DEFINING ECONOMIC ROOTS OF GLOBALIZATION
WHAT IS AN ECONOMY?

The methods and traditional ways a single nation answers three questions:

1. **WHAT** goods and services will be produced?
2. **HOW** these goods and services will be produced?
3. **WHO** will consume the goods and services produced?
WHAT IS ECONOMICS?

It is a social science discipline that studies **production**, **distribution**, and **consumption** of goods and services.

**Production**
- Making one or more materials into a good that is of higher utility or value

**Distribution**
- Delivery of goods to areas of demand

**Consumption**
- Exchange of money for goods
RISE IN GLOBALIZATION

Globalization: the shift of buying and selling in markets beyond national borders

Rise in globalization → increasing *integration* and *interdependence*
INTEGRATION

- **Efficiency** – combining of different economies and industries, promoting trade and economic growth

- **Foreign Exchange** – sharing of ideas and cultures across borders

- **Rise of Multinational Corporations** – companies with facilities in multiple countries
INTERDEPENDENCE

- **Cooperation** – countries rely on each other for mutual economic gain and development

- **Global Access** – one country’s labor and natural resources can benefit another
THE INTERCONNECTEDNESS OF AN ECONOMY

• In a modern economy, people are linked by economic transactions.

• Every person, every business firm, and every product is economically interconnected.
PROS OF GLOBALIZATION

• Increase in consumer choices
  o Cars, cell phones, watches, etc.

• Increase in job opportunities within a nation-state
  o Intercultural exchange in music, movies, styles

• Reduction of trade barriers that allows companies to build markets in other countries
  o Rise in Multinational Corporations (MNCs): any company that engages in business outside domestic borders

• Increase in interdependence
  o Breaks down barriers
  o Imports and exports
IS GLOBALIZATION ALWAYS A PLUS?
CONS OF GLOBALIZATION

- Loss of culture
  - Traditional services and priorities are lost to imported services and priorities
  - McDonaldization

- Loss of jobs
  - Outsourcing
THE GLOBAL COMMODITY CHAIN

A process used by corporations to

- network labor and gather resources
- transform resources into goods
- distribute goods to consumers

In short, a product’s path from producer to consumer (You!)
<table>
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<td>3. Manufacturing</td>
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<td>4. Distribution</td>
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<td>5. Marketing</td>
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<td>7. Waste</td>
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CASE STUDY: CHOCOLATE
CHOCOLATE AS COCOA

Research and Development

- Chocolate industries fund enhanced agricultural techniques
- Field schools educate growers on cocoa production and farming methods
- The Alliance of Cocoa Producing Countries works to improve cocoa quality, production, and sustainability
CHOCOLATE AS COCOA

Natural Resources

- Cocoa beans harvested on farms and plantations
- Traders, agricultural businesses, government buy beans from farmers
- Beans shipped to processing plants abroad
CHOCOLATE IN THE FACTORY

Manufacturing

- Cocoa beans go through grinding process
- Beans become cocoa powder, liquor, and butter
- Food industries use a combination of cocoa products to make chocolate goods

Distribution

- Final goods are packaged and shipped to distributors
CHOCOLATE ON THE MARKET

Marketing

- Advertising, retail stores, and vending machines influence consumer choices
- Retailers link manufacturers to the consumers
- Chocolate industry dominated by big brands fighting for sales

Research and Development
Natural Resources
Manufacturing
Distribution
Marketing
Consumption
Waste
Chocolate to You

Consumption

Waste
CONCLUSION

- Increased collaboration of developing and developed economies
- Greater cultural exchanges between nations
- Global cooperation is necessary for commodity chains to function
What if one part of the process was missing?

1. Research & Development
2. Natural Resources
3. Manufacturing
4. Distribution
5. Marketing
6. Consumption
7. Waste