

Edexcel (B) Economics A-level

Theme 3.4: Impact of Globalisation on Local and National Economies

Flashcards

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What are MNCs?



What are MNCs?

Multinational corporations are corporations with assets in multiple foreign countries



How would investing in foreign countries help the people of that country?



How would investing in foreign countries help the people of that country?

It would create jobs for these people, which could potentially improve their quality of life



Why would MNCs choose to shift their production processes abroad?



Why would MNCs choose to shift their production processes abroad?

To take advantage of the low cost of labour



How would local firms benefit from
MNCs in that area?



How would local firms benefit from MNCs in that area?

Local firms may supply the MNC with raw materials or other goods, thus increasing their revenue



Briefly describe Corporate Social Responsibility (CSR)



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This is when firms ensure that their actions are beneficial to society



How could the presence of an MNC hinder the growth of local firms?



How could the presence of an MNC hinder the growth of local firms?

If local firms cannot benefit from economies of scale and provide their goods at the same price level as the MNC, they may lose out on revenue which will affect their scope for profit



How would the local economy benefit from MNCs?



How would the local economy benefit from MNCs?

MNCs would increase employment in the area, and through the multiplier effect this would increase spending and lead to stronger economic growth



Would an increase in exports improve or damage the balance of payments?



Would an increase in exports improve or damage the balance of payments?

This would improve the balance of payments



Who are stakeholders?



Who are stakeholders?

These are anyone with an interest in how a particular business is run



What do cheap products imply about the workers making those products?



What do cheap products imply about the workers making those products?

That those workers are paid very poorly



Why would some countries fear trying to control MNCs?



Why would some countries fear trying to control MNCs?

If they impose too much regulation and red tape, the MNC may cease activities in that country, which could lead to unemployment and less economic growth



Why would a firm monitor its own behaviour?



Why would a firm monitor its own behaviour?

It may have high ethical standards



What are the OECD guidelines for MNCs?



What are the OECD guidelines for MNCs?

They encourage firms to adhere to the principles of human rights



How might self-regulation harm a firm's profit?



How might self-regulation harm a firm's profit?

They may lose out in a competitive market, thus reducing the profit potential of a firm

