

PSCI 4012

Global Development

Globalization and Development

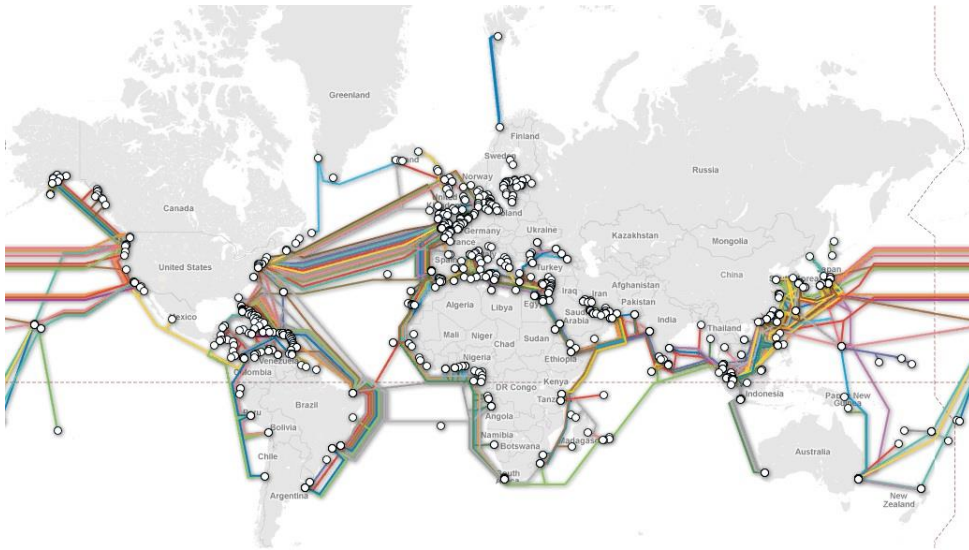
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Today's Plan

- What is globalization?
- What causes globalization?
- How does globalization affect development/underdevelopment?

What is globalization?

Globalization: increasing number of economic, political, and cultural connections between people, groups and governments across state borders



What is globalization?

- Three dimensions of economic globalization:
 - International Trade
 - Investment Flows
 - Immigration

When did globalization start?

- 1492 (Discovery of America),
- 1498 (Vasco da Gama makes an end run around Africa)
- Late 19th century (Transportation revolution)
- Late 20th century (Communication and Internet Revolution)

What is globalization?

Table 5.1  **The Modern Era of Globalization in the Developing World: Three Phases**

Phase	Period	Development
The first global century	1800–1914	Steady increase in trade with and capital flows from the West
The ISI phase	1930–1980	Strict limits against most manufactured imports and capital inflows to foster industrialization
Reintegration	1980–present	Trade and capital market liberalization to reinvigorate exposure to the global economy

What caused globalization?

What caused increasing economic interconnectedness in the last two centuries?

- Technological change
- West's increasing demand of raw materials
- Institutional change – economic liberalization
- The gold standard
- New economic ideas

What caused globalization?

Comparative advantage: a country has a comparative advantage in the production of a good if it has a lower opportunity cost than others

	Hazelnuts	Almonds
A	30	60
B	45	135

Which country has comparative advantage in hazelnuts?

Which country has comparative advantage in almonds?

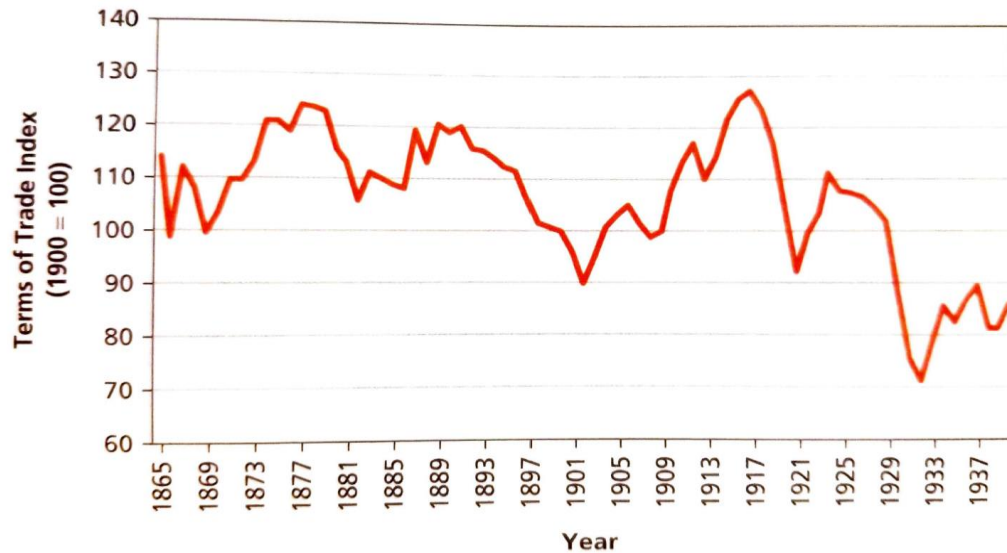
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Is globalization good for LDCs?

- Dependency Theory, World Systems Theory and other critiques of globalization
 - Core-periphery relationship
 - Terms of trade disadvantage
 - Deindustrialization
 - Emergence of a comprador class
 - Increasing growth volatility
 - Increasing debt burden
 - Brain drain

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Figure 5.2 Terms of Trade for the Global Periphery, 1865–1940

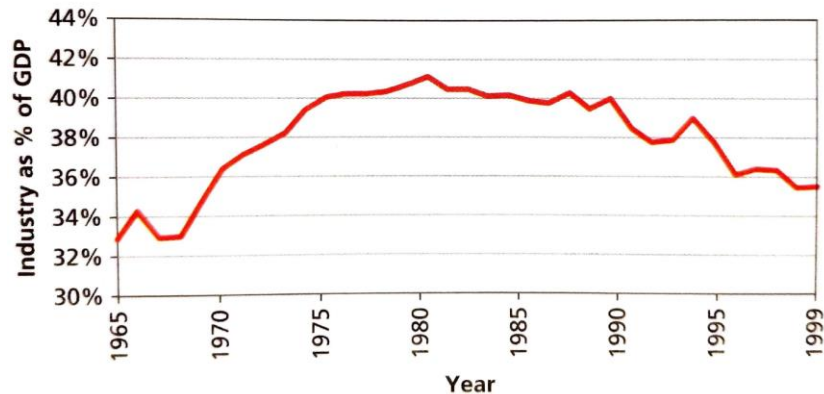


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Globalization and Neocolonialism

Figure 5.4

Industry as a Share of GDP in Upper-Middle-Income Countries, 1965–2000



Source: Data compiled from the World Bank, World Development Indicators, <http://data.worldbank.org/data-catalog/world-development-indicators>.

Globalization and development

Is globalization good for LDCs?

- Pro-globalization camp

- Gains from globalization trump its costs

- It's not globalization, it's weak policy and institutional environment that causes negative outcomes in LDCs

- Brain gain

- ?

Group discussion

Is globalization good for developed countries?

Is there a link between increasing populism and globalization?