Globalization

I. Globalization Defined
II. Sources of Globalization
III. Eras of Globalization
IV. Questions for a Globalized Economy
WTO Protest, Seattle 1999
I. Globalization Defined

- **Globalization**: 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)

- **(Economic) Globalization**: “... (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, p. 3)
The Definition Refined

Globalization encompasses:

- Internationalization (trade & investment)
- Liberalization (freeing markets)
- Universalization (cultural interchange)...
or...
- Westernization (Western cultural dominance)

Globalization as “Deterritorialization”
Which is the Real 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’ (DaimlerChrysler)
Growth in World Trade

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

Volume of exports

GDP

Source: World Trade Organisation
Growth in Global Investment

Figure 3: World Gross FDI and World GDP Growth, 1980-2002

Source: UNCTAD, FDI Database
Growth in Foreign Exchange

Figure 2: Growth of World Foreign Exchange and World GDP, 1980-02

Source: IMF, International Financial Statistics
Costs of Information Technology

**Figure 1** Cost Trends in Optical Fiber Transmission

- Index of transmission cost per bit per second per kilometer (log scale)
- 1000
- 100
- 10
- 1
- 0.1
- 0.01

- 45 Mbps
- 90–135 Mbps
- 400 Mbps
- Bandwidth
- 1.2–1.7 Gbps
- 2.5 Gbps
- 10 Gbps
- 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)
- 100
- 10
- 1
- 0.1
- 0.01

- IBM mainframe
- Cray 1
- Digital VAX
- IBM PC
- Sun Microsystems 2
- Pentium

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

Transportation Costs Index

Air Travel

Shipping

III. Levels of Globalization

► A. Eras of Globalization
  ▪ First Era of Globalization (about 1850-1914)
  ▪ Interwar Period (1920-1939)
  ▪ Cold War Era (1945-1989)
  ▪ Second Era of Globalization (1989-Present)

► Differences of Current Era of Globalization
  ▪ Trade
  ▪ Finance
  ▪ Technology
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

► Does globalization enrich the many or the few?
► Does it help or harm workers? the environment?
► Is it a source of freedom or a barrier to freedom?
► What role for the governments?
► Is globalization inevitable?

Overall, is globalization a positive or a negative development???