

THE ESSENCE AND STAGES OF FORMATION OF THE MODERN WORLD ECONOMY

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Abstract. This article examines the essence of the modern world economy, its stages of formation, and its development processes. The historical stages of the world economy—from the period of traditional international trade to industrialization, capital export, the post-war regulatory system, globalization, and the digital and innovative economy—are consistently analyzed. The paper also explores the concept of the world economy, the international division of labor, and the classification of countries according to their level of economic development. Furthermore, the economies of leading industrialized countries such as the United States, Japan, Germany, France, the United Kingdom, and Italy are analyzed in terms of gross domestic product (GDP) and their role in the global economy. Special attention is given to the impact of globalization, innovation, and digital technologies on the modern world economy.

Keywords: modern world economy, global economy, globalization, international division of labor, economic integration, transnational corporations, capital export, industrial revolution, digital economy, innovation, GDP, economic development level, international trade, investment, economic cooperation.

Introduction. In the modern era, economic relations among countries have expanded and evolved into a complex system, leading to the formation of the modern world economy. This system has developed through a long historical process and, under current globalization conditions, has become increasingly complex and interdependent. The world economy is not only the sum of individual national economies but also a global economic space formed through their integration.

The Essence of the Modern World Economy. The modern world economy is a global system formed through interactions among national economies based on the international division of labor and economic cooperation. Within this system, the exchange of goods and services, as well as the international movement of capital and labor, plays a crucial role. The main features of the modern world economy include:

- deepening economic relations among countries;
- growth of international trade;
- intensification of globalization processes;
- expansion and leading role of transnational corporations;
- integration of financial and investment markets;
- strong influence of scientific and technological progress on economic processes.

As a result, countries are becoming increasingly interdependent. At the same time, while economic cooperation is strengthening, competition is also intensifying. Thus, the modern world economy represents a complex and dynamic system formed through a multi-stage development process.

Stages of Development of the World Economy

1. Traditional International Trade Period (15th–19th centuries). Economic relations between countries were mainly based on trade in raw materials and finished goods. The Age of Great Geographical Discoveries significantly expanded international trade.

2. Industrialization and Capital Export Period (late 19th – early 20th centuries). Industrialized countries gained access to raw materials through colonies. Capital export intensified, and global markets were formed.

3. Post-World War II Period (1945–1980s). International institutions regulating the world economy were established. Economic cooperation, trade, and financial systems developed significantly.

4. Globalization and Integration Period (late 20th – early 21st centuries). Advances in information technology, the internet, and the expansion of transnational corporations brought the world economy to a new stage.

5. Digital and Innovative Economy Period (21st century). Today, artificial intelligence, green economy principles, innovation, and sustainable development have become key priorities.

Key Elements of Economic Development

No	Element	Description
1	Innovation	Introduction of new products, technologies, markets, and production methods
2	Entrepreneurs	Main drivers of innovation and economic growth
3	Creative destruction	Replacement of outdated systems with new ones
4	Role of credit	Banks finance new projects and innovations
5	Economic cycles	Boom → recession → recovery cycle

Technological Revolutions in Economic Development

- **Traditional trade era:** Great geographical discoveries and the emergence of the global capitalist market.
- **Industrial revolution:** Steam engines, textile machinery, railways, and factory production.
- **Monopolistic capitalism:** Electrification and development of transport systems.
- **Scientific and technological progress:** Computers, automation, robotics, and management systems.
- **Digital economy:** Internet, artificial intelligence, blockchain, fintech, and e-commerce.

World Economy and Classification of Countries. The world economy represents a system of interconnected national economies formed through market relations. It emerged in the late 19th and early 20th centuries as a result of the development of market economies.

Countries are classified in two main ways:

1. **By development model:** developed, developing, and transition economies.
2. **By income level:** low-income, middle-income, and high-income countries (based on GNP per capita).

The international division of labor leads to specialization, where countries focus on industries based on their natural resources and economic potential.

Role of Leading Economies in the World Economy. The six leading industrialized countries—the United States, Japan, Germany, France, the United Kingdom, and Italy—occupy dominant positions in the global economy.

- The **United States** has the largest GDP in the world (over \$30 trillion), with services dominating its economy.
- **Japan** has a GDP of around \$4 trillion, with strong industrial production and exports.
- **Germany** is Europe’s largest economy, with a GDP of approximately \$4.5–5 trillion, driven by industry and exports.
- **France** has a GDP exceeding \$3 trillion, with services, tourism, and finance playing key roles.
- The **United Kingdom** has a GDP of about \$4 trillion, with a strong financial services sector.
- **Italy** has a GDP of approximately \$2.3–2.5 trillion, with a balanced development of industry and services, especially tourism.

The size of GDP and the structure of services and goods production determine a country’s position in the global economy. These leading economies play a crucial role in shaping global economic processes.

Conclusion. In conclusion, the modern world economy has evolved through a long and complex historical process, gradually transforming into an interconnected and dynamic global system. Its formation has passed through several important stages, from traditional international trade to industrialization, globalization, and the current phase of digital and innovative development. Each stage has contributed to strengthening economic ties among countries and deepening their interdependence.

The analysis shows that the international division of labor, economic integration, and the expansion of transnational corporations play a key role in shaping the global economic environment. At the same time, technological progress, innovation, and digitalization have become the main driving forces of modern economic growth. Leading developed countries continue to dominate the global economy due to their high GDP levels, advanced industries, and strong service sectors.

However, alongside its advantages, the modern world economy also brings challenges such as increased competition, economic inequality, and dependency among countries. Therefore, it is essential for nations to develop effective economic strategies, enhance competitiveness, and actively participate in international cooperation.

Overall, the modern world economy not only promotes global development but also requires balanced and sustainable approaches to ensure long-term economic stability and prosperity.

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