies**
 - within the last 30 years \Downarrow real prices of computer processing by 99,999% = \Downarrow by 35% per year
 - \Downarrow prices \Leftrightarrow faster implementation than electricity or steam
 - USA unambiguous leader
 - ◆ advantages for the followers
 - possibility for imitation and lessons from previous mistakes
 - nowadays – increasing productivity
- + **development of new technologies**
 - biotechnology and genetics - GMO
- **discoveries mainly in inter-disciplines**





Good luck

Thank you for attention

today and during the whole
semester