

Global Markets

by Sophia



WHAT'S COVERED

This tutorial will cover the topic of global markets, or how markets flow around the world. Our discussion breaks down as follows:

1. Three Main Markets

The global economy is centered around three main markets—not just physically, but also economically. Remember, it's a connected world, so physical geography, at least as far as the markets go, tends to mean less and less. The three main markets are:

- North America
- Europe
- Asia

However, just because the world revolves around these markets, it doesn't mean that they represent the whole picture.

2. World Bank

The **World Bank** is an international banking organization connected to the United Nations. It is focused on developing poorer nations. In fact, to quote the World Bank, "We offer support to developing countries through policy advice, research and analysis, and technical assistance. Our analytical work often underpins World Bank financing and helps inform developing countries' own investments."

The World Bank does a lot of work as an agency of the United Nations. They examine per capita income, the wealth of nations, and they help develop poorer nations based on their own economic standing.



TERM TO KNOW

World Bank

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3. Per Capita Income

The World Bank divides countries into different categories based on **per capita income**, which is defined as the average income of a group. In the World Bank's case, this is calculated by taking the gross national income of a country, divided by the number of people living in that country. This determines how they divide countries into different categories, such as:

- High-income countries, such as the United States or Canada, are countries that make \$12,616 or more per year in per capita income. This means that each person in the country is making *at least* this amount of money.
- Upper middle-income countries are defined as countries that have a per capita income of \$4,086 through \$12,615. This category includes countries like Bosnia and Herzegovina.
- Lower middle-income countries have a per capita income between \$1,036 and \$4,085. Bangladesh is representative of countries that fall into this category.
- Low-income countries are often referred to as developing countries. These are countries where the per capita income is below \$1,035. This category includes countries like the Democratic Republic of the Congo.

IN CONTEXT

The per capita income of a low-income country may look shockingly low to someone who lives in a high-income country, but that doesn't mean there's not an opportunity there for international trade. For example, people thought that cellphones would be too much for the developing world, because if you think about it, for someone making only \$1,035 every year, a cellphone must seem like an incredibly lavish expense. It would simply be too much.

But now, because of development within those countries, cellphone sales are huge. This, in turn, sparked other development in infrastructure within the country, which is improving the quality of life for the people there, and raising the per capita income as a result.

They've also become more connected to the outside world. Now, not only are they capable of getting connected to the outside world, but companies are able to reach previously untapped markets as a result. Now the people in low-income countries know about the other opportunities that exist in the world. This is driving change within the country, and also raising the standard of living.



TERM TO KNOW

Per Capita Income

The average income of a group.



SUMMARY

Today we learned how markets flow. We learned about the **three main markets**--North America, Europe, and Asia--and the global rotation of wealth around the world. We also learned how the **World**

Bank not only helps with developing countries by providing advice and financing, but also how it categorizes those countries into various classes based on **per capita income**.

Good luck!

Source: adapted from sophia instructor james howard



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