IJAER/ Sep-Oct 2020/Volume-9/Issue-5 ISSN: 2278-9677

International Journal of Arts & Education Research

GAINING THE COMPETITIVE ADVANTAGE ONTARIO UNIVERSITES AND THE GLOBAL ECONOMY

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ABSTRACT

Because India's financial sector is not highly connected with the global financial system, it was largely unscathed by the initial wave of negative impacts that the global financial crisis had on other countries' economies. This allowed Indian banks to continue operating normally. However, when the financial crisis developed into a full-blown global economic recession, India was unable to avoid the repercussions of the second phase. India has been impacted by the ongoing global financial crisis in three unique ways, namely through its financial markets, its trade flows, and its currency rates. The reversal in capital inflows, which resulted in a credit crunch in domestic markets and a severe deterioration in export demand, was a contributing factor in the decline of gross domestic product by more than two percentage points during the fiscal year 2008–2009. This decline occurred as a result of the severe deterioration in export demand. The government of India and the Reserve Bank of India took aggressive countercyclical measures, which included significantly loosening monetary policy and introducing a fiscal stimulus, in order to boost domestic demand. These actions are in line with those taken by governments and central banks all over the world. Nevertheless, the thesis of this paper is that given the extremely restricted room for manoeuvrability in the Indian government's budget as well as the limited impact that monetary policy can have, any policy measures that aim to return India's gross domestic product growth to its potential rate of 8–9% must concentrate on removing the structural constraints that are preventing private investment demand from rising.

Keywords: Gaining, Global Economy

INTRODUCTION

Economic globalization is an Irreversible Trend

The term "economic globalisation" refers to the increasing interdependence of world economies as a result of the growing scale of cross-border trade of commodities and services, flow of international capital, and widespread and rapid spread of technologies. This interdependence is brought about as a result of the growing scale of cross-border trade of commodities and services, flow of international capital, and It is an irreversible trend for the economic growth in all parts of the world at the turn of the millennium, and it symbolises the ongoing expansion and mutual integration of market borders. Globalization of the economy is primarily driven by two main forces: the first is the rapidly expanding role of information in all forms of productive activity, and the second is marketization. In other words, the rapid globalisation of the world's economies in recent years is largely based on the rapid development of science and technologies, has resulted from an environment in which market economic system has been rapidly spreading throughout the world, and has developed on the basis of increasing cross-border division of labour that has been penetrating down to the level of production chains within enterprises of different countries. In other words, the rapid globalisation of the world's economies in recent years is largely based on the rapid development of science

Because of the dramatic decrease in the cost of transportation and communication that has resulted from the growth of science and technology, economic globalisation is now a reality. The cost of ocean shipping in 2010 is only one half of what it was in 1930, the cost of airfreight in 2010 is one sixth of what it was then, and the cost of telecommunications in 2010 is one percent. The cost of a computer in the year 1990 was only about 1/125 of what it was in the year 1960, and the cost of a computer again decreased by around 80% in the year 1998. This 'time and space compression effect' of technical innovation led to a significant reduction in the cost of international commerce and investment, which made it feasible to organise and coordinate production on a worldwide scale. For instance, the Ford Lyman automobile is developed in Germany, but its gearing system is manufactured in Korea, its pump is made in the United States, and its engine is produced in Australia. It is precisely the development of technology over the past several decades that has made it feasible to conduct this kind of manufacturing on a worldwide scale. In addition, the growth of the economy based on networking has resulted in the establishment of a sizable number of shadow businesses. This has rendered the concepts of national boundaries and physical distance irrelevant with regard to particular types of economic operations.

Risks Brought along by Economic Globalization to Developing Countries and The Prevention against Related Risks

The engagement of developing nations in the process of globalisation might provide them the opportunity to make better use of their comparative advantages, as well as to bring cutting-edge technology, foreign finance, and management expertise. Additionally, it is beneficial for the elimination of monopolistic tendencies and the enhancement of market competition. Despite this, the trend of globalisation is creating greater chances for emerging nations to advance their economies; yet, it also presents huge dangers.

To begin, it should be noted that economic globalisation has not been successful in narrowing the gap that exists between the North and the South. The number of developing nations that have gained economically from globalisation is estimated to be less than twenty, according to a report that was issued by the United Nations in 1999. Since 1960, the gap between the richest countries and the poorest country in terms of income per capita has grown to a level that is 70 times greater than it was back then. In 1960, the value of the 46 poorest nations' international commerce amounted for just 1.4% of the overall value of the world's foreign trade. This percentage had already dropped to 0.6% by the time the second half of 1990 rolled around, and it went on to reach an extremely insignificant 0.4% in the year 1995. When compared to what it was in the 1970s, the average trade deficit of developing nations in the 1990s was 3 percentage points higher. And more than 80 percent of the capital is moving between countries in the United States, Western Europe, and East Asia. The majority of poor countries are unable to garner any cash other that which is provided through financial aid and contributions.

Second, the process of economic globalisation increases the likelihood that emerging nations would be impacted negatively by adverse external variables. Under open economic conditions, the conflict between the realisation of external economic equilibrium and that of internal economic equilibrium is a great constraint on the macroeconomic policies of developing countries, thereby weakening their capacity of macroeconomic control and regulation. This conflict can be seen as a trade-off between the achievement of internal economic equilibrium and that of external economic equilibrium. A large volume of international floating capital has brought along enormous impacts on the economic safety and financial stability of developing countries. These impacts have been brought about as a result of the ongoing innovation of financial instruments, the rapid expansion of financial assets, and the trend toward the privatisation of international capital. According to some data that was provided by the International Monetary Fund (IMF), the value of short-term bank loans that were flowing at and through international financial markets and other financial and capital markets in 1997 amounted to at least $7,200 billion, which was approximately equal to one quarter of the total output of the whole world.

Only 18% of the daily total value of transactions of foreign exchanges in New York, Tokyo, and London alone in 1997 was used for international trade and investment, while the remaining 82% was used for speculation on international financial markets, according to an estimate provided by the Board of Governors of the Federal Reserve System in the United States. This estimate is based on the fact that the daily total value of transactions of foreign exchanges in 1997 was approximately equal to US$620. This enormous quantity of free-floating international money may result in bubble economies and chaotic fluctuations in the prices of various currencies, depending on the circumstances. They have the potential to undermine a nation's monetary sovereignty and contribute to the dysfunctional operation of that nation's monetary policy. The'sheep-flocking effect' and the'self-fulfilling mechanism' of monetary crises that are currently present in international financial markets will further exacerbate the concussion that developing nations are already experiencing. Although the financial crises that broke out in Mexico and East Asia in the 1990s had their origins in flaws in the economic systems and structures of those countries, the influence of floating foreign money was the direct fuse that substantially increased the destructive potential of those crises.

Severity of the Current Financial

CRISIS Banking and financial crises have been a consistent occurrence throughout the contemporary history of the economy. There have been around 86 international financial crises during the Great Depression, according to one estimation. These crises have expanded across national borders. There have been as many as 112 systemic banking crises throughout the world between the late 1970s and the beginning of 2001, according to a research that was conducted by the World Bank in 20012. The majority of crises, like the one we are currently experiencing, contain some characteristics in common. A number of factors can contribute to the formation of asset bubbles, the most common of which is a search for ever-higher yields in financial markets, a regulatory regime that is too lax, a mismatch between the appetite for risk and the capacity to bear it, and the consequent growth of asset bubbles, which typically occur in the real estate sector but are ignored by regulators for a number of reasons. The most recent crisis in the financial industry had most of these characteristics, if not all of them. In contrast to previous crises, which were typically confined to a region or a small number of countries, the current crisis emerged at the very epicentre of global capitalism, which is the United States, and its contagion spread very quickly to the entire global economy. This is what makes the current crisis exceptional and sets it apart from other crises that have occurred in the past. Economies such as India and the People's Republic of China (PRC), where the financial sectors were not as integrated with the global financial system, were spared the first round of negative effects of the current crisis, and their banks were left mostly unaffected by it. This allowed for economies such as India and the People's Republic of China (PRC) to experience more rapid economic growth. Nevertheless, these enormous economies and their neighbours in Asia were unable to avoid the second round of repercussions that had a significant influence on their trade flows as a direct result of the collapse of output and trade in advanced countries.

OBJECTIVES

1. To study gaining the competitive advantage ontario universities.
2. To study global economy.

LOCATING INDIA IN THE NEW GLOBAL ECONOMY

Over the course of its history, India has gradually evolved into a more free-market economy. The entire proportion of imports and exports amounts for close to fifty percent of GDP, but the total share of capital inflows and outflows accounts for up to fifty-four percent of GDP. However, the consequences of economic interactions between the domestic and global economies, as well as their effects on growth and development, are dependant on a vast variety of circumstances. These interactions can have both positive and negative effects. Even if the economic outcomes are dependent, at least in part, on selecting policies that are suitable to the conditions that characterise an economy, the relative position of an economy in relation to other nations in a global environment may assist (or even restrict) policy choices. This section draws attention to a few distinguishing characteristics of India that may become important for the country's continued participation in the global economy as well as its ongoing and upcoming economic growth.

India has moved up the Ranks but is still the poorest among the G-20:

India has risen to become the fourth biggest economy in the world because to its fast growth rate, and it has also increased its standing in terms of per capita income compared to other countries across the world (as mentioned earlier). In spite of this, the country's per capita income is still extremely low, coming in at only $1,527 in the United States in 2011. Taking care of this issue is likely going to be the most obvious problem. However, India is supported by a varied range of variables, both internal and foreign, that have the potential to propel growth long into the foreseeable future.

Demographics

India's population of more than 1.2 billion people accounts for almost one-sixth of the world's total population. Even though the pace of population growth has been falling at a steady rate, India's total population expanded by approximately 180 million people between the years 2001 and 2011. (the highest in the world in absolute terms). However, India is also going through a transitional period in which its dependence ratio will decrease from an expected 74.8 in the year 2001 to 55.6 in the year 2026, which will be accompanied by a rise in the proportion of people who are in the working-age group. Given the importance of labour to the manufacturing process, a demographic dividend is unquestionably good news for economic expansion. On the other hand, it has been brought to people's attention that the majority of the population growth will take place in states that are now considered to be impoverished. As a consequence of this, for this dividend to materialise, it will be essential to accumulate sufficient amounts of human capital.

Regarding this aspect of the human development index, India has seen some signs of progress as of late (HDI). The Human Development Index (HDI) compiled by the UNDP measures the level of a country's development according to its economic, educational, and health-related indices. This index has grown from 0.344 in 1980 to 0.547 in 2011. India went up in the Human Development Index rankings, moving from position 82 in 1980 to position 72 in 2011 out of the 100 nations for whom HDI data is available for these points in time. The HDI rank of India has not changed too much despite the fact that the country's score has become higher. One of the reasons might be because some other nations have had a faster improvement in these indexes. This is one of the probable reasons. As a result, India has to benchmark its successes (on a variety of fronts) not just in terms of absolute value but also in comparison to those of other countries.

Exports and External Demand

The trend of globalisation has been characterised by a growing percentage of exports (as well as imports), which reached 27.9 percent for the globe as a whole in 2010. Some nations have shown a considerably larger dependency on exports than others. An export-driven, investment-fueled approach was what fueled growth in the so-called East Asian miracle economies, which allowed these countries to gain industrial capabilities and earned them the moniker "wonder economies." This approach was supported by a favourable exchange rate, inexpensive loans, and relatively low salaries, which helped to obtain a competitive edge. Those factors contributed to the success of the business. This expansion plan was helped along by the rising demand for goods around the world, particularly in the more developed nations. As a direct consequence of this, many economies have moved higher up the value chain in the manufacturing sector.

CONCLUSION

The Liberal Party of Ontario won the election in 1985, marking the beginning of the province's formal acceptance of the ideology of global capitalism. As soon as this agenda was approved, the major attention shifted to the process of formulating an economic plan that would make robust provincial economic growth possible within an environment that is internationally competitive. Premier Peterson took the extraordinary step of bringing together industry, labour, and the government in an institutional framework, which took the shape of the Premier's Council. This was done in order to establish an industrial policy, which was a priority for the administration. It was unique because, unlike what may be the case in other countries, governments in Canada have traditionally avoided using corporatist networks as a method for developing policy. Political economists from Canada have demonstrated that traditionally, there has been a very strong link between the corporate community and the government of Canada. In contrast, the relationship between labour and the government has always been one of separation. This is not to imply that labour has not been a powerful force in the formation of policies. On the other hand, it is only an admission of the fact that labour has not had equal access to the corridors of political power, which is due to the fact that political discourse has typically not developed around the concept of class.

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