

The Global Economy

The global economy is the flow of goods and services around the whole world. No nation's economic flow is confined within its own borders. Scarcity, among other factors, forces countries to buy goods and services from other countries. Most nations have developed supply specialties. They specialize in sending certain goods and services to the rest of the world. Specialization helps countries make the most efficient use of their natural and human resources.



In nations with more of a command economic system, the government conducts and controls global trade. Individuals may have little to no opportunity to engage in international buying and selling. Countries with more of a market economic system, such as the United States, allow individuals much more access to the global economy. This provides business opportunities for entrepreneurs who wish to trade with people in other nations.

Exporting and Importing

Exporting is the business activity in which goods or services are sent from a country and sold to foreign consumers. Importing is the business activity in which goods and services are brought into a country from foreign suppliers. Goods are physical objects, so they are imported and exported by shipping—for example, by truck, train, plane, or ship. Services are not physical objects. They are actions provided by people for a fee. For example, an engineering firm located in one country exports its services when it provides engineering advice to customers in another country. Services can be exported and imported in various ways. People travel between countries to provide services. They can also use traditional delivery methods (such as the postal system), or modern telecommunications to provide services.

Technology and the Global Economy

Advancements in shipping, travel, and telecommunications permit much more international trade than in the past. Goods ship over water, land, and air routes and can circle the world in a matter of days or weeks. Passenger and freight airlines have added more foreign destinations to their routes, allowing goods and businesspeople greater access to international trading. Modern means of telecommunications—phone, fax, e-mail, and Internet—connect suppliers and consumers around the world. The Internet, in particular, has made international trade easier, faster, and more convenient than ever before.

Respecting Other Cultures

Entrepreneurs who wish to engage in international trade need to show respect for the culture of the people with whom they want to do business. "Culture" includes language, beliefs, attitudes, customs, manners, and habits. Obviously, a nation can include people of many different cultures; however, many people within a country often share general characteristics. In addition, businesspeople in most societies follow particular social rules and customs called etiquette. Entrepreneurs should learn and follow the business etiquette practiced in foreign countries where they want to do business. Entrepreneurs who fail to respect the cultures of foreign trading partners will most likely be unable to take advantage of business opportunities.

The Local Economy

Effects of Entrepreneurship on the Local Economy

A local economy covers a limited area, such as a community or town. Because many entrepreneurs operate small businesses that sell primarily to local consumers, entrepreneurship has a profound effect on local economies. Entrepreneurs can benefit their local economies in the following ways:

- Purchasing materials and supplies from local merchants
- Opening an account at a local bank, credit union, or other financial institution
- Joining a local business association, trade group, or civic organization that supports local economic development
- Paying local taxes that benefit schools and other public services
- Investing money in local businesses
- Donating money, time, or goods to local charities and organizations
- Hiring local employees (this produces multiple benefits for the local economy, because the employees will likely spend their wages in the area)
- Supplying goods and services to local consumers

Entrepreneurs engaged in international trade will provide these benefits to their own local economies but will also indirectly help the local economies of their foreign trading partners. For example, a U.S. entrepreneur who buys cloth from Africa is likely to affect a local economy there.

Questions for Discussion

1. What is the global economy?
2. How does scarcity affect global trade?
3. What is the difference between importing and exporting?
4. Name some ways in which entrepreneurs can benefit from international trade.
5. From a business standpoint, why should entrepreneurs respect the cultures of their foreign trading partners?
6. The United States is a large and wealthy nation with many natural and human resources within its own borders. So why does the United States import goods and services?