GLOBALIZATION

Lecture Overview

- Definitions
- Questions regarding “globalization”
- From “Keynesian Consensus” to “Washington Consensus”
- The World is Flat
- Dissenting Views

What is "globalization"?

- Anthony Giddens: linking distant localities
- Frederic Jameson: Enlargement of communication and market
- Roland Robertson: consciousness of the world
- James Mittelman: compressed time and space
- Globality (condition) vs. Globalization (process)

Manfred Steger

- Globalization: a *multidimensional* set of *social* processes that create, multiply, stretch, and intensify worldwide social *interdependencies* and exchanges, while at the same time fostering in people a growing *awareness* of deepening connections b/w the local and the distant.

Friedman's Definition of Flatness

"The net result of this convergence was the creation of a global, Web-enabled playing field that allows for multiple forms of collaboration -- the sharing of knowledge and work -- in real time, without regard to geography, distance, or, in the near future, even language. No, not everyone has access yet to this platform, this playing field, but it is open today to more people in more places on more days in more ways than anything like it ever before in the history of the world. **This is what I mean when I say the world has been flattened."**

Source: Friedman, *The World is Flat*, pp. 176-177.

Questions regarding “globalization”

- Is globalization a really new phenomenon?

- No, the world had been connected during the colonial era.
- Yes, the connectedness is more intense due to technology

2 Globalizations

- **Globalization 1.0 (1850-1914)**
- Inter-war years (1920-1939)
- Cold War (1947-1989)
- **Globalization 2.0 (1989-present)**

- Differences – technology, speed, scale, scope

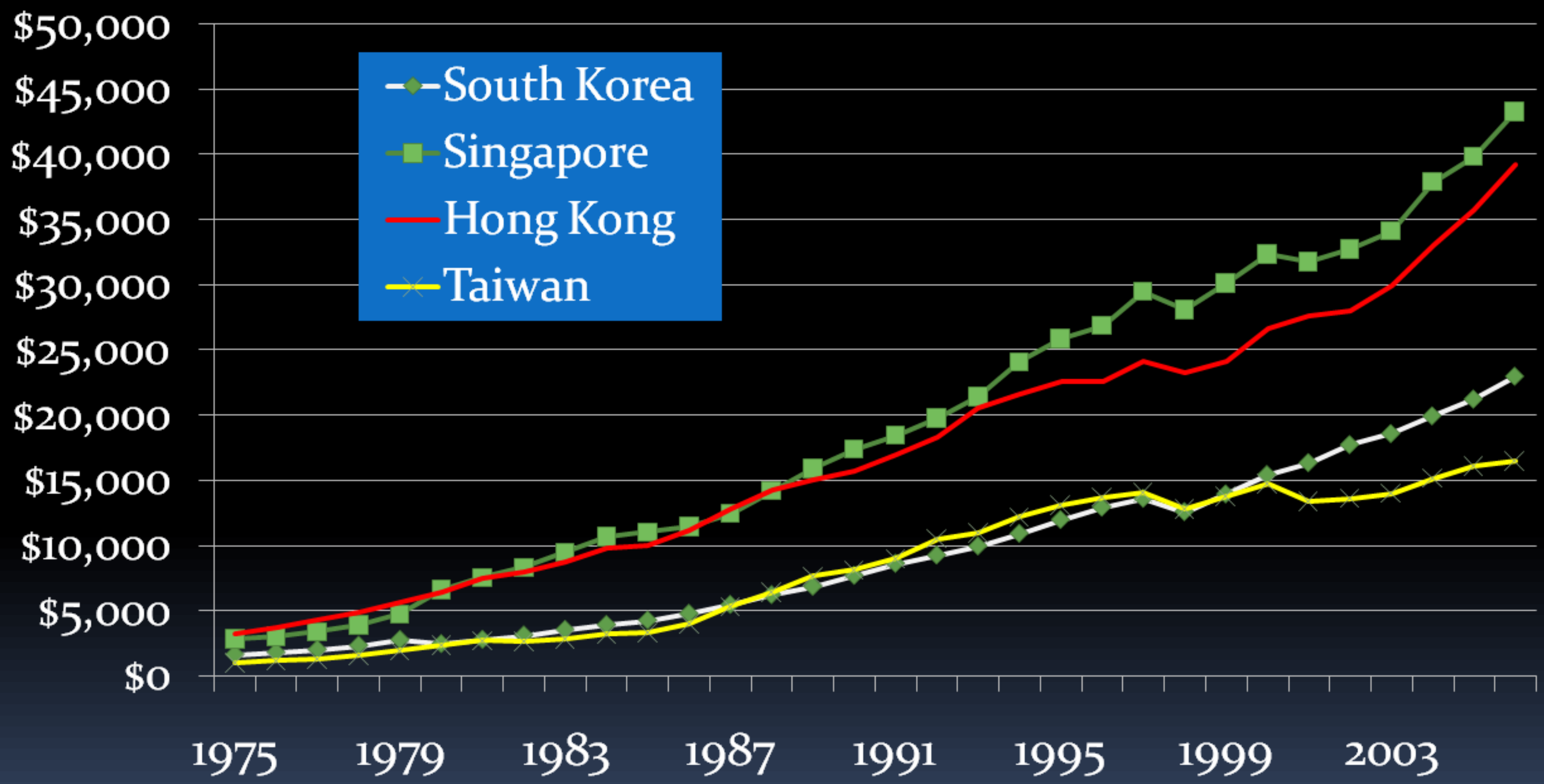
Questions regarding “globalization”

- Is globalization really global?

- No, it’s uneven, happening only in some regions.

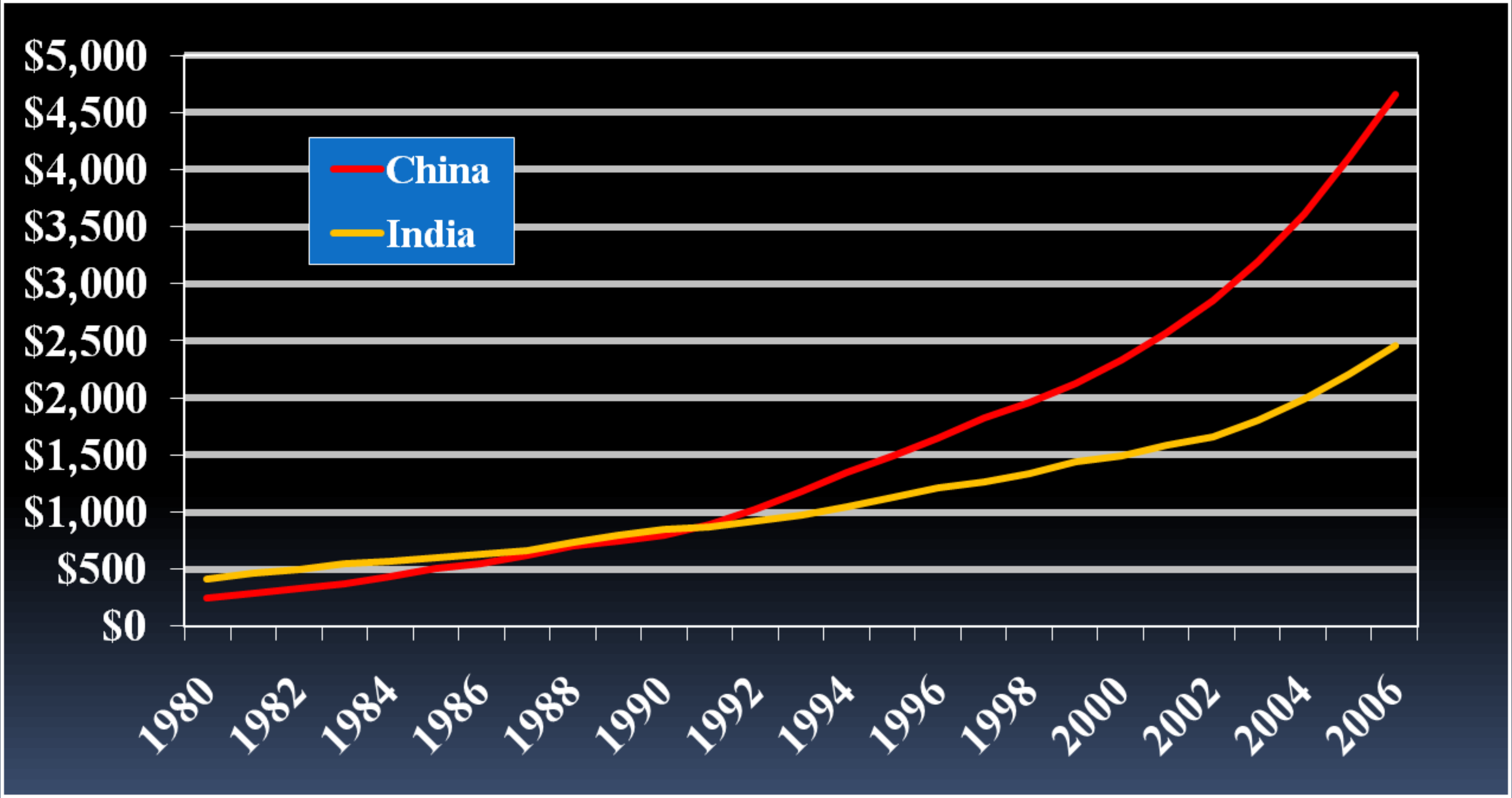
John Zysman: Globalization emerged only with the rise of East Asia !

Per Capita Income in the Four Asian Tigers, 1975-2006



Sources: *World Development Indicators 2008*; and (for Taiwan only) *Taiwan Economic Statistics 6 (May 2008).* The data for Taiwan are GNP per capita; for the others GDP per capita at purchasing power parity.

Per Capita Income in China and India, 1980-2006



Source: *World Development Indicators 2008.*

From Keynesian Consensus to Washington Consensus

- Post-WW II: The Bretton Woods System since 1944

- Stable monetary system
- IMF, WB, GATT
- Restrained capitalism for social democracy and welfare state * state intervention is allowed"

- 1971 Nixon Shock
- The 1970s Recession – stagflation, high unemployment → limit of welfare state

Toward globalization

- The 1980s Neo-liberalism: privatization, deregulation, liberalization

  * Washington Consensus (1989)

  → internationalization of trade and finance
- The 1990s ICT → more growth in int'l economic transactions
- 1997-98 The Asian Financial Crisis

Washington Consensus (John Williamson)

1) Fiscal policy discipline, with avoidance of large fiscal deficits relative to GDP;
2) Redirection of public spending from subsidies toward pro-growth, pro-poor services like primary education, primary health care and infrastructure investment;
3) Tax reform, broadening the tax base and adopting moderate marginal tax rates;
4) Interest rates that are market determined and positive (but moderate) in real terms;
5) Competitive exchange rates;

Washington Consensus (cont.)

6) Trade liberalization : elimination of quantitative restrictions (licensing, etc.); uniform tariffs;

7) Liberalization of inward foreign direct investment;

8) Privatization of state enterprises;

9) Deregulation: on market entry or competition (except for those justified on safety, environmental and consumer protection grounds) and prudent oversight of financial institutions;

10) Legal security for property rights.

Neo-Liberal Globalization

1970s
- Experiment in Chile

1980s
- Applied in UK, US, LA
- Washington Consensus (1989)

1990s
- WTO (1995)

2000s
- FTA

- individual freedom and free market economy
- limited state role, esp. in market intervention
- pro-growth, pro-competition policy
- individual property rights

4 Aspects of Globalization

1. Internationalization
2. Technological revolution
3. De-territorialization
4. Liberalization

Globalization: Economic Dimension

- Internationalization of trade, finance, and investment
- Power of MNCs
- Int’l economic institutions

☼ yet, much link to political dimension

Globalization: Political Dimension

1) Withering nation state?: Susan Strange vs. Linda Weiss

2) What is the relationship b/w domestic/national political forces and int'l market?

3) Is global governance emerging?

1) Withering nation state?

On policy autonomy and sovereignty

- State has diminishing capability to control, e.g. on fiscal, monetary, tax/tariff, and even communication.
- State has more obligation to comply w/ int’l institutions/agreements
- Yet, state remains important on education, infra-structure, and migration, as well as national security.

Strong States and Weak States

- Powerful/wealthy states have more policy autonomy and can push for global rules more.
- Strong States = rule makers
- Weak States = rule takers

2) What is the relationship b/w domestic/national political forces and int’l market?

- Deregulation/liberalization is up to state’s decision.
- Yet, state’s decisions are increasingly subjected to economic interests in the int’l market and the global economic situations.

* Economic and political dimensions are highly interconnected.

3) Is global governance emerging?

- More int'l institutions and supra-national institutions
- Increasing roles of global civil society
- Yet, state remains salient, e.g. the US did not ratify the "Kyoto Protocol"; Asia tends to shy away from institutionalization.

* Multi-layered governance (global-regional-state)

* Who determines? Whose interests? Whose values?

Globalization: Cultural Dimension

- *Western* globalization): Francis Fukuyama's The End of History

→ universal value, global identity

- But "Clash of Civilizations" (Huntington, 1993)
- *Eastern* globalization

Examples of Globalized Culture

- Corporate logos
- The Millionaire, Academy Fantasia
- MTV
- World Music, e.g. Hip-hop, Reggae
- Anime, Manga, Pokemon (J-pop)
- Disneyland, Disneyworld theme parks
- Action movies with little dialogue

The World Flatteners

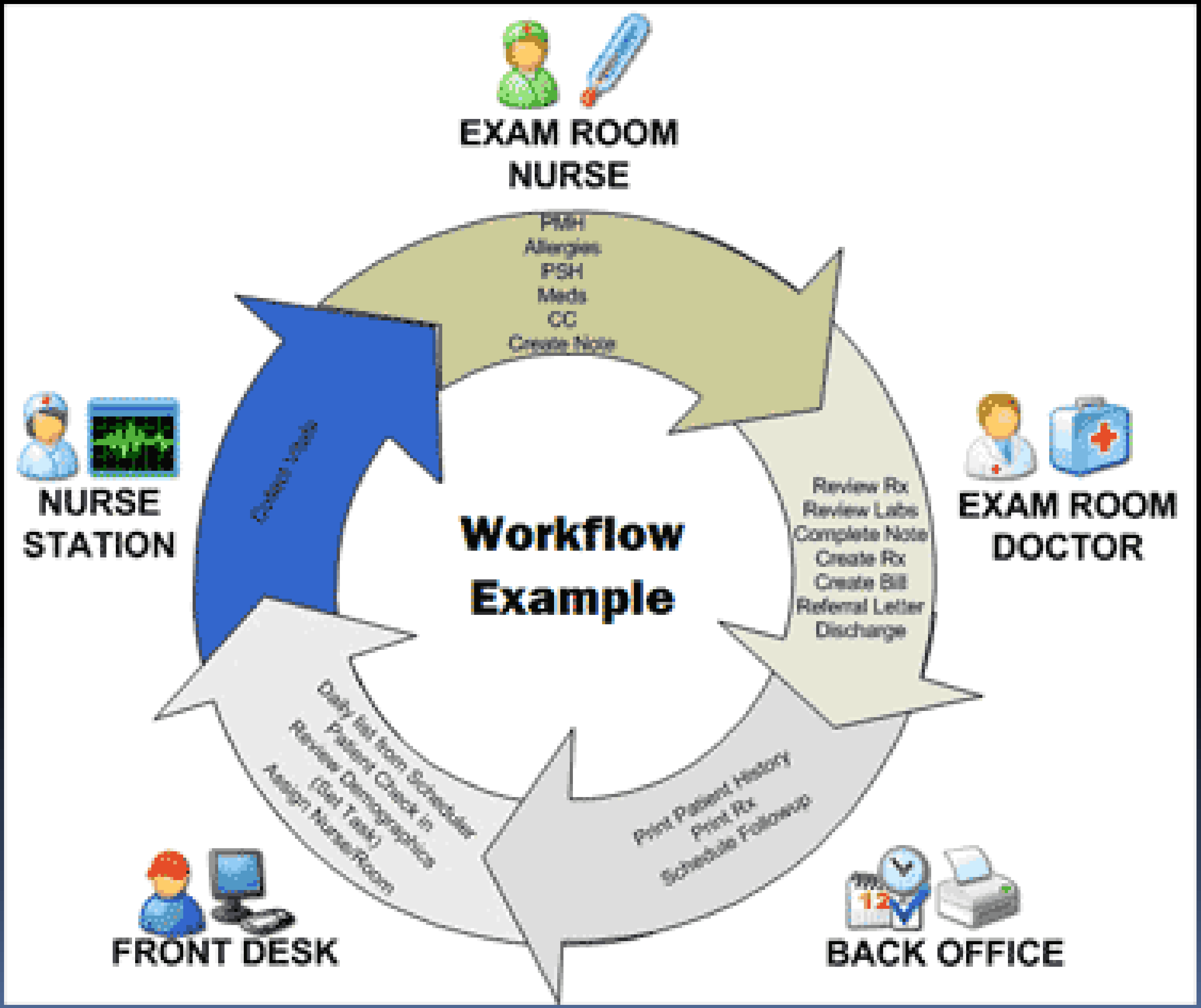
- The end of the Cold War
- The beginning of the “viral marketing”;
- The invention of work flow software and supporting systems;
- The rise of the open source software movement;
- The outsourcing of work by multinational corporations (MNCs) to low-wage workers in India and China;
- The off shoring of certain important operations by MNCs;
- The rise of complex, international supply chains for many products and services;

Source: Friedman, Chapter 2.

Viral Marketing

- The distribution of free software and services to create a platform for selling other things
- Examples:
  - Mosaic and Netscape Navigator
  - Free downloads on iTunes
  - Free distribution of Radiohead album
  - Ads on Google search result pages

Work Flow Software



Outsourcing

- Subcontracting a process, such as product design or manufacturing, to a third-party company
- Example, in 2004 Wyeth Pharmaceuticals transferred its entire clinical testing operation to Accenture Ltd.

Off Shoring

- The relocation of business processes from one country to another
- Examples
  - Assembly of Apple iPods/IPAD in China
  - American Express call centers in India
  - Disk drive manufacturing by Seagate in Singapore
  - Sony LCD TVs manufactured in Korea

Bangalore


INTERNATIONAL
TECH PARK


Srinagar
KINA
Amritsar
PAKISTAN
Delhi
Agra
Varanasi
Kandla
Calcutta
Bhopal
Nagpur
BURMA
Bombay
Hyderabad
Goa
Bangalore
Madras
Cochin
Madurai
500 km

Major Indian Companies in Bangalore

- Infosys
- Wipro

Complex Supply Chains

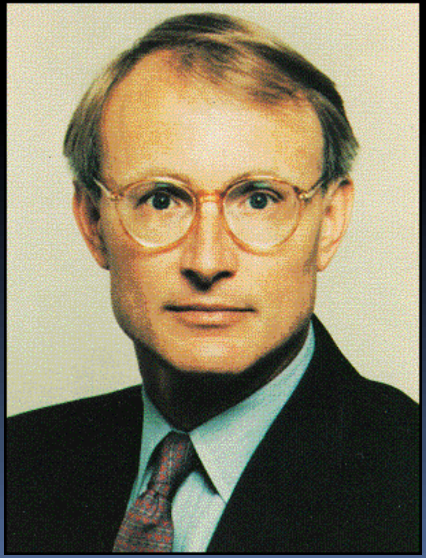
- Definition: system of organizations, people, technology, activities, information and resources involved in moving a product or service from supplier to customer

Supply chain for Cadbury Schweppes chocolate bars

Value Chain

- Concept invented by Michael Porter
- A value chain is more comprehensive than a supply chain because it extends backward to R&D and innovation and forward to commercialization

Michael Porter
Harvard Business School



Dissenting Views

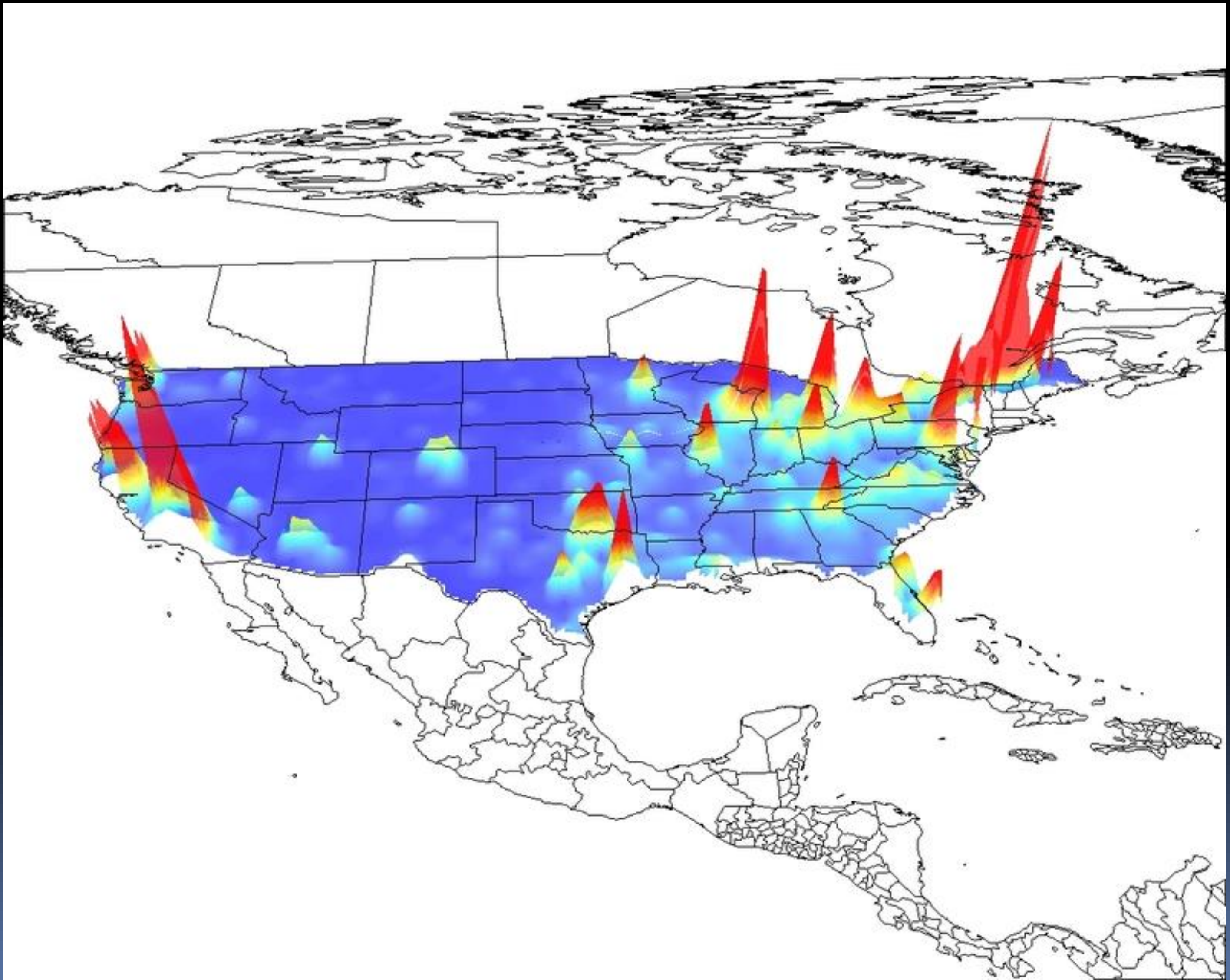
- "Globalization at this point in time is far more about disparities between nations than the assimilation of a flat world." Steven Roach, Chief Economist, Morgan Stanley
- "By any measure, the international economic landscape is not at all flat. On the contrary, our world is amazingly 'spiky.'" Richard Florida, Professor, Carnegie Mellon University

Source: Ronald Aronica and Mtetwa Ramdoo, *The World is Flat? A Critical Analysis of Thomas L. Friedman's NY Times Bestseller*, preface.

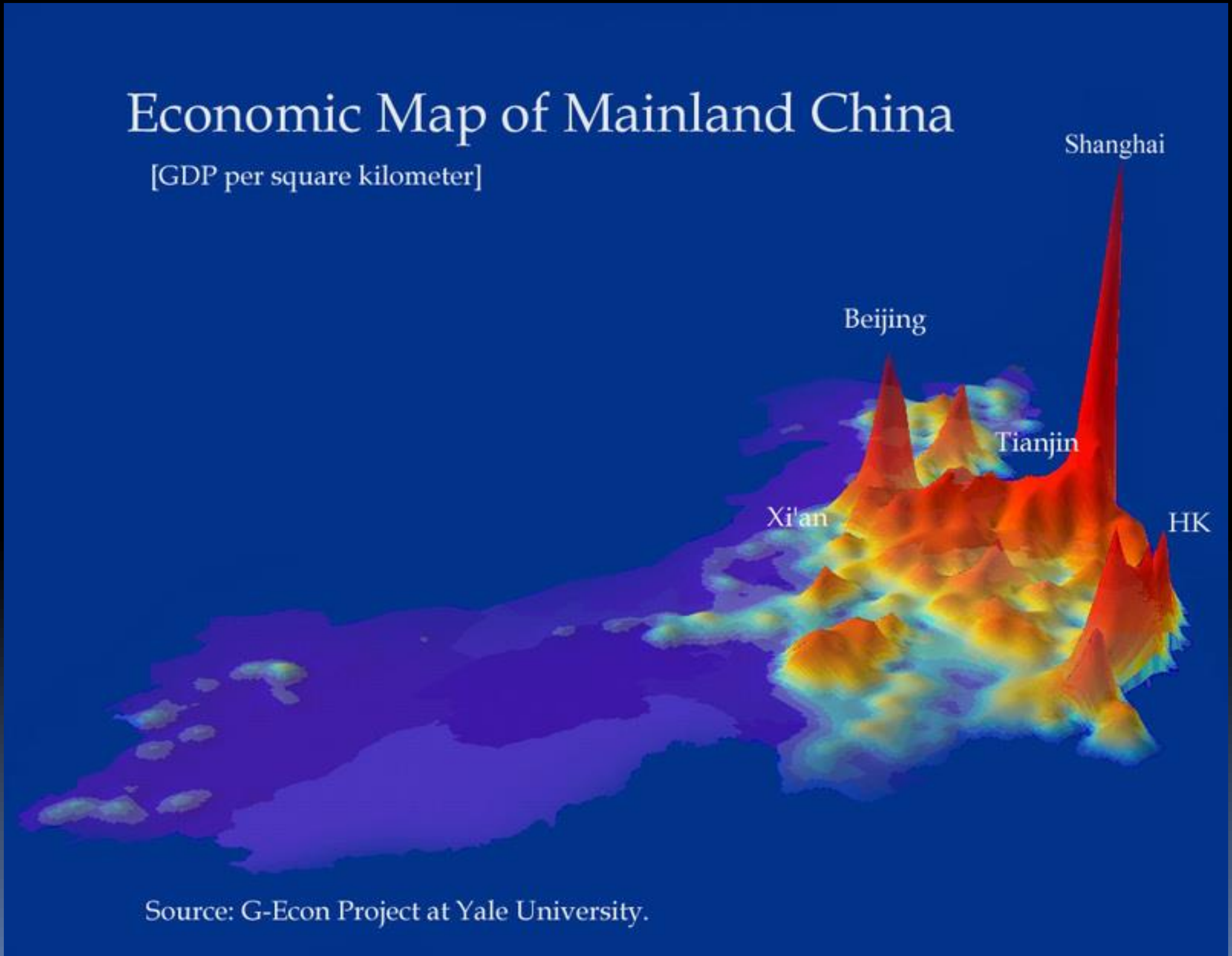
Richard Florida

- Professor at Carnegie Mellon Univ. in Pittsburgh
- Two major books:
  - *The Rise of the Creative Class*
  - *The Flight of the Creative Class*

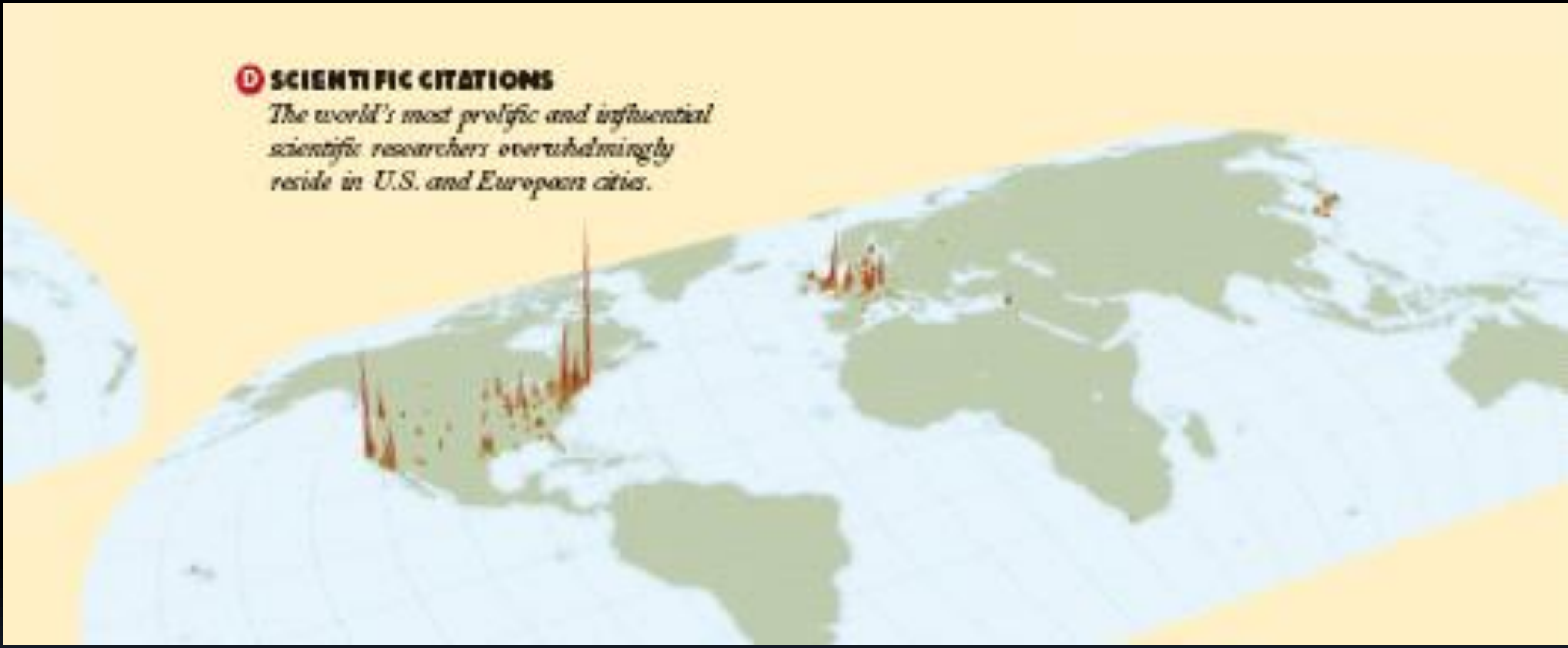
Spikiness in Economic Activity in the United States



Spikiness in Economic Activity in China



Spikiness in Scientific Citations



http://creativeclass.com/rfcgdb/articles/other-2005-The%20World%20is%20Spiky.pdf

Anti-Globalization

- 1999 Seattle WTO
- International NGOs
- New Left
- Joseph Stiglitz vs. Jagdish Bhagwati
- “Commodification”: Cavanagh & Mander, 2004. *Alternative to Economic Globalization*