

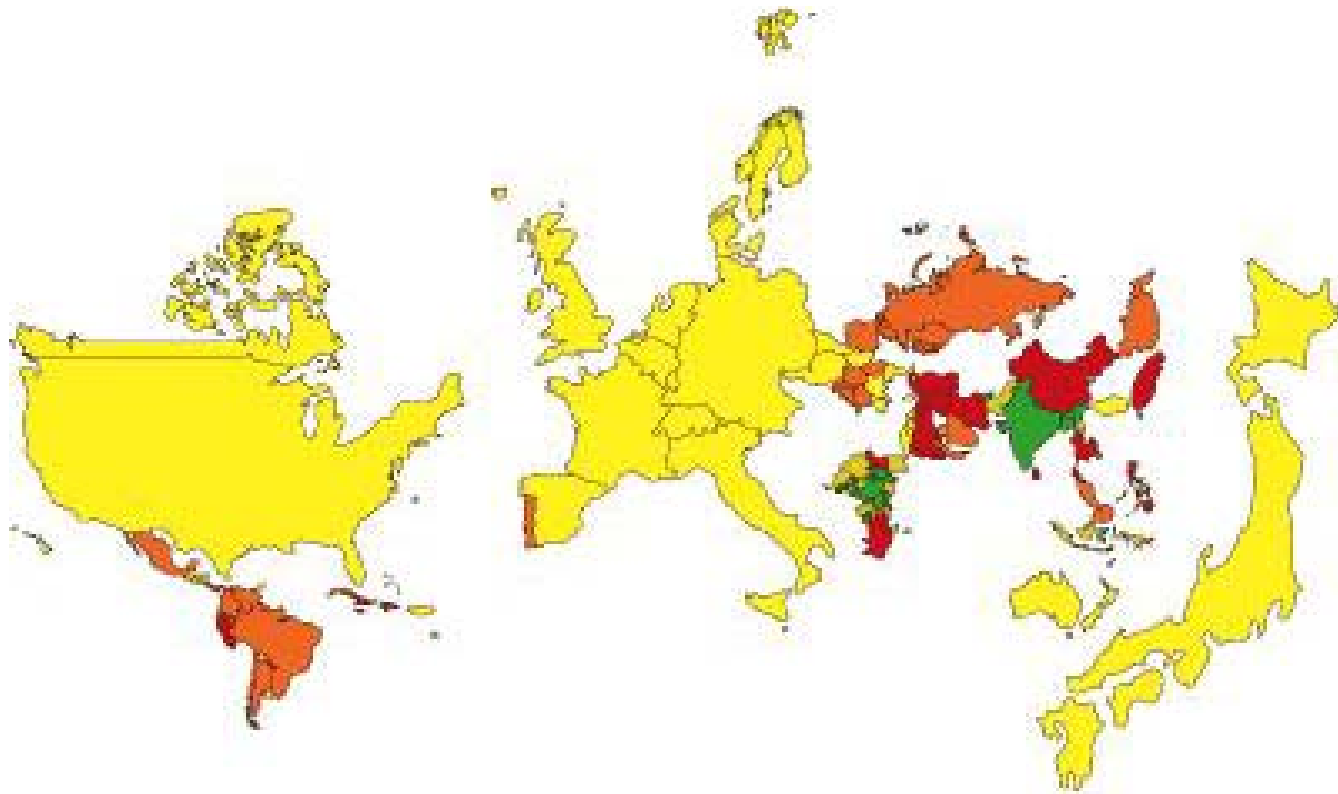
The Origins of Globalization

- I. The Importance of Globalization
- II. Age of Empires (Globalization 1.0)
- III. *Pax Britannica* (Globalization 2.0)
- IV. Interwar Years and Collapse
- V. *Pax Americana* (Globalization 3.0)
- VI. Explanations and Current Crisis

I. Importance of Globalization

- **International Political Economy** : The study of the intersection of states and markets
 - How changes state power alter market structures
 - How changes in market structures alter state power
- **Market**: economic structure where outcomes are determined by prices
- **Opportunity Cost**: trade-off (loss) of ANY economic decision
- **Q**: Which combination of state & market works best?
 - Current debate over the stimulus package

World Map Scaled by Income



Map of the World, Scaled to Wealth, 1995

II. The Age of Empires (Globalization 1.0)

- European Dominance – Why?
 - Competitive Nation-States
 - Development of Commercial & Financial Markets
 - Enlightenment and Technological Development
- Mercantilism and Colonial Expansion
 - Zero-Sum Game

“That belongs to us now...”



III. *Pax Britannica* (Globalization 2.0)

- Hegemonic Stability Theory
- Elements of the *Pax Britannica*
 - Security – ‘Britannia Rules the Waves’
 - Markets – Unilateral Free Trade
 - Common Currency – Pound/Gold Standard
 - Loans – Early Industrialization and Surplus
- Sources of British Decline

You need an umbrella
when the sun never sets.



IV. Interwar Years and Collapse

- Reparations and International Payments
- Demise of the Gold Standard
- Wall Street Collapse
- Domestic Squeezing
- Beggar-Thy-Neighbor' Trade Policies
 - Smoot-Hawley Tariff (1930)
- Collapse of the Global Economy

Hawley and Smoot look
to a grim future



V. Pax Americana (Globalization 3.0)

- The Bretton Woods System
- Fixed Exchange Rates (Dollar Standard)
- Multilateral Free Trade (GATT)
- International Lending (IMF/World Bank)
- The 'Golden Age of Growth'
- Breakdown of Bretton Woods
- Economic Revival and Renewed Globalization

“Smile – the future will be brighter.”



US delegation to the Bretton Woods Conference

VI. Explanations and Current Crisis

- Competing Explanations of Change
 - Realist
 - Liberal
 - Identity
- The Current Crisis



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