

GLOBALIZATION

REGIONAL DEVELOPMENT AND THE
WORLD ECONOMY

Read the Syllabus

- **BRIEF COURSE DESCRIPTION**
-
- The course is about the historical geography of economic globalization – its economic, political and cultural roots -- and the impact of globalization, or the making of a global economy, in different parts of the world. It provides a broad introduction to the field of economic geography. Global economic forces are increasingly powerful in their effects all over the world, including California and the United States. Recently the impacts of some recent features of globalization have led to a backlash particularly in the US and Europe. But the origins of economic globalization lie deep in the past: in the growth of worldwide trade, colonialism, the Industrial Revolution, and so on from the sixteenth to the twenty-first century. At the end of the course, you should understand the basic features of the world economy today, its relationship to global geopolitics, how the world economy developed historically, and the major impacts that it has on life in different parts of the world. The Midterm and the Final are in-class short-answer and short-essay exams.
- **ASSIGNMENTS AND GRADING**
-
- Midterm May 4 20%
- Final June 13 40%
- Discussion Section 40%

- 1. Worldwide variation in economic development and geopolitical power
- Global inequality and the global division of labor
- Trade and regional specialization
- 2. The coming of the world economy
- Early empires and feudalism
- Europe and merchant capitalism
- 3. The world economy
- The cultural and geopolitical basis to the emergence of the modern world economy
- The structure of the world economy today

- 4. The Industrial Revolution
- The Industrial Revolution in Britain and Europe
- Principles of industrial location
- 5. The expansion of the global “Core” to the USA and Japan
- The US and Japanese Industrial Revolutions
- The emergence of “Organized” or “Fordist” capitalism
- 6. Globalization and the restructuring of the “core”
- The crisis of Fordism
- Multinationals and the globalization of production

- 7. The industrial reorganization of the core
- The changing nature and location of jobs in the core
- Regional motors of the world economy
- 8. Periphery and semi-periphery in the world economy
- Colonialism and the world economy
- From plantations to agribusiness: commercial agriculture in world trade
- 9. Manufacturing industries and services in the periphery and semi-periphery
- Industry beyond the “core”:
- The Newly Industrializing Countries (NICs)
- Outsourcing white-collar jobs

- **10. Geopolitics of the World Economy Today**
- **The US and China**
- **World-City system and the world economy**
- The readings are designed to provide you with supplemental information and, in some cases, different interpretations from mine. These will also be selectively used by the TAs in discussion sections.

Required Text

- The required text is Jeremy Green *Is Globalization Over?* (Polity, 2019). His four themes are (1) that in different historic periods different economic “liberalisms” have prevailed. These only loosely relate to US politics usage in which Republicans were over the past fifty years usually “neoliberals” and Democrats were “national liberals.” From World War II until the 1970s they were both invested in “embedded liberalism.” Today there is a drift on all sides to national liberalism, in the US and elsewhere; (2) we are not reliving the 1930s because the globalization brought about over a long period of time has made for a much more interconnected world that is not easily reversed; (3) the neoliberalism that has underpinned globalization since the 1970s (open borders for trade and investment; trading financial products globally, a US dollar-based global economy) is under threat from protectionism and increased regulation by governments; and (4) the earth faces a number of challenges, not least climate change, that while it challenges some aspects of globalization, also makes global cooperation imperative if it is ever to be dealt with adequately.

Course Overview

- 1. This course traces the development of the world economy since the 1500s (with some attention to what came before that), identifies the main geographical-economic principles upon which its development has relied, portrays the world map of different sorts of economic activities (agriculture, resource extraction, manufacturing services, etc.) over time, the structure of the world economy today, what gave rise to the revitalized globalization from the 1970s onwards, and the challenges facing this today. The syllabus provides a weekly summary of the lecture topics and the readings associated with them. Today's lecture introduces some central themes for the course which subsequent classes will return to.

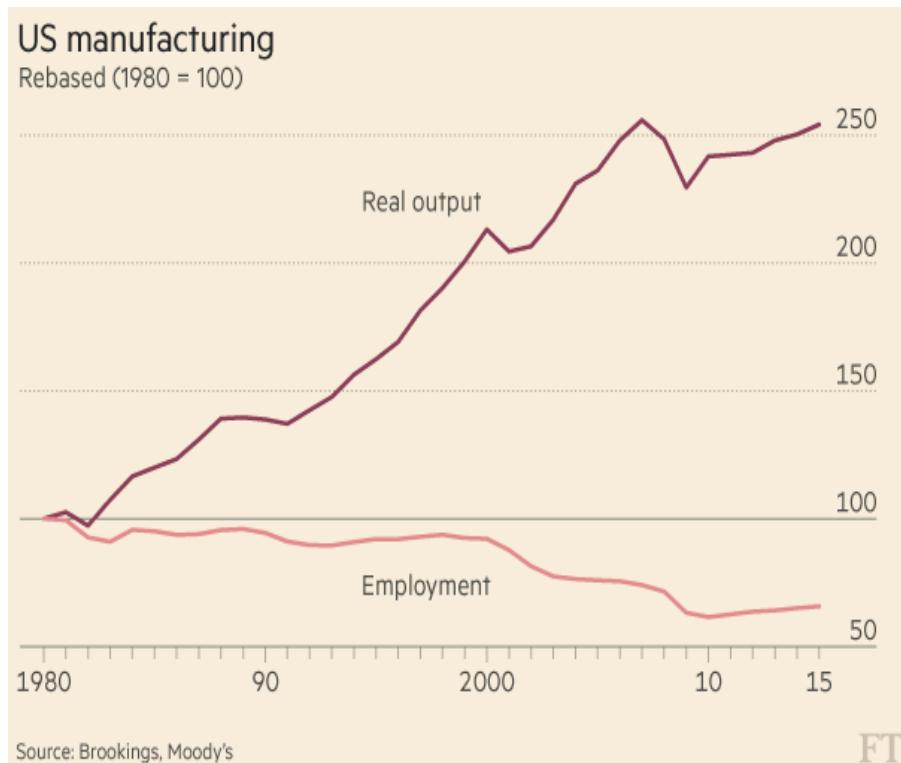
- 2. This course surveys the historical development and contemporary structure of the world economy in terms of its geographical patterning and the political-economic processes that produce this. From this perspective, globalization – the economic interdependence between places across the earth – is not new. Rather, the period from 1914 until 1970 was unusual in that there was a retreat into national-imperial territories in terms of economic organization. This has reversed again since the 1970s with the term “globalization” often being ascribed to this era as if it were completely new. Over the past ten years this globalization has slowed down as a result of the 2007-8 global financial crisis. But we are still living under a **condition** of globalization, even if the **processes** associated with it are changing. (see Jeremy Green's book, *Is Globalization Over?*). Perhaps the pandemic of the past year or two will also encourage a retreat behind national borders. I suspect not, but time will tell.



A. Why is globalization criticized?

- A. Why current globalization is criticized (particularly in the USA). 6 figures illustrate the central issues: decline in (well-paying) manufacturing jobs even as manufacturing itself has expanded output; increasing income inequality (CEO pay relative to workers); at a world scale the impact on incomes has been particularly large for the working/middle classes in the US and Europe; stagnation in productivity or efficiency in use of inputs relative to output; and increasing competition in technology across the world with automation, for example, unrelentingly replacing human labor. In fact, automation is much more important for both the decline in manufacturing jobs in the US and increased income inequality than is the idea that the jobs in question have “moved” to China or Mexico. The latter is relatively true only for very labor-intensive industries (like the garment and electronic-assembly industries).

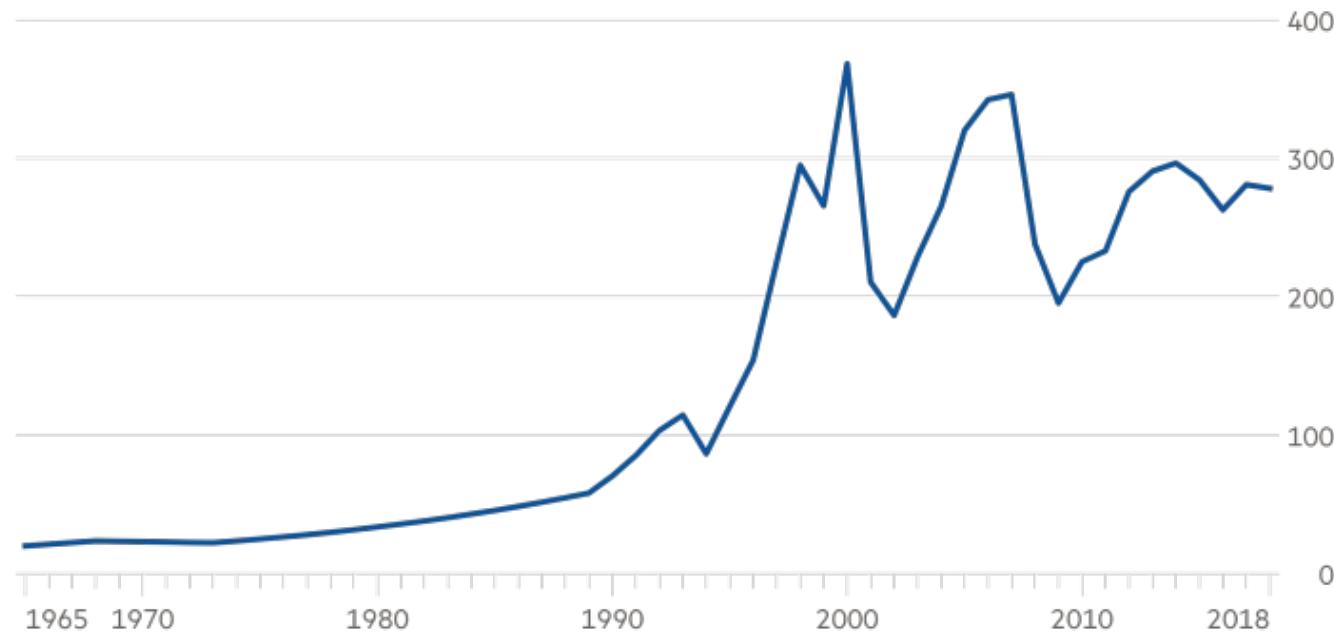
Jobs



Income Inequality

Chief executive pay exploded in the late 1990s

CEO-to-worker compensation ratio*, top 350 US companies by sales



*Based on options realised

Source: Economic Policy Institute

© FT

Global Income Inequality



Productivity Stall

Unproductive

Global productivity*, annual % change



*Proxy based on difference between output and employment components of all-industry purchasing managers' index

Sources: JPMorgan Chase; Goldman Sachs; *The Economist*

The Economist

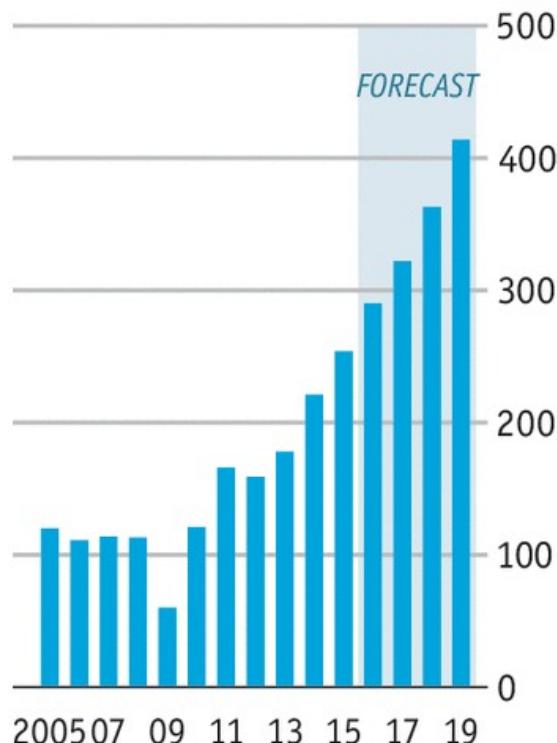
Automation

The life robotic

Global industrial robots

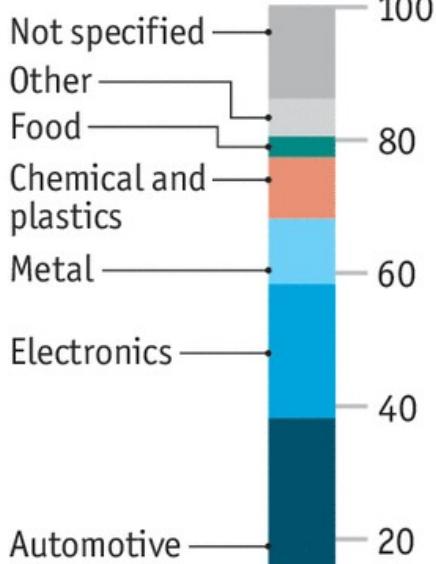
Sales

'000 units



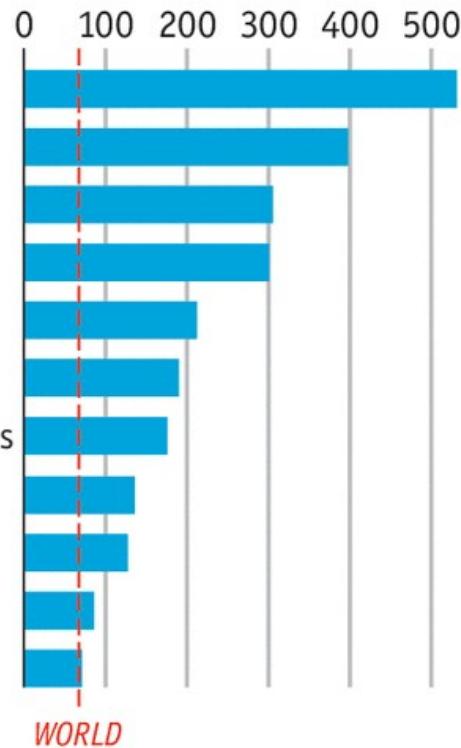
By industry

% of total



Number of robots

Per 10,000 manufacturing employees, 2015



US-China Trade

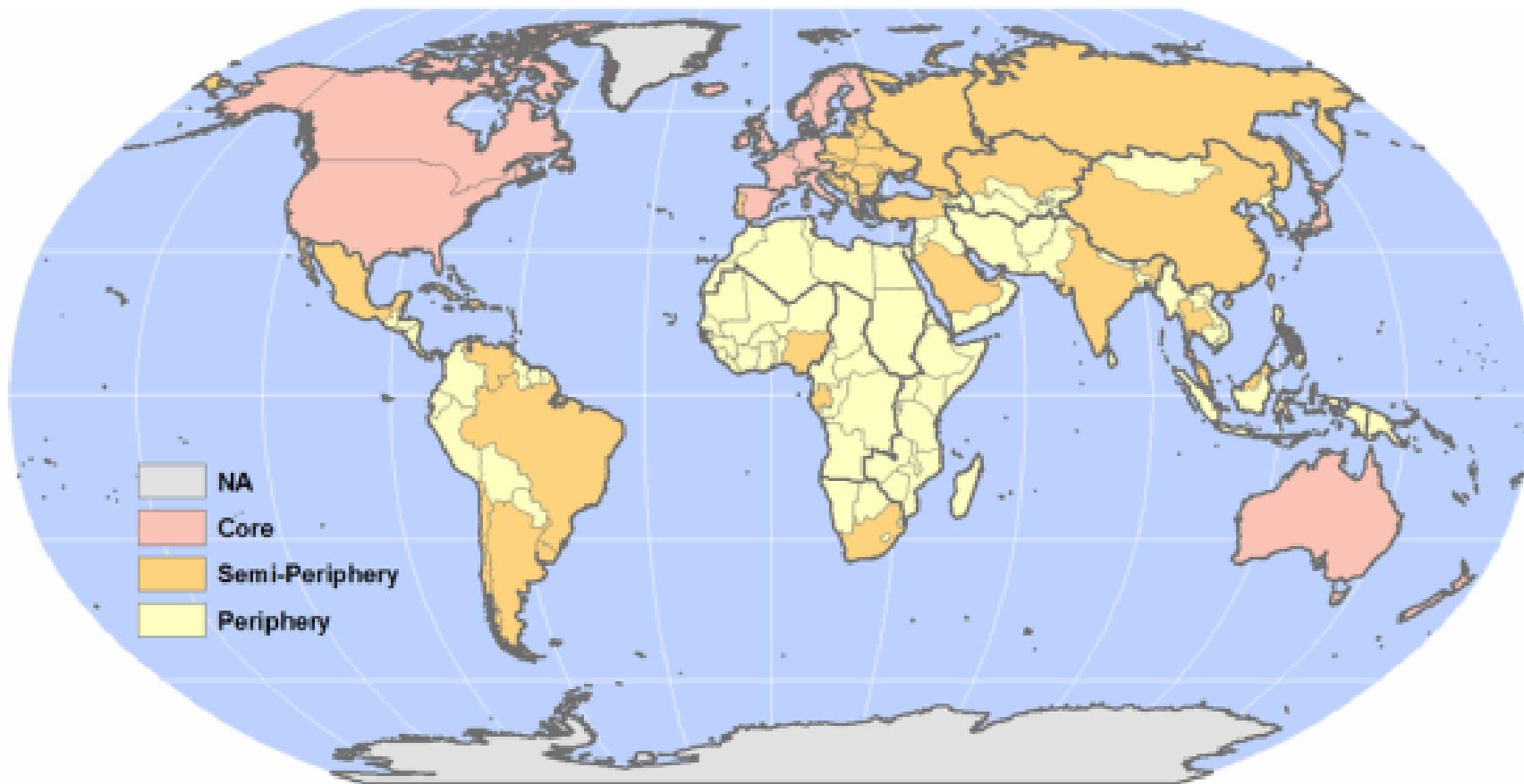


B.

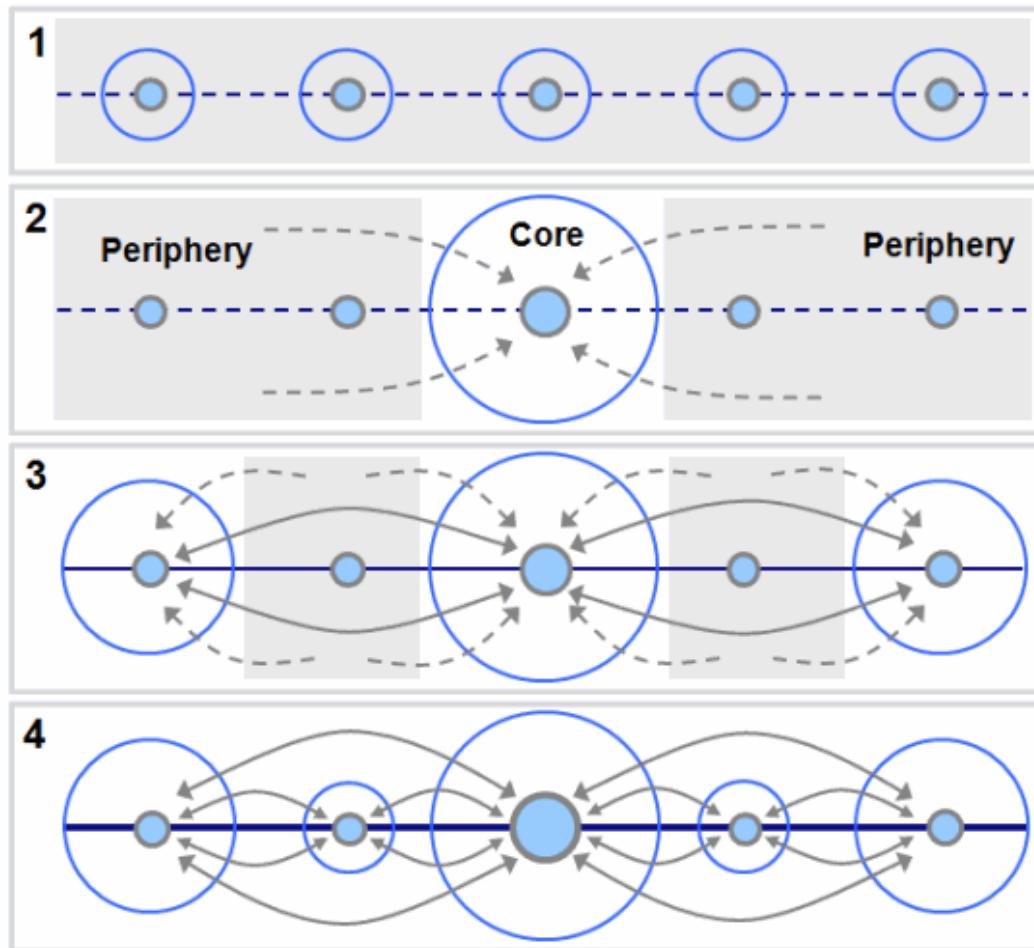
Understanding the Outcome of Economic Globalization at the Country-by- Country Scale

- 1. Dividing the world up into zones (such as core-periphery) and Three Worlds. The first reflects the global division between a Euro-American (plus Japan) core with rest of the world producing resources that feed their development (periphery) with a semi-periphery of countries that are moving up (South Korea, Taiwan, China, Mexico). The second dates from the Cold War between the US and its allies (First World), the Soviet Union and its allies (Second World) and the rest of the world (Third World). Since the end of the Cold War in 1991 this last one does not make much sense.
- 2. The former has a heuristic benefit (helps begin thinking) even though the domination /subordination it maps peaked in the early twentieth century, the latter was a product of the Cold War (1945-89)
- 3. Pattern of global incomes/wealth is in fact much more variegated than either of the two zonations (darker green richest and dark brown poorest)
- 4. Present-day world does have basis in centuries of imperialism (e.g., British Empire) in which European-based empires and later the USA and Japan exploited other places for their economic advantage.

A division of the world into geographical zones by level of economic development today



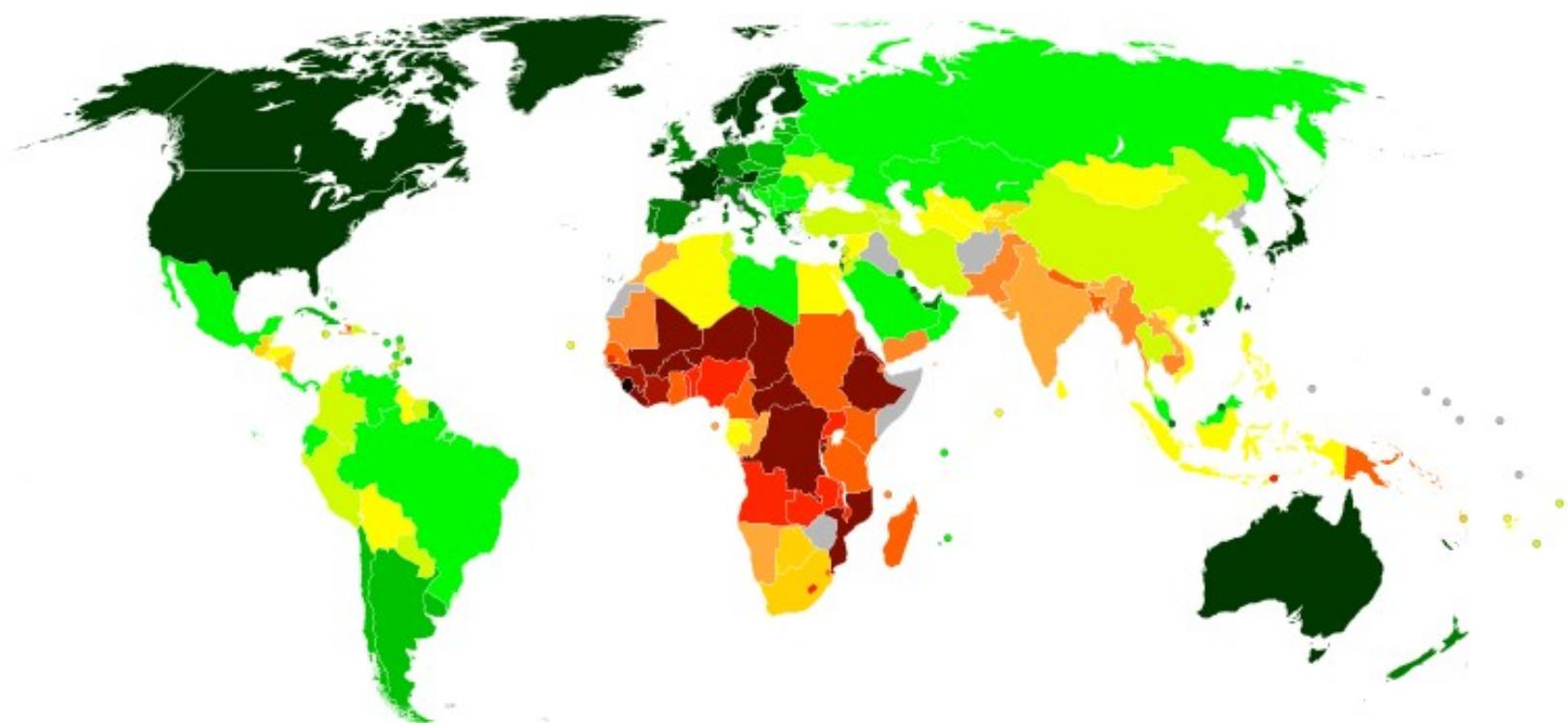
The dynamics of core, periphery and semi-periphery



A Reminder on World Maps: The Problem with the Mercator Projection



Richer and poorer



The British Empire at its maximum extent



C. Global Dynamics Since the 1970s

- 5. Geopolitical and cultural role of the US in globalization since 1970 – US still supreme military power (whether this translates into successful interventions is something else!) and US dollar still central to world economy. But US governments encouraged world trade and investment as part of their strategy in the Cold War against the state-based economy of the Soviet Union. But US today less involved in world economy (as measured by trade) than twenty years ago.
- 6. Shifting locus of global economic growth down the centuries – from East to West and signs of going back East over past twenty years. What benefited Europe and the US for so long is now drifting back to where the largest human populations live – East and South Asia. China now is a more important destination for foreign investment than is the USA. Will this last?
- 7. China's rise: its high rate of savings perhaps is its most important feature compared to US and Europe. This provides more capital for investment and credit. Also means that countries like the US that have lowered taxes but not expenditures need China to buy their government bonds in order to finance their spending.
- 8. Fallacy ("Ferguson Fallacy") of comparing absolute sizes of national economies rather than weighting by population size and likely future growth trend. Reflect on why this is misleading. India now on the rise in terms of contribution to total global economic growth. Not just a China story.
- 9. Governments have ceded economic powers to financial markets since the 1970s (e.g. currency exchange rates) This particularly so with floating rates where electronic trading by banks and individuals sets the value of one currency against others.

TOP 100 COMPANIES

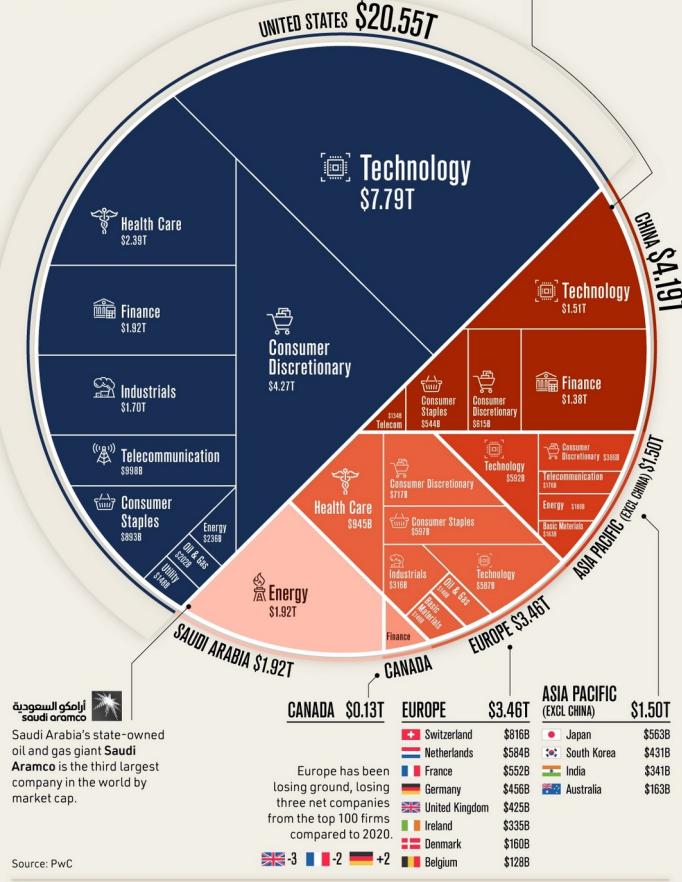
U.S. VS THE WORLD

Every year, PwC releases a list of the 100 biggest companies in the world by market capitalization. The range between the smallest and largest companies in this year's list (May 2021) was a massive \$1.9 trillion.

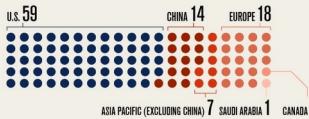


The largest contributing sectors by market cap are **Technology** and **Consumer Discretionary**, together representing 52% of the top 100 firms.

① All values in USD



But when it comes to location, that value is concentrated in just a handful of countries.



The U.S. is home to 59 of the 100 top firms, and 65% of the total market cap value.

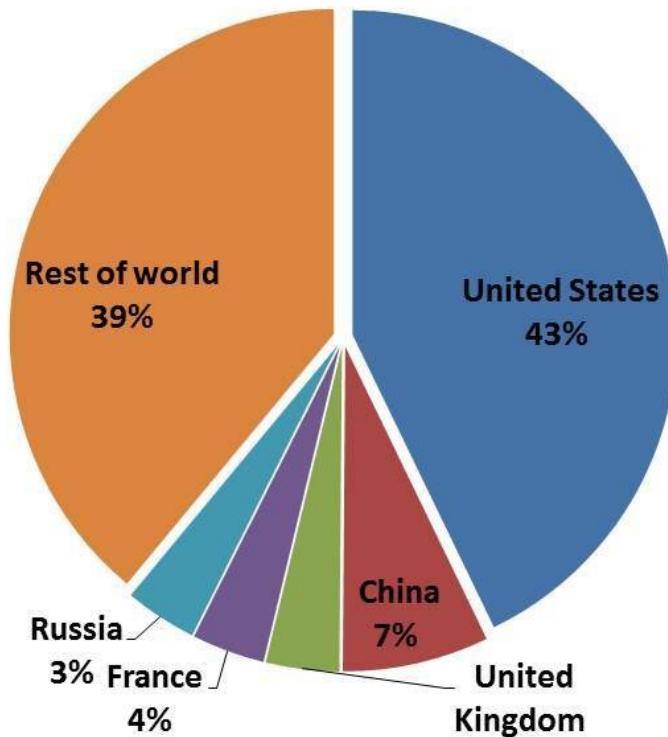
Tencent 滴答
Alibaba.comTM
China's Tencent and Alibaba are two of the top 10 global firms by market cap.

- The US still is headquarters to the top 59 out of 100 largest companies by market capitalization.

Source: PwC

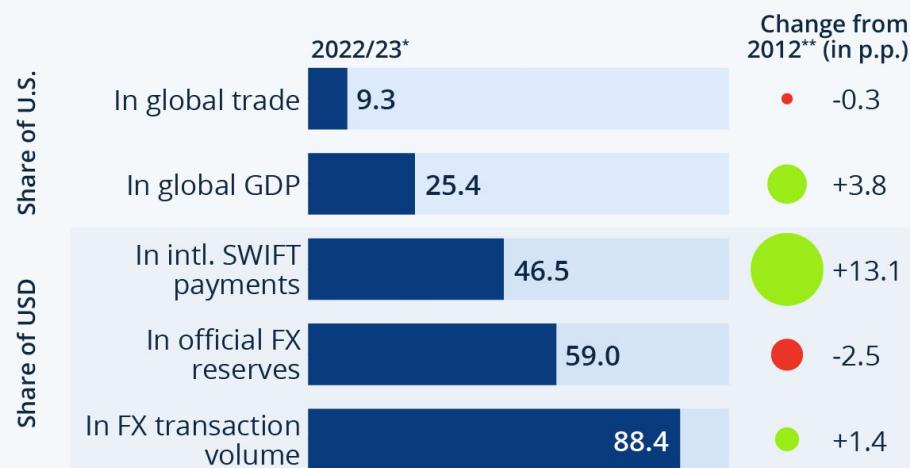
Military Power in Terms of Spending

Percent of global military expenditure



U.S. Dollar Defends Role as Global Currency

Share of the United States/the U.S. dollar in the global economy and global financial transactions (in %)



* Latest available (full year 2022, latest quarter/month 2023)

** full year or latest quarter/month of 2012. FX transaction value: 2013

Sources: IMF, SWIFT, WTO, Bank for International Settlements

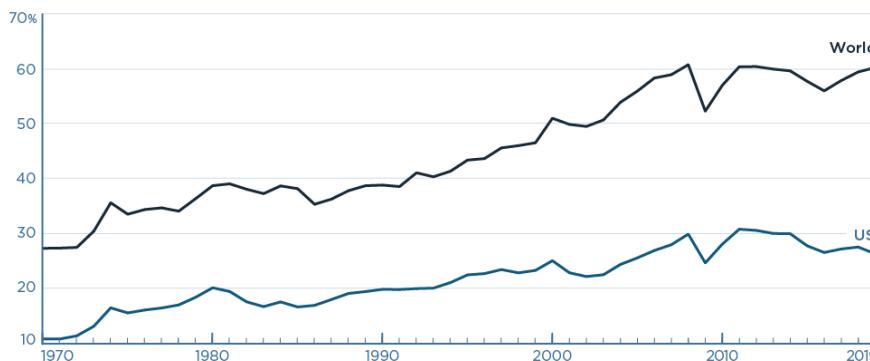


US Involvement in World Trade has Stagnated Compared to the World as a Whole

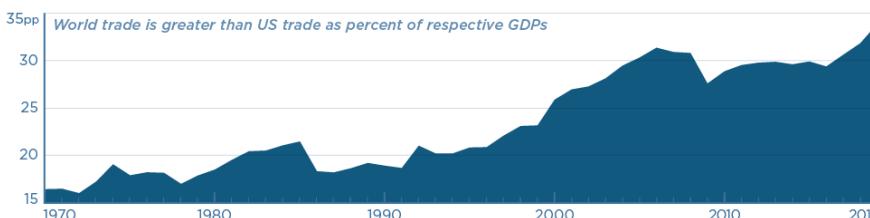
Figure 1

US trade openness has not kept up with the world

a. Trade in goods and services as percent of GDP, 1970–2019



b. Difference between world and US trade as percent of respective GDPs, 1970–2019



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pp = percentage points

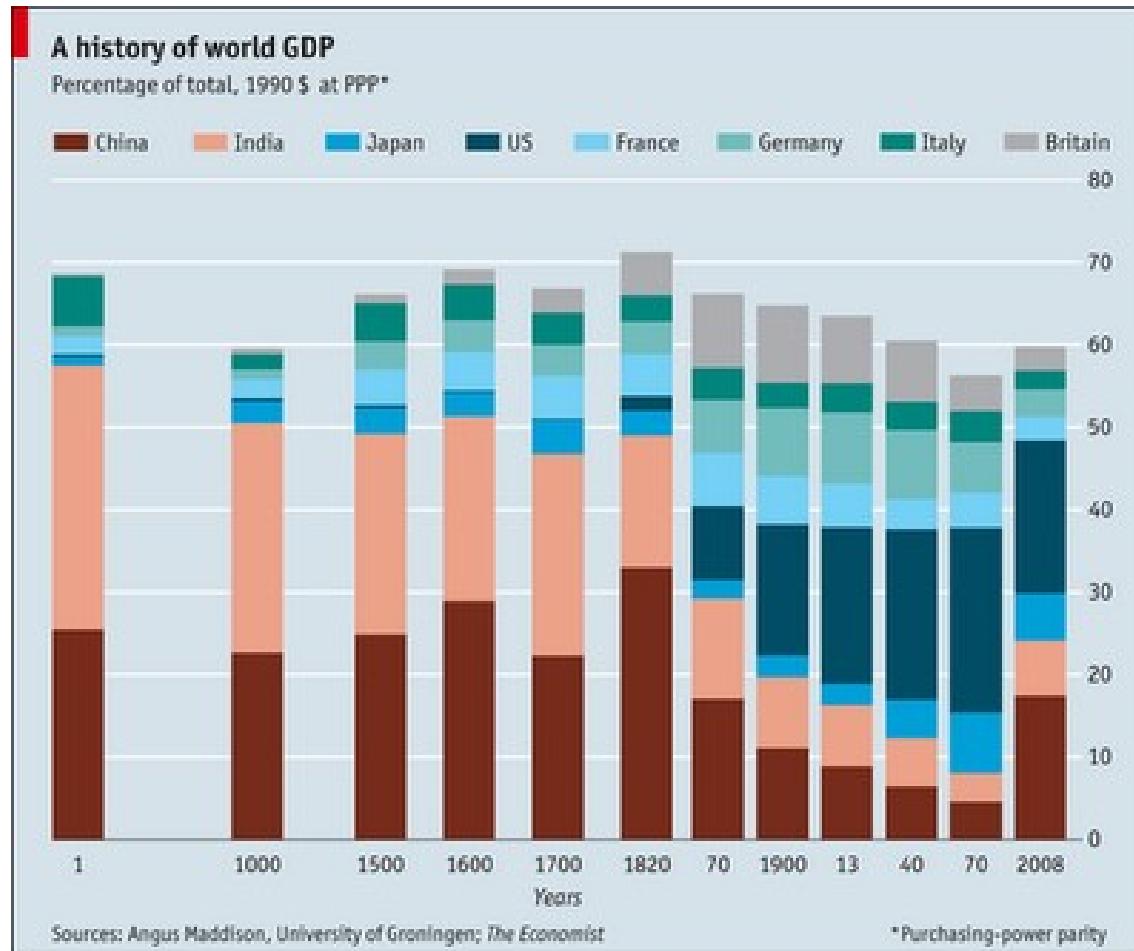
Source: World Bank, World Development Indicators database.

US Companies' "Retreat"

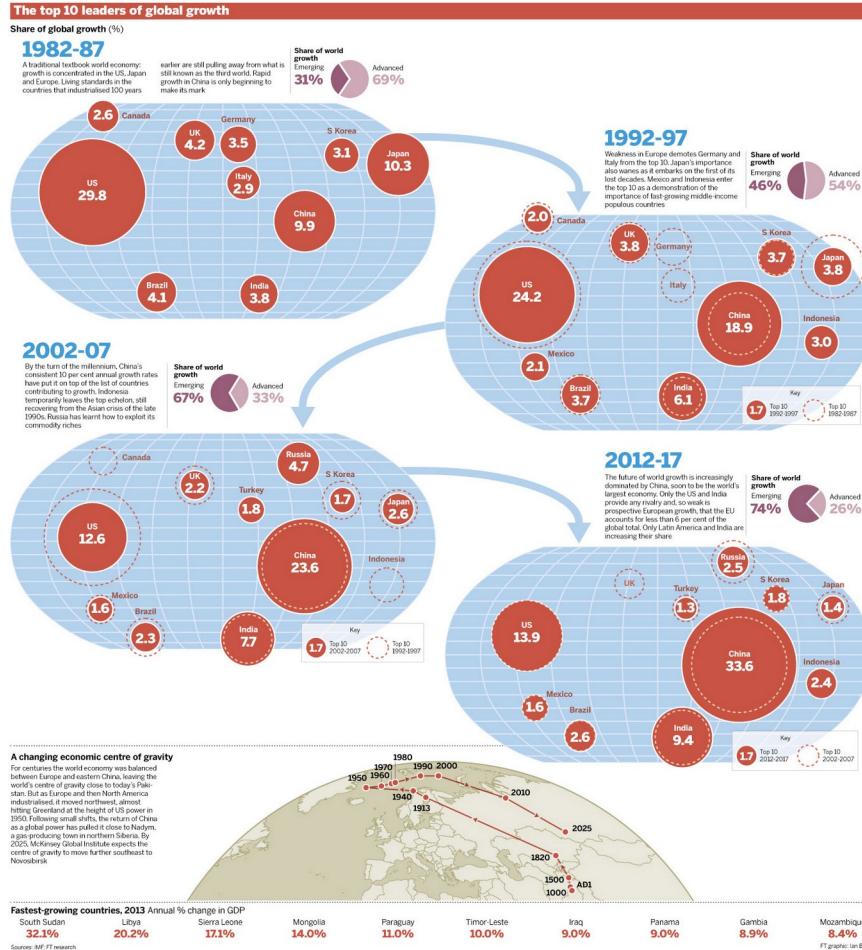


The Economist

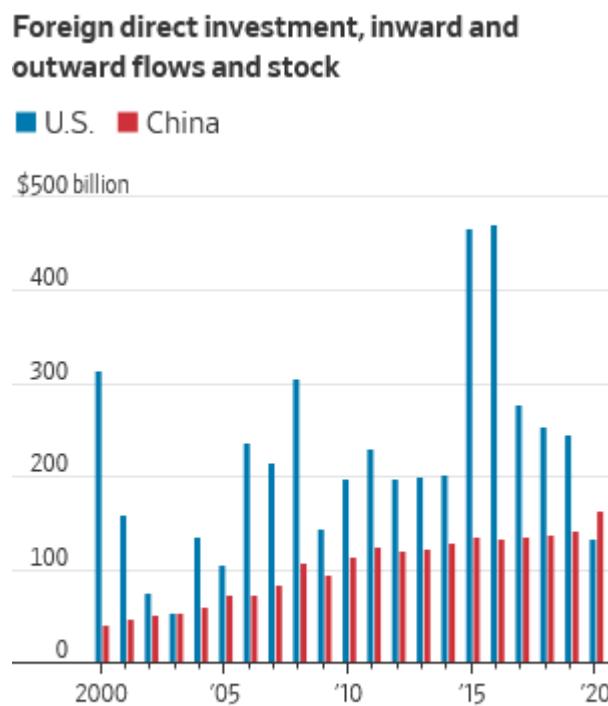
The shifting locus of global economic growth, 1 AD to 2008



Global growth 1982-2017

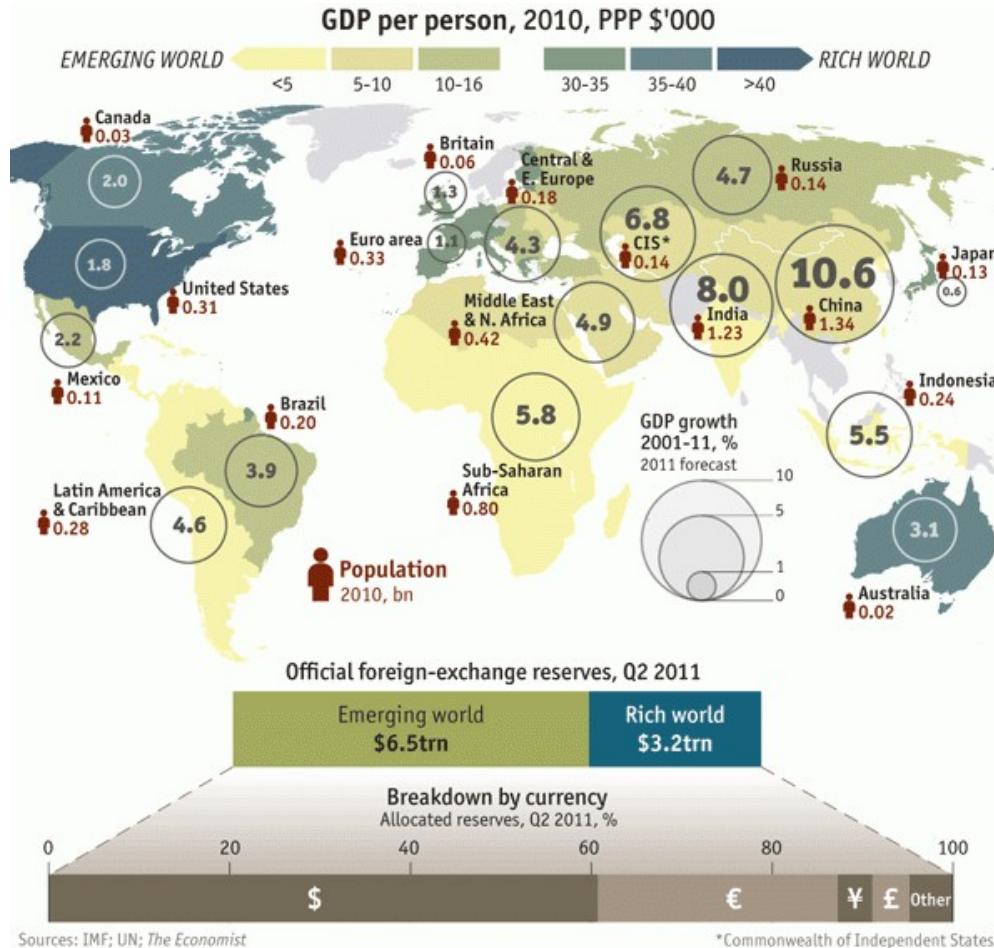


China Overtakes the US as a Locus for FDI



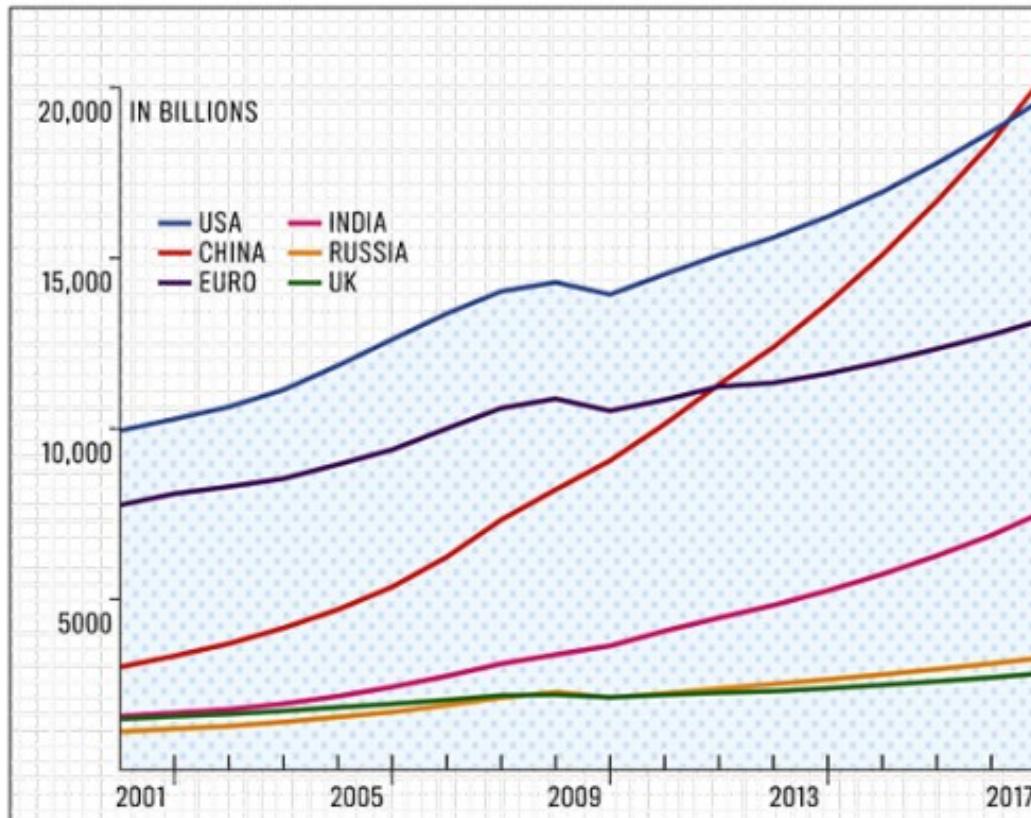
Source: United Nations Conference on Trade and Development

Who saves and who doesn't?



The Ferguson fallacy

A NATION LOSING GROUND
China's GDP is expected to surpass America's in 2017.



India will soon rival China in its contribution to global growth

% share of world growth in GDP, at purchasing power parity

China India

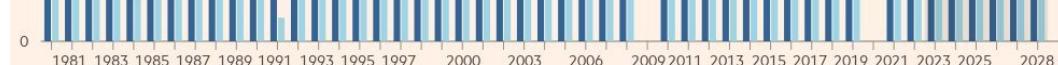
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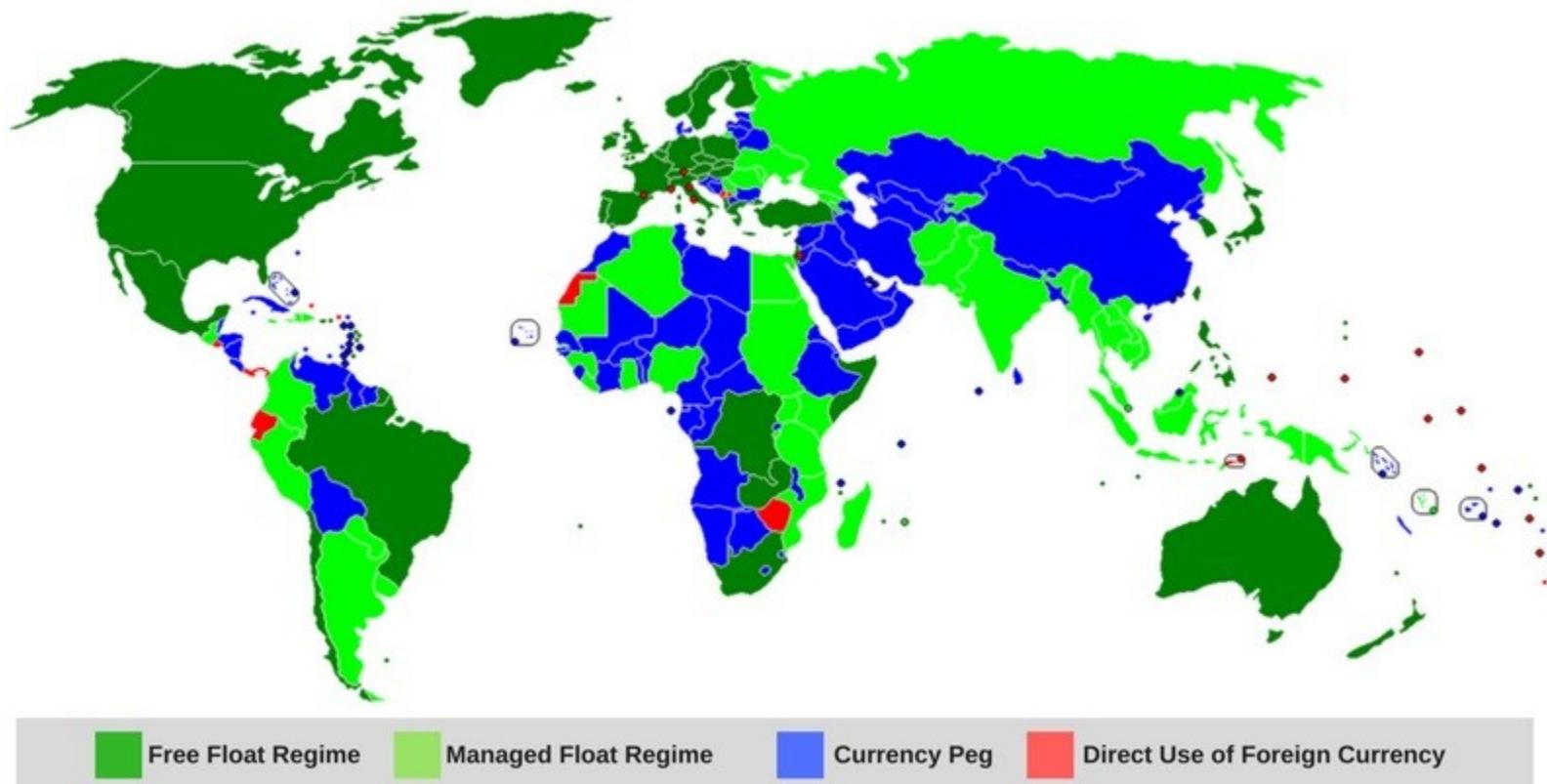
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FINANCIAL TIMES

Source: IMF, FT • 2023-28 are IMF forecasts. 2009 and 2020 are excluded as global GDP fell

Currency Exchange regimes



■ Free Float Regime

■ Managed Float Regime

■ Currency Peg

■ Direct Use of Foreign Currency

By User:Alinor, CC BY-SA 3.0, <https://commons.wikimedia.org/w/index.php?curid=31040909>

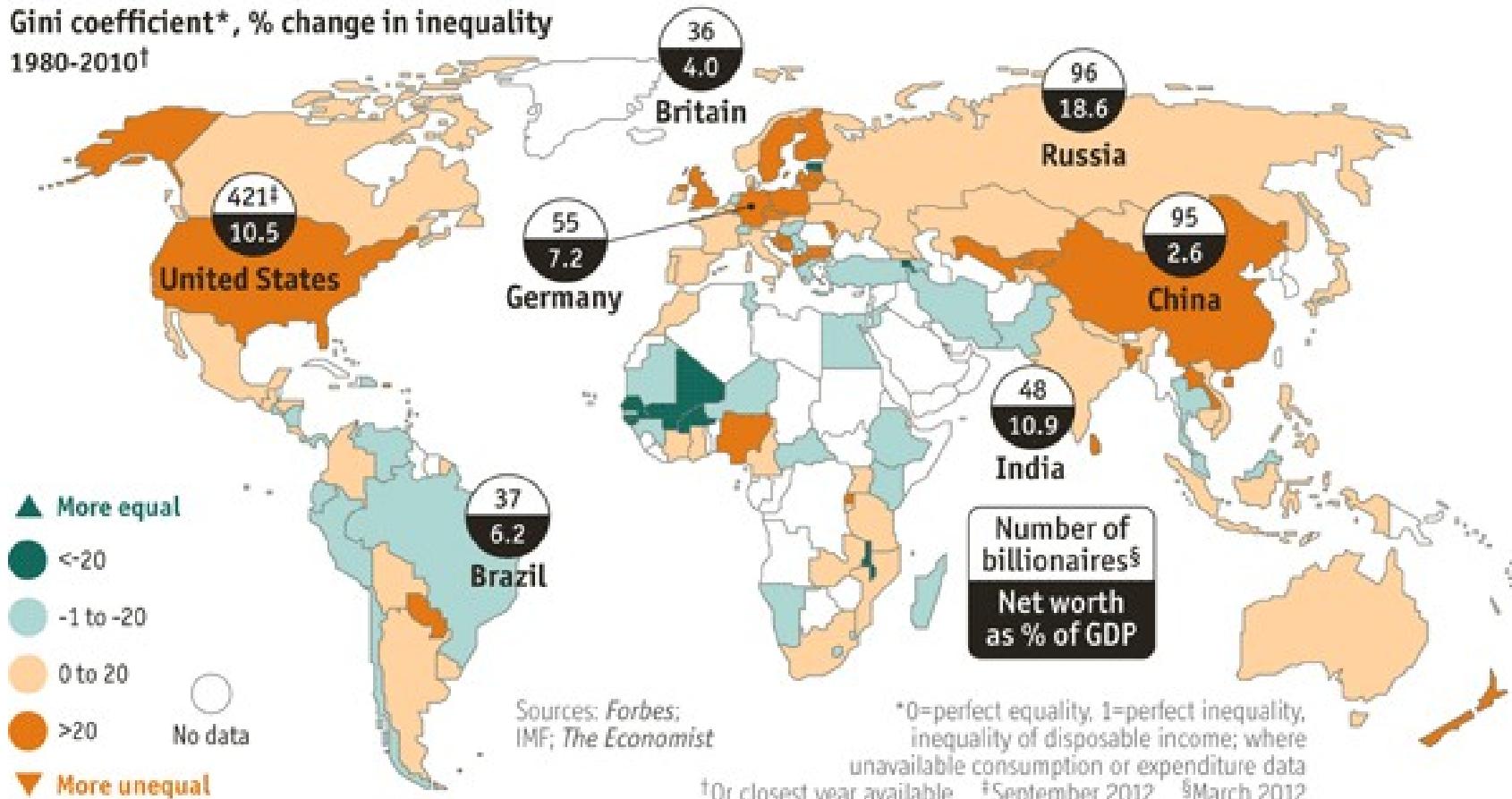
D. Unevenness of the World Economy

- 10. Even as income inequality at global scale has declined (because of rise of China), levels of income inequality within countries have increased since the 1970s just about everywhere else particularly in the US. Example of local job growth and “left behind” areas. Highest growth rates are now in “emerging” economies (see the red line). Growth in both the US and China is increasingly concentrated geographically (see the two maps).
- 11. “World is flat” fallacy of Thomas Friedman (NY Times): some countries and regions are much more integrated into the world economy than others (see the Index of Globalization); communications are still very regionalized (e-mail connections diagram), world GDP is still heavily concentrated geographically; huge barriers to movement of people (only in Americas is citizenship largely on basis of residence and naturalization rather than kinship ties – *jus soli* (right by residence map)
- 12. World is more interconnected and businesses more competitive across international borders since the 1970s. But recent stalling out: trade, FDI (foreign direct investment), assets across borders, offshore supply chains. This was long before the recent pandemic. The pandemic has made it worse, so far.

Change in income inequality around the world, 1980-2010

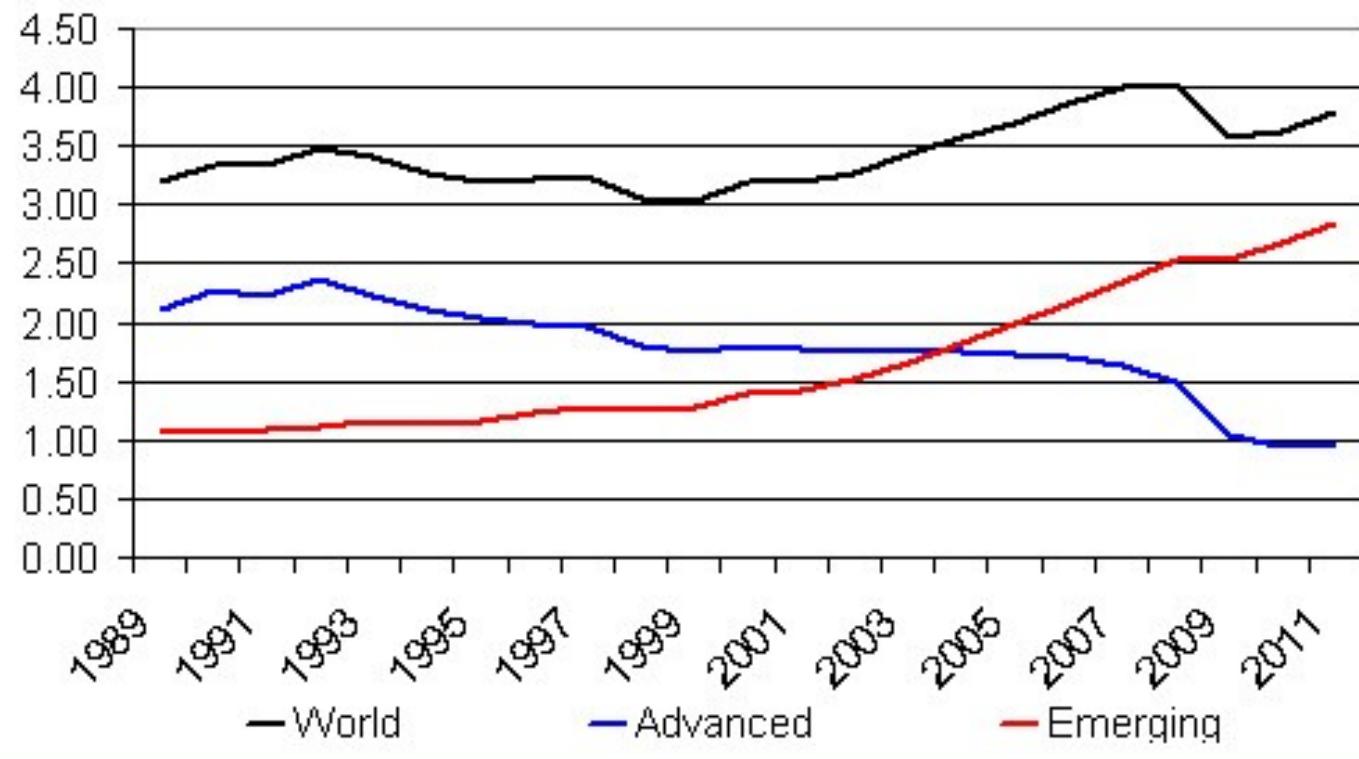
More or less unequal

Gini coefficient*, % change in inequality
1980-2010†



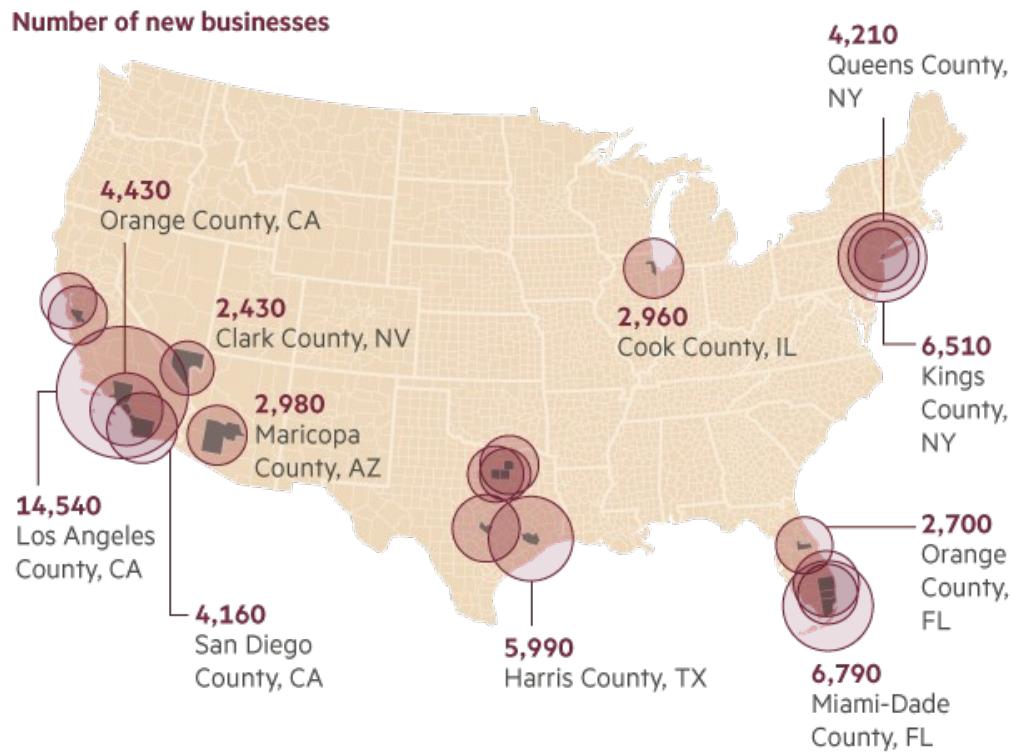
Growth in the globalization era

Average world growth and average contribution to world growth over the 10 prior years



Twenty counties generated half of net new businesses in the US from 2010–14

Number of new businesses

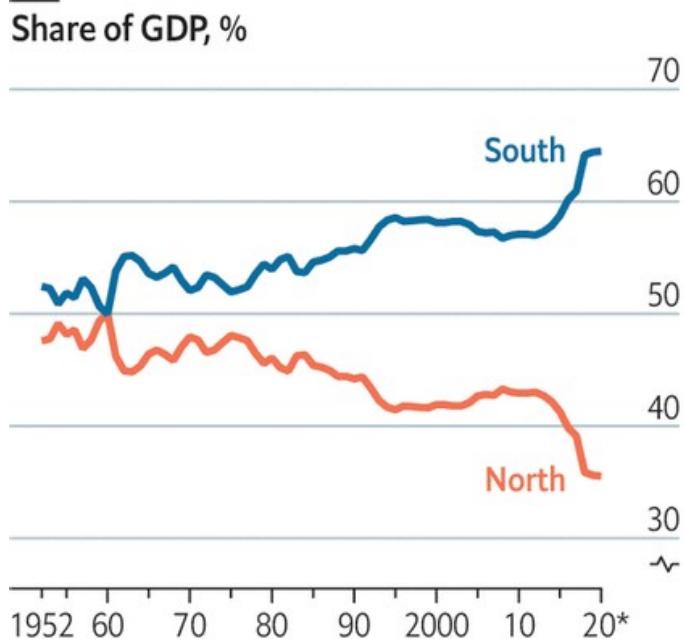


FT graphic: Chris Campbell
Source: Economic Innovation Group

FT

It's grim up north

China



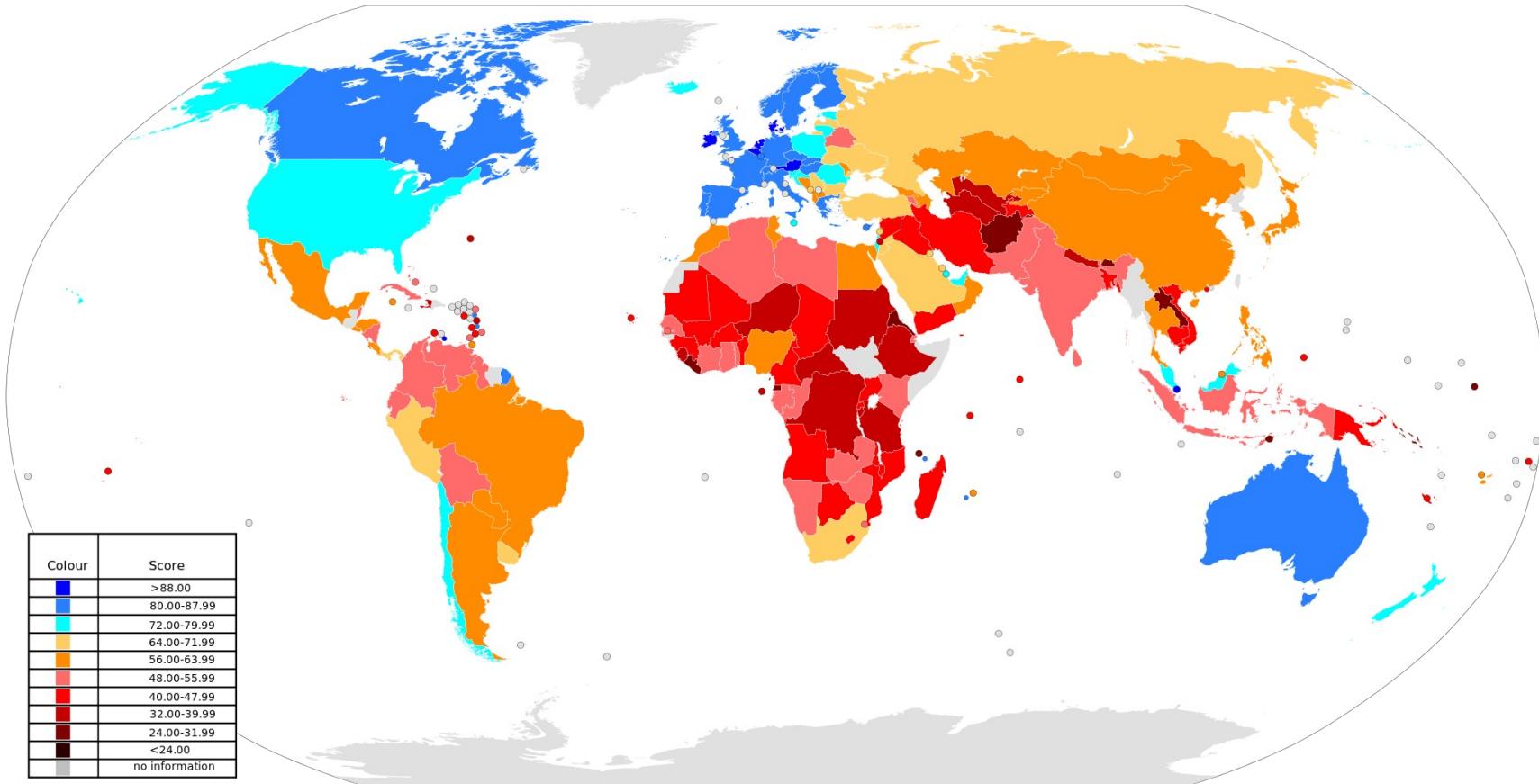
Source: Wind



*To Q3

The Economist

Index of Globalization



Top 25 Most Globalized countries, 2015

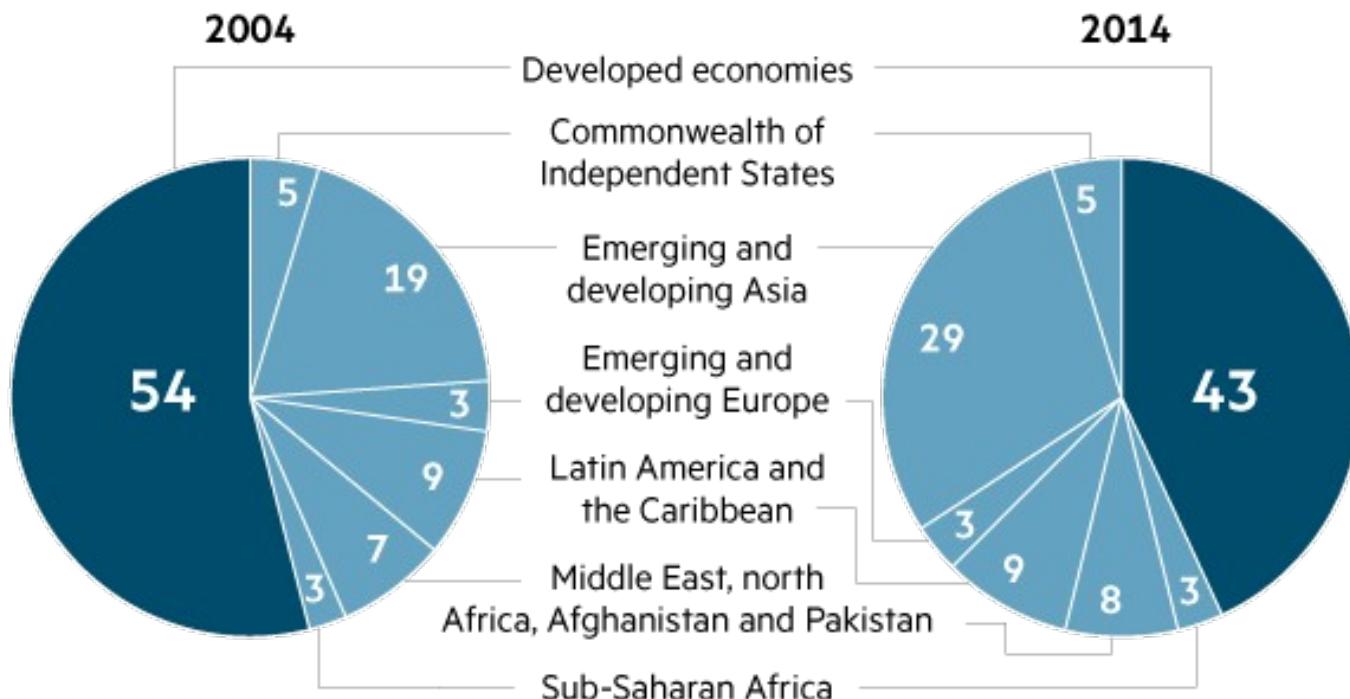
1. Ireland 91.30	7. Denmark 86.30	13. Czech Republic	19. UK 82.96
2. Netherlands 91.24	8. Portugal 86.29	14. Spain 83.71	20. France 82.65
3. Belgium 91.00	9. Switzerland 86.04	15. Luxembourg 83.56	21. Australia 81.64
4. Austria 90.24	10. Finland 85.64	16. Cyprus 83.54	22. Italy 79.51
5. Singapore 87.49	11. Hungary 85.49	17. Slovak Republic 83.52	23. Poland 79.43
6. Sweden 86.59	12. Canada 85.03	18. Norway 83.30	24. Estonia 79.35
			25. Greece 79.08

CEOWORLD MAGAZINE

Source: 2015 KOF Index of Globalization

Share of world GDP in 2004

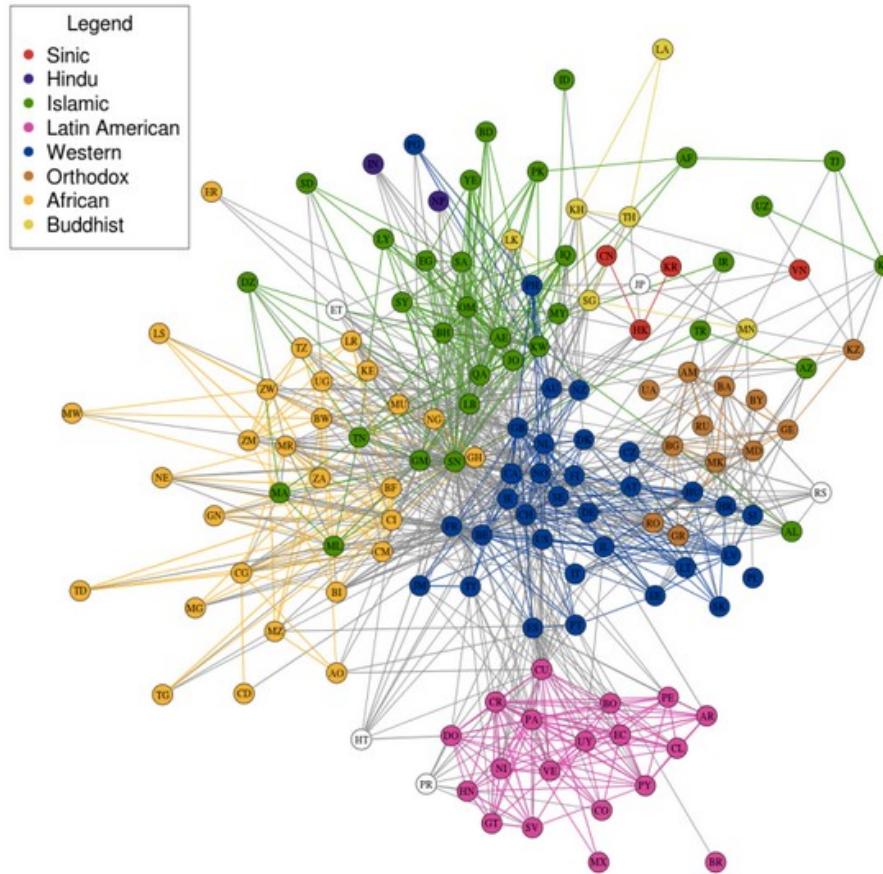
Based on purchasing power parity (\$)



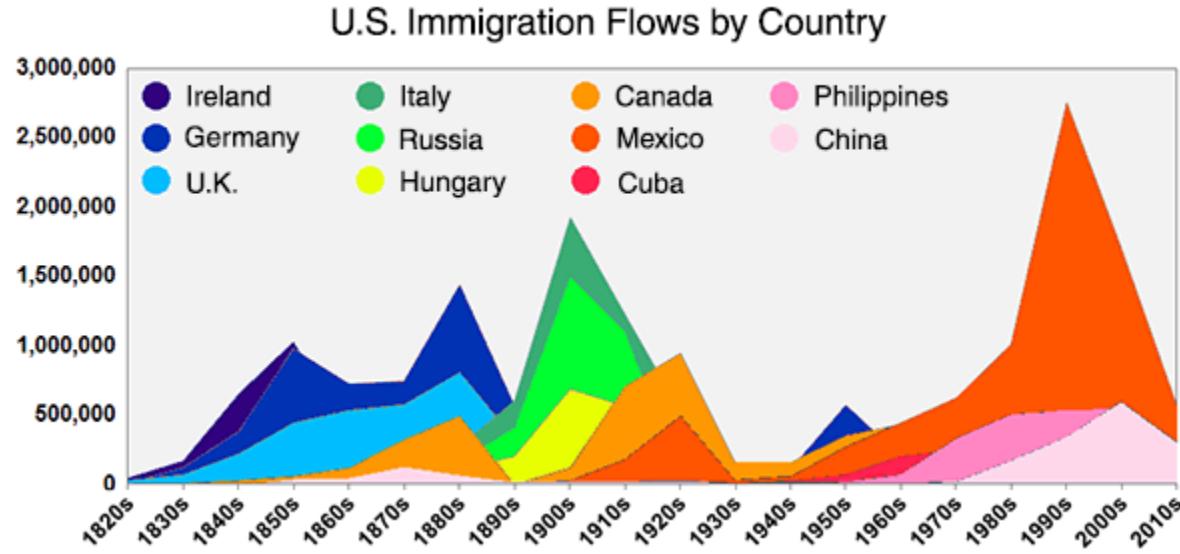
Source: IMF

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Internet connection clusters



Immigration to the USA by Country of Origin (1820s-2010s)



Jus soli



Is globalization stalling? 1. Trade as % World GDP

Trade stalls

Global bilateral trade in goods and services as % of world GDP



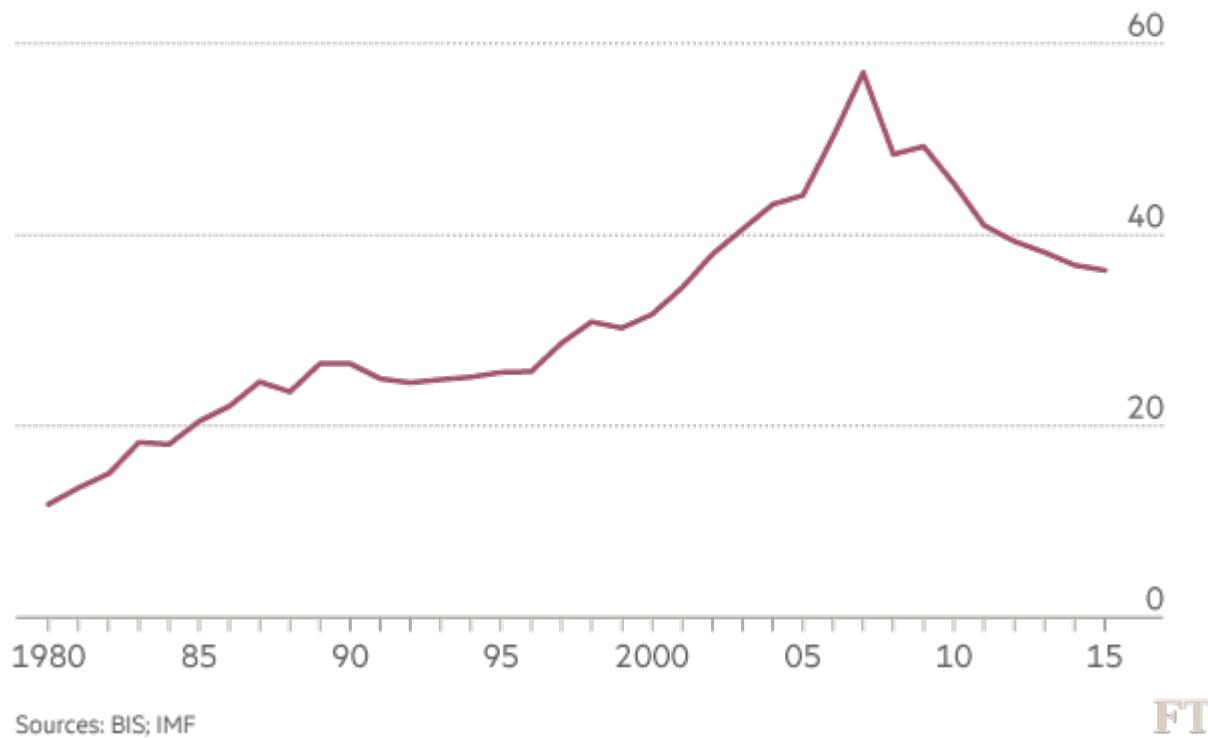
Sources: Peterson Institute for International Economics; BIS; IMF; Unctad

FT

2. Cross-Border Financial Assets as % of World GDP

Assets decline

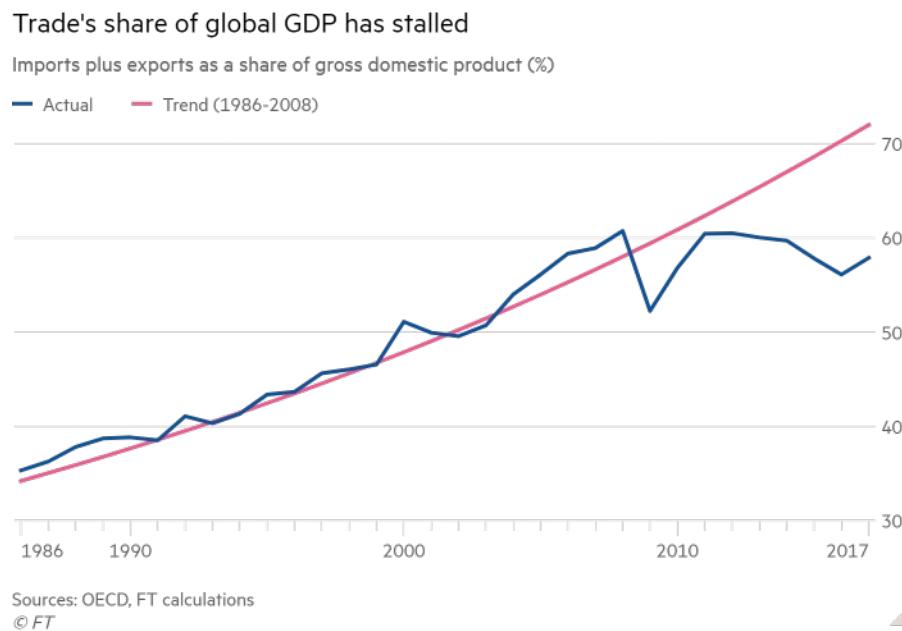
Cross-border financial assets, amount outstanding as a % of world GDP



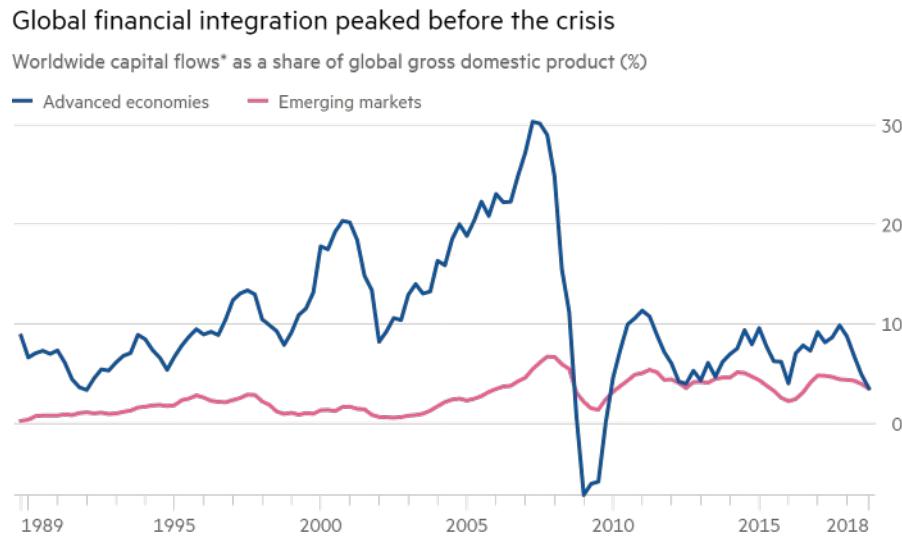
Sources: BIS; IMF

FT

3. Trade's Share of World GDP has Stalled



4. Worldwide flows of capital peaked in 2007 and Have Not Recovered

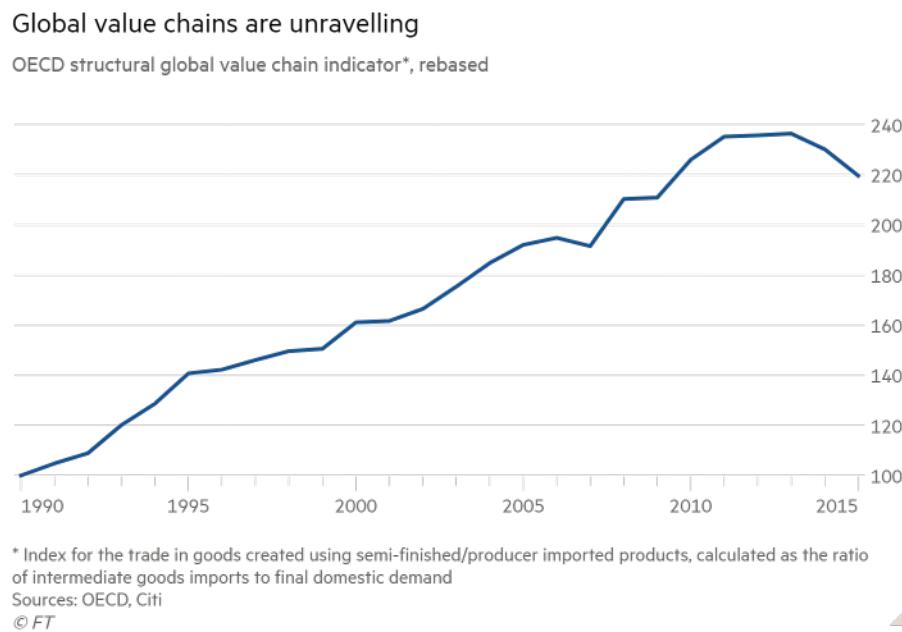


*Including foreign direct investment; rolling 4-quarter average

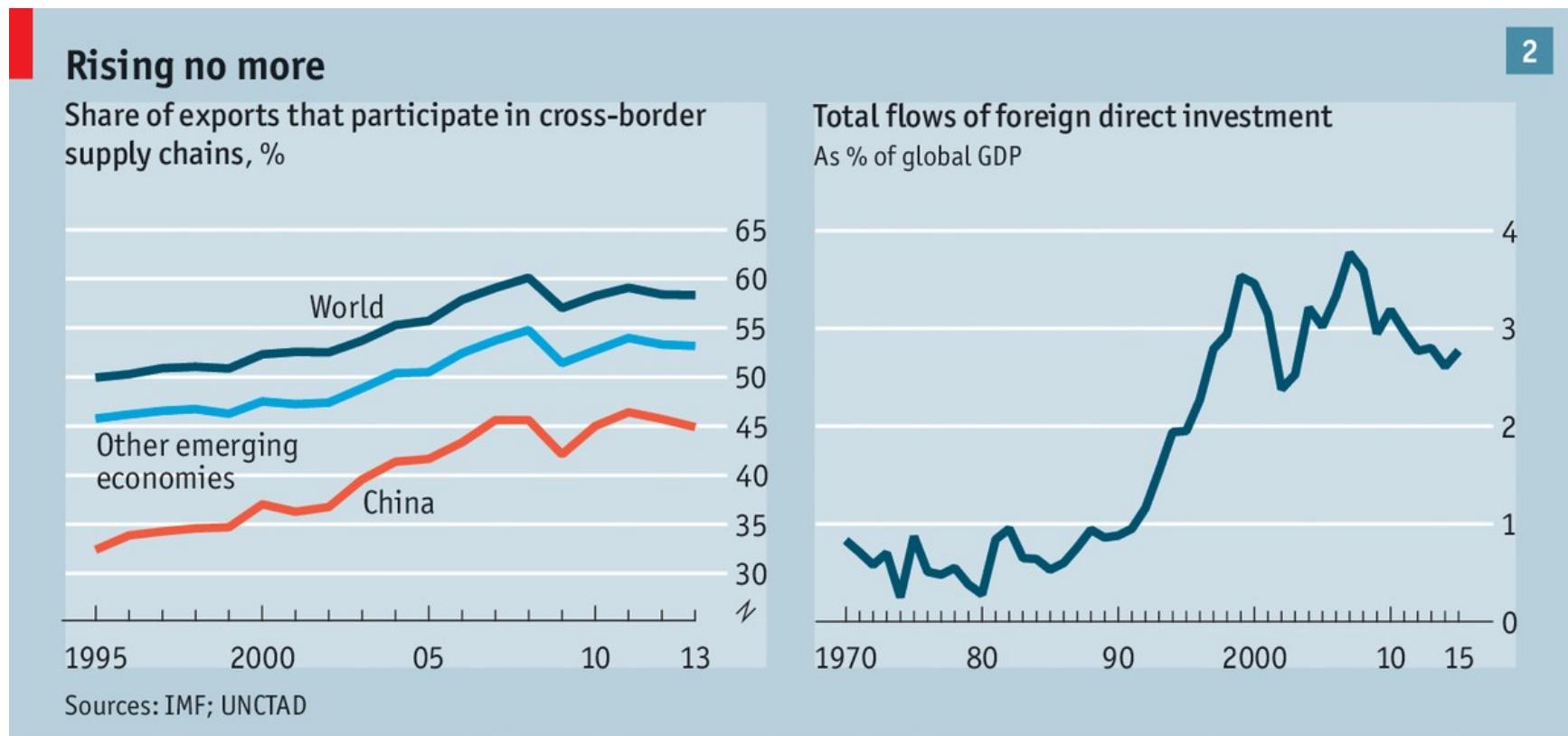
Sources: IMF, Haver Analytics, Citi

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5. Global Supply Chains (parts distributed across countries and then assembled elsewhere) are less important



6. More Evidence of Stagnation in Global Supply Chains and Stalling of FDI

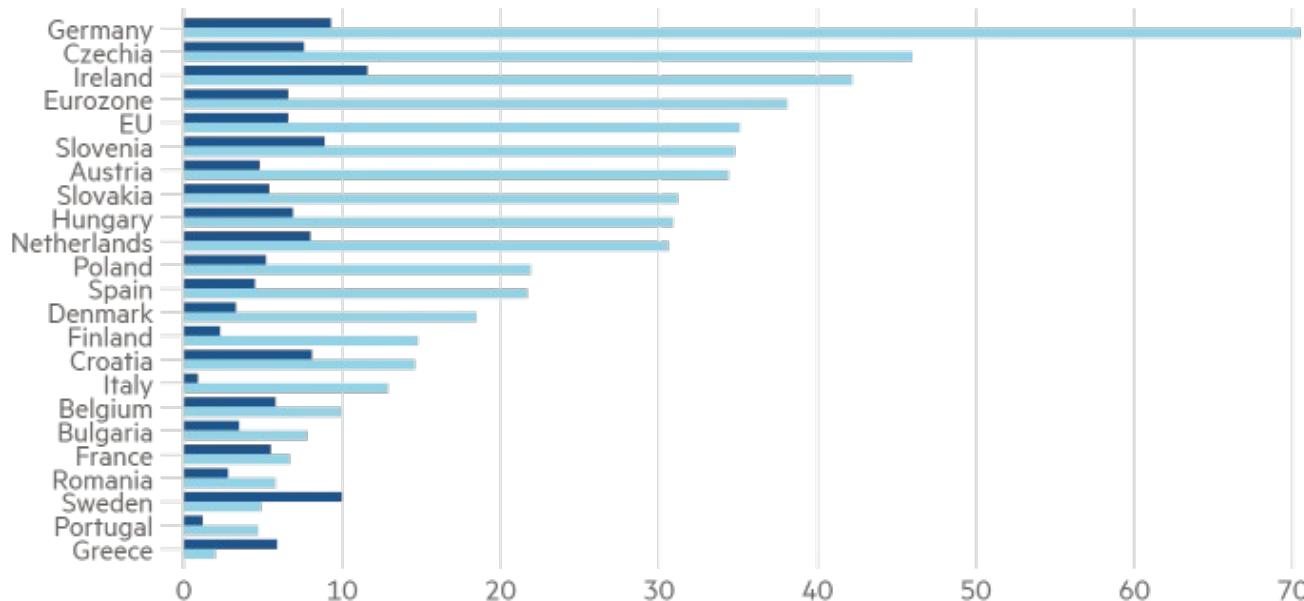


7. The Impact of the 2020-21 Pandemic on Supply Chains

Factories across the eurozone report shortages of material and equipment

% of businesses

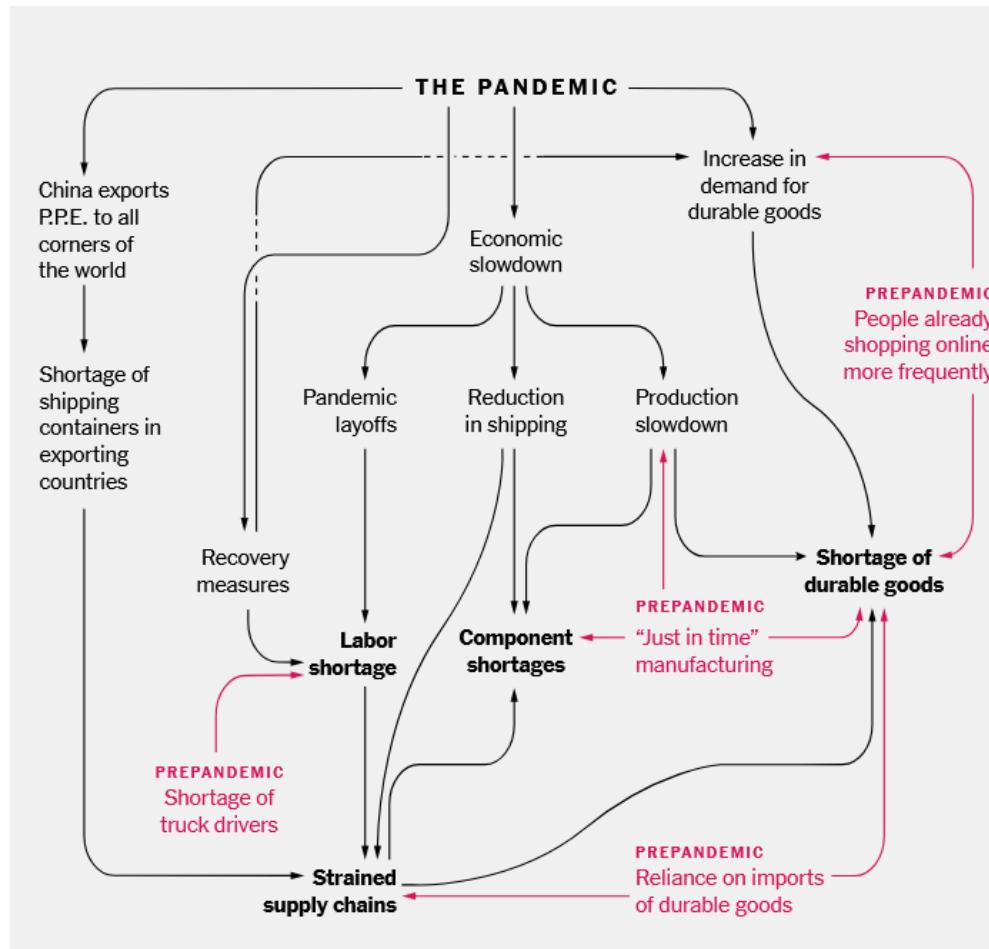
Aug 2020 Aug 2021



Source: Eurostat

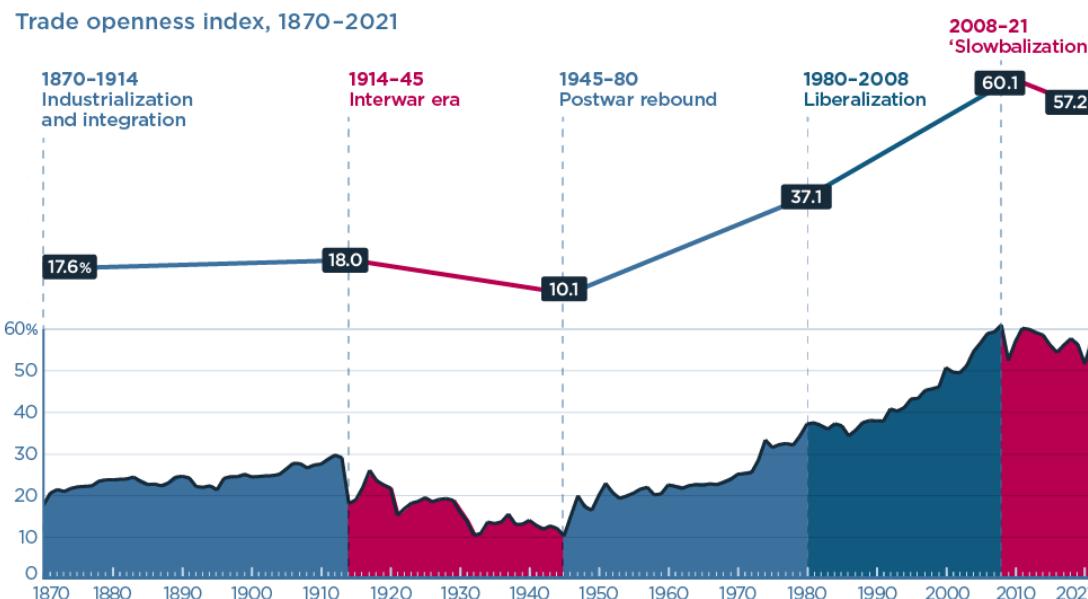
© FT

How supply chains unraveled



Overall global trade openness, 1870-2021

Globalization is in retreat for the first time since the Second World War



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Note: The trade openness index is defined as the sum of world exports and imports divided by world GDP. 1870 to 1949 data are from Klasing and Milionis (2014); 1950 to 1969 data are from Penn World Tables (10.0). 1970 to 2021 data are from the World Bank.

Sources: Our World In Data; World Bank, World Development Indicators; and author's calculations for 2021.

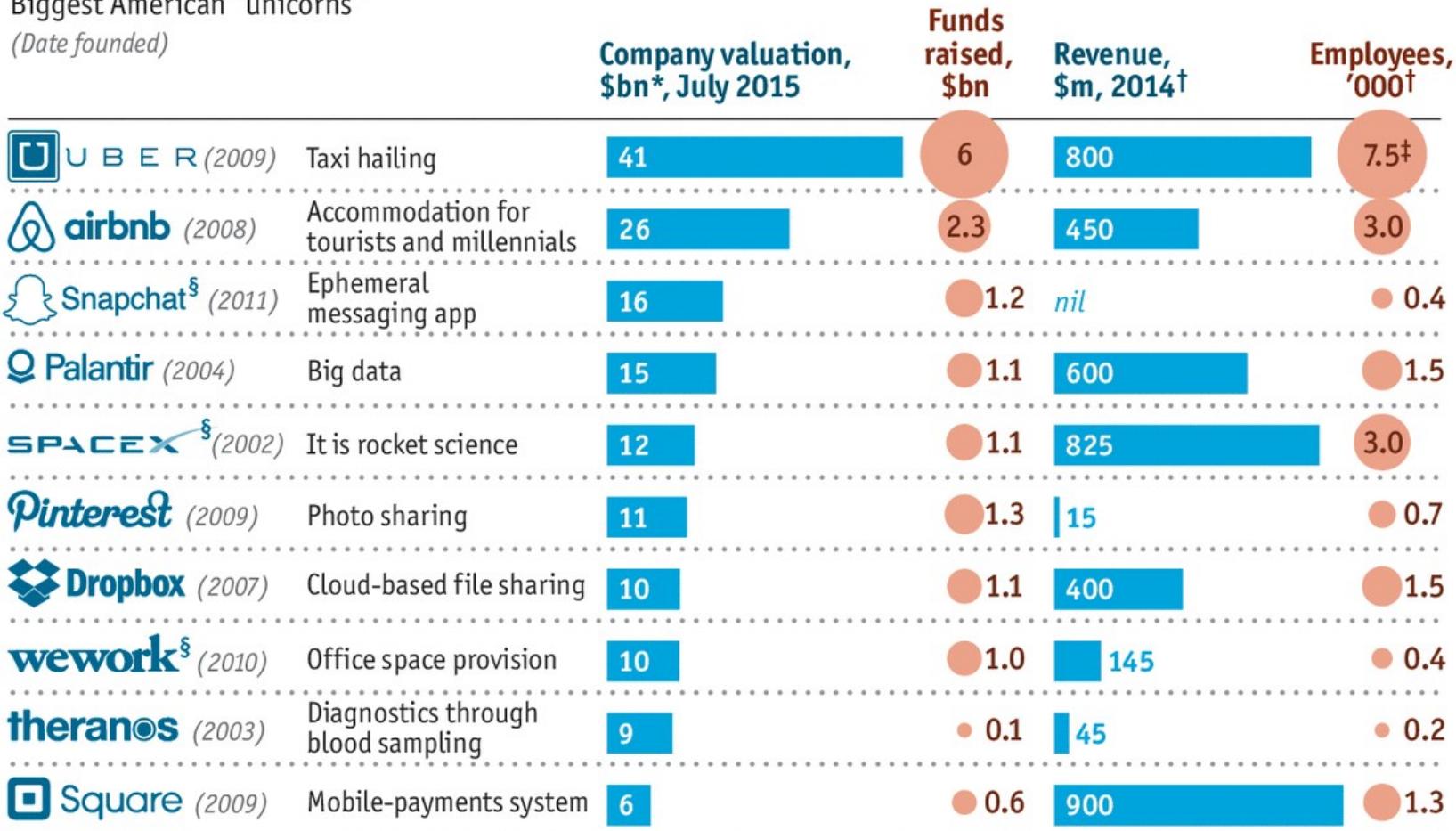
E. The Current Balance Sheet on Globalization

- 13. Growing sectors, for example the app economy, based on global markets. Much of this also involves the so-called Gig economy of zero-hours contracts and limited worker benefits (e.g. Uber). Much of the high-end (higher income) employment associated with this economy is heavily concentrated in some places (e.g. the Bay Area). National government sponsorship (R&D spending) paid for much of the innovation that private firms now cash in on. Much of the I-Phone was put together from parts invented with grants from DARPA (within the US Defense Department)
- 14. Consequences: localized benefits of the “new economy” but with wider costs (e.g. declining labor share of income in the US). This is a major reason why “globalization” is controversial. Many regions in the US (like in the Midwest) have lost their “old” industries and the new industries are concentrated on the coasts. But income declines for the average worker are widespread. Resenting “globalization” has some basis but putting up walls will not be much of an answer, as we shall see. Get competitive!! The world economy is not going away.

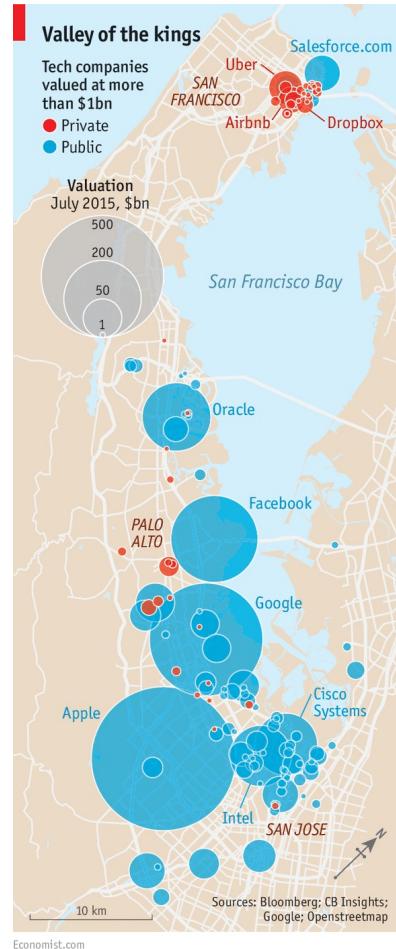
The App and Gig Economy

Biggest American “unicorns”

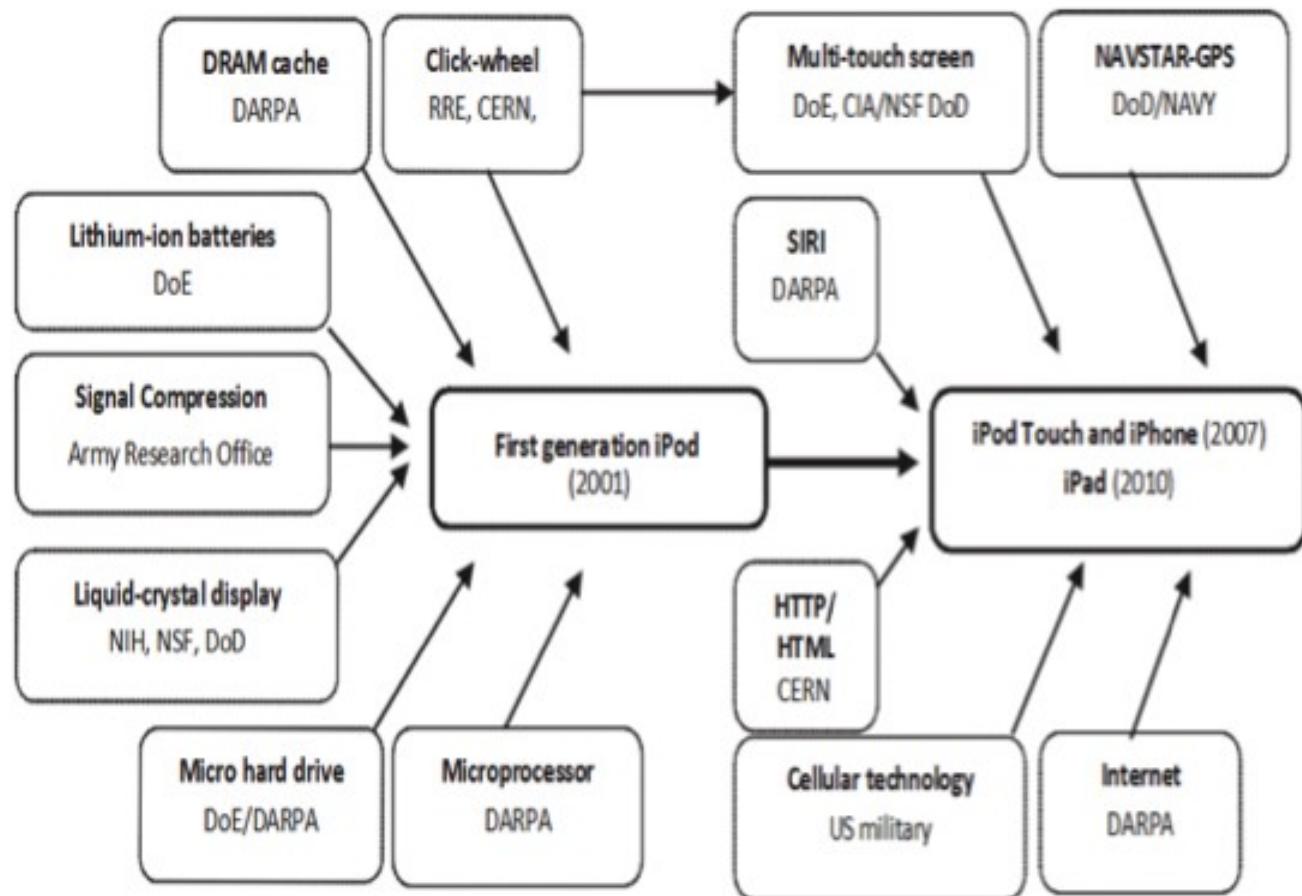
(Date founded)



The Bay Area and the “New” Economy



Who Paid for the Innovation that Went into the I-Phone?

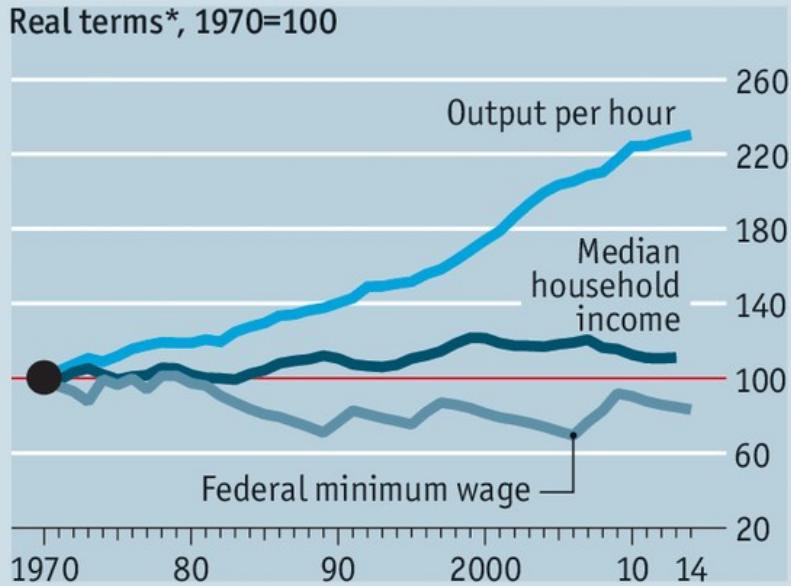


Resentment Has Some Basis

Left behind

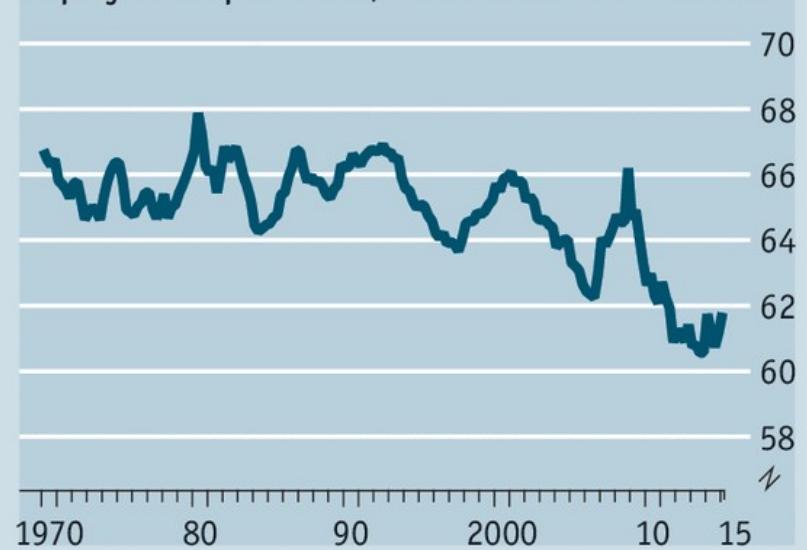
United States

Real terms*, 1970=100



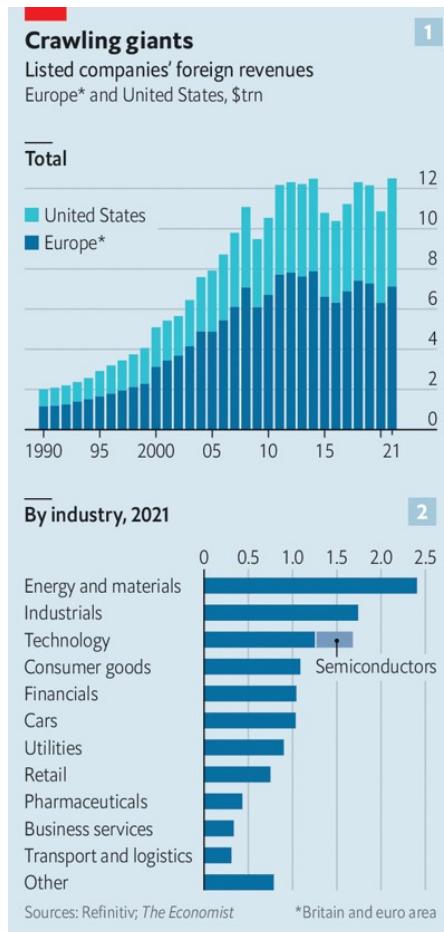
Sources: BLS; Department of Labour; Census Bureau; BEA

Employee compensation, % of total national income



*Adjusted by CPI-U-RS

Stalled Foreign Revenues of European and US Companies



The Economist

Put Your Heads Down

