**4.1 Causes and Effects of globalisation**

**1 Characteristics of globalisation**

a) Increase in trade as a proportion of GDP.

b) Increase in importance of transnational companies (TNCs) and foreign direct investment (FDI).

c) Increase in migration.

**2 Causes of globalisation**

a) Factors contributing to increased globalisation in the last 50 years:

• trade liberalisation

• increased number and size of trading blocs

• political change (breakdown of the Soviet system and opening up of China)

• reduced cost of transport and communications

• increased significance of TNCs.

b) FDI by TNCs:

• reasons for FDI

• the impact of FDI on recipient countries.

**3 Effects of globalisation**

a) Possible benefits of globalisation:

• increased economic growth

• increased tax revenue

• economies of scale

• lower prices and higher consumer surplus

• more choice

• higher living standards.

b) Possible costs of globalisation:

• displaced workers

• exploitation of workers

• environmental impact of increased trade

• loss of tax revenue from transfer pricing

• increased income inequality within countries

• the influence of TNCs on domestic economic policy.