

Chapter 10

Institutional, Economic, and Social Impacts of Globalization and Liberalization: Financial Performance Analysis in the Context of Globalization – An Analysis for the EU and Turkey

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ABSTRACT

The present study aimed to rank the financial development levels of European Union (EU) nations and Turkey based on selected financial and economic indicators. Thus, the most recent annual data for these countries (2017) were analyzed with grey relational analysis (GRA). In the analysis, the decision criteria for 24 EU member nations and Turkey were determined as public debt, public expenditure, unemployment rate, Gini coefficient, and GDP growth. The grey coefficient scores obtained in the analysis revealed the financial performance ranking for the analyzed nations. Based on the entropy weighting method (EM) ranking, the top three countries with highest scores were Ireland, Czech Republic, and Slovakia, while the countries with the lowest scores were Spain, Italy, and Greece.

INTRODUCTION

Globalization, which has economic, political, and cultural dimensions, led to the integration of countries in several fields. However, globalization mostly means the increase in trade volume, financial openness and capital flows (Ter-Minassian, 2007, p. 7). In brief, economic globalization is a multidimensional

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dynamic process that entails the integration of single nation into the world economy, and it could be stated that once it gains a certain momentum, it continuously accelerates and becomes unstoppable (Fischer, 2012, p. 6).

Globalization is considered to have benefits such as more efficient use of the resources, diversification of production, improved living standards, and economic growth. Furthermore, Stiglitz (2018), in a book where great disappointments caused by globalization were mentioned, reported that globalization has several costs, as well as certain achievements. For example, globalization has been effective in the control of infectious diseases such as HIV / AIDS, avian flu, and Ebola. The United Nations (UN) has also been active in the war against terrorism and protection of children and refugees. The control of the ozone holes that occur due to the use of chlorofluorocarbon gases and lead to deadly diseases such as cancer has been successful. These could be counted as short-term achievements of globalization. Also, without globalization, it would not be possible for several countries, especially China, to reach high growth levels. These nations made significant advances by adopting a development model based on technological advances.

A global analysis would demonstrate that open economies grow faster than the closed ones. Economic openness provides the opportunity to innovate and increase productivity. Thus, wages are higher in open economies. It was reported that due to the increase in trade and investments in the last three decades, millions of people were saved from poverty. It could be suggested that this problem arises from developments such as better employment conditions and sales of high quality products at low prices due to the developments in production (OECD, 2017, p.9). However, not every country could benefit from these advances, and the difference between the poor and the rich has increased even further at both national and international levels.

Besides the benefits of globalization, inequality between the nations, as well as unemployment and poverty have increased. The further impoverishment of the poor was also considered as a globalization problem. In fact, several costs of globalization have been felt more than its benefits due to its inability to protect the disenfranchised.

Globalization was often associated with its negative effects on employment, pressures on wages and working conditions. These concerns were based on fears that it would lead to higher competition from low-wage countries, putting pressure on local producers and workers, and could also lead to the closure of factories in the country (European Commission).

In the present study, first, the related literature is reviewed in the background section, then the main focus of the chapter is presented. Later, the issue of financial effects of globalization is discussed. In the data and methodology section, the analysis of the study data is presented based on globalization. In the future research directions section, the topics that were not covered in the present study but could contribute to the literature are discussed, and finally, the study findings are presented.

BACKGROUND

Globalization introduced both challenges and opportunities. Responding to these novelties falls into the realm of both governments and citizens. The globalized economy required the acceptance of certain conditions. These conditions created an environment that favored developed nations.

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