

Globalization Explained

I. Globalization Defined

II. Sources of Globalization

III. Eras of Globalization

IV. Questions for a
Globalized Economy



WTO Protest, Seattle 1999



I. Globalization Defined

▶ COMPETING DEFINITIONS:

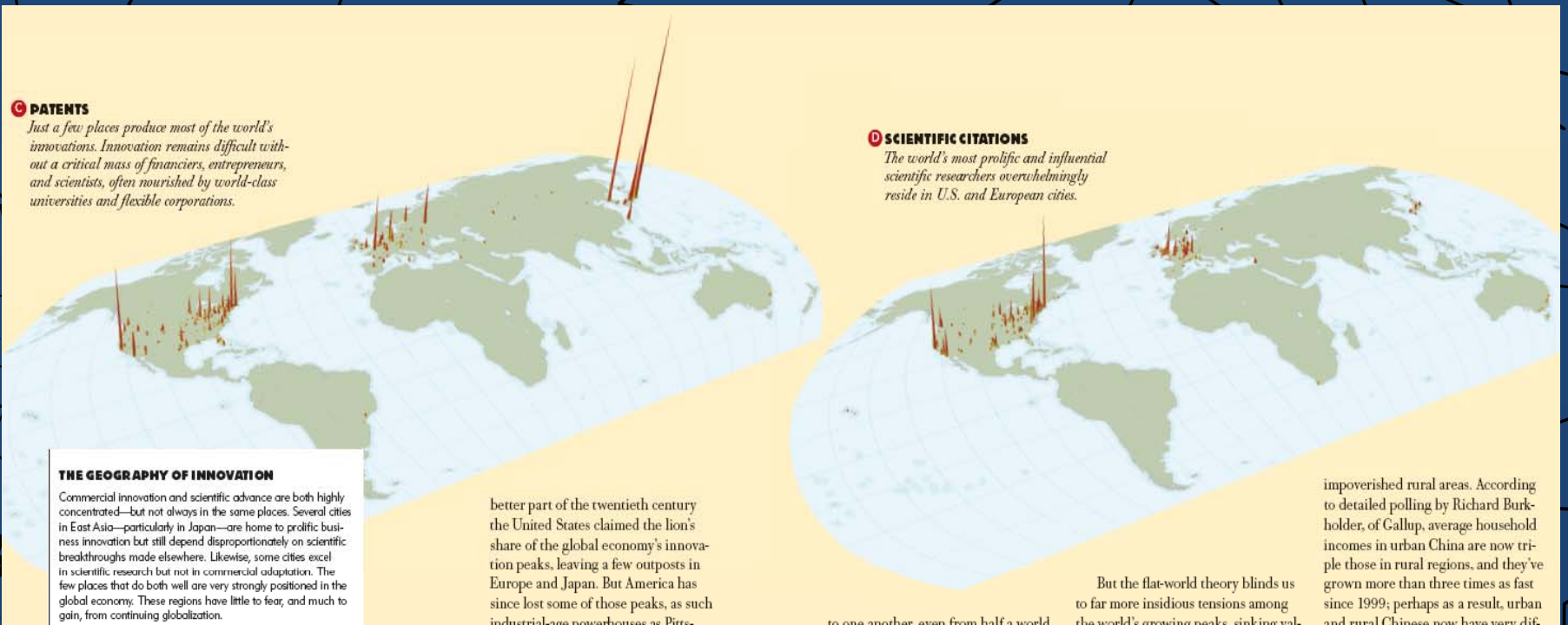
- ▶ “...the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction.” (Held and McGrew, *Globalization/Anti-Globalization*, p. 1)
- ▶ “...(the) integration of national economies into the international economy through trade, direct foreign investment...short-term capital flows, international flows of workers and humanity generally, and flows of technology...” (Bhagwati, *In Defense of Globalization*, p. 3)
- ▶ “...the set of social consequences which derive from the increasing rate and speed of interactions of knowledge, people, goods and capital between states and societies (Bisley, *Rethinking Globalization*, p. 6)

The Definition Refined

- 
- ▶ Globalization encompasses:
 - Internationalization (trade & investment)
 - Liberalization (freeing markets)
 - Universalization (cultural interchange)...or...
 - Westernization (Western cultural dominance)
 - “Deterritorialization” (compression of time and space)

What Kind of World?

▶ Thomas Friedman's "Flat World" OR Richard Florida's "Spiky World"



Richard Florida, "The World is Spiky", *Atlantic Monthly*, October 2005.

II. Sources of Globalization

▶ Internationalization of Economic Activity

- Trade & Finance

▶ Global Liberalization

- Domestic and International

▶ Technological Changes

- IT Revolution (Speed and Cost)

▶ Improvements in Transportation

- EX: Containerized Shipping

▶ Globalized Production Structures

- ‘Stateless Corporations’

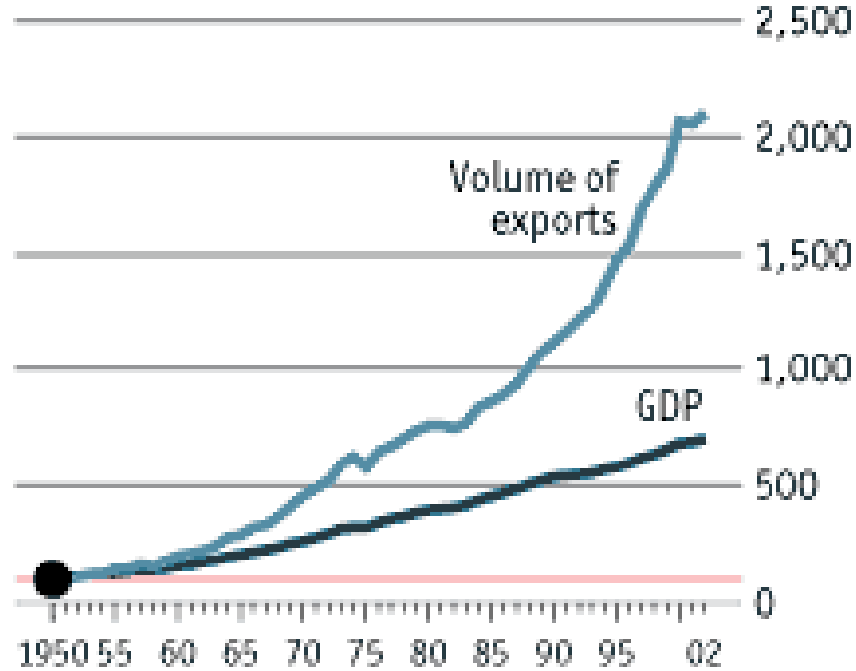


Growth in World Trade

A trader's era

1

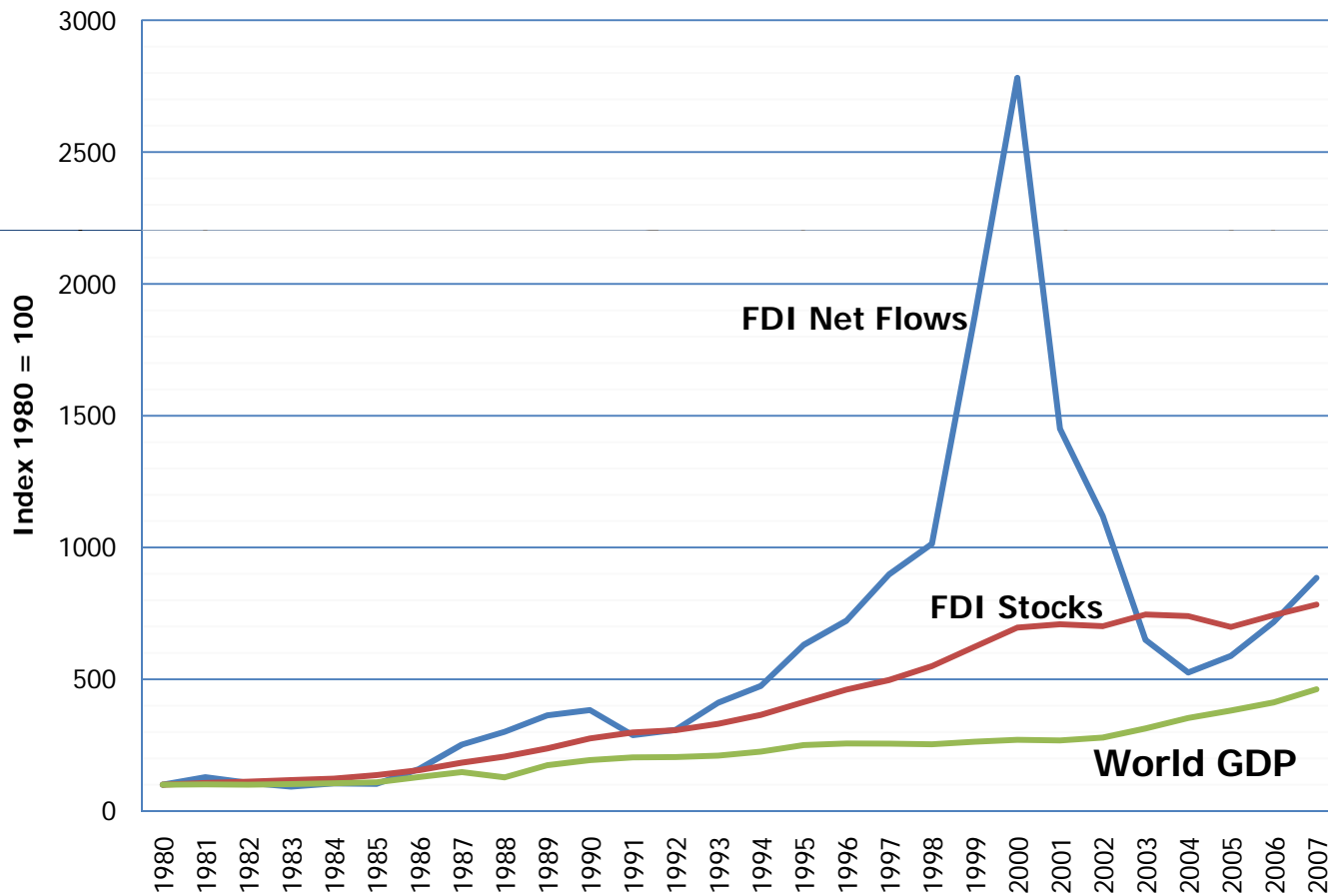
World GDP and trade, 1950-100



Source: World Trade Organisation

Growth in Global Investment

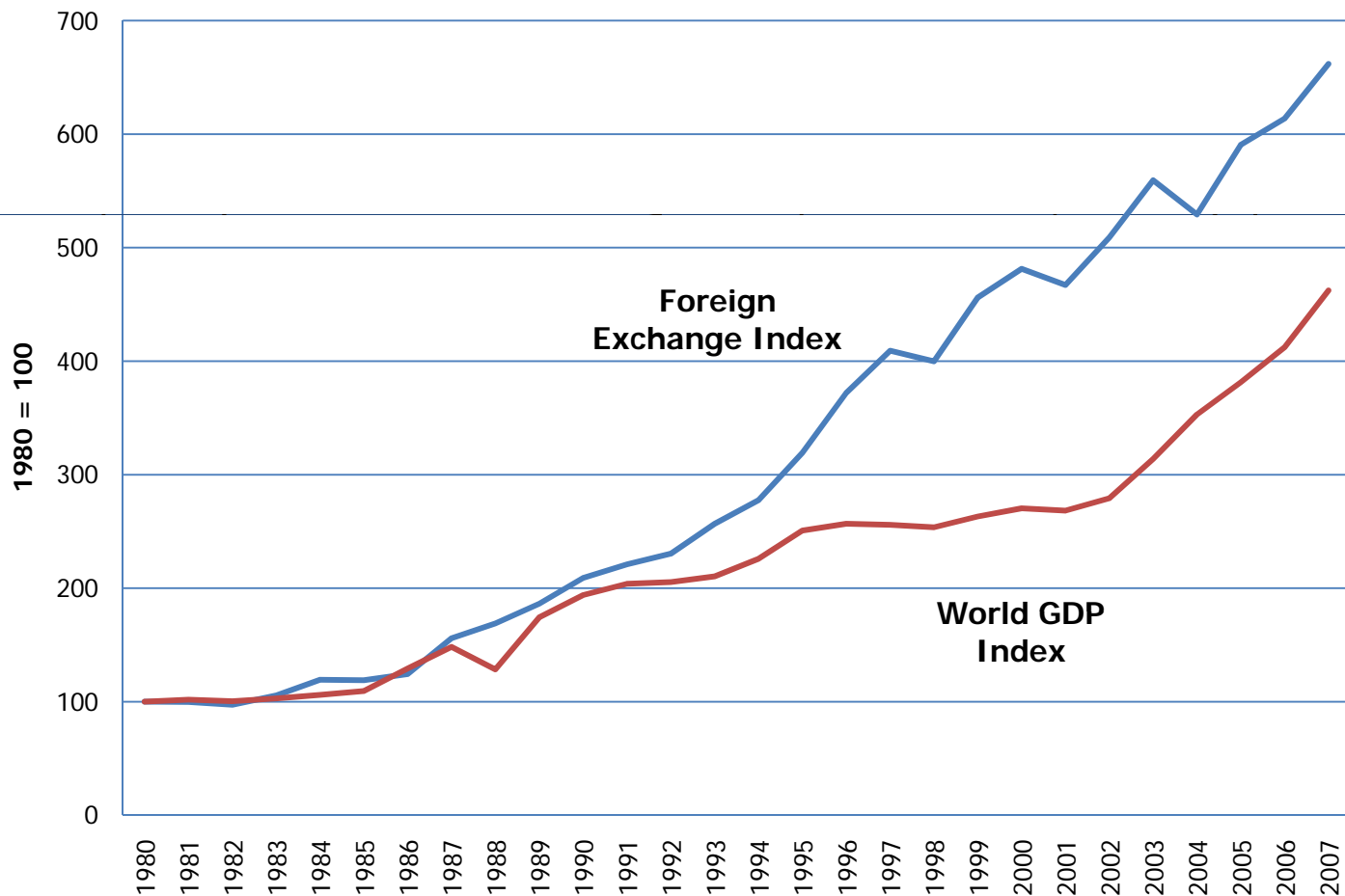
FDI and World GDP, 1980-07



SOURCE: UNCTAD FDI Database; IMF

Growth in Foreign Exchange

Foreign Exchange and GDP Growth, 1980-2007



SOURCE: IMF International Financial Statistics

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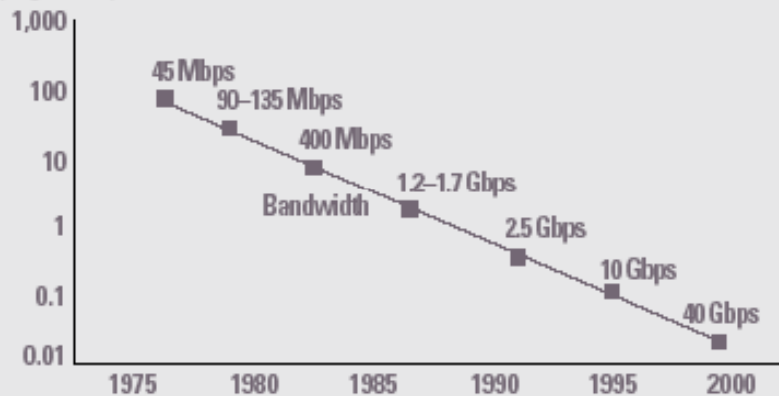
- ‘Stateless Corporations’



Costs of Information Technology

FIGURE 1 COST TRENDS IN OPTICAL FIBER TRANSMISSION

Index of transmission cost
per bits per second per kilometer
(log scale)



Note: Mbps is megabits per second; Gbps is gigabits per second.
Source: AT&T data.

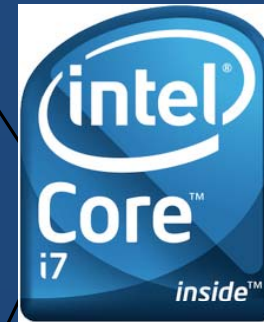
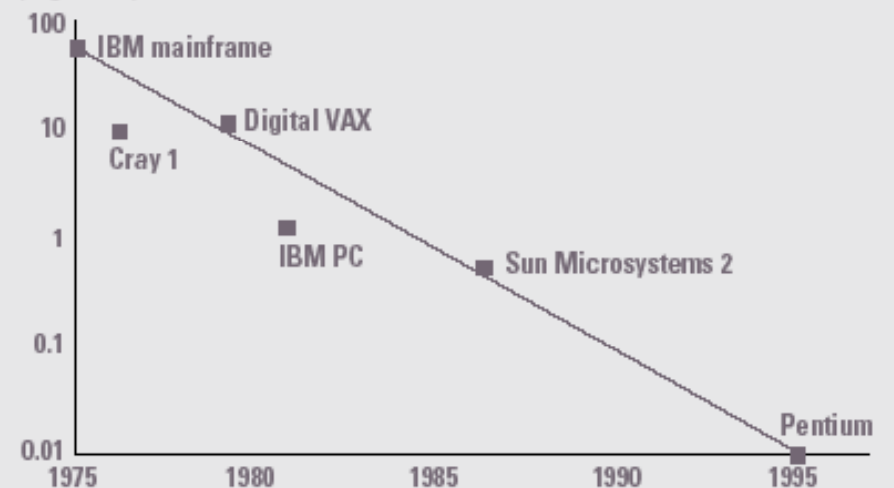
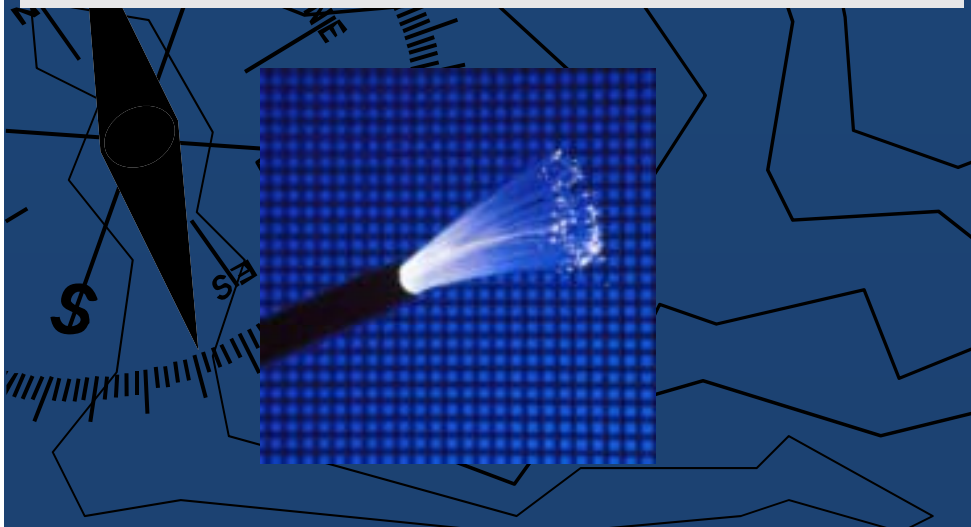


FIGURE 2 PRICE TRENDS IN INFORMATION PROCESSING

Index of investment cost
per instruction per second
(log scale)



Source: World Bank compilation based on industry data.



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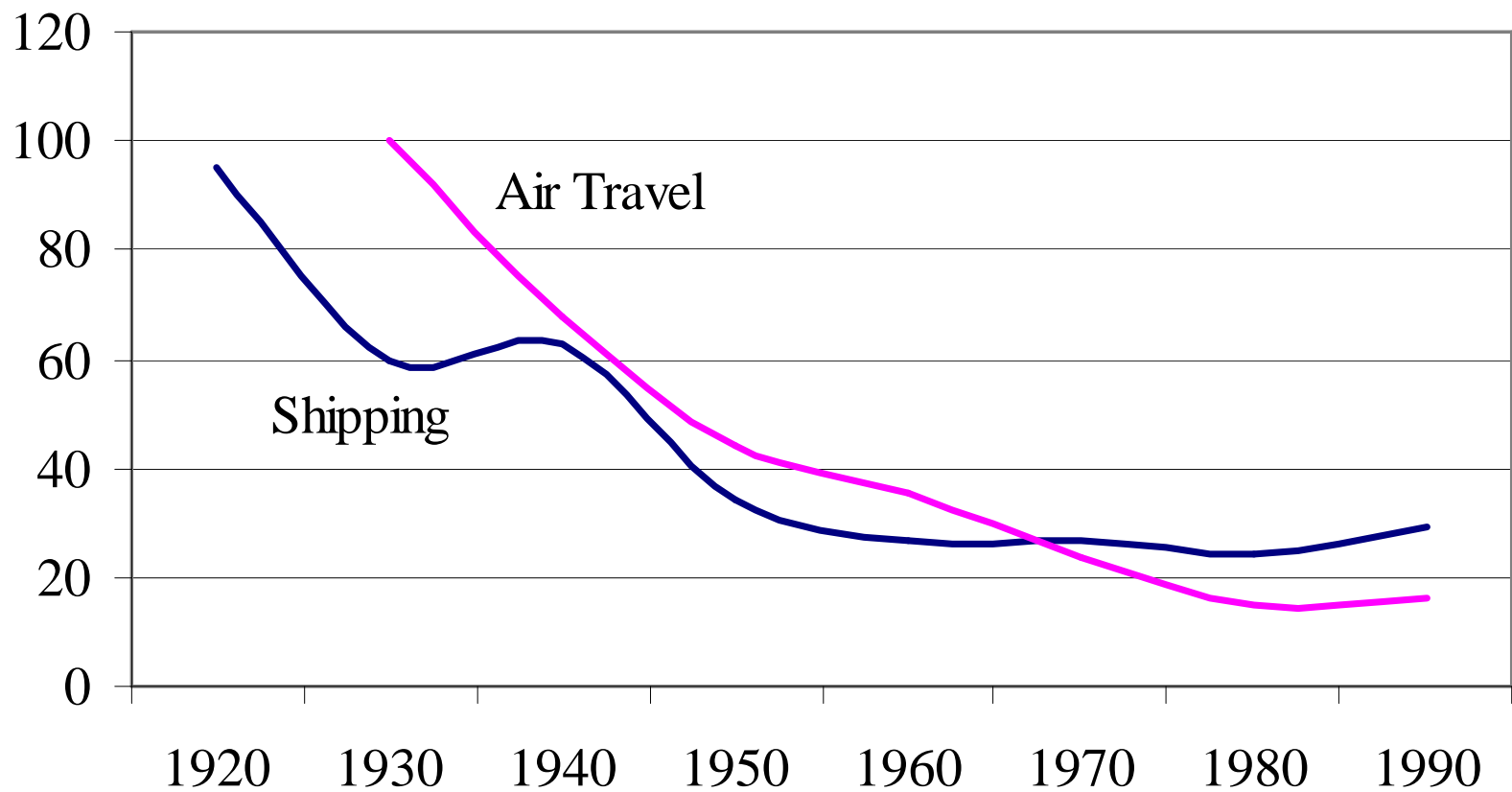
- ‘Stateless Corporations’



The Death of
Distance –
Call Centers
in India

Transportation Costs

Transportation Costs Index



III. Levels of Globalization

▶ A. Eras of Globalization

- First Era of Globalization (about 1870-1914)
- Interwar Period (1920-1939)
- Cold War Era (1945-1989)
- Second Era of Globalization (1989-Present)

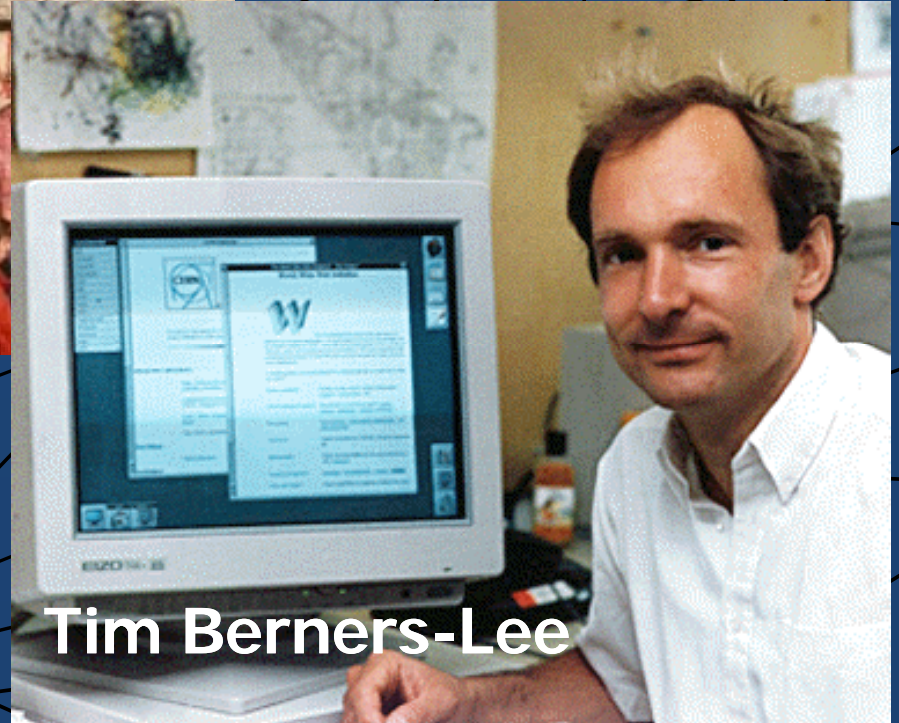
▶ Difference Between Eras of Globalization

- Trade and Finance
- Technology and Communication
- Political System and Immigration

The Second Era of Globalization Begins



The wall(s)
comes down...



Tim Berners-Lee

...and the (World Wide)
Web goes out.

IV. Questions for a Globalized Economy

- ▶ The extent of globalization - How *globalized* is the world economy?
- ▶ Inevitable or contingent - Can globalization be *reversed*?
- ▶ Positive or negative - Is globalization a *Good Thing*?

