

The Political Economy of Globalization

Week 2

Ahmed Fouad EL HADDAD

UPEC – IEP Fontainebleau

October 4, 2025

From Global Studies to Political Economy

Last week we saw:

- Globalization as flows, imaginaries, ideologies (Steger).
- The iPhone as a global chain: profits, inequalities, power.
- Early debates: globalization \neq new, but contested historically.

This week:

- We turn to Suzanne Berger's 2000 review in *Annual Review of Political Science*.
- Aim: map the major theoretical debates on globalization and politics.
- Berger bridges economics, comparative politics, and IPE.

Transition: From what globalization is (Week 1) → to what globalization does politically (Week 2).

Why Berger (2000)?

"The rise of public and scholarly interest in globalization and politics is a new phenomenon." (Berger 2000: 43)

- Published at the height of 1990s globalization debates (Seattle protests, WTO, NAFTA, EU).
- Berger offers a **systematic review**: disentangles myths, evidence, theories.
- Core questions:
 - Is globalization new or historically recurrent?
 - Does it erode state sovereignty?
 - Who wins and loses in the new economy?

Globalization: A New Phenomenon?

“This vital interdependence... cutting athwart frontiers is largely the work of the last forty years. ... the result of daily use of those contrivances of civilization: rapid post, instantaneous dissemination of financial and commercial information...” (Angell, 1913: 54–55)

- Pre-1914: massive capital mobility, migration, trade (the first globalization).
- Norman Angell's *Great Illusion*: belief that interdependence made war irrational.
- Yet: WWI proved the limits of economic determinism.

Lesson: Globalization cycles exist; novelty should not be overstated.

Definitional Debates

Globalization as a single economy:

"The idea that the world is now really a single economy in the macroeconomic sense." (Glyn & Sutcliffe 1992: 77)

The "borderless world" thesis:

"On a political map, boundaries are as clear as ever. On a competitive map... those boundaries have largely disappeared." (Ohmae 1990: 18)

- Media (*The Economist*, 1995): states losing power over money, taxes, industry.
- Strong narrative of state decline and inevitability of markets.

Is the “borderless world” thesis still credible in 2025?

- Think of geopolitics: US-China rivalry, war in Ukraine.
- Think of economics: supply chain disruptions (COVID-19, semiconductors).
- Does technology (AI, digital platforms) challenge or reinforce borders?

Counter-Arguments: Internationalization

"National economies are subsumed and rearticulated into the system by international processes and transactions." (Hirst & Thompson 1996: 7–13)

- MNCs still deeply rooted in national economies.
- Krugman (1994, 1995): intra-industry trade is a long-standing phenomenon.
- Suggests **deepening of internationalization**, not radical globalization.

Is today's globalization qualitatively different, or just a deeper form of internationalization?

- Continuities with pre-1914 globalization?
- What is genuinely new (digital, financial speed, global governance)?

Counter-Arguments: Regionalization

- Zysman & Schwartz (1998): trade is increasingly concentrated within regional blocs.
- Lawrence (1996): regional integration is politically constructed.
- EU, NAFTA, East Asia → illustrate structured, bounded integration.

Key point

Instead of a flat “global village,” globalization often works through **regional clusters**.

Regional blocs vs. globalization: which is more important today?

- EU, NAFTA/USMCA, ASEAN, AfCFTA.
- Do regions offer stability against global shocks?

World Openness in the Long Run (1830–2014)

According to Federico & Tena-Junguito (2016):

- **1830–1870** : export/GDP roughly doubles (6% → 14%).
- **1870–1913** : stagnation, then collapse with WWI & Great Depression (min. 6.7% in 1936).
- **1970–2007** : second globalization; unprecedented openness (peak in 2008).
- 2009 drop is sharp but far milder than the 1930s collapse.

Source: Federico & Tena-Junguito (2016b), CEPR DP11128.

► Show graph

Why does globalization collapse periodically?

- Wars and global conflicts?
- Protectionist backlash?
- Economic crises (1929, 2008)?

Estimated Gains from Trade (1830–2007)

According to Federico & Tena-Junguito (2016):

- Average gains: **6.3% of GDP in 1913** vs **11.5% in 2007**.
- Great Depression: severe collapse; only partial recovery pre-1970.
- Second globalization delivers the highest static gains on record.

Sources: Federico & Tena-Junguito (2016a, 2016b).

► Show graph

Why Look at Firms?

- Berger (2000) reviews globalization mainly through the lens of states and markets.
- But firms are often treated as **black boxes**.
- Yet: Multinational corporations (MNCs) are crucial vectors of globalization.

Transition

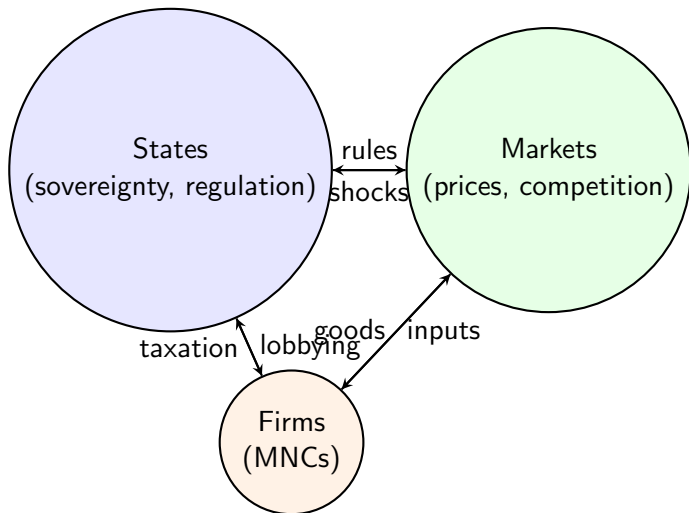
To deepen Berger's review, we bring in Stephen Hymer's pioneering theory of MNCs (1960s).

Key Vectors of Globalization

- 1 **International Trade** – GATT, WTO, services integration.
- 2 **Financial Flows** – capital mobility, debt crises.
- 3 **Migration** – labor mobility, remittances.
- 4 **Technology** – digital globalization, AI.
- 5 **Multinational Corporations (MNCs)** – organizing global production.

Question: Among these vectors, which one is least studied in political science up to Berger (2000)? → Answer: **firms**.

Illustration: States, Markets, Firms



Berger emphasizes state constraints; Hymer reminds us that firms themselves reshape globalization.

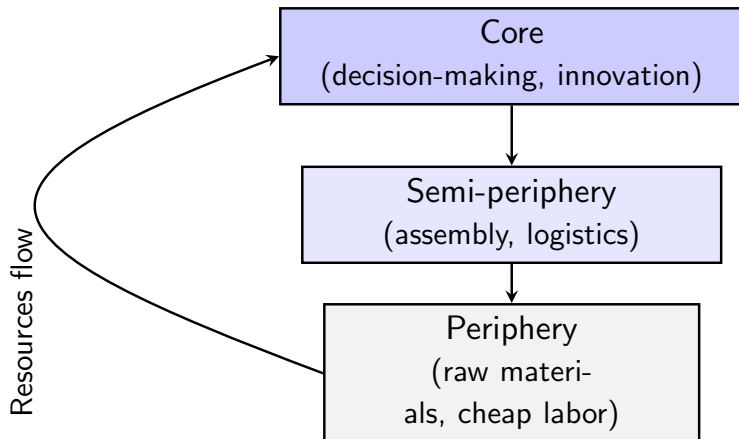
Stephen Hymer in Context

- PhD (MIT, 1960): first systematic theory of foreign direct investment (FDI).
- Asked: why do firms *internalize* activities abroad instead of trading/licensing?
- Broke from neoclassical views → toward **structural power analysis**.
- Legacy: founder of the political economy of MNCs.

Hymer's Core Questions

- ① Why do firms cross borders, instead of simply trading?
- ② Why choose **FDI** (ownership) rather than exports or licenses?
- ③ What are the effects of MNCs on:
 - Competition (monopoly vs. efficiency)?
 - Development (growth vs. dependency)?
 - Sovereignty (states constrained by firms)?

Hymer's Vision of Uneven Development



Discussion

Are multinational corporations today mainly economic or political actors?

- Market shapers: innovation, production networks.
- Political influence: lobbying, tax strategies, data power.

Conclusion

- Berger (2000) → globalization debates are plural, contested, and historically situated.
- Hymer (1960s) → MNCs central actors, reinforcing inequality and hierarchy.
- States → constrained but not powerless; welfare and capitalism show resilience.
- Politics → new cleavages emerge, linking globalization to domestic conflict.

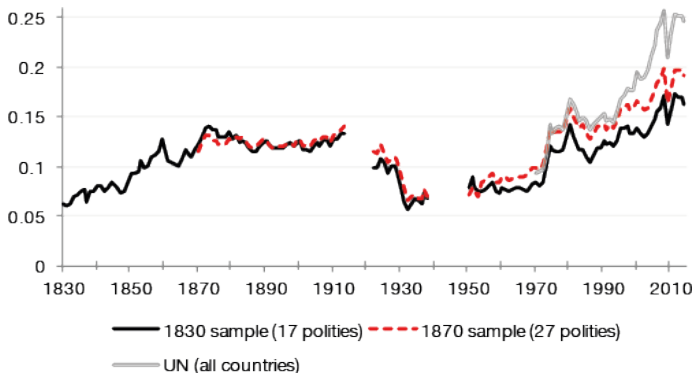
Discussion Questions

- ① Is globalization truly new, or just a deeper phase of internationalization?
- ② Who are the main winners and losers today — states, firms, citizens?
- ③ Can national welfare states survive global capital mobility?
- ④ How should we think of MNCs: innovators or exploiters?

Thank You!

Questions or Comments?

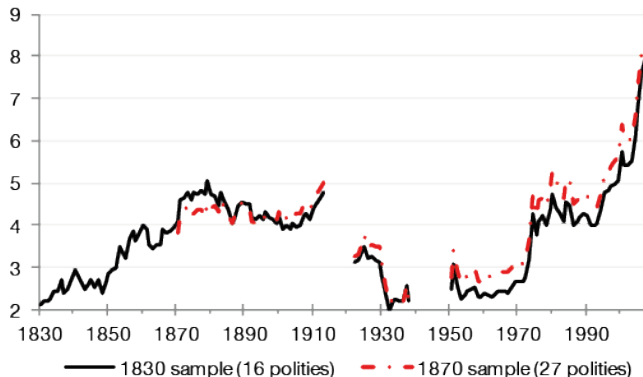
World Openness in the Long Run (1830–2014)



Source: Federico & Tena-Junguito (2016b), CEPR DP11128.

► [Back to interpretation](#)

Estimated Gains from Trade (1830–2007)



Sources: Federico & Tena-Junguito (2016a, 2016b).