Who sets the rules of the game?

Multilateral institutions and agreements – government policy options, loan conditionalities, social and environmental goals … (WTO, WB, IMF, etc.)

National and local governments – taxes, legal system, tariffs, subsidies, education, joint ventures, environmental and labor laws, etc.

Corporations – wages, working conditions, philanthropy, negotiation tactics, investment of profits, etc.

Others?
What types of rules?

• Open
• Protect
• Attract investors
• Capture and distribute benefits
• Reduce risk
• Defend non-market values

What’s so different? A previous era of globalization

“‘The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole earth ... he could at the same moment and by the same means adventure [invest] his wealth in the natural resources and new enterprises of any quarter of the world.’ And [he] ‘regarded this state of affairs as normal, certain, and permanent, except in the direction of further improvement ... The projects and politics of militarism and imperialism, of racial and cultural rivalries, of monopolies, restrictions, and exclusion ... appeared to exercise almost no influence at all on the ordinary course of social and economic life, the internationalization of which was nearly complete in practice.’”

(John Maynard Keynes, 1919, as cited by Krugman in The New York Times, 08.14.08)

What is Globalization?

1. What are the characteristics of the current period of globalization, and how does it differ from past global eras?
2. What are the drivers behind this globalization?
3. What are the key controversies surrounding the current global era?

What’s so different? A previous era of globalization

Previous era of globalization = ~mid 1800s to 1920s

• relatively free trade
• few restrictions on migration
• few regulations on capital flows
• technological innovation
What’s so different? A previous era of globalization

Manufacturing Exports as a Share of GDP (10 industrial country average)

<table>
<thead>
<tr>
<th>Year</th>
<th>Share of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>1790</td>
<td>5%</td>
</tr>
<tr>
<td>1808</td>
<td>7%</td>
</tr>
<tr>
<td>1870</td>
<td>12%</td>
</tr>
<tr>
<td>1913</td>
<td>14%</td>
</tr>
</tbody>
</table>


ANGLO-AMERICAN COMMODITY PRICE CONVERGENCE

<table>
<thead>
<tr>
<th>Commodity</th>
<th>Markets</th>
<th>1870</th>
<th>1895</th>
<th>1913</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wheat</td>
<td>Liverpool/Chicago</td>
<td>0.576</td>
<td>0.178</td>
<td>0.156</td>
</tr>
<tr>
<td>Meat</td>
<td>London/Cincinnati</td>
<td>0.925</td>
<td>0.923</td>
<td>0.179</td>
</tr>
<tr>
<td>Textiles</td>
<td>Boston/Manchester</td>
<td>0.137</td>
<td>0.037</td>
<td>-0.036</td>
</tr>
<tr>
<td>Iron</td>
<td>Philadelphia/London</td>
<td>0.750</td>
<td>0.434</td>
<td>0.206</td>
</tr>
<tr>
<td>Cotton</td>
<td>Liverpool/New York</td>
<td>0.133</td>
<td>0.112</td>
<td>0.097</td>
</tr>
<tr>
<td>Copper</td>
<td>Philadelphia/London</td>
<td>0.327</td>
<td>0.136</td>
<td>-0.001</td>
</tr>
<tr>
<td>Wool</td>
<td>Boston/London</td>
<td>0.591</td>
<td>0.659</td>
<td>0.279</td>
</tr>
<tr>
<td>Tin</td>
<td>New York/London</td>
<td>0.159</td>
<td>0.053</td>
<td>-0.023</td>
</tr>
</tbody>
</table>


What’s so different? A previous era of globalization

Ocean Freight Rates


What’s so different? A previous era of globalization

Railroad Kilometers by Region, 1870 and 1913


The current era

Growth in trade exceeds growth in output


Immigration to the U.S. over time

Source: https://www.marketplace.org/2016/06/20/world/peak-trade-globalization-krugman

The current era

Have we now reached peak trade?

Annual Global Trade and GDP Growth (1990-2015)

Source: https://www.marketplace.org/2016/06/20/world/peak-trade-globalization-krugman
**The current era: Time-space compression**

**Travel Time for a Round the World Journey**

- Wooden Sailing Ship / 2 years
- Steamship / 2 months
- Early Airplane / 2 weeks
- Jet Airplane / 2 days

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**The current era: Communications advances**

**Internet Connectivity by country, 1991-2002**

The Internet began in 1983 in an academic and military research in the United States and it reached relatively slowly until the mid-1990s, after its applications in business, entertainment, and research began to flourish. Internet connectivity is now one of the main drivers of globalization and information sharing. The way we communicate, do business, obtain information, and so on. This revolution has set new standards and pushed the boundaries of what is possible with the power of the Internet.

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**The current era: Unevenness remains**

**Travel time to major cities**

Accessibility varies significantly, from local development to global access.

- “Accessibility to certain or all places from local development.”
- “Accessibility to some places from local development.”
- “Accessibility to most places from local development.”
- “Accessibility to all places from local development.”

---

**The current era: Unevenness remains**

**Internet Population and Penetration**

- Internet Population: 1,000,000 users
- Internet Penetration (%):
  - ≥90
  - 60 - 90
  - 40 - 60
  - 20 - 40
  - ≤20

By: [Source](https://www.worldbank.org)

Data source: Worldbank Data, 2011

by: [Source](https://www.geography.com)

October 2017: Geography for all, Inc.
The current era: Global rules

GATT/WTO
Signatories and Observers, 1948-2000

The current era: Global rules

WTO membership

Outward FDI Flows, 1980 vs. 2000

Global Production Network for HP ProLiant ML150 Server

1 Idea for product hatched in Singapore
2 Concept approved in Houston
3 Concept design done in Singapore
4 Engineering design in Taiwan, where many computer components are made; initial manufacture by a Taiwanese contractor
5 Final assembly in Singapore, Australia, China, and India. Products made in Australia, China, and India are primarily for those markets; machines made in Singapore go to all of Southeast Asia.
What’s so different?

- On-going annihilation of distance/time-space compression
- Different international division of labor? (no longer the same core-periphery system)
- More protectionism than during previous era?
- Greater risk of financial contagion?