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 an 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. Richard 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

A trader’s era
World GDP and trade, 1950–100

Source: World Trade Organisation
Growth in Global Investment

World FDI and GDP Growth, 1980-2005

FDI (Total Inflows + Outflows)

World GDP

SOURCE: UNCTAD, IMF
Growth in Foreign Exchange

Increase in Foreign Exchange and World GDP, 1980-03

Source: IMF, International Financial Statistics
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Costs of Information Technology

**Figure 1** Cost trends in optical fiber transmission

- Index of transmission cost per bits per second per kilometer (log scale)
- 1975: 45 Mbps
- 1980: 90–135 Mbps
- 1985: 400 Mbps
- 1990: 1.2–1.7 Gbps
- 1995: 2.5 Gbps
- 2000: 10 Gbps
- 2001: 40 Gbps

*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)
- 1975: IBM mainframe
- 1980: Cray 1
- 1985: Digital VAX
- 1990: IBM PC
- 1995: Sun Microsystems 2
- 1996: Pentium

*Source: World Bank compilation based on industry data.*
Death of Distance
Call Centers in India
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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*?