

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:

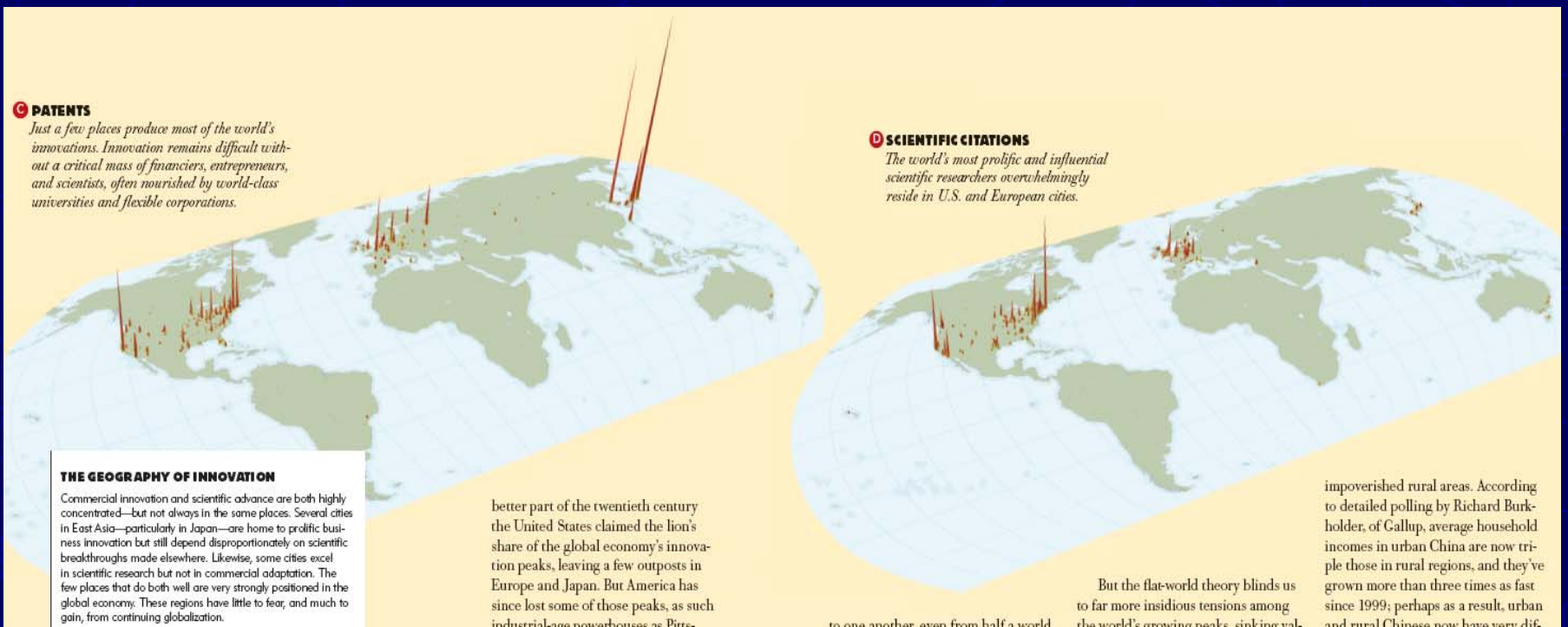
- ▶ “...the expanding scale, growing magnitude, speeding up and deepening impact of transcontinental flows and patterns of social interaction.” (Held and McGrew, *Globalization/Anti-Globalization*, p. 1)
- ▶ “...(the) integration of national economies into the international economy through trade, direct 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" v. Ricard Florida's "Spiky World"



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'

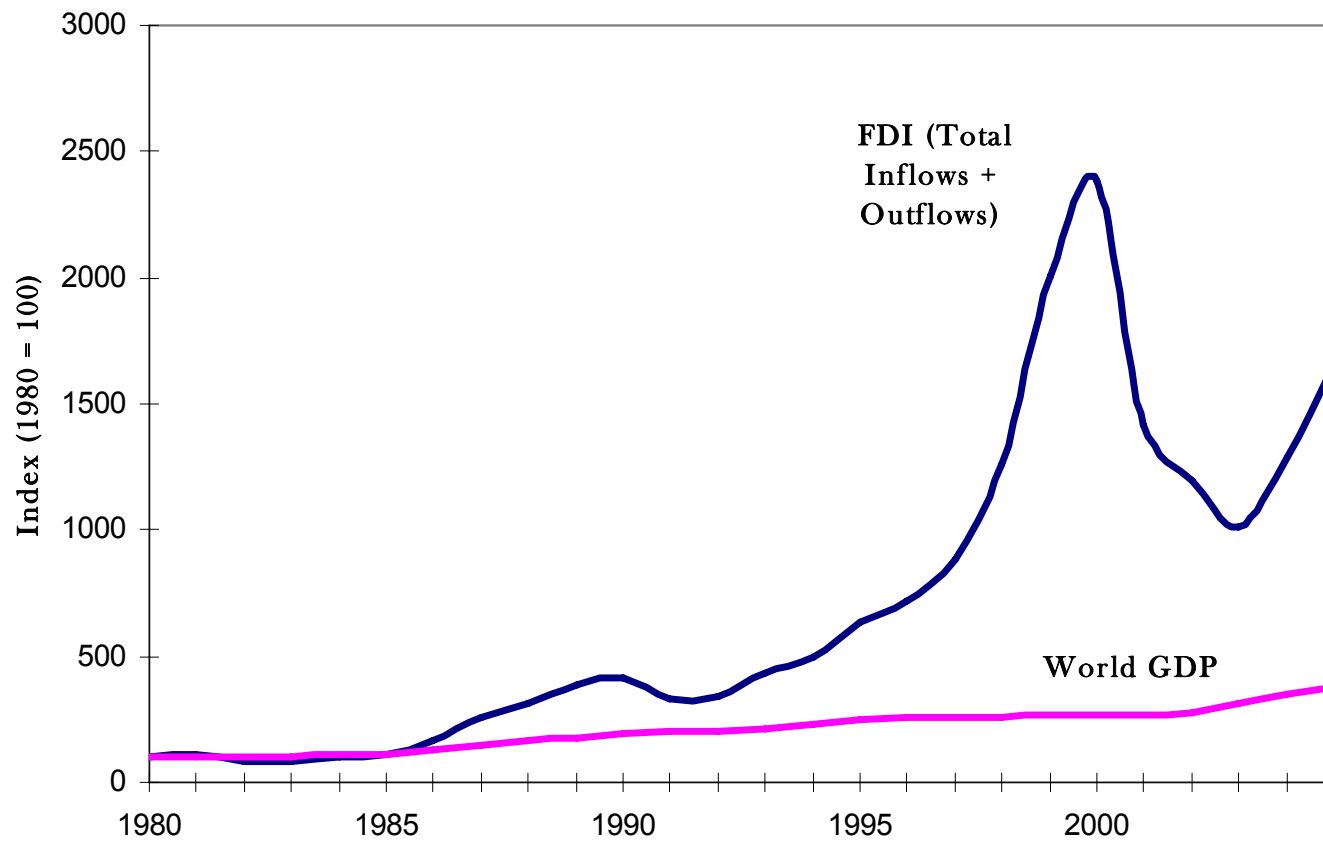


Growth in World Trade



Growth in Global Investment

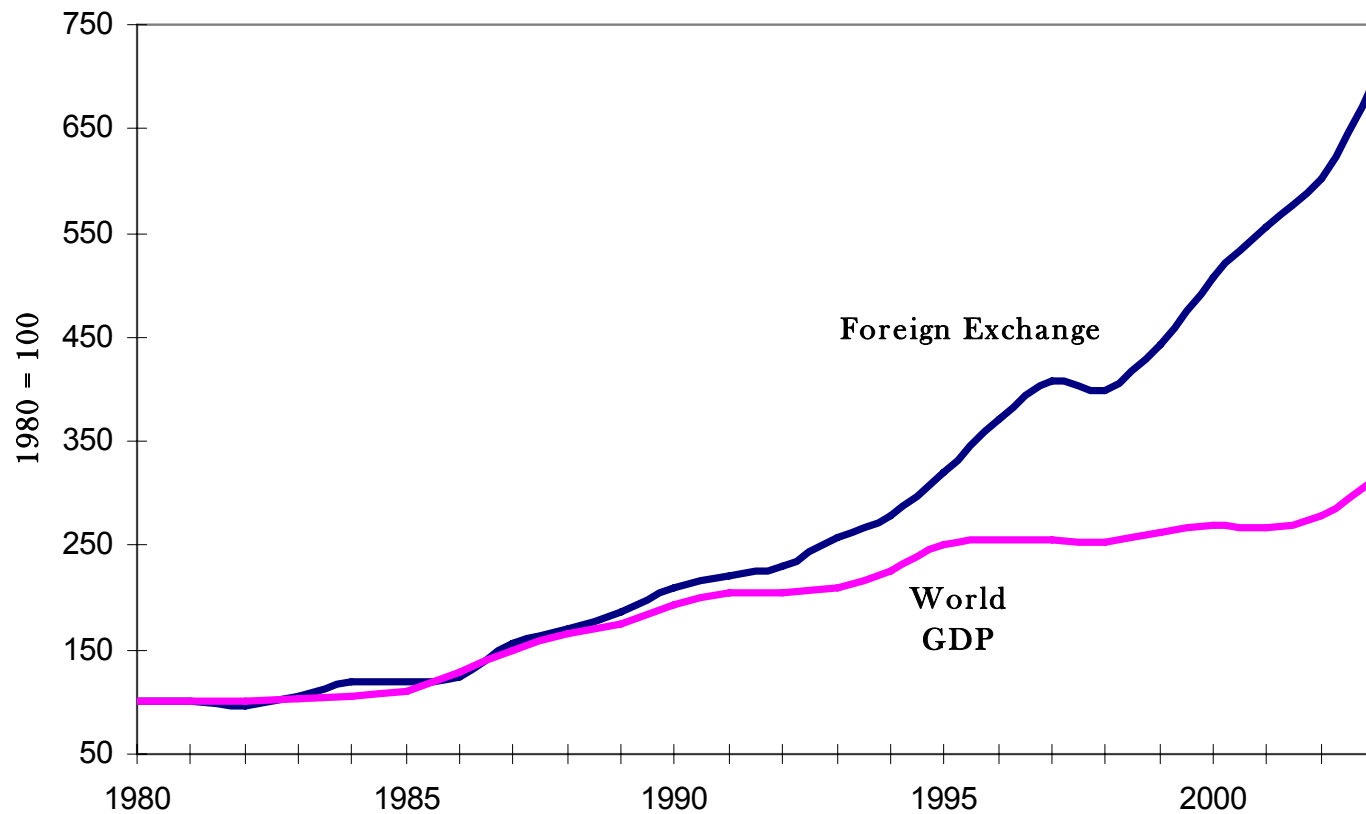
World FDI and GDP Growth, 1980-2005



SOURCE: UNCTAD, IMF

Growth in Foreign Exchange

Increase in Foreign Exchange and World GDP, 1980-03



Source: IMF, International Financial Statistics

II. Sources of Globalization

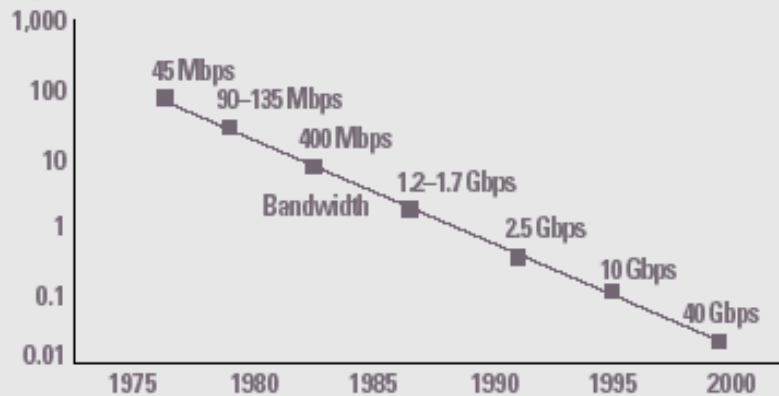
- ▶ Internationalization of Economic Activity
 - Trade & Finance
- ▶ Global Liberalization
 - Domestic and International
- ▶ Technological Changes
 - IT Revolution (Speed and Cost)
- ▶ Improvements in Transportation
 - EX: Containerized Shipping
- ▶ Globalized Production Structures
 - ‘Stateless Corporations’



Costs of Information Technology

FIGURE 1 COST TRENDS IN OPTICAL FIBER TRANSMISSION

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

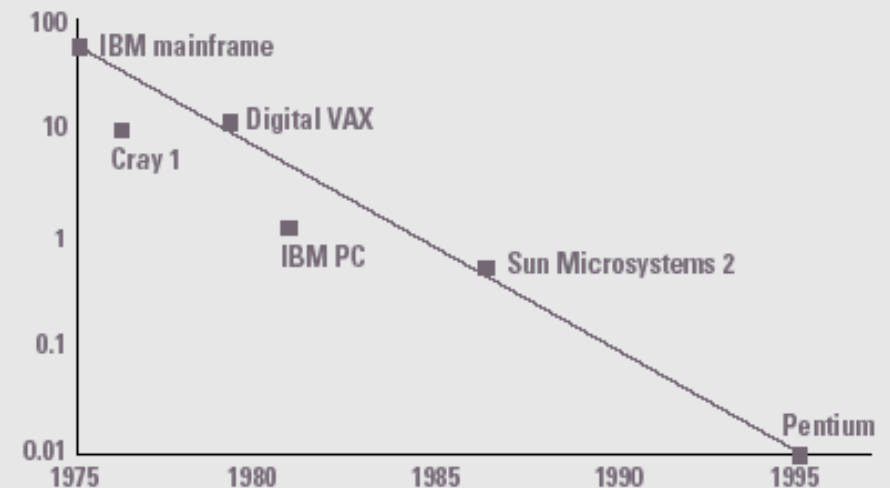


Note: Mbps is megabits per second; Gbps is gigabits per second.
Source: AT&T data.

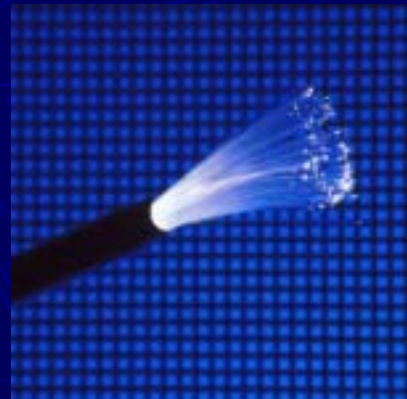


FIGURE 2 PRICE TRENDS IN INFORMATION PROCESSING

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



Source: World Bank compilation based on industry data.



Death of Distance

Call Centers in India



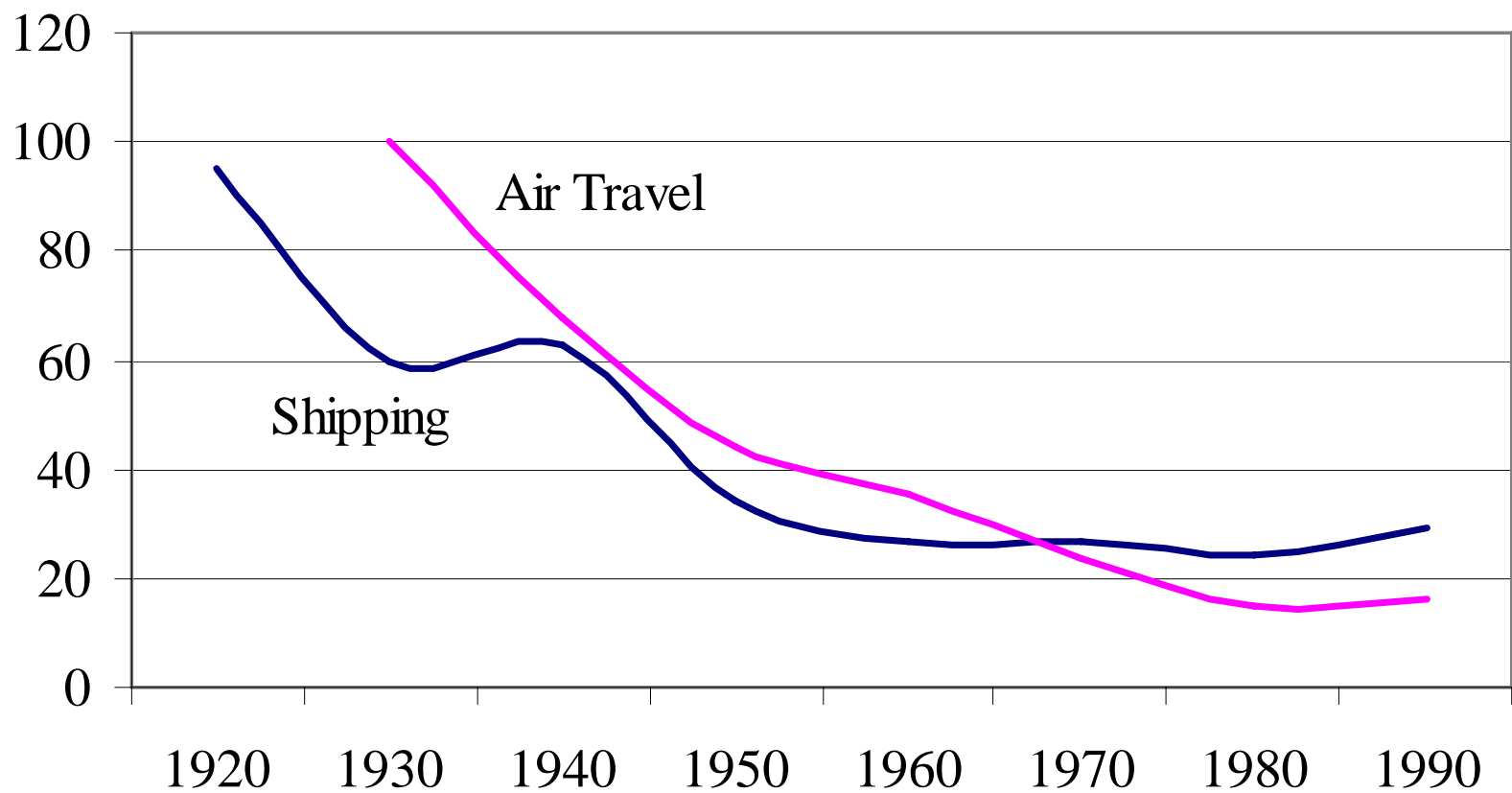
II. Sources of Globalization

- ▶ 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’



Transportation Costs

Transportation Costs Index



III. Levels of Globalization

▶ A. Eras of Globalization

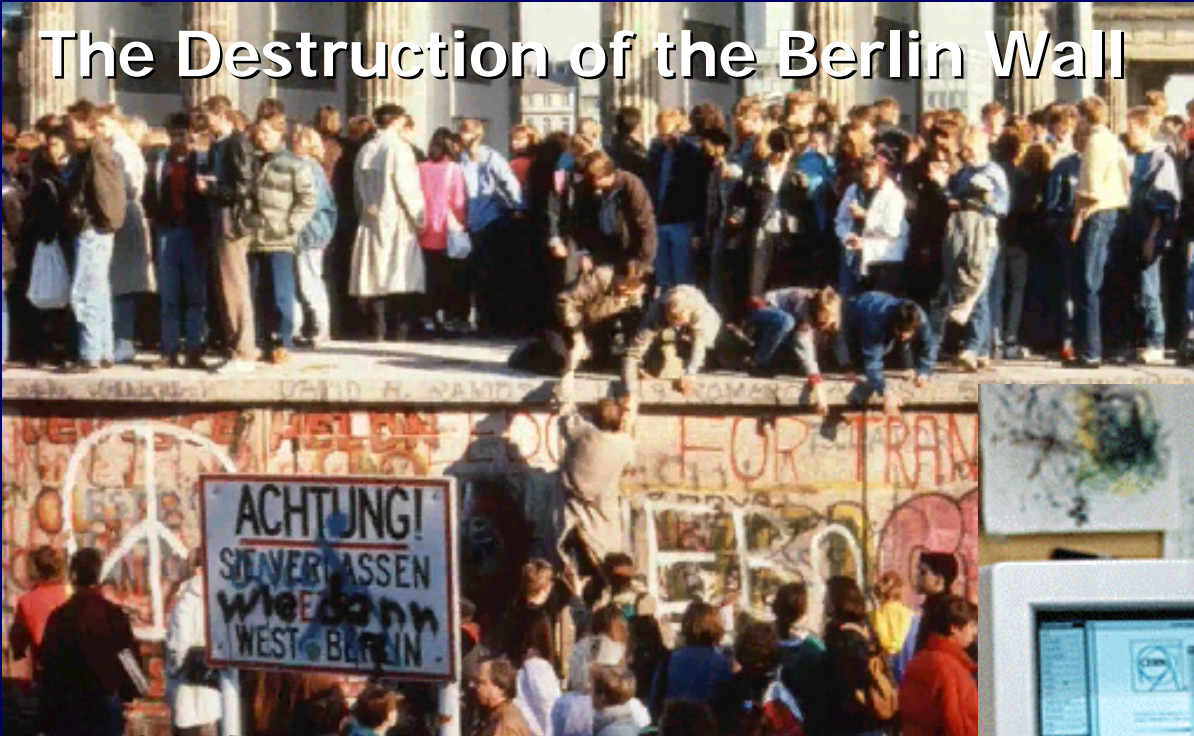
- First Era of Globalization (about 1870-1914)
- Interwar Period (1920-1939)
- Cold War Era (1945-1989)
- Second Era of Globalization (1989-Present)

▶ Difference Between Eras of Globalization

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

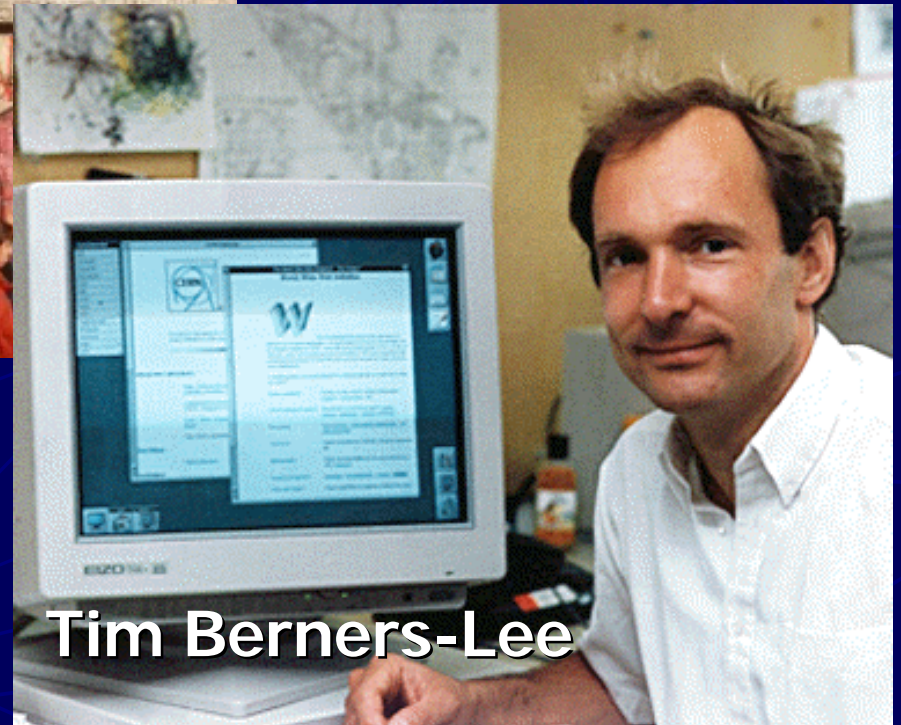
The Second Era of Globalization Begins

The Destruction of the Berlin Wall



The walls
come down...

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



Tim Berners-Lee

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*?