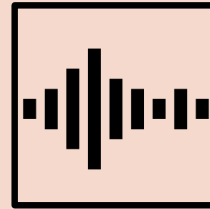


ECONOMIC AND BUSINESS HISTORY 22/23

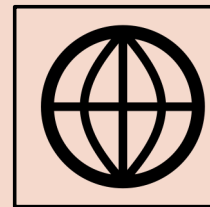
LECTURE 17: THE GREAT MODERATION



PLAN



1. Great Moderation



2. 2nd Globalization



3. Multinational-led
growth

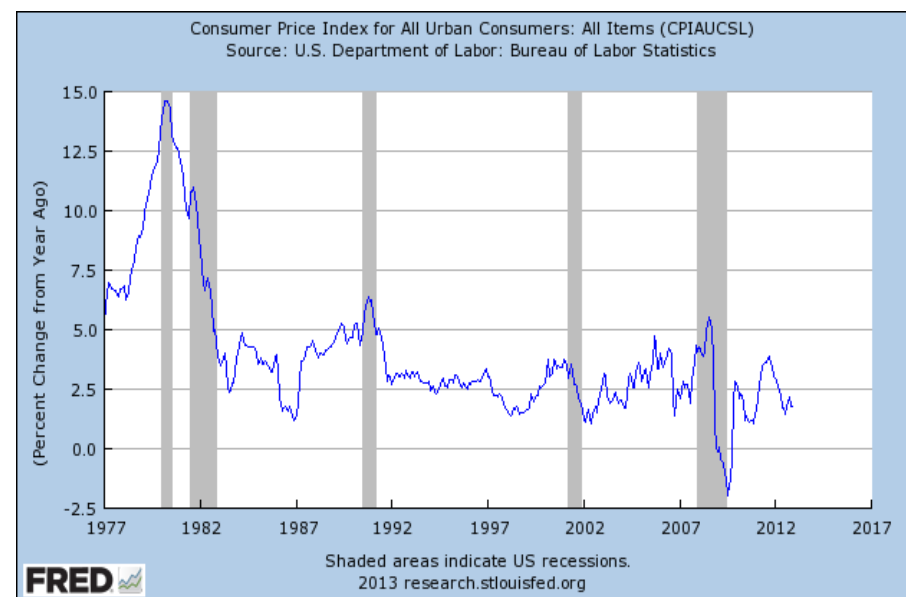


1. The Great Moderation

“Great Moderation”

As mentioned, priority of econ policy shifted to the control of the price variation (*inflation-targetting at 2%*) as practiced by the Central Banks (FED and ECB, founded to control euroland inflation, legacy of the German *Bundesbank*)

This followed the post-1973 efforts to attract world capital flows



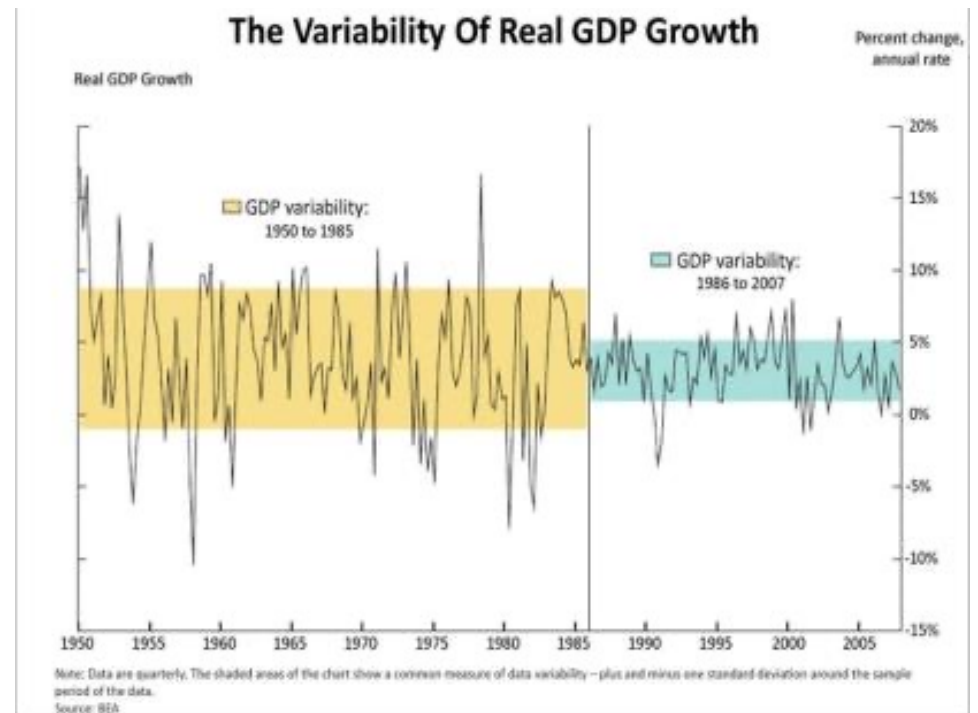
“Great Moderation” (2)

Success?

- Growth variability decreased
- Stable inflation

Yet,

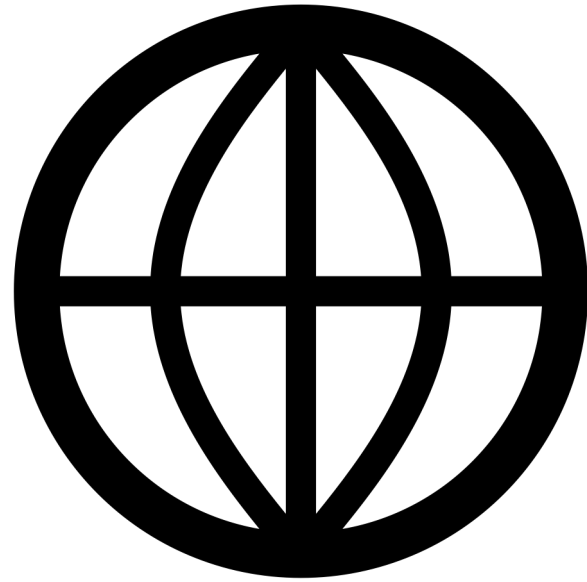
- Growth was also moderate, unlike the Golden Age, when countries at the edge of the Production Possibility Frontier were also the growth leaders



“Neo-Liberal Phase”: Growth Indicators

	1870-1913	1913-1950	1950-73	1973-2001
GDP growth rate	2,56	1,99	4,83	2,38
Per capita GDP growth rate	1,42	1,23	3,80	1,87
Vol. Export growth rate	3,90	1,10	8,60	5,00

Source: Maddison 2007, pp. 162-3



2. Globalization v2

New Push for Globalization: Trade

As policies shifted, governments further reduced protectionism since the 1980s:

- Advance of Free World Trade
 - Uruguay Round (1986-94) inclusion of services in GATT
 - GATT enlarged to other countries (incl. China and Russia in 2002 and 2010)
 - Doha Round (2001-22...) effort to include agrarian commodities in GATT

New Push for Globalization: Capitals

- International capital flows
 - Deregulation of the 1980s and capital controls lifted (fully liberal by 1990)
 - 'Flat World' for Capital
 - Monetary union in Europe
 - Stable currencies

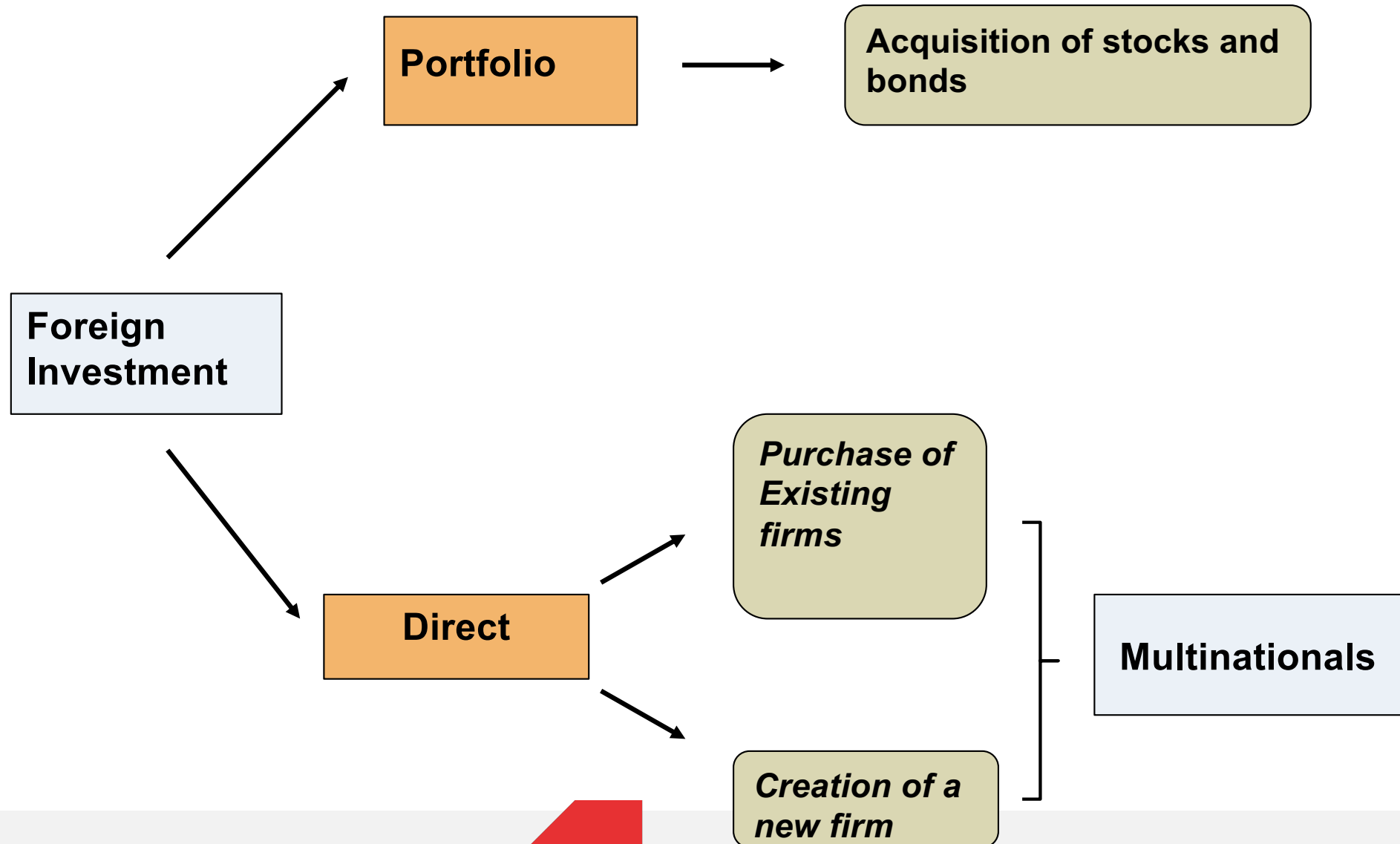
New Push for Globalization: Labour

-
- International labour flows
 - Not a return to open borders, like the 19th cent. Glob.
 - Still, international migration flows very strong within the advanced world, ex. UE
 - South-North flows regulated, but still in existence

Globalization 2.0

- Different from Globalization 1.0, as it left out cross-border labour movements
- It was compatible with the post-1973 situation, in which unemployment was a problem
- Compatible with supply-side policies focused on creating a business-friendly environment

The 2nd Globalization Opened Up new Opportunities for Firms





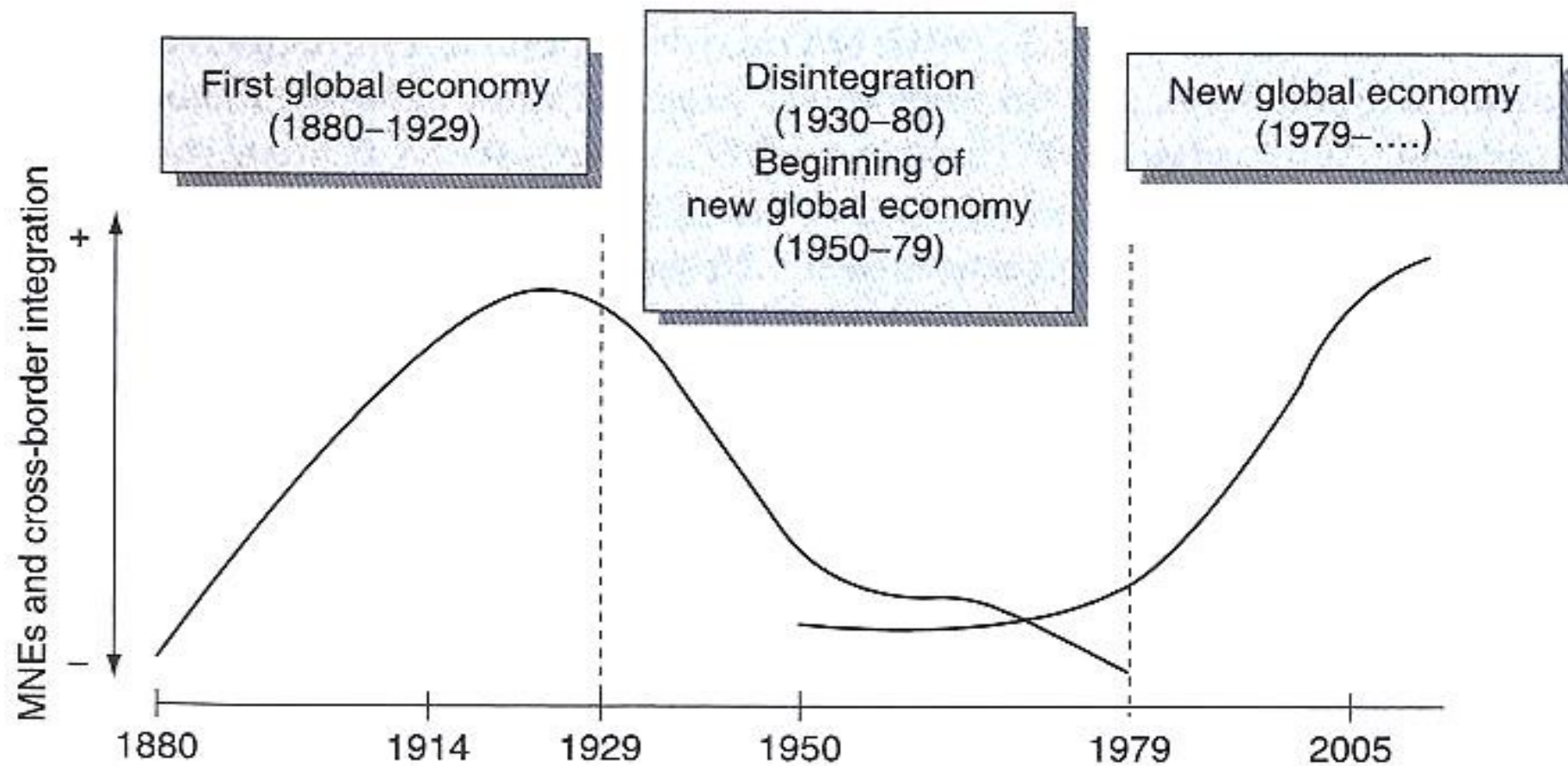
3. Multinationals

Multinational Firm



- Has at least one country branch
- Conducts business operations or owns assets in more than one country
[≠ Exporting]
- Has Investments abroad
- According to the UNCTAD (United Nations Conference on Trade and Development), it has at least a participation of 10% in one branch abroad.

MULTINATIONAL ENTREPRISES AND GLOBALIZATION



Geoffrey Jones. *Multinationals and Global Capitalism: From the Nineteenth Century to the Twenty-First Century*. New York: Oxford University, p. 20.

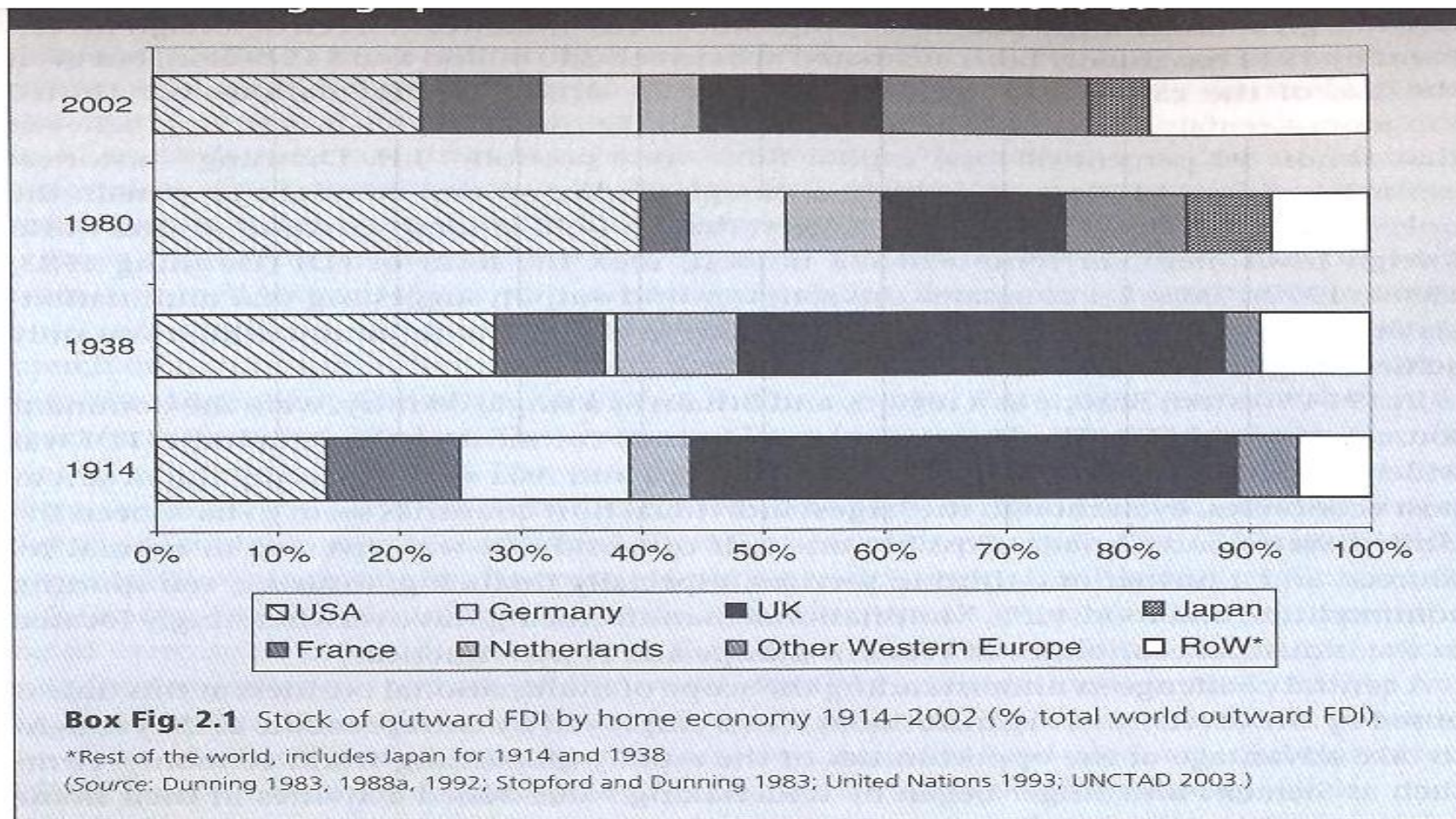
Largest non-Financial Multinationals (2016)

Table I.6.

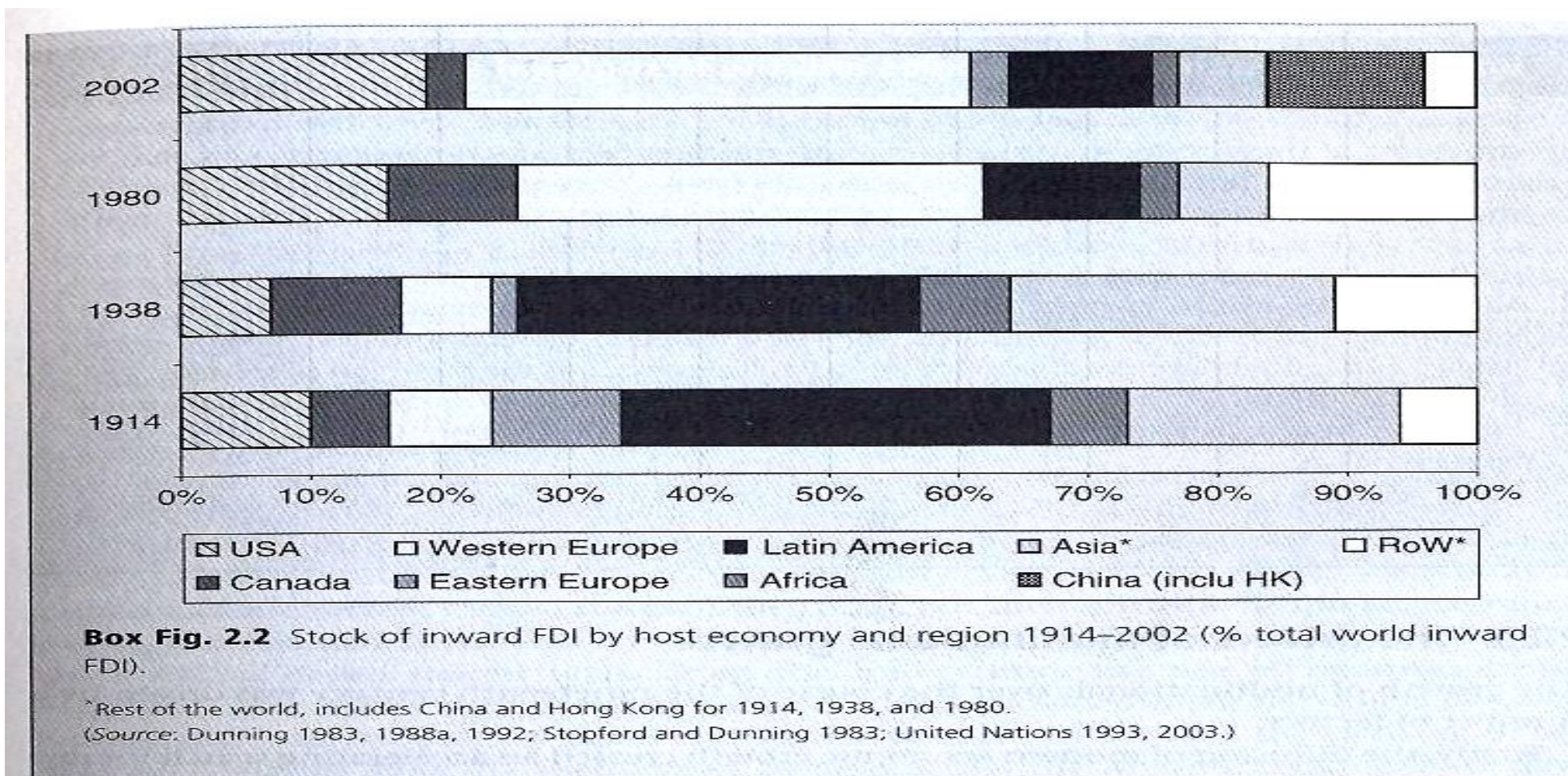
The top non-financial SO-MNEs, ranked by foreign assets, 2016 (Millions of dollars)

Ranking by:					
Foreign assets	TNI	Corporation	Home economy	Industry	State ownership (%)
1	7	Volkswagen Group	Germany	Motor vehicles	20.0
2	12	Enel SpA	Italy	Electricity, gas and water	23.6
3	10	Eni SpA	Italy	Petroleum refining and related industries	25.8
4	8	Deutsche Telekom AG	Germany	Telecommunications	17.4
5	23	EDF SA	France	Electricity, gas and water	84.6
6	13	Engie	France	Electricity, gas and water	32.0
7	22	China National Offshore Oil Corp (CNOOC)	China	Mining, quarrying and petroleum	100.0
8	4	Airbus Group NV	France	Aircraft	11.1 ^b
9	15	Orange SA	France	Telecommunications	13.5
10	21	Nippon Telegraph & Telephone Corp	Japan	Telecommunications	32.4
11	20	Statoil ASA	Norway	Petroleum refining and related industries	67.0
12	2	Renault SA	France	Motor vehicles	15.0
13	18	Petronas - Petroliaam Nasional Bhd	Malaysia	Mining, quarrying and petroleum	60.6
14	17	China COSCO Shipping Corp Ltd	China	Transport and storage	100.0
15	16	Vale SA	Brazil	Mining, quarrying and petroleum	Golden shares
16	24	China Minmetals Corp	China	Metals and metal products	100.0
17	11	Inpex Corp	Japan	Mining, quarrying and petroleum	19.0
18	3	Deutsche Post AG	Germany	Transport and storage	24.9
19	5	Japan Tobacco Inc	Japan	Tobacco	33.4
20	1	OMV AG	Austria	Petroleum refining and related industries	31.5
21	14	Sabic - Saudi Basic Industries Corp	Saudi Arabia	Chemicals and allied products	70.0
22	25	China State Construction Engineering Corp Ltd (CSCEC)	China	Construction	100.0
23	9	Vattenfall AB	Sweden	Electricity, gas and water	100.0
24	6	PSA Peugeot Citroen	France	Motor vehicles	13.7
25	19	Oil and Natural Gas Corp Ltd	India	Mining, quarrying and petroleum	68.9

Outward FDI



Inward FDI



Geoffrey Jones. *Multinationals and Global Capitalism: From the Nineteenth Century to the Twenty-First Century*. New York: Oxford University, p. 22.

Impacts on FDI-investment receiving countries



- Knowledge Transfer (both technological and organizational)
- Capitals transfers (like in 19th cen. Glob.)
- Job creation
- Increase of domestic competition.
- Increase in foreign competitiveness (Multinationals help identify comparative advantages)

- HOWEVER,

- Like in 19th-cent. Glob, these impacts only benefit countries whose institutions are well-suited for growth (Remember TEXT 3).