Abstract

The impact of globalisation on the economic growth of Romania and other Eastern European countries

The analysis of the impact of globalisation helps us understand better the economic environment. Because of globalisation production has become more international and more competitive employees and cheaper materials are sought after. As a result, many multinational companies have opened offices after 1989 in Romania and other Eastern European countries. This determines a reduction of costs for the producer and a decrease in inflation which in turn leads to a bigger value of productivity because the level of inputs is smaller. There are also negative aspects of globalisation like exploitation, child labor, work in sweatshop conditions.

This paper aims to measure the impact of globalisation by measuring the relation between economic growth and other indicators including: consumer price index, direct investments, exports and imports of goods and services. In order to analyze this, a study about the relationship between the globalisation and the economic growth in both Romania and other countries from Eastern Europe in the last 15 years has been made. The econometric model chosen for this analysis is a dynamic panel data model: Generalized Method of Moments (Arellano-Bond). It has been chosen because between the individual variables there is a degree of heteroskedasticity and autocorrelation. The dependent variable is dynamic and its current realizations depend on its past realizations. The modeling applications used are Stata and Eviews.

The paper contains a case study involving the development the Romanian capital market in the context of globalisation. In 1995 the Romanian Stock Exchange was reestablished after 47 years of inactivity. In Romania prices for stocks and real estates have jumped as an effect of foreign investments. This paper also studies the influence of the Asian Capital Market on the Romanian capital market.

Keywords: globalisation, economic growth, GMM, panel data, regression, Romania