

# GROWTH, ECONOMIC DEVELOPMENT AND STRUCTURE OF THE WORLD ECONOMY

LESSON III



**SILESIAN  
UNIVERSITY**

SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

**Ingrid Majerova**  
World Economy  
EVS/XXX

# Outline of the lecture

---

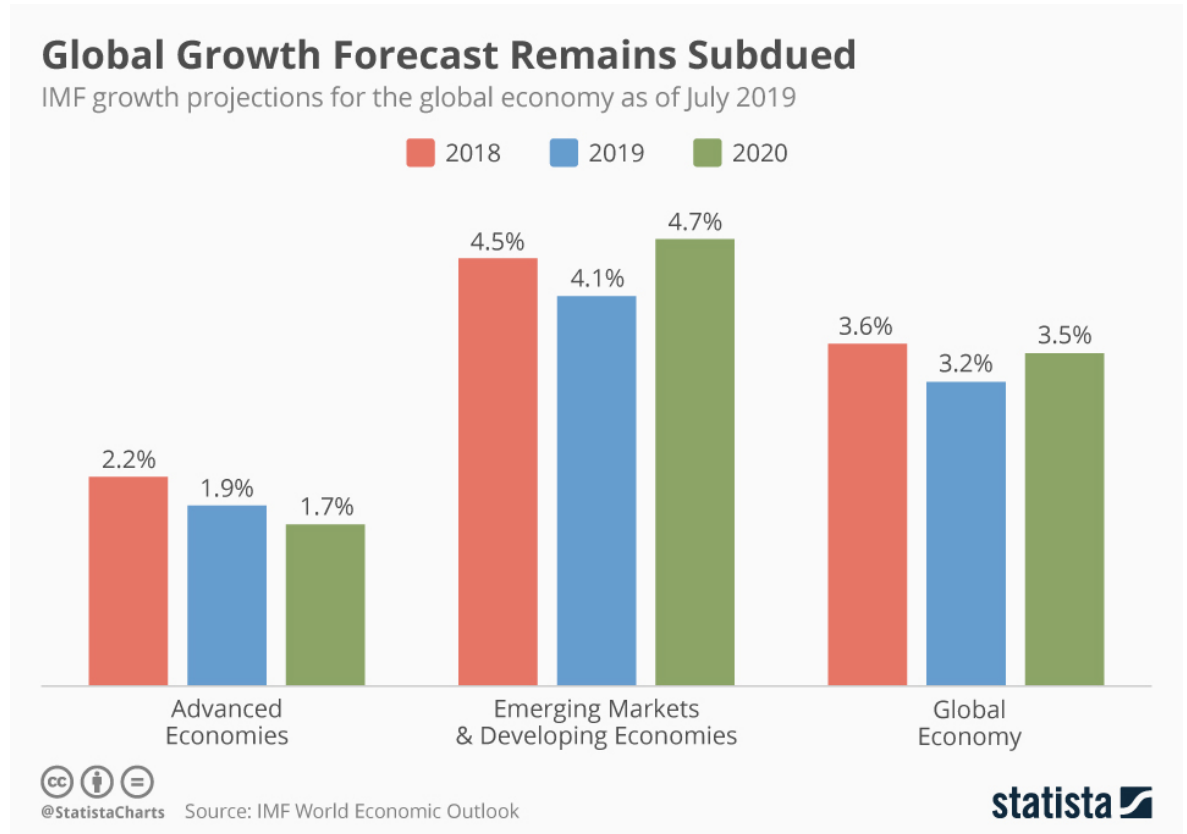
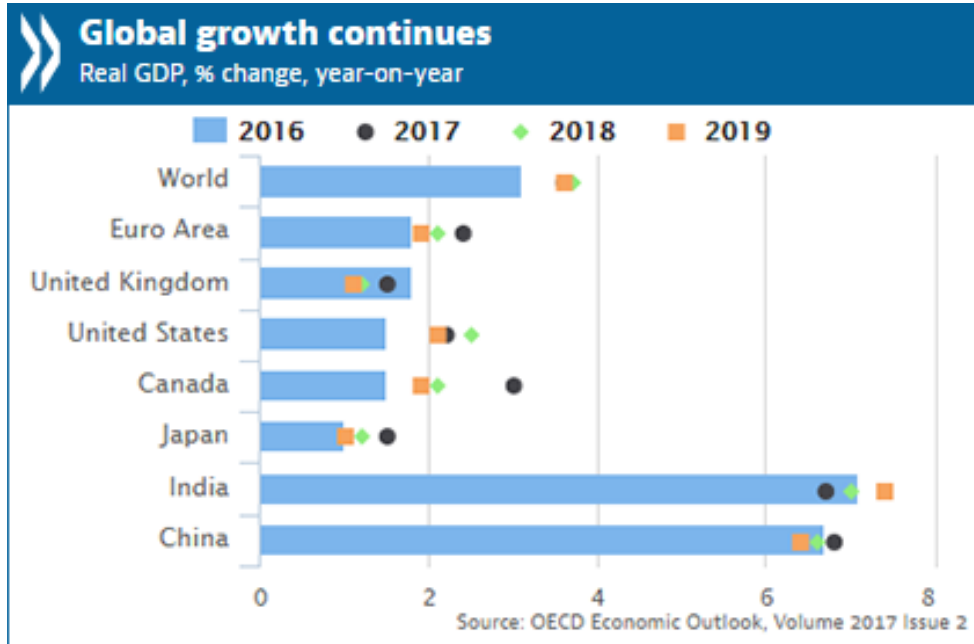


1. Growth of the World Economy
  2. Economic Development of the World Economy
  3. Structure of the World Economy
  4. Waves of the World Economy
  5. Trends in the World Economy
-



- **Economic growth:** such a development of the productive forces of the economy, which leads to the growth of output of finished goods and services, which is subsequently reflected in the increase in real output for a certain period
  - **Development of the productive forces:** change of the scope and quality of production factors as a result of scientific and technological progress
  - **Economic development:** changing the scope and quality of the country's wealth, which occurs so that part of the newly produced goods are not consumed in a given period, but is accumulated in the economy
-

# DEVELOPMENT OF THE WORLD ECONOMY



@StatistaCharts

Source: IMF World Economic Outlook

# GROWTH AND ECONOMIC DEVELOPMENT OF THE WORLD ECONOMY

- **Lower limit of economic growth:** given by the population growth
- Minimal growth provides only stagnation of the economy, it is about economic growth without economic development
- **Upper limit economic growth:** based on the possibility of exhaustion of material resources
- Rather than the upper limit of growth is possible to talk about short-term barriers to growth



# GROWTH AND ECONOMIC DEVELOPMENT OF THE WORLD ECONOMY

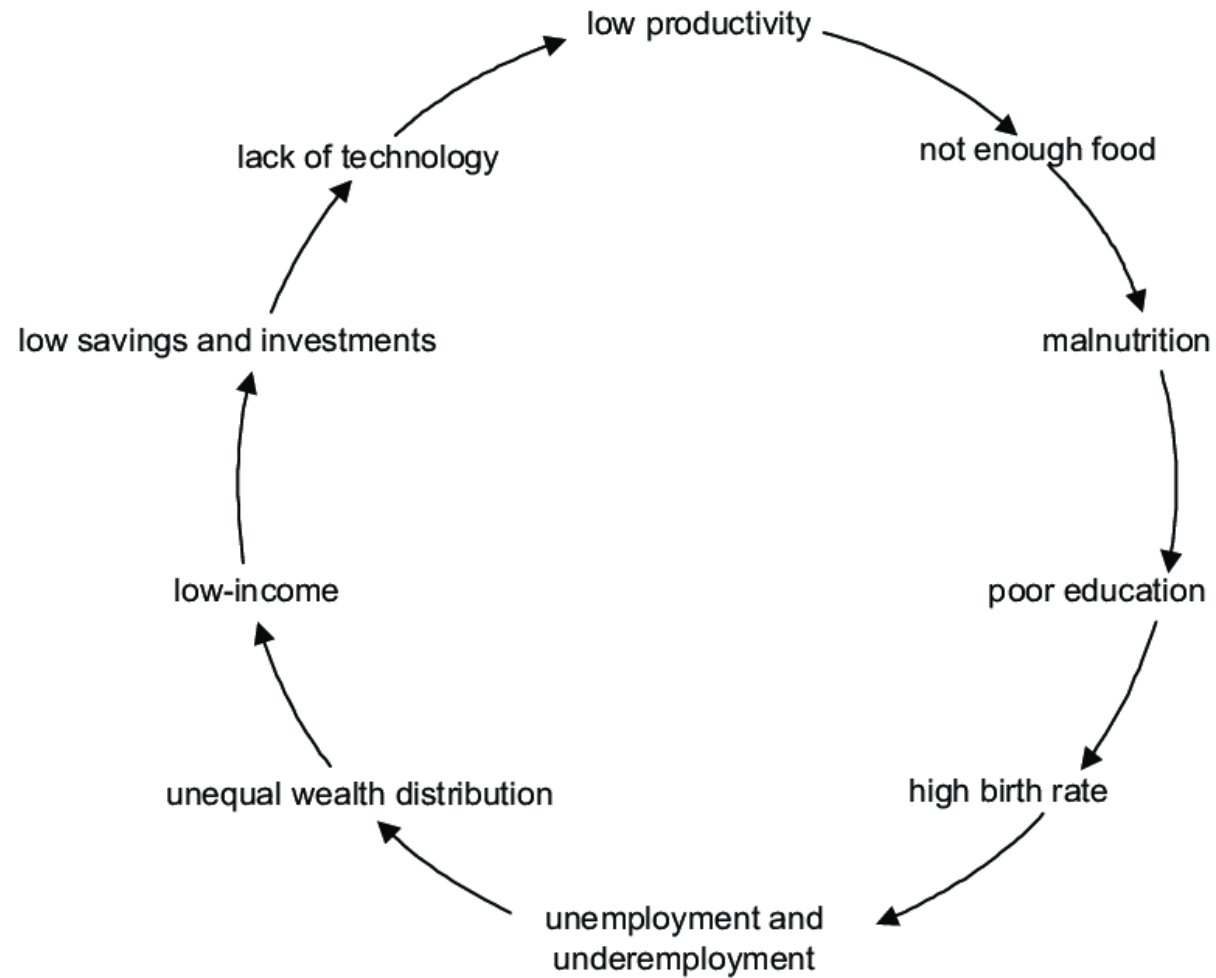
---



**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

- Barriers of economic growth: labor shortages or inadequate level of its qualifications, lack of raw materials, respectively lack of capital
  - Measurement of global growth: based on macroeconomic aggregates and these aggregates are then used to measure the growth rate of the world economy
  - **The types of economic growth:**
    - **Intensive growth:** linked with the growth of labor productivity based on the application of new knowledge in science and technology, set up their own regional groupings,
    - **Extensive growth:** associated with widespread deposits of labor and capital at the technical level
  - Development proceeds vary unevenly....
  - Solow neoclassical growth theory: sources of growth are increasing labor inputs and capital, together with the use of innovation and the rise of human capital.
-

- **The vicious cycle of poverty**



# REGIONAL INEQUALITY GROWTH AND ITS FACTORS

---



**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

- Basic condition of growth: **natural conditions**
  - **Climatic conditions**: they can be so severe that fundamentally limit the conditions for human survival and impossible to use eg. mineral resources hidden in the ground
  - **Geographic remoteness** and difficult access settlements of people due to the nature of the terrain: hampers the exchange of information, restricts trade and leads to delayed development of such isolated civilizations
  - **Other growth factors**: a form of social organization (ownership relations), the realization of free will of members in society and the economy's ability to generate and adopt innovations
  - Last growth factors - **market size**, which is given by:
    - the size of the economy
    - degree of involvement of the economy into the world economy
    - and the nature of integration into the world economy
-

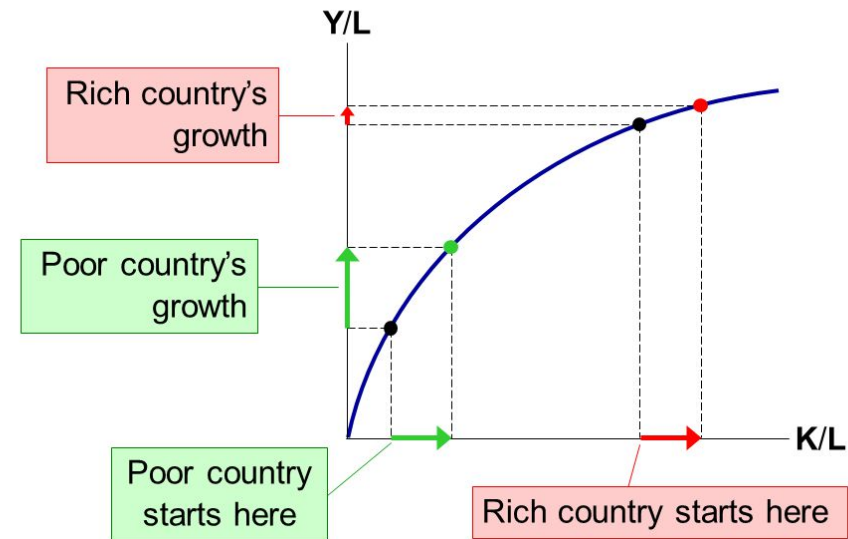


# REGIONAL INEQUALITY GROWTH AND ITS FACTORS



- Characteristic feature of the global economy: regional inequality of growth
- **Catching up effect:** the country does not need to make an effort to discover once discovered innovation and technological processes

**The catch-up effect:** the property whereby poor countries tend to grow more rapidly than rich ones

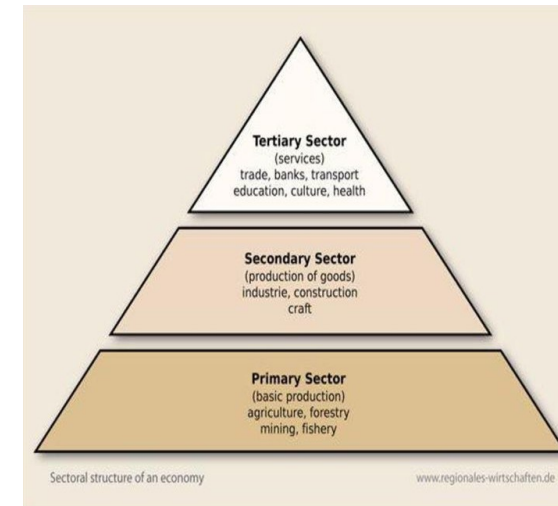


# DEVELOPMENT OF THE SECTOR STRUCTURE OF THE WORLD ECONOMY



**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

- Sector: summary of the production units producing the same product
- Sectoral structure of the economy: the share of individual sector in the economy - economic development of the country
- Economic growth is accompanied by changes in the sectoral structure of the economy of each country
- Changes in the structure of the economy: changing the share of each sector in GDP and total employment





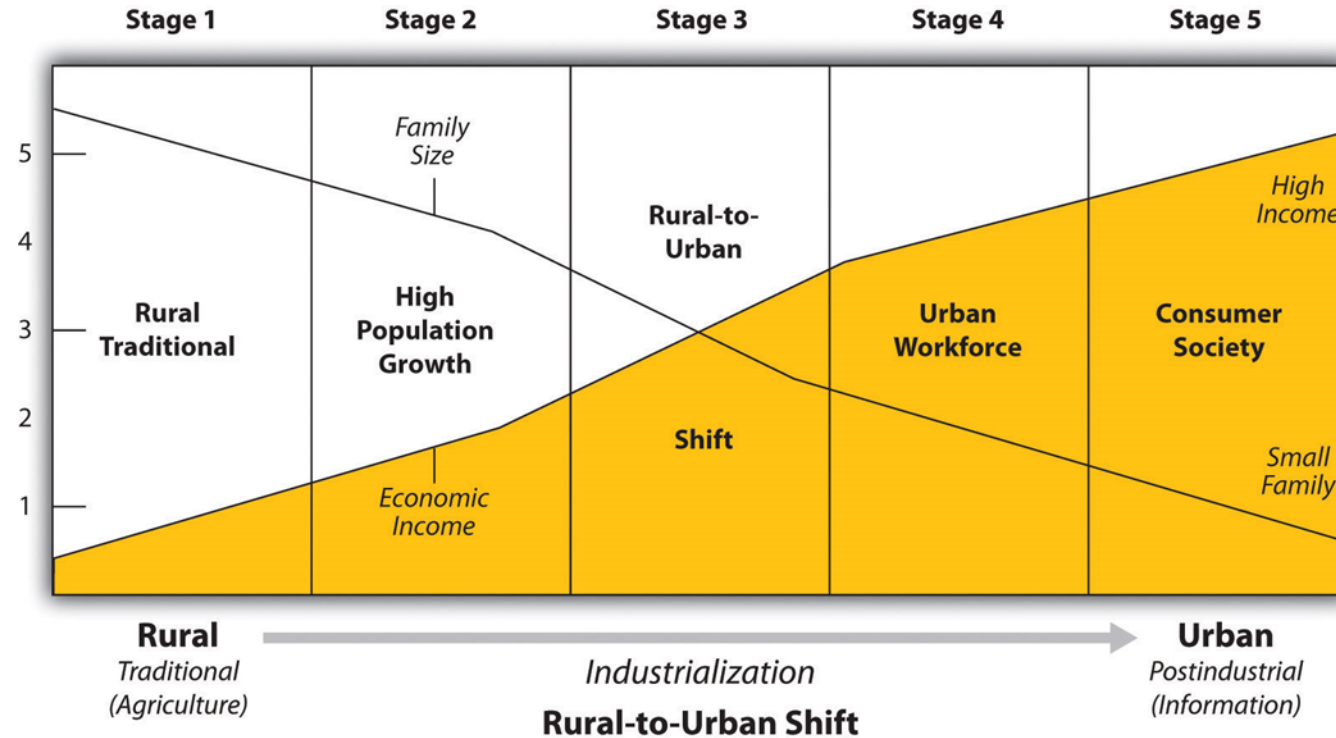
- **Economic sectors:**

- **primary sector** (A), which is agriculture, forestry, fishing and mining,
- **secondary sector** (I), which is represented by industry, construction, energy
- **tertiary sector** (S), which consists of transportation, communication, trade, finance, science, education etc.

- **Three basic types of structures:**

- **Traditional:**
  - ASI, dominated by agriculture,
  - AIS, with the dominant agriculture and higher share of industry
- **Industrial:**
  - IAS with lower industrial structure and prevailing industry
  - ISA characterized by higher industrial structure,
- **Modern:**
  - SIA with prevailing of services

# DEVELOPMENT OF THE SECTOR STRUCTURE OF THE WORLD ECONOMY



The formula states that as countries urbanize and industrialize, family size will naturally go down and incomes traditionally go up.

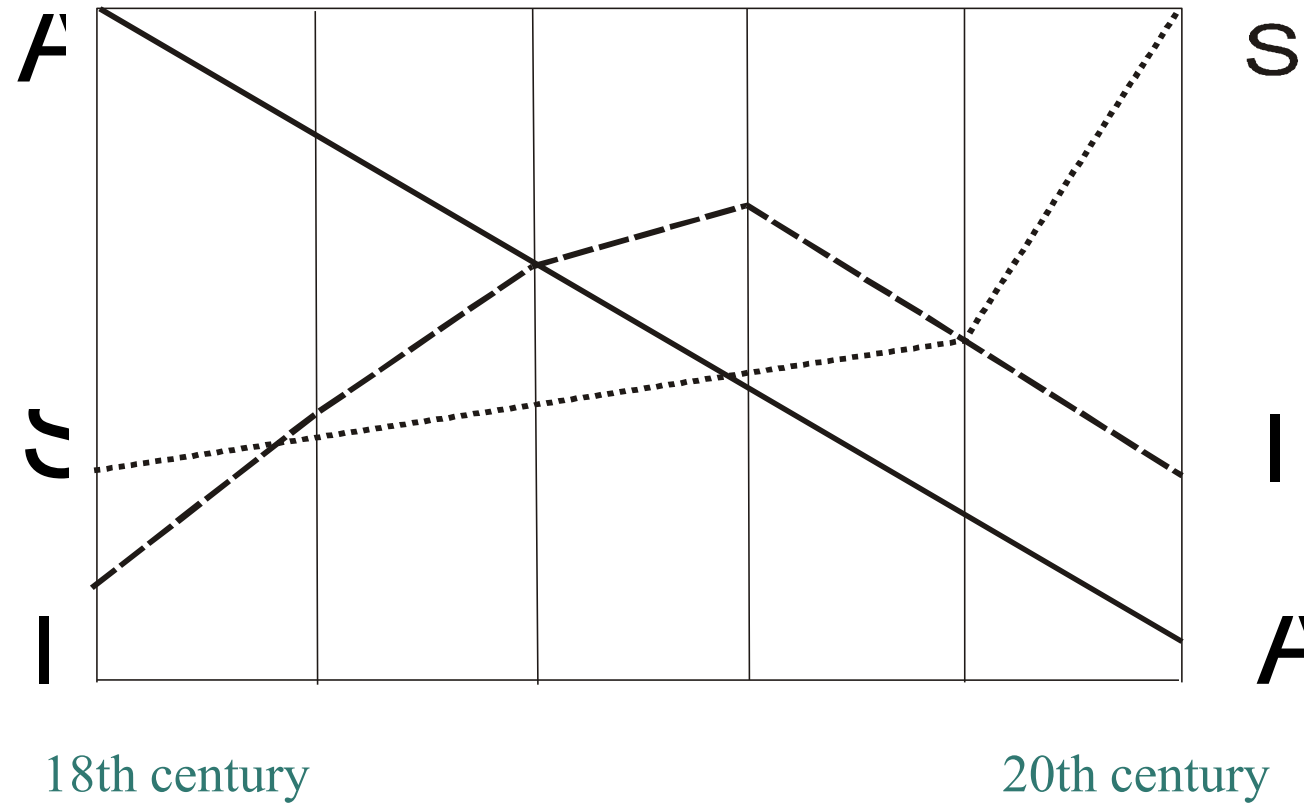
18th century

20th century

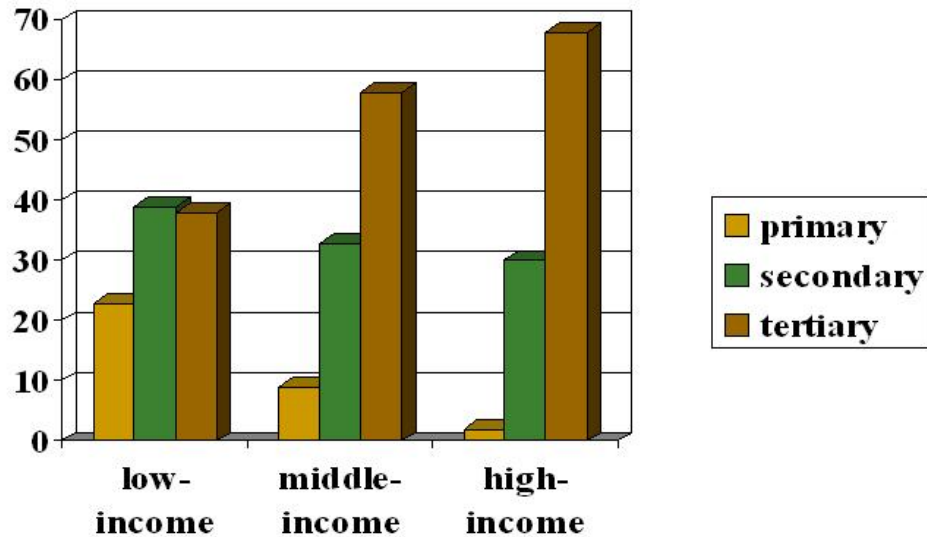
# DEVELOPMENT OF THE SECTOR STRUCTURE OF THE WORLD ECONOMY



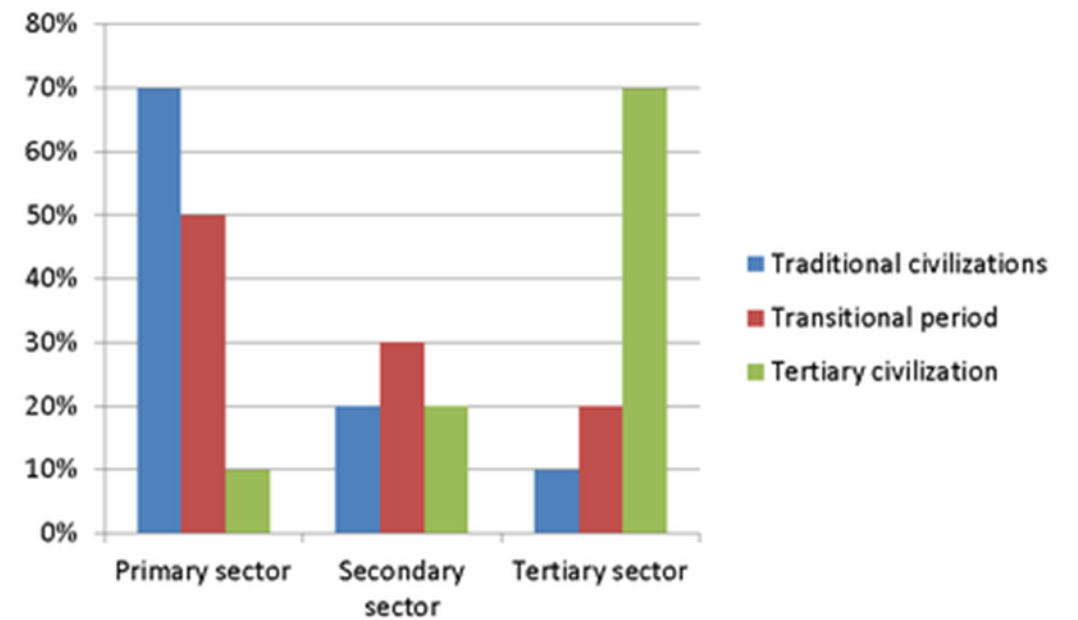
SILESIA  
UNIVERSITY  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA



## Economic Sectors



Progression of the distribution of the workforce among the three sectors, according to Fourastié



# THE GROWTH OF THE WORLD ECONOMY AND TECHNICAL PROGRESS

---



SILESIAN  
UNIVERSITY  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

- **Scientific and technical progress:** process of continuous discovery of knowledge (inventions) and their implementation in the form of innovation in the production process of goods and services
  - **Consequences of scientific progress:**
    - Changes in the structure of existing production units, manifested as a change in the division of labor, specialization and cooperation between the different production units,
    - The emergence of new products, new industries and manufacturing and services sectors and the termination of old industries and sectors.
  - **Specialization:** condition in which the manufacturer restricts the range of production only to a narrow circle, which produces more efficiently than other manufacturers and achieves economies of scale,
  - **Diversification of production:** condition where the expansion of product range with new products satisfying the constantly new forms of consumption
-

# THE GROWTH OF THE WORLD ECONOMY AND TECHNICAL PROGRESS



- Scientific and technological progress affects economic growth not only by the emergence of new industries and a decline of the importance of other sectors, ie. makes changes in the structure of the national economy, but affects the evenness of growth as well,
- **Joseph Alois Schumpeter** (1883-1950) distinguished three types of cycles according to duration:
  - Kondratieff economic cycle (60 years)
  - Longer economic Kuznetz cycle (20 years)
  - Medium-term economic Juglar cycle, or investment cycle (lasting 10 years)
  - Short-term economic Kitchin cycle (duration 3-5 years), associated with cycles in renewal of stocks
- Radical or also fundamental innovation give the basic rhythm of economic development

Cycle/Wave Name	Period (years)
Kitchin cycle (inventory, e.g. pork cycle)	3–5
Juglar cycle (fixed investment)	7–11
Kuznets swing (infrastructural investment)	15–25
Kondratiev wave (technological basis)	45–60



# DEVELOPMENT OF THE SECTOR STRUCTURE OF THE WORLD ECONOMY



**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

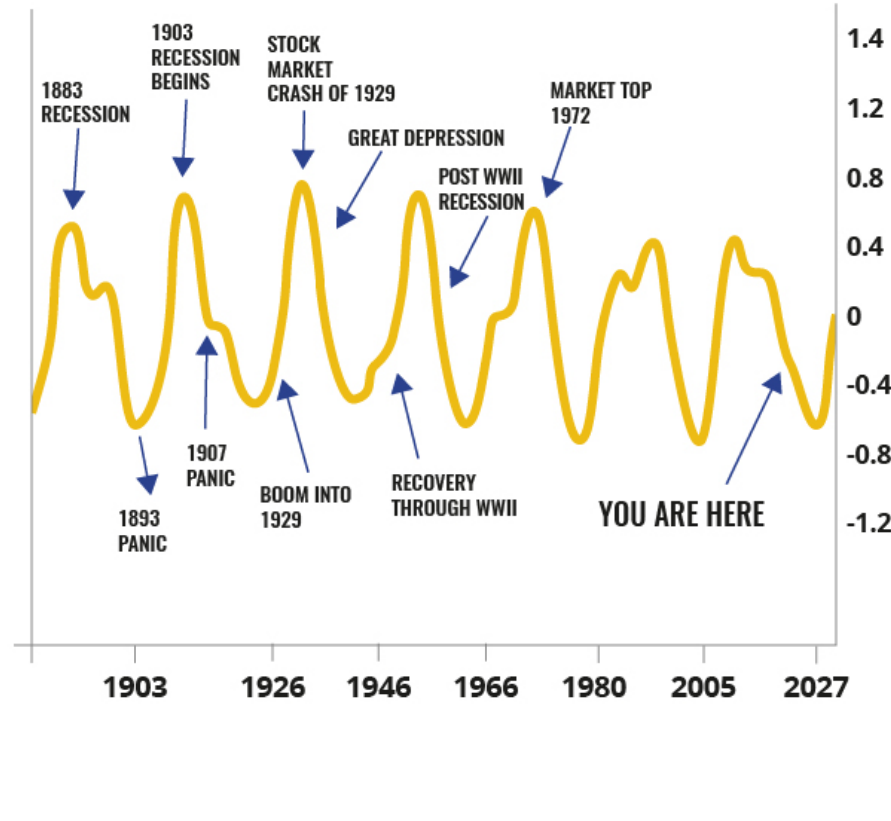


# DEVELOPMENT OF THE SECTOR STRUCTURE OF THE WORLD ECONOMY

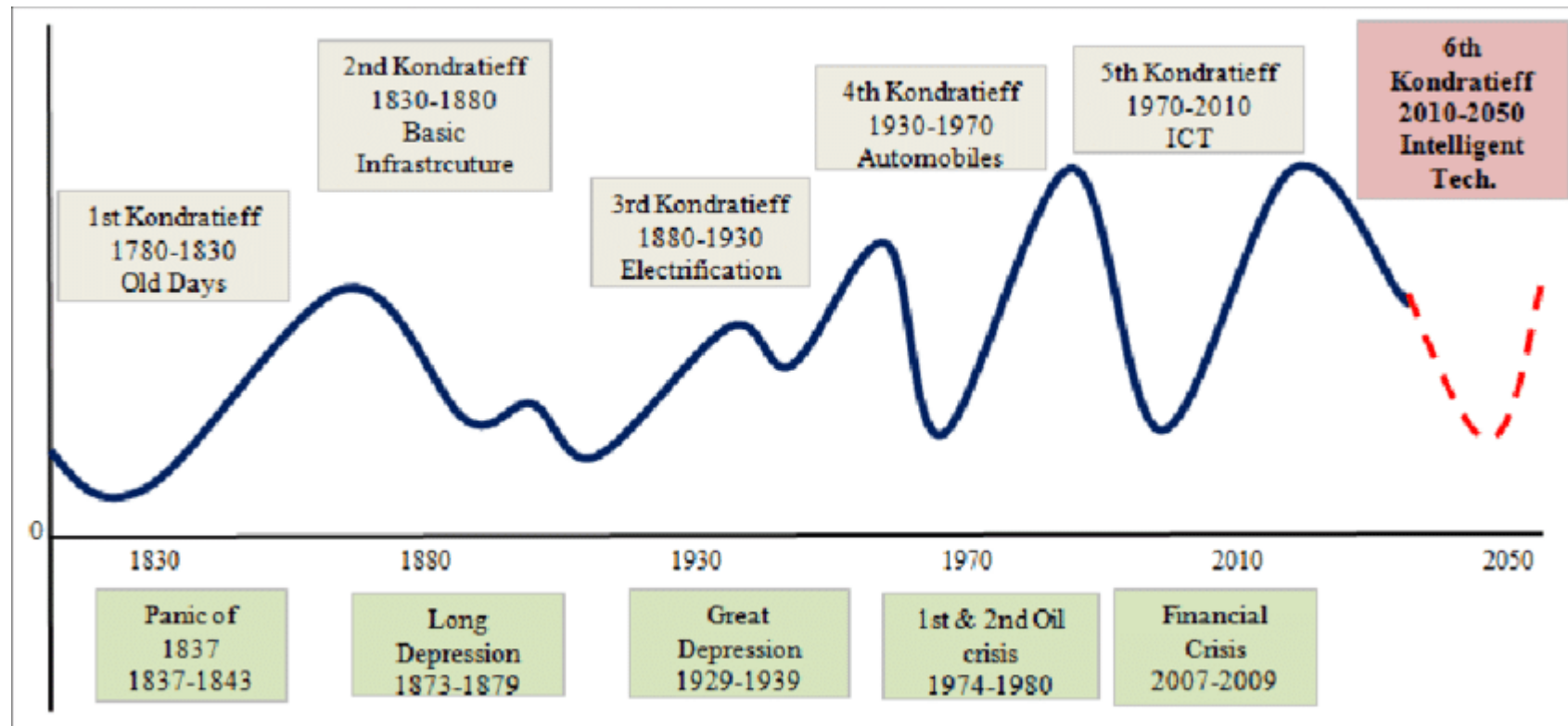


**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

## The Juglar Cycle (Yearly)

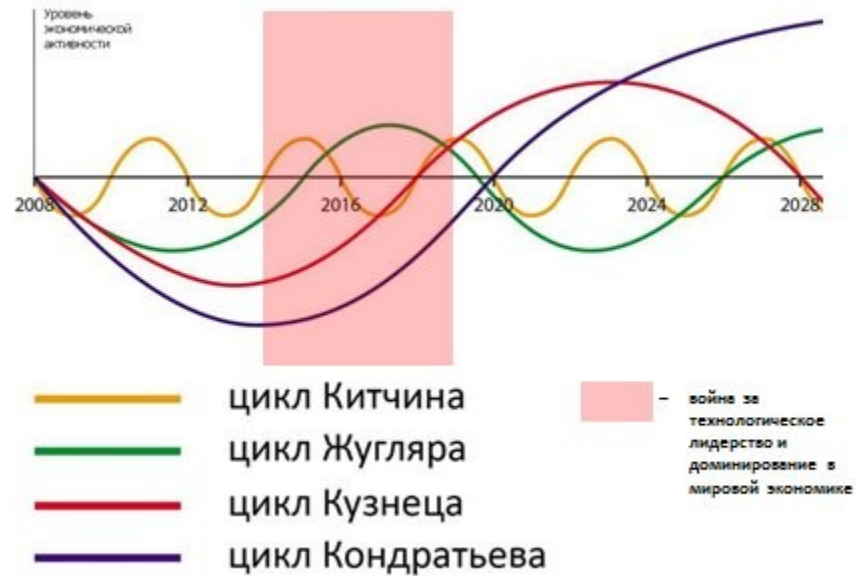


# THE GROWTH OF THE WORLD ECONOMY AND TECHNICAL PROGRESS





## Глобальный кризис как сочетание циклических кризисов

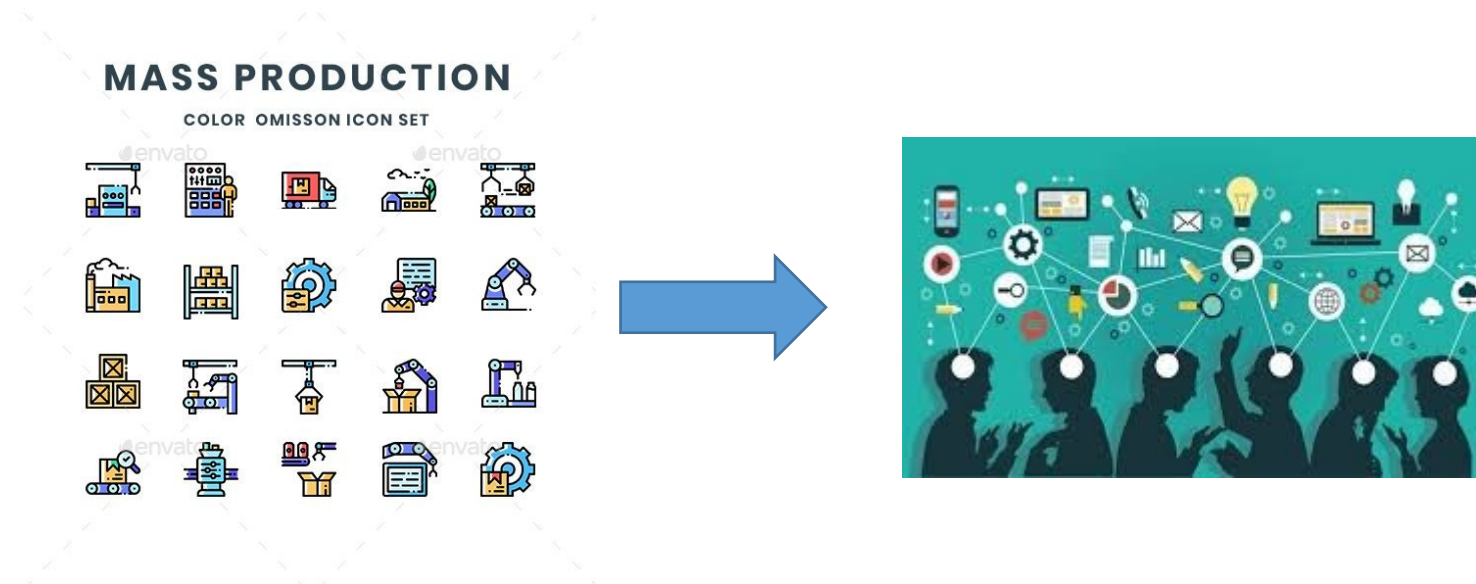


# THE GROWTH OF THE WORLD ECONOMY AND TECHNICAL PROGRESS



**SILESIAN  
UNIVERSITY**  
SCHOOL OF BUSINESS  
ADMINISTRATION IN KARVINA

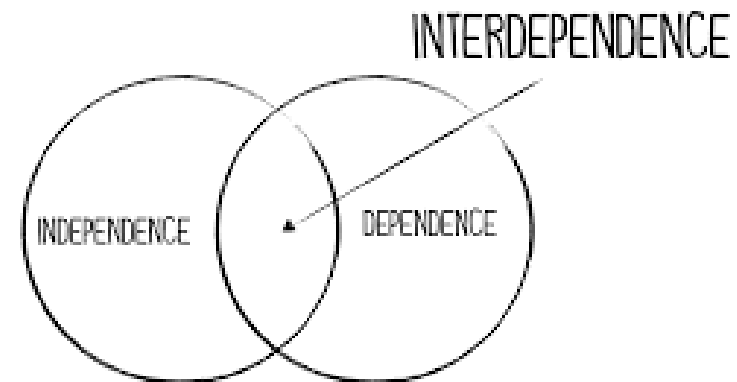
- **Industrial cycle (first three Kondratieff cycles):** technology machine mass production and mass production of uniform products in large enterprises
- **Post-industrial cycle (last two Kondratieff cycles):** decentralized production of custom and basic technologies are becoming information and knowledge technologies





- **Internationalization of production:** process in which foreign trade enters directly into the production process
  - **Interdependence of countries:** the state, when country specialization leads to interdependence between countries
  - **Internationalization of the world economy:** situation in which the decision-making in the country is significantly influenced by developments in other countries
  - **Globalization:** process in which the retraction of individual national economies deepens further into the world economy
-

- **Basic characteristic of the development of the world economy is its temporal and regional inequality**
- **Internationalization:** the process of widening and deepening of international economic relations, due to economies of specialization
- **Interdependence:** growth of countries dependence on imports from other countries, and this dependency is usually reversible



# TRENDS IN THE WORLD ECONOMY



- **Regionalization:** process that is given by the fact that in some regions of the world economy, the processes of internationalization and interdependence promote more intensively than others
- **Integration:** completion of the above processes by the institutionalization
- **Globalization:** it represents the intersection of the above tendencies, but brings new aspects, while it can be characterized as the internationalization of higher type

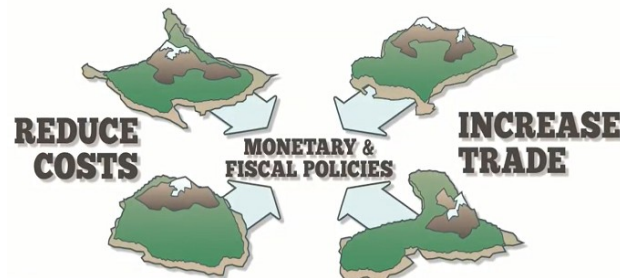
## REGIONALIZATION

✓ The process of dividing an area into smaller segments called regions.

✓ One of the more obvious examples of regionalization is the division of a nation into states or provinces.

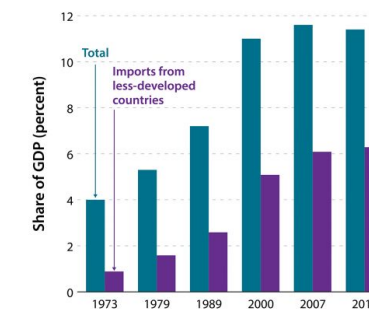


## ECONOMIC INTEGRATION:



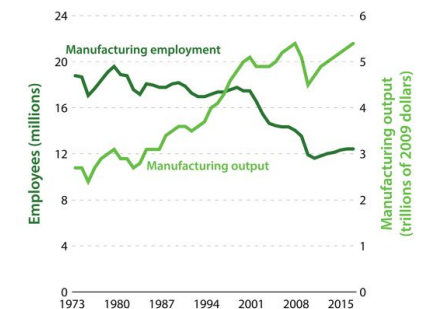
Globalization and technological change affect low-wage workers.

U.S. Manufacturing Imports, 1973–2011



Source: Bivens (2013).

U.S. Manufacturing Output and Employment, 1973–2016



Source: Bureau of Economic Analysis (1973–2016); Current Employment Statistics, BLS (1973–2016).  
Note: Manufacturing output is gross real manufacturing output, deflated by Haver Analytics for years prior to 1997.





Thank you for your Attention!

---