

An Analysis of the World's Economic and Financial Development Tendency

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Abstract: Based on different conditions, economic growth is changing a lot, and many studies focus on the economics of the world to identify the tendency. The paper will discuss the economic and financial tendency of the 21st century. The paper will conduct a detailed analysis on the micro-economic and macroeconomic sides based on existing literature and statistical data. First, the paper discusses the various types of markets in microeconomics, such as the perfect competition market, the monopolistic competition market, the oligopoly market, and the monopoly market. Second, will come from macroeconomics, which includes the financial crisis, the GDP of each country, and the increase tendency of countries in the future. The results indicate that the future economy and finance will have a trend toward overall improvement and sustainable development. It can be seen from the development trends of national industries, large companies, GDP, etc. However, there will also be potential challenges that require the adjustment of national policies and the cooperation of enterprises.

Keywords: Microeconomics, Macroeconomics, Amazons, AT&T, GDP

1. Introduction

According to microeconomics, the definition of economy is utilizing limited resources to satisfy people's unlimited wants, and this phenomenon of utilizing limited resources is called scarcity. A company called Apple in the USA created the first smartphone in the world. After this moment, Apple totally monopolized the whole consumption market. After this period, many countries use their technology to produce phones like Huawei and Samsung, and many companies are going to imitate it, which means the technology and the economy of the world are gradually boosted. On the other hand, not only will technology cause the economy to increase, but the three types of capital can also cause the economic curve to change: physical capital, human capital, and financial capital. Joseph Schumpeter contends that well-functioning banks spur technological innovation by identifying and funding those entrepreneurs with the best chances of successfully implementing innovative products and production processes [1].

Actually, technology is replacing humans in today's world, and each company thinks about how to make the maximum profit for themselves. Each country uses different technology to produce the various products that are beneficial to humans, such as health care products. However, if other countries are unable to acquire those medicines, they will choose to trade with other countries to acquire more useful stuff. The government will gain multiple dollars from the trade, and they will also gain some money on the tax when consumers buy some products. Li Chen and San propose that

in an open economy, the development of trade efficiently impacts GDP (gross domestic product) growth [2].

A lot of research on this topic has been done by many predecessors. For example, Chen Chong discussed the trends and strategies for the future development of the international economy and trade under the new situation, pointing out that China is facing various challenges in the new economic and trade situation, and needs to constantly pay attention to the latest trade situation and take corresponding countermeasures [3]. Feng Ziwen discussed the future development trend of fintech and pointed out that technology helps the development of the financial industry, which is conducive to better constructing fintech to support the real economy [4]. This article will discuss the economic and financial trends of the 21st century from both microeconomic and macroeconomic perspectives based on previous research. First, this paper discusses various types of markets in microeconomics; Secondly, from the perspective of macroeconomics, including the financial crisis, the GDP of each country, and the future growth trends of each country were explored. This article will be helpful for those who are confused about economic development and the history of economic growth, and it can also help people better understand several major events in the economy.

2. From the Perspective of Microeconomics

It has four different markets in microeconomics: perfect competitive, monopoly, oligopoly, and monopolistic [5]. According to this circular flow chart (Figure 1), the firm and household are basic factors of the market because the household triggers the labor for the firms, and they could help this company produce more goods. The final products will be sold by the seller, and then the buyer will buy them from the shop.

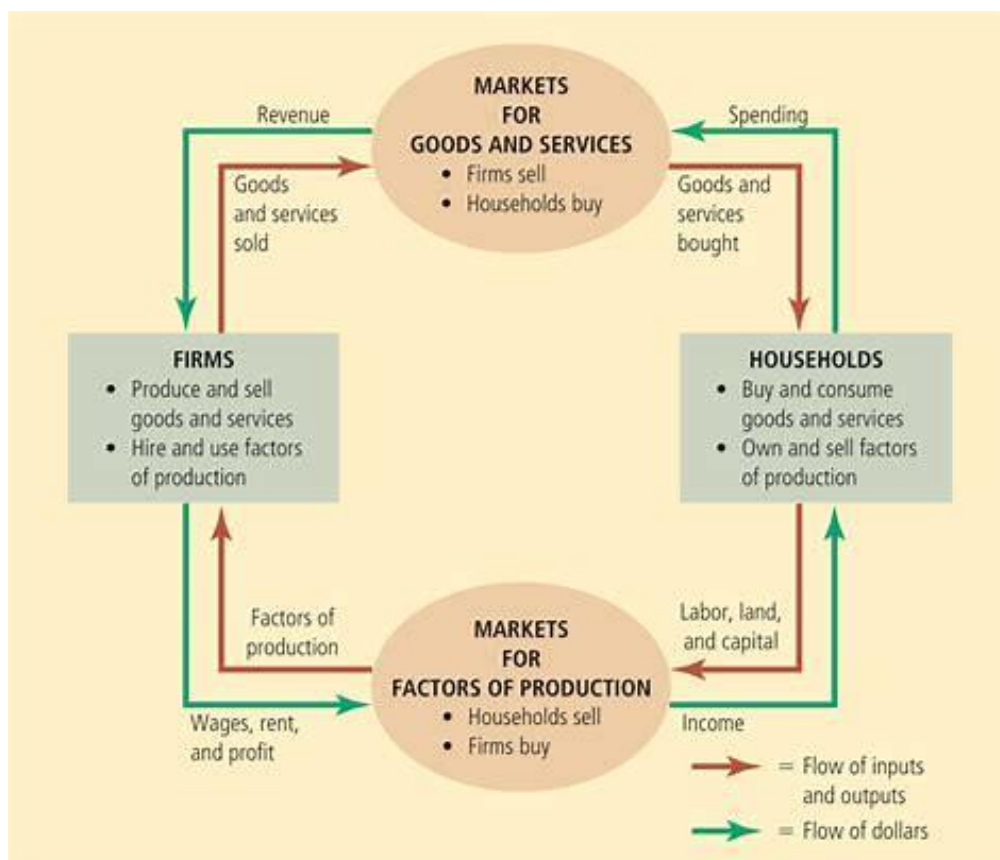


Figure 1: Circular flow chart [5].

In a perfectly competitive market, its products are similar, and there are many buyers and sellers on this market. At the same time, it has no pricing power and relies on the market to determine the price. In a monopoly market, there is only one kind of goods that is monopolized and there is only one producer, but their goods are priced by the producer. Compared with a perfectly competitive market, a monopoly market cannot enter or exit like electricity and coal. Moving to the oligopoly market, one of the characteristics of this market is the same as that of a perfectly competitive market: they are all similar goods, but it has fewer producers, and sometimes the price will be passively accepted and sometimes it can be set freely. The biggest advantage in this market is that the competition is not very fierce and the market can enter and exit, but the difficulties are like PetroChina and China Mobile. Because those two things are hardly tradeable with other countries and are private products of China, The last market is the monopolistic competition market. Although it has producers, it does not have as many producers as in a perfect competition market, and the products are more differentiated.

First is US Telecommunications, and the US was the first to create telecommunications while commoditizing previously added services and capabilities of incumbents (it is really helpful for the company to create a service for consumers or labor). Unfortunately, AT&T fell apart in 1984. At the same time, the decline of AT&T in wire services to other countries was almost a monopoly at that time in the telecommunications market, which the Baby Bells will also split at the same time. During this period, many similar products joined, like Qwest and WorldCom, which will cause the function of AT&T's long-distance calling price to remarkably descend in the future. Nowadays, all companies are studying how to get more profits and resources from other countries. So, many companies are researching how to develop more useful products that are beneficial to themselves, just like the chatGPT published not long ago, which also has a great impact on the world. In the future, the traffic on chatGPT will gradually increase, and many people will use it. It also means the invention of new technology will lead to changes in the world economy [6].

The other example is a company in America called Amazon, which was founded to sell books online. In 2019, Amazon was one of the top three most valuable companies globally. The number of Amazon customers significantly increased between 1999 and 2018, and imagine what the economics of Amazon will look like in the next year or a decade [7]. On this, it will have a slow decline tendency, and then it will dramatically rise. Because the world epidemic in 2020 will cause many people to lose their jobs and find it hard to get their wages, and the more serious thing is that some companies in the world will directly face bankruptcy. Therefore, during this special period for Amazon, economic changes will affect a lot of their business.

3. From the Perspective of Macroeconomics

At the beginning of the 21st century, beginning in December 2007 and ending in June 2009, the United States was facing a serious economic crisis that had many negative effects [8]. For example, the increase in interest rates has led to the appreciation of the US dollar and the depreciation of other currencies. The depreciation of currencies around the world will cause many countries to fail to pay their foreign debts on schedule. The increase in interest rates by the Federal Reserve may lead to a recession in the US economy and even the global economy, depending on the impact of the Fed's interest rate hike on the world economy [9]. The economic crisis in the US is a lesson for companies in many countries. From here, companies will pay more attention to the fact that their contacts should build good relationships. After this economic crisis, many things have become valuable with the pace of the United States economy, and the US government has also formulated monetary policy. For other companies, it is the reasonable management of the development of industrialization.

According to Figure 2, from the data shown, it can be seen that the global GDP has experienced dramatic growth and decline, and when experiencing a global epidemic, the global GDP has dropped

significantly or directly fallen to negative data. In 2018, after the outbreak of COVID-19, Global GDP fell, and finally, many companies chose to close, and many companies were faced with bankruptcy [10]. After experiencing COVID-19, the global economy has improved because everyone is willing to consume and work. In addition, many companies facing bankruptcy have gradually recovered their economic scale after the epidemic. This process is very painful and long for those companies. The end of the epidemic does not mean that the economies of all countries in the world can rise significantly.

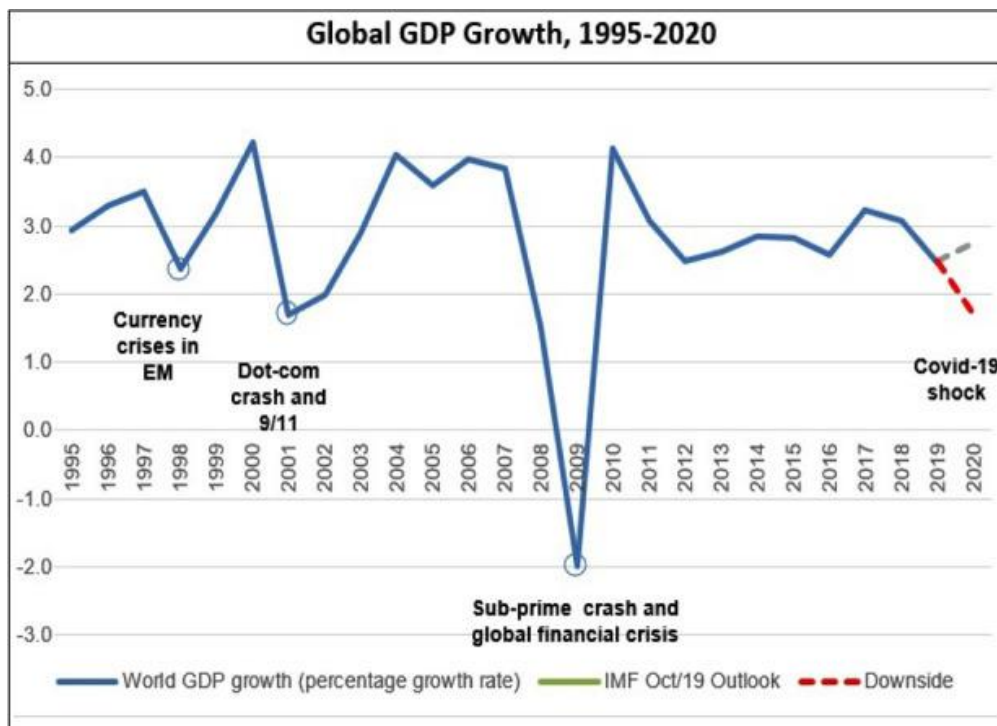


Figure 2: Global GDP growth, 1995-2020 [10].

4. Discussion

Based on this article, people could forecast economic and financial trends in the future, which means each company should develop more efficient machines to reduce costs. In the future, the world's economy will be slightly boosted, while the financial system will be the same as the economic trend. Regarding the future financial growth trend, it is a big guess that the global economy will become unbalanced for the world in the future. With the deepening of globalization, the international financial market is also constantly deepening. In addition, the application of financial technology has become a major trend in the financial market. At present, the main application areas of fintech are deposit, loan, and financing services; payment, clearing, and settlement services; investment management services; and market infrastructure services. With the increasing awareness of environmental protection among people, the development of green finance is also a major trend in the future financial field. However, due to the current complex situation and the impact of the pandemic, international finance faces not only opportunities but also many challenges. In this situation, countries need to seize opportunities for development while also constantly paying attention to the international economic situation, strengthening regulatory efforts, and establishing a comprehensive financial regulatory system. At the same time, it is necessary to pay attention to the impact of other factors on the international financial market to a certain extent in order to timely adjust their corresponding financial response policies.

5. Conclusion

From the perspective of microeconomics, the basic situation of different companies can be judged through different markets, just like knowing whether a certain company belongs to an oligopoly, monopoly, or competition in this country. Secondly, different demands also correspond to different supplies. If the supply is not enough, the market will A shortage is caused, and if the supply is too much, it will cause a surplus. According to the essay, from the perspective of macroeconomics, the most important part of economic growth is GDP growth. Through micro- and macro-level analysis, it can be concluded that there will be a comprehensive improvement and sustainable development trend in the future economy and finance. This can be seen from the analysis of the development of industry technology, the prospects of large companies, and the overall trend of GDP. In terms of finance, green finance and technology finance are the future development trends. Countries should actively monitor the domestic market while also paying attention to the international financial market and seizing potential development opportunities. At the same time, there will also be potential challenges that require adjustments in national policies and cooperation among enterprises. At present, this article is mainly based on existing literature and previous experimental results. Future research will consider how a factor will affect the future trend of economic and financial development based on actual data and models from a micro or macro perspective.

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