

Economics from the Ground Up

Globalisation post-GFC (GFC and financial deregulation)



If there is one symbolic effect of globalisation that we cannot miss, it is the GFC and its reverberations around the globe. It is believed by many economists, and majority of the general population, that the GFC was such an enormous event and has had such a significant and enduring effect largely because of globalisation. They cite the close integration of the global economy and financial systems, and the emphasis on a free market approach to economics with increased deregulation and reduced government control of national economies as central to the crisis itself. They point to the fact that the collapse of the American housing market and instability in its financial system could result in the collapse of the Icelandic banking system and the destruction of the Irish economy.

The reverberations of the crisis, which started in 2007, continue to roll around the world like a never-ending tidal wave. It used to be said that when America sneezes, Australia catches a cold. Why? Because it was believed that Australia's economy was highly reliant on the health of the US economy because of the close trading links between the two nations. Perhaps a better descriptor now would be that if the any one major economy sneezes, the globe catches pneumonia! The GFC has seen a major slowdown in almost every economy across the globe. The global powerhouse China has experienced slowing rates of economic growth, while the United States has endured a long economic recession with rising unemployment. Fears have been expressed that high unemployment and increasing sovereign debt crises among governments in Europe may lead to not only a slowing of global demand but a rise in protectionism as countries lose interest in reducing barriers to trade.