

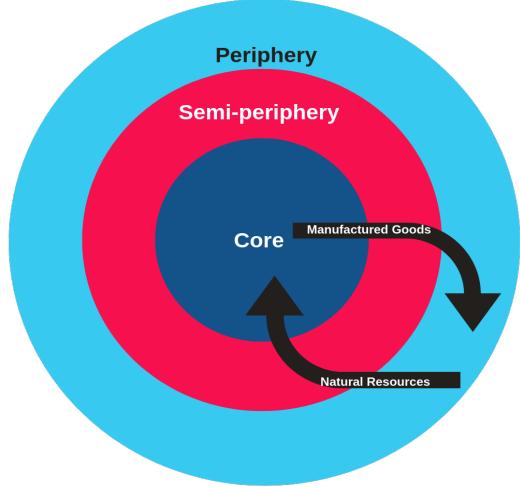


## GEO 2500 Global and Regional Economies

Instructor:  
Natalia Dambe

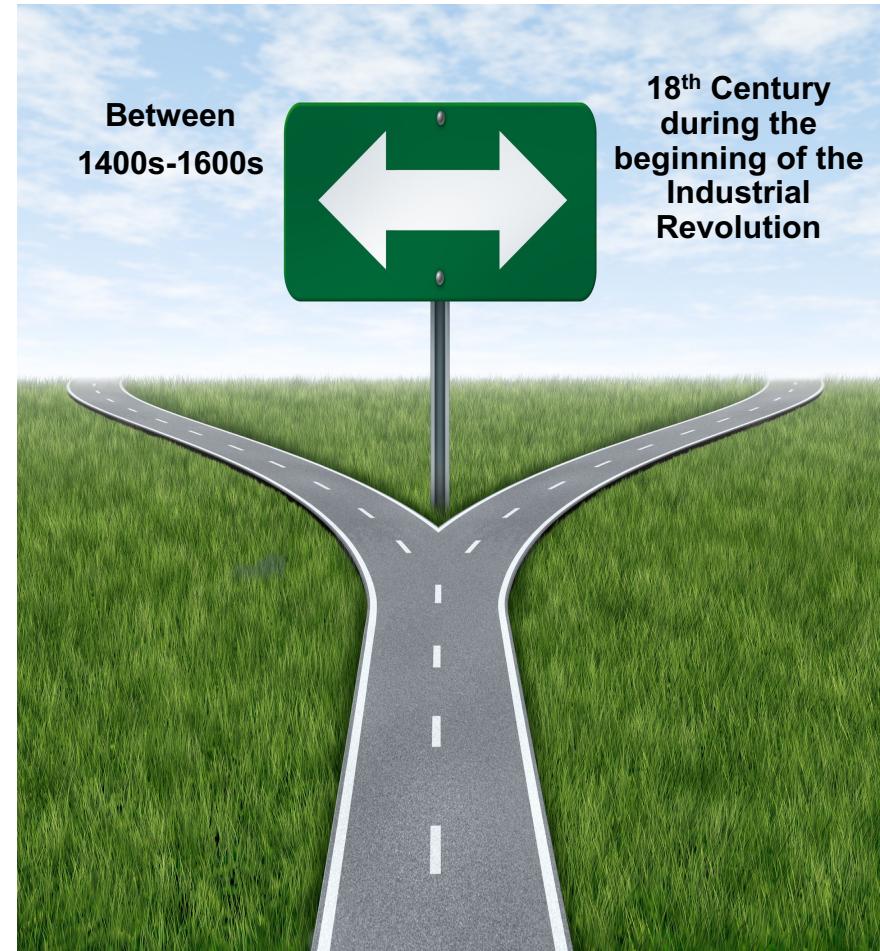
# Intro of World Economy

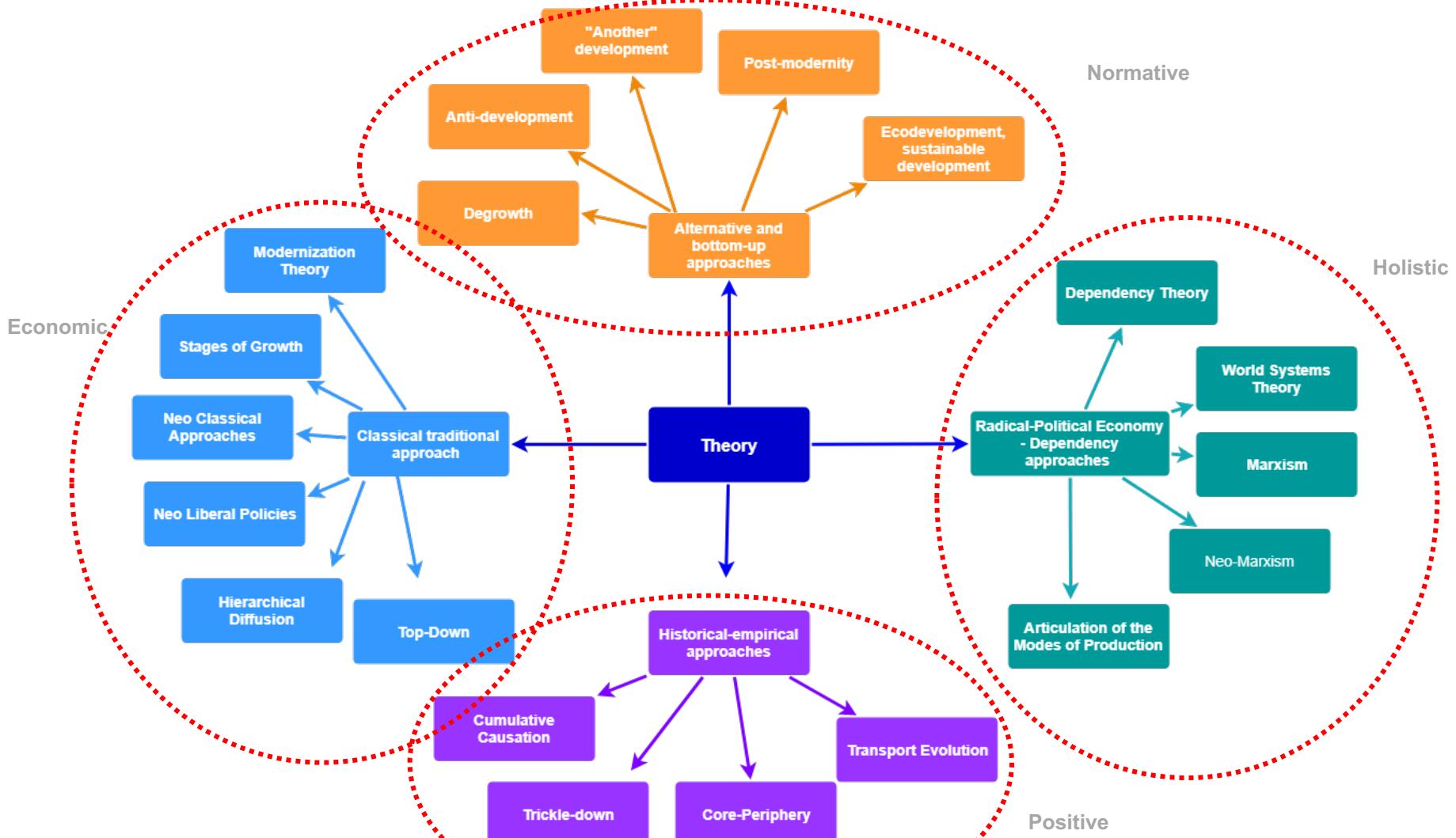
Traditional Core-Periphery, with some countries in the semi-periphery



- Cyclical changed dynamics - spatially with respect to economies
- New trends influenced by former economic activities (i.e., path dependencies)

Economic historians debate about when global economy truly emerged:





# World-System Theory

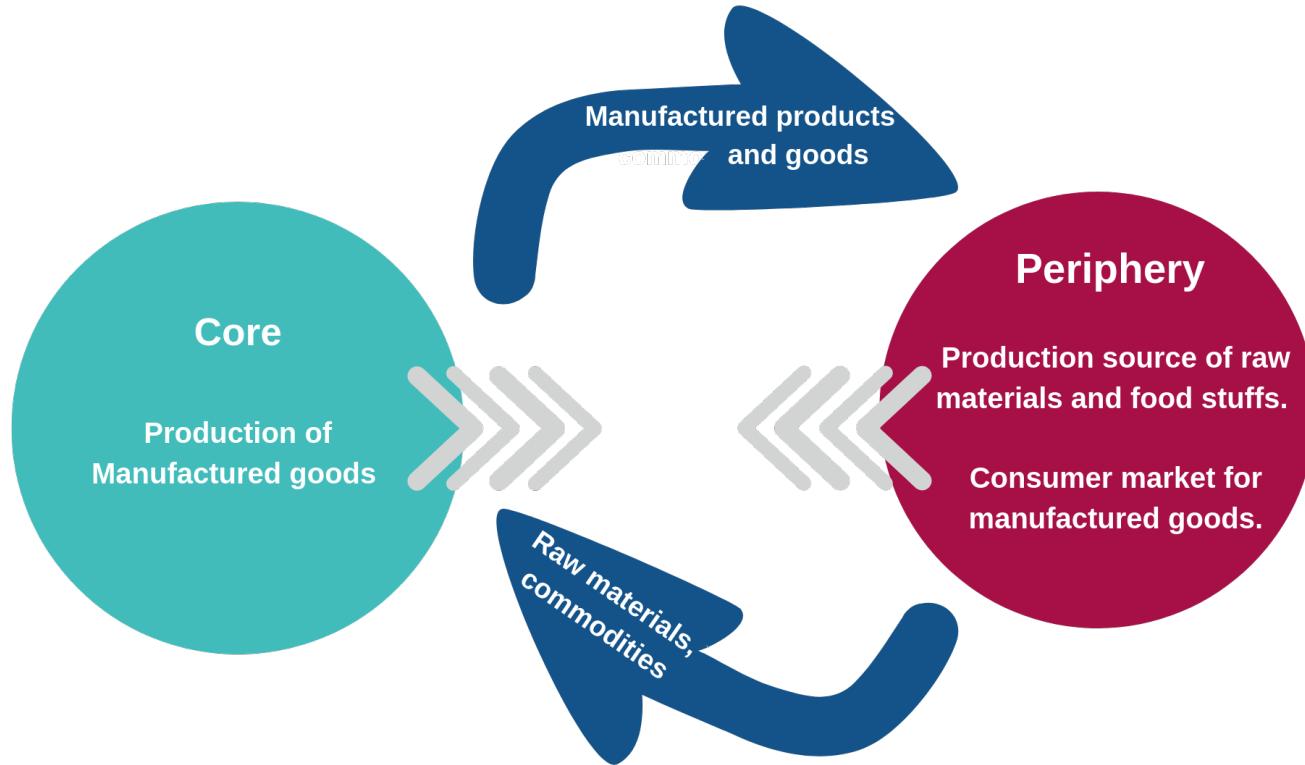
- Interconnected system of countries
- Nations linked together by trade, communications, conflict and alliances.
- Established on a 3-level hierarchy:



World Systems Theory developed by Immanuel Walter (1974, 1984)



# Core-Periphery Model



# Core countries

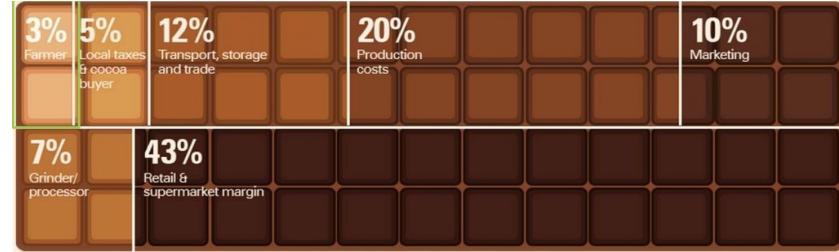
- Dominant capitalist countries
- Exploit peripheral countries for labor and raw materials
- Strong in military power
- Not dependent on any one country
- Alliances with other economically powerful countries
- Higher skill professionals, higher wages
- Capital-intensive production, diversified production mix, advanced technology
- Powerful and wealthy, high consumption pattern
- Bargaining power - pay lower prices for commodities and exploit cheap labor
- Reinforces global inequalities between core and peripheral countries



# Periphery Countries

- Lack a strong central government
- Controlled by other states
- Export raw materials to the core countries (cheap prices)
- Dependent on core countries for capital
- Underdeveloped industry, rudimentary technology, basic production mix
- Low-skill, labor-intensive production, cheap labor (low wages)
- Called “Third-world” countries
- Low consumption pattern
- Eastern Europe and South America (Latin America) were the first peripheral zones

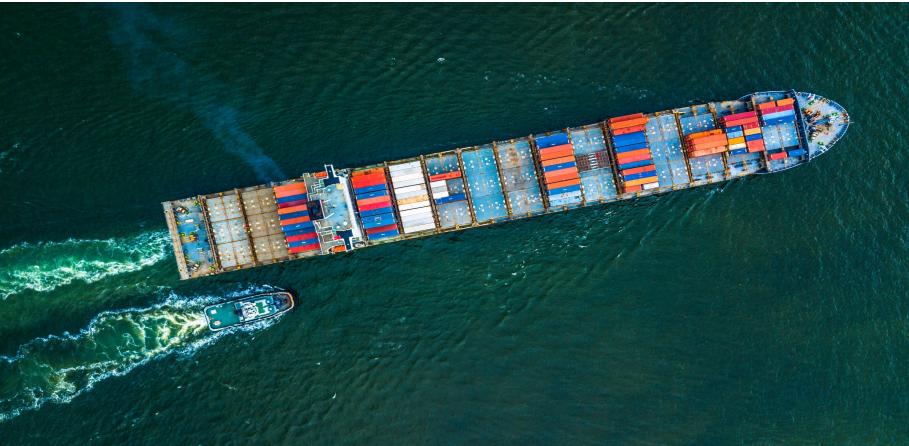
Cocoa farmers get the smallest share of profits in the chocolate value chain



# Periphery Countries

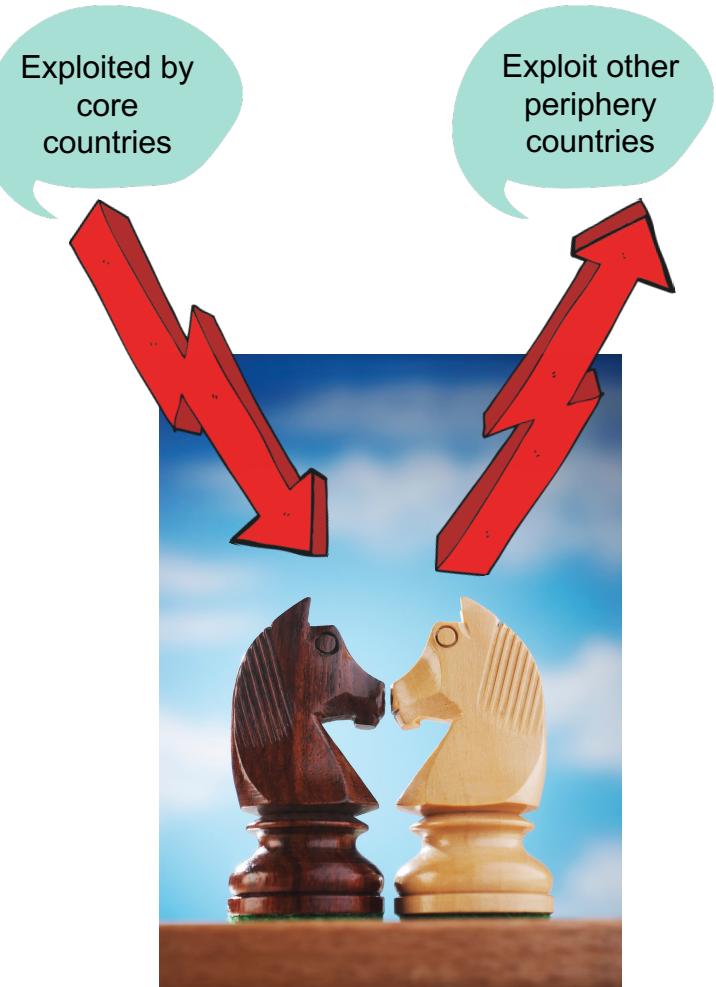


- Foreign investors promote the extraction of raw materials (minerals and oil) and the production of industrial agriculture and cash crops
- Production is exported to core countries for lower prices

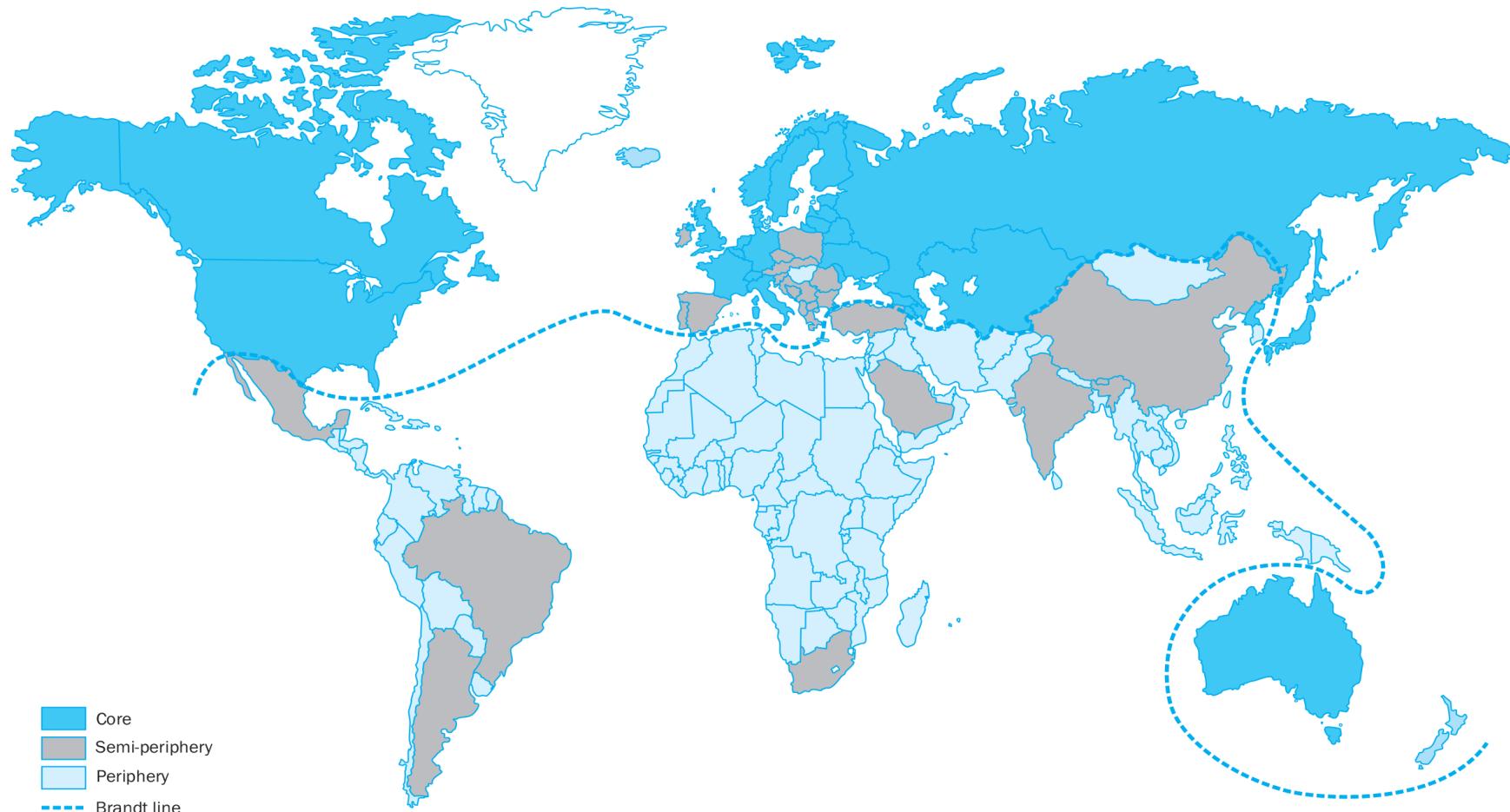


# Semi Periphery Countries

- Middle of the economic spectrum
- Share characteristics of both core and periphery countries
- Mix of core and periphery processes
- Are **core regions in decline or periphery in a process of improving economic position?**
- Potential to move into core
- Examples of today: India, largely dependent on core countries for capital, but it has a growing technology industry and an emerging consumer market



# Core-Periphery Map



# Dynamics of the world-economy

- Economic and political changes are not the problem of any single state or country
- They are part of worldwide dynamics
- Different parts of the world experience global dynamics differently, never the same way
- Globalization had a polarizing effect
- The level of inequality within countries and across the globe has been seen as a moral tragedy and an increasing concern for policymakers
- Globalization has been a classic example of “growth with poverty”
- Rise of populist politics across the globe as a response to such inequalities
- Trumpism or new authoritarian populisms (e.g. Putin in Russia, Bolsonaro in Brazil) also a reaction

# Dynamics of the world-economy

- Fluctuation between “global boom” and “global bust” is part of this system
- Post-war boom after the Second World War
- Great Depression of the 1930s
- Times of growth and prosperity followed by crises and depression
- The Russian economist, Nikolai Kondratieff was the first to note and propose such a cyclical pattern

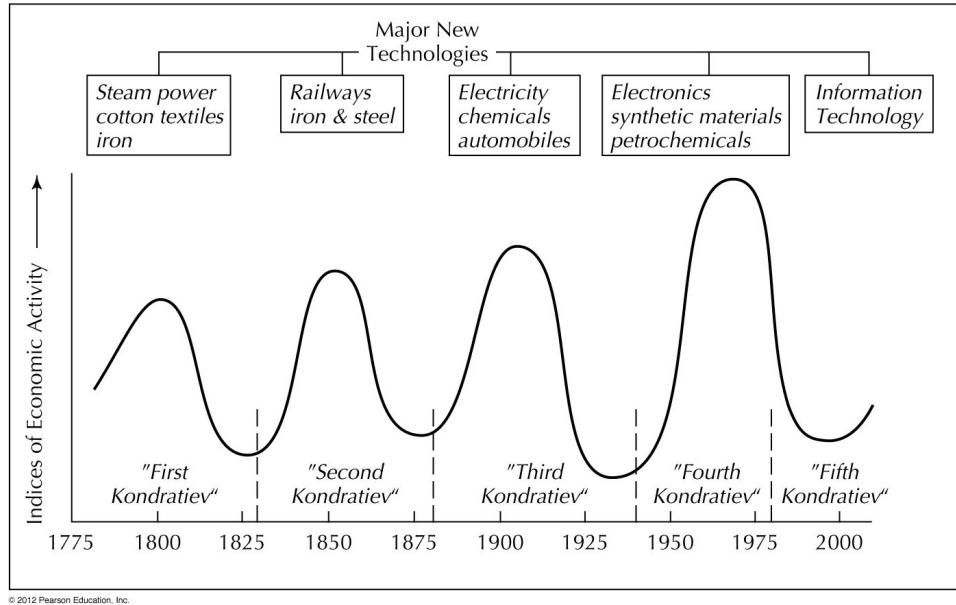
# Dynamics of the world-economy

- Fluctuation between “global boom” and “global bust” is part of this system. Ex: Post-war boom after the Second World War; Great Depression of the 1930s
- Cyclical times of growth and prosperity followed by crises and depression
- It resembles a roller coaster
- The Russian economist, **Nikolai Kondratieff**, was the first to note and propose such a **cyclical pattern**



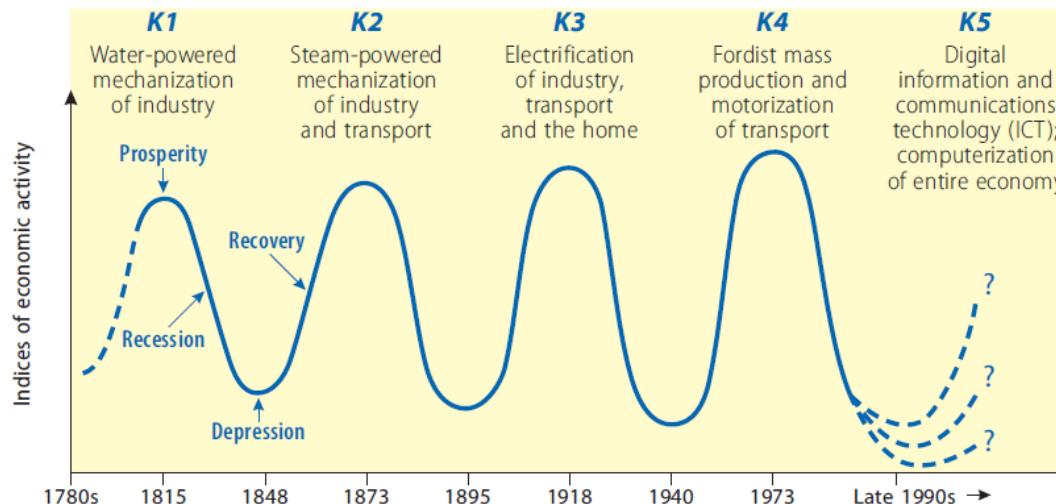
# Kondratiev cycles

- Long-term oscillations (roughly 50–75 years) in the capitalist economy
- Linked to major waves of **technological change**
- Measured by **fluctuations** in prices, output, profits, productivity, and employment levels
- Criticisms



# Kondratiev cycles

- Tenet of this evolutionary perspective: **economic growth** happens in a sequence of cycles or “waves” (K-waves)
- A long wave of roughly 50 years’ duration
- Beginning in the late 1700s - four complete K-waves are identified

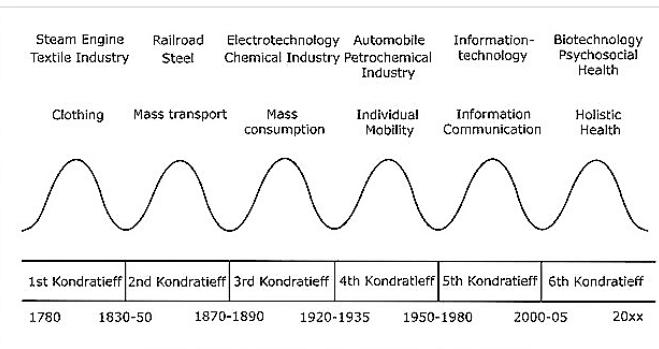
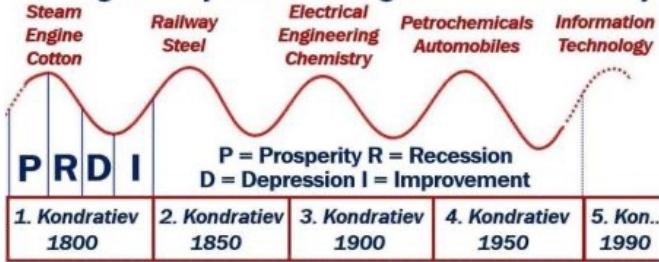


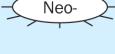
# Kondratiev Cycles

## Kondratiev Cycle

**Long duration economic cycle of growth and contraction that plays out over a period of 60 years.**

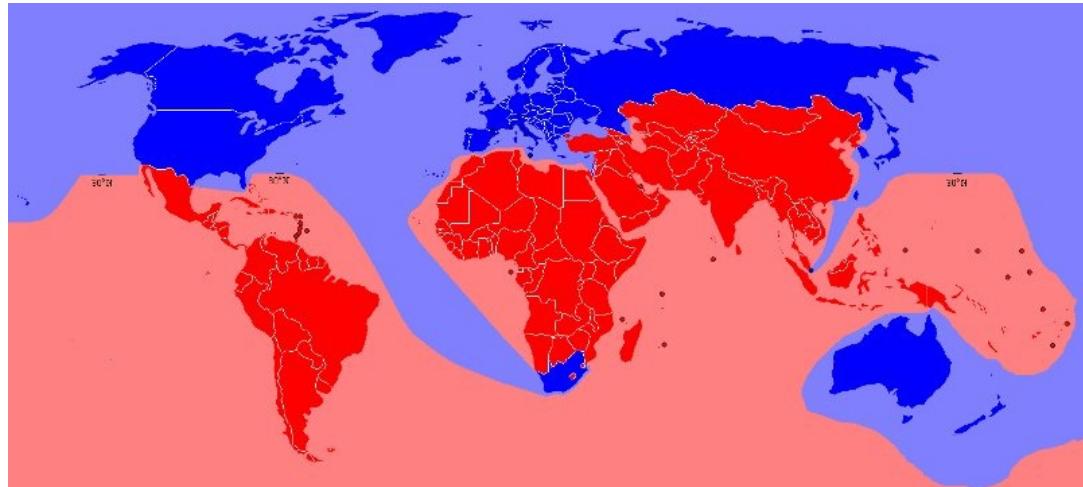
**Global growth cycles according to Kondratiev theory**



Long waves of changing forms of capitalism	Short or Kondratieff waves	Impact on the periphery	Colonial phases examined in this chapter
Feudalism		Little impact outside Europe	
Transition	Iberian dominance	Latin American colonialism begins	
Mercantile colonialism	Rise of NW Europe: Holland and Baltic states, then France and Britain	North American colonialism begins Pacific colonialism begins	 Mercantile
Transition	'Revolutions' in France and Britain	South Asian colonialism begins North American decolonisation begins Latin American decolonisation begins African colonialism begins	 Transition
Industrial monopoly	Britain dominant	African colonialism begins Asian and Pacific colonialism accelerates African colonialism accelerates Decolonisation in Asia and Africa	 Industrial  Late-  Neo-
		Rise of Asian Pacific	

# Geography of Development

- Define development
- Development & Underdevelopment
  - North / South
  - Brandt line
- Three Worlds
- Measuring Development



# Development

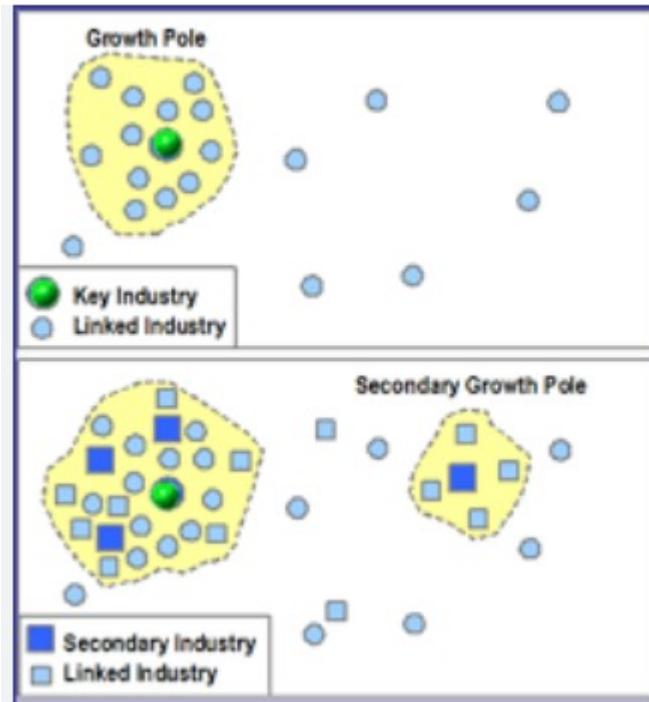
- World-systems analysis: how we conceptualize social change in the capitalist world-economy
- Decline of Britain since the late 19<sup>th</sup> is not merely a ‘British phenomenon’
  - Part of a wider world-system process: ‘**hegemonic decline**’
- Industrial decline of Britain; **Rise of US hegemonic power**; recent **rise of China**
- Global processes transcend the countries borders
- **Emergence of critique of social scientific notions of development and “modernization”**

# Development theories

- Marxist critique of the development theories
  - Ideas developed in richer countries could not be transferred to poorer areas
- “**Development of underdevelopment**”
  - Poorer countries are impoverished to enable a few countries to get richer

# Perroux's Growth Pole Theory

- **Growth Pole**
  - Economic concept representing a focal point of economic activity where **centrifugal forces** radiate outward and **centripetal forces** are drawn in (are attracted)
    - Ex. Leading industries
- **Polarization**
  - Leading industries experience rapid growth, causing other economic activities to cluster around this center of growth
    - Ex. This can involve the flow of resources, capital, migration, and other related factors



# Myrdal: Cumulative Upward Causation

- **Backwash Effects**

- Adverse, negative consequences that prosperous regions have on less prosperous regions
  - Ex. concentration of resources in the core areas at the expense of the periphery, leading to growing spatial inequality

- **Spread Effects**

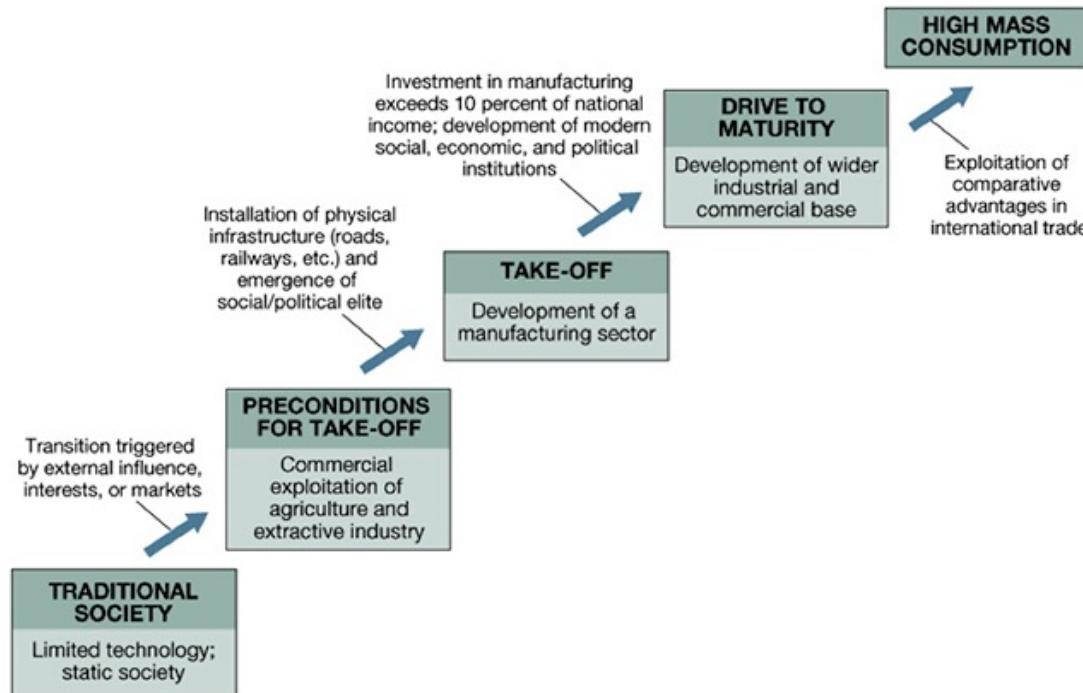
- Positive impact of prosperous regions on less prosperous ones
  - Ex. Increased demand, capital investment, and technology transfer, which can help stimulate economic growth and development in the less affluent regions



# Hirschman: Polarization/Trickle Down

- **Polarization Effect**
  - The phenomenon where growth centers attract or "drain" regional resources, concentrating economic activity and opportunities within these centers while potentially depriving peripheral areas of resources and opportunities
- **Trickle Down Effect**
  - Spread of growth and innovation from the central growth centers to the surrounding periphery → diffusion of benefits, such as economic growth and technological advancements, from the core areas to the less developed regions over time.

# Rostow's Theory of the stage of Economic Growth



# Development and K-waves

- Contrast: Whereas Western Europe, Japan and the US may have experienced development, most of the remainder of the world became relatively poorer as part of the same process of development
- **Time-Space realities**
- Discussion: The political sentiments of those supporting the election of Donald Trump to president of the US have been interpreted as a “reaction to deindustrialization and the promotion of globalization by elites” (Hochschild 2016). Part of this political reaction, encouraged by Trump’s rhetoric, was the definition of an ‘unfair’ economic playing field now that China has become a key player. Some scholars interpret this sense of threat to established livelihoods as the geographic economic shifts of the capitalist world-economy driven by Kondratieff waves. Do you agree? How does this fit the cyclical pattern of the world-economy described by Kondratieff waves?

Table 1.1 A space-time information matrix.

		<b>Core</b>	<b>Semi-periphery</b>	<b>Periphery</b>
Logistic	A	Initial geographical expansion based on Iberia but economic advances based on north-west Europe	Relative decline of cities of central and Mediterranean Europe	Iberian empires in New World; second 'feudalism' in Eastern Europe
	B	Consolidation of north-west European dominance, first Dutch and then French-English rivalry	Declining areas now include Iberia and joined by rising groups in Sweden, Prussia and north-east US	Retrenchment in Latin America and Eastern Europe. Rise of Caribbean sugar. French defeat in India and Canada
Kondratieff wave I	A	Industrial Revolution in Britain, 'national' revolution in France. Defeat of France	Relative decline of whole semi-periphery Establishment of US	Decolonization and expansion – formal control in India but informal controls in Latin America
	B	Consolidation of British economic leadership. Origins of socialism in Britain and France	Beginning of selective rise in North America and central Europe	Expansion of British influence in Latin America. Initial opening up of east Asia
Kondratieff wave II	A	Britain as the 'workshop of the world' in an era of free trade	Reorganization of semi-periphery: civil war in US, unification of Germany and Italy, entry of Russia	The classical era of 'informal imperialism' with growth of Latin America
	B	Decline of Britain relative to US and Germany. Emergence of the Socialist Second International	Decline of Russia and Mediterranean Europe	Expansion – scramble for Africa. The classical age of imperialism
Kondratieff wave III	A	Consolidation of German and US economic leadership. Arms race	Entry of Japan and Dominion states	Consolidation of new colonies (Africa) plus growth in trade elsewhere (especially China)
	B	Defeat of Germany, British Empire saved. US economic leadership confirmed	Socialist victory in Russia – establishment of Soviet Union. Entry of Argentina	Neglect of periphery. Beginning of peripheral revolts. Import substitution in Latin America
Kondratieff Wave V	A	East coast of China as new core region; cities of India as global cities; US political divisions; questions of EU unity; Japan redefines global role	Political change and internal differentiation in India and China; Question of role of central and east European states in the EU; Tensions within Brazil, Russia and South Africa	'Fragile states'; economic opportunity through trade ties with China and India; challenges to Western ideologies; immigration flows to the core

- Discussion: The political sentiments of those supporting the election of Donald Trump to president of the US have been interpreted as a “reaction to deindustrialization and the promotion of globalization by elites” (Hochschild 2016). Part of this political reaction, encouraged by Trump’s rhetoric, was the definition of an ‘unfair’ economic playing field now that China has become a key player. Some scholars interpret this sense of threat to established livelihoods as the geographic economic shifts of the capitalist world-economy driven by Kondratieff waves. Do you agree? How does this fit the cyclical pattern of the world-economy described by Kondratieff waves?

# Development and K-waves

- Kondratieff cycles help us to visualize political activity within the dynamic of economic change context
- Recognize the changes in the capitalist world-economy
  - Understanding persistent geographical differences in wealth and power
- Core and periphery processes - theoretical framework for understanding geographies of inequality
- Nation as a space-time matrix – base for contextualize political actions in time and space

# TOP 10 ECONOMIC SUPER POWERS

## COUNTRIES ECONOMIC DETAILS



#1

**UNITED STATES**PROJECTED GDP, 2013: \$16.2 TRILLION  
PROJECTED GDP, 2015: \$17.8 TRILLION

#2

**CHINA**PROJECTED GDP, 2013: \$8.8 TRILLION  
PROJECTED GDP, 2015: \$10.6 TRILLION

#3

**JAPAN**PROJECTED GDP, 2013: \$6.1 TRILLION  
PROJECTED GDP, 2015: \$6.4 TRILLION

#4

**GERMANY**PROJECTED GDP, 2013: \$3.6 TRILLION  
PROJECTED GDP, 2015: \$3.7 TRILLION

#5

**FRANCE**PROJECTED GDP, 2013: \$2.8 TRILLION  
PROJECTED GDP, 2015: \$3 TRILLION

#6

**UNITED  
KINGDOM**PROJECTED GDP, 2013:  
\$2.6 TRILLION  
PROJECTED GDP, 2015:  
\$2.9 TRILLION

#7

**BRAZIL**PROJECTED GDP, 2013:  
\$2.5 TRILLION  
PROJECTED GDP, 2015:  
\$2.9 TRILLION

#8

**RUSSIA**PROJECTED GDP, 2013:  
2.3 TRILLION  
PROJECTED GDP, 2015:  
\$2.7 TRILLION

#9

**ITALY**PROJECTED GDP, 2013:  
\$2.1 TRILLION  
PROJECTED GDP, 2015:  
\$2.2 TRILLION

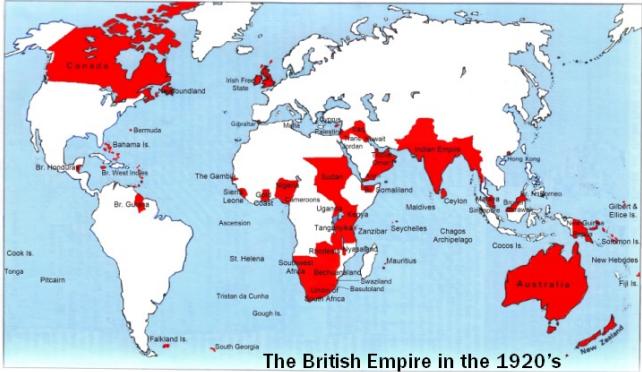
#10

**INDIA**PROJECTED GDP, 2013:  
\$2 TRILLION  
PROJECTED GDP, 2015:  
\$2.9 TRILLION

# Concepts to keep in mind

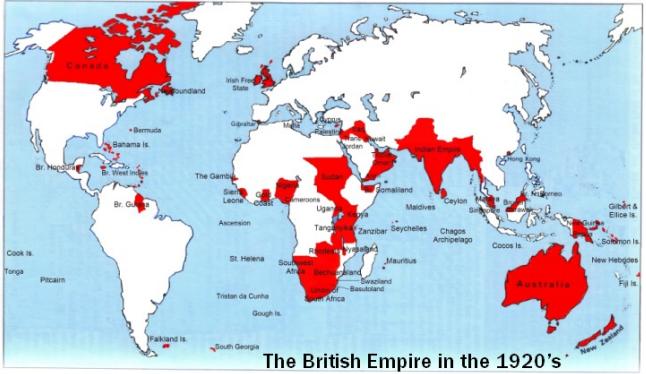
- Core-Periphery Model
- Foreign Direct Investment (FDI)
- Volatility of Economic Growth
- Transnational Corporations (TNCs)
- Global Cities

# Historical overview



- Industrialization began in Britain during the Industrial Revolution in the 18<sup>th</sup> and 19<sup>th</sup> centuries
- Rapid growth of manufacturing and urban cities in Europe
- The world's only economic and political superpower (maritime-based economy)
- By 1900, the US overtook Britain's position as the world's largest economy

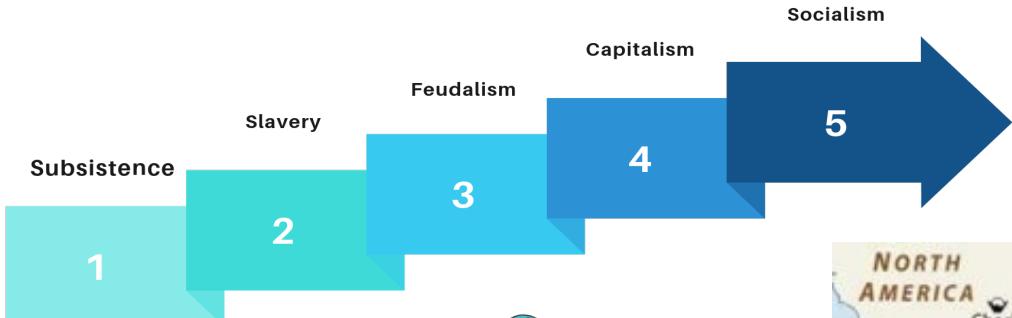
# Historical overview



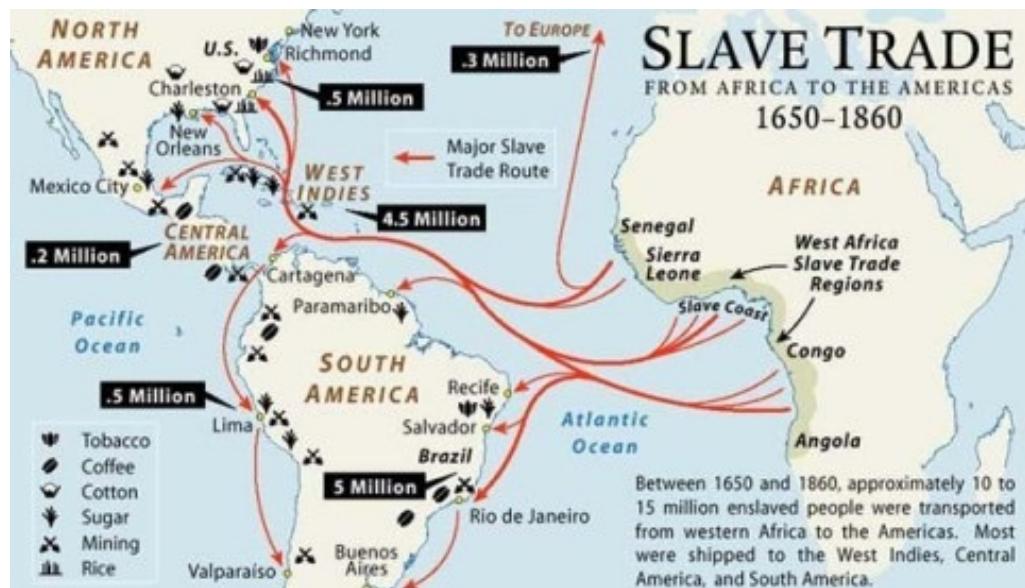
- Massive urban growth in U.S. eastern seaport cities (e.g., New York, Boston, and Philadelphia)
- **Manufacturing Belt**
- Influence of modern corporations
- Specialization of cities/regions in the production of specific products  
**(comparative advantage)**

# Historical Overview

In history, societies have gone through some or all of these modes of production:



These terms are in the textbook Glossary



# Historical Overview

- **The Transatlantic Slave Route Trade**
  - First system of globalization
- **One of the most dehumanizing enterprises in global economy and human history**
  - Biggest deportation in history
- Determining factor in the world economy (18<sup>th</sup> 19<sup>th</sup> centuries)
- In 400 years (1440-1880s), **20-30 million people were taken from Africa for forced labor**
- Over 17 million went to the Americas (North and South America)



# Where are we going?

- Attack on Saudi Oil Facility
- US Elections and Brexit
- Roles of China and Russia in global politics - fears and opportunities
- Conflicts in the Middle East
- Emergence of the so-called “Islamic State”

# Where are we going?

- Institutions, practices and assumptions that have defined our world, the countries, trade, businesses, political parties and social are completely changing since the end of the WWII
- Political violence, ecological disaster, economic inequalities, and fundamentalist nationalism, fake news

**Discuss the state of the world to help you make your own judgements of  
how we got where we are  
today**

# History

- Post-World War II (1945 onwards)
  - US assume Britain's position as the world's leading "**superpower**"
  - **Global cities** - London, New York, Tokyo
  - **International division of labor** (countries economy have become more integrated)
  - Technological innovations (Ex. transportation and communications)
  - **Decline in protectionism.** Effects?
  - **Multinational corporations influence**
  - Increasing standard of living and quality of life (where and for whom?)

# History

- During the Cold War (1947–1991)
  - The world economy was seen under the perspective of two “superpowers”
    - United States and the former Soviet Union
    - The “rest” of the world
  - US had a trade surplus up until 1976
  - US trade deficits; overvalued dollar; imports cheap and exports expensive
  - American consumers’ voracious demand for imported goods (consumer debt)
  - Foreign investors owned 26% of America’s total domestic assets
  - Subsidies to American consumers because more goods and services flowed into the country than flowed out

# History

- **Foreign Direct Investment (FDI)**
- Global market and multinational corporations expanded and incorporated other parts of the world
- Companies investing in a foreign country
  - Penetrate markets
  - Access to natural or human resources. Effects?
- Increase operating efficiency; aiming production control

# History

- **Rise of new superpower countries**
- Several theoretical perspectives were devised to explain the rise of superpowers, rich and poor countries disparities, and shifts in global economic and political power
- We can see these patterns from different theoretical perspectives and political stances and ideologies
  - Ex. Superpowers, **Dependency Theory**)
  - Ex. Neo-Liberal, Marxist, Populist, and Non-development
- **Superpower Theory**
  - Global economy dynamics comprises **superpowers** and **emerging powers**
- **Superpower country**
  - Dominance based on economic and military power status
  - Ex. US as the world's largest economy, the higher military spending, besides culture and lifestyle spread across the globe; European Union; and the Soviet Union before the dissolution

# How we measure economic development?

## Development Indicators

- **Human Development Index (HDI)**
  - Per capita GDP
  - Life expectancy
  - Literacy, Mean years in formal schools

## PQLI (Physical Quality of Life Index)

- Measures outputs or results
- Includes access to natural and built resources (electricity, housing, other facilities)

# Human Development Data (1990-2017)

Which countries have high HDI and which have low HDI?

<http://hdr.undp.org/en/data>



# How we measure economic development?

- **Gross Domestic Product (GDP) and Gross Domestic Product per Capita**
  - **Gross Domestic Product:** The total value of all goods and services produced in the boundaries of a country annually
  - **GDP per capita:** Divide the GDP by the population. It gives a rough analysis of the availability to wealth to people living in that place

# How we measure economic development?

- Purchasing Power Parity (PPP)
  - Energy Consumption Per Capita
  - Percentage of Workforce in Agriculture
  - Calories and Nutrition
  - Education
  - Health
  - Aggregate Measure
- 
- New measurements?

# Characteristics of Development

## Relative Characteristics of Development

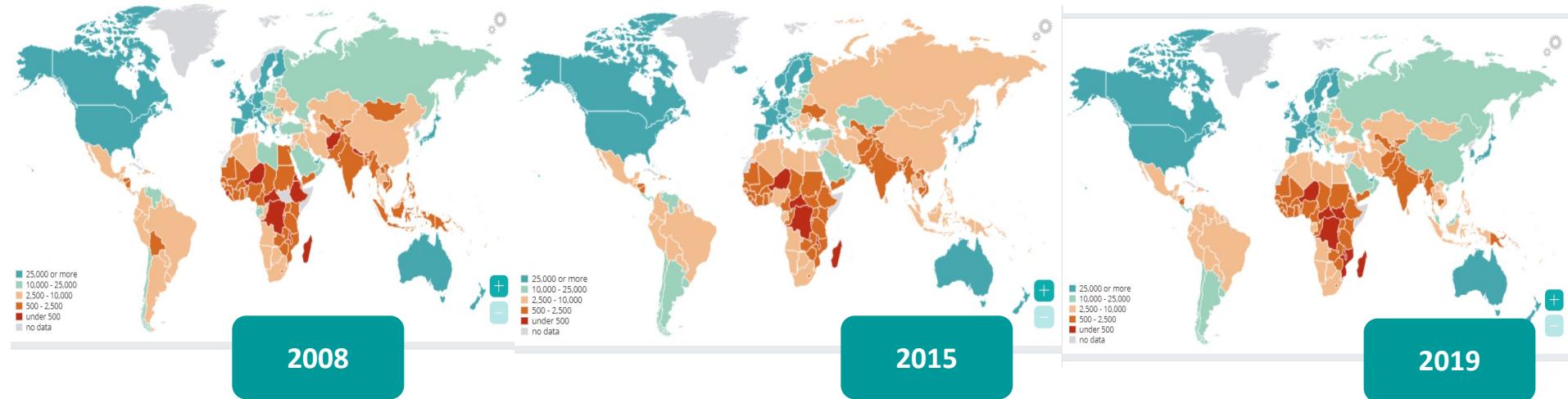
### Less Developed

1. Per capita incomes are low, and capital is scarce.
2. Wealth is unevenly distributed within individual countries (e.g., in Colombia 2.6% of population owns 40% of the national wealth, and in Gabon 1% owns 56% of total wealth).
3. Primary industries (farming, forestry, quarrying, mining, fishing) dominate national economies.
4. High proportion (over 50%) of population is engaged in agriculture.
5. Farming is mostly at the subsistence level and is characterized by inefficient methods and underemployment. Farm holdings are small, mechanization is limited, and crop yields are low.
6. Populations are dominantly rural, though impoverished urban numbers are growing.
7. Birth and death rates are high, and life expectancy is low. There tends to be a high proportion of children. Rates of natural increase are high.
8. Inadequate or unbalanced diets resulting from a relatively low consumption of protein; hunger and malnutrition are common.
9. Infectious, respiratory, and parasitic diseases are common; medical services are poor.
10. Overcrowding, poor housing, few public services, and bad sanitation yield poor social conditions.
11. Poor educational facilities and high levels of illiteracy hinder scientific and technological advancement. (In sub-Saharan Africa, nearly 50% of population is illiterate.)
12. Women may be held in inferior position in society.

### Developed

1. Per capita incomes are high, and capital is readily available.
2. Wealth within individual countries is comparatively evenly distributed (e.g., in Canada, 10% of the population owns 24% of national wealth).
3. Manufacturing and service industries dominate national economies.
4. Very small proportion (under 10%) of population is engaged in agriculture.
5. Farming is mostly commercial, efficient, and highly mechanized. Farm holdings are generally large, and crop yields are high.
6. Populations are predominantly urban, with over 70% living in towns and cities.
7. Birth and death rates are low, and life expectancy is high. There is often a high proportion of people over 60 years of age. Rates of natural increase are low.
8. Generally adequate supplies of food and balanced diets; overeating is sometimes a problem.
9. There is a low incidence of disease, and good medical services are available.
10. Social conditions are generally good, with adequate housing space and a high level of public health facilities and sanitation.
11. Highly developed educational facilities and low levels of illiteracy are the norm. Technical proficiency is advanced.
12. Women are increasingly treated on equal terms with men.

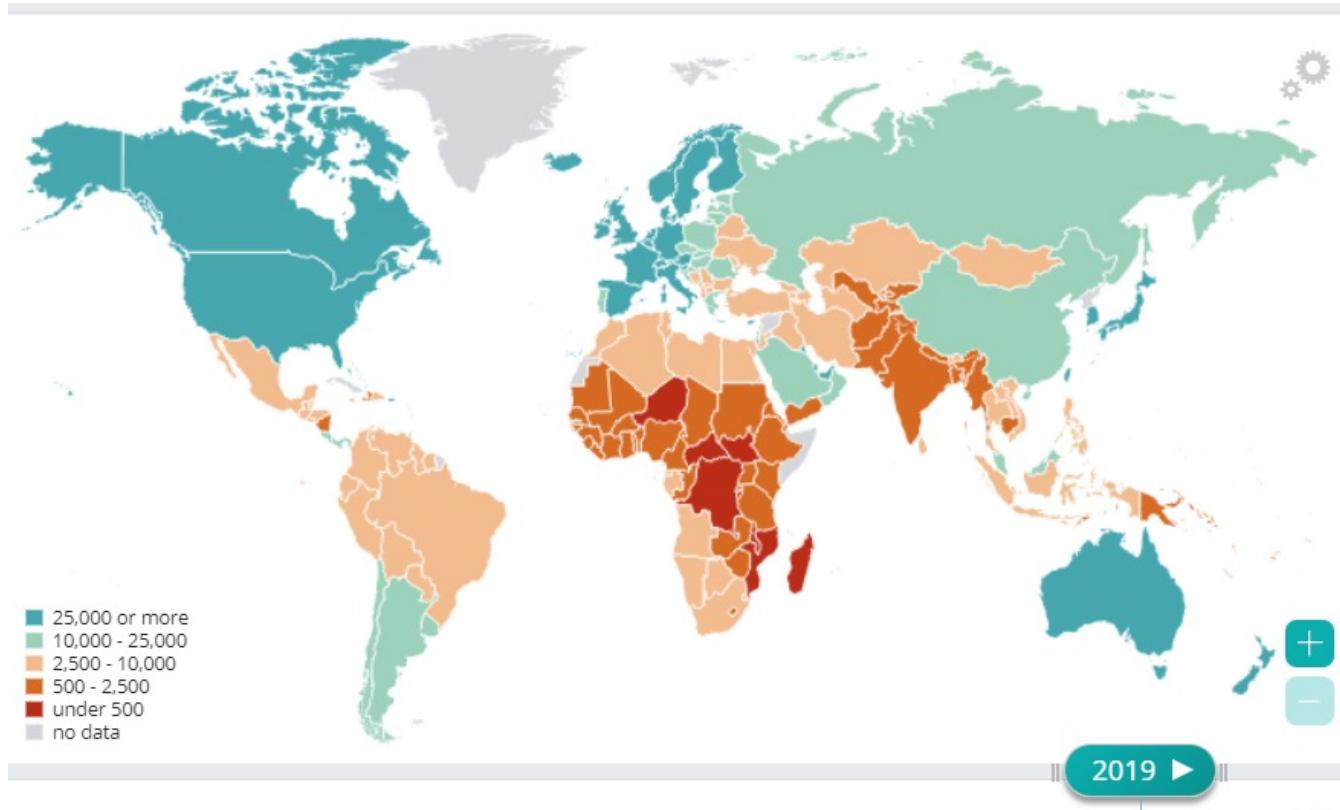
# How we measure economic development?



**How would you describe the changes in the economy from this data?**

<https://www.imf.org/external/datamapper/NGDPDPC@WEO/ITA/KOR>

# How we measure economic development?

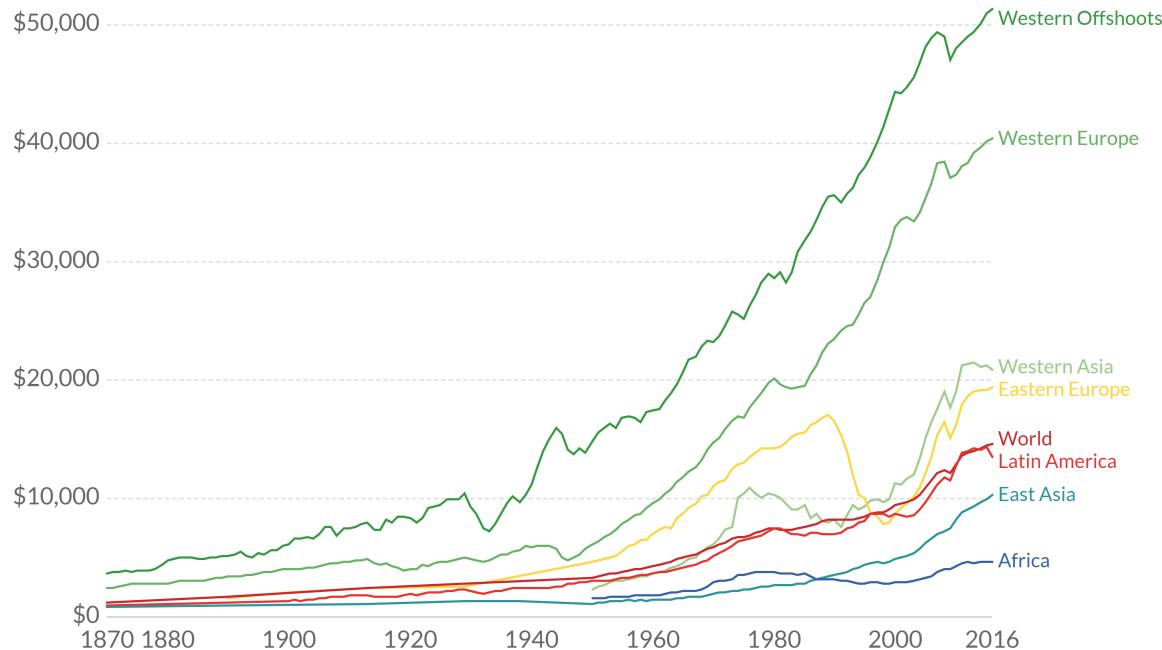


# How we measure economic development?

## Average GDP per capita across countries and regions

GDP per capita adjusted for price changes over time (inflation) and price differences between countries – it is measured in international-\$ in 2011 prices.

Our  
World  
in Data



Source: Maddison Project Database (2018)

Note: These series are adjusted for price differences between countries using multiple benchmark years, and are therefore suitable for cross-country comparisons of income levels at different points in time.

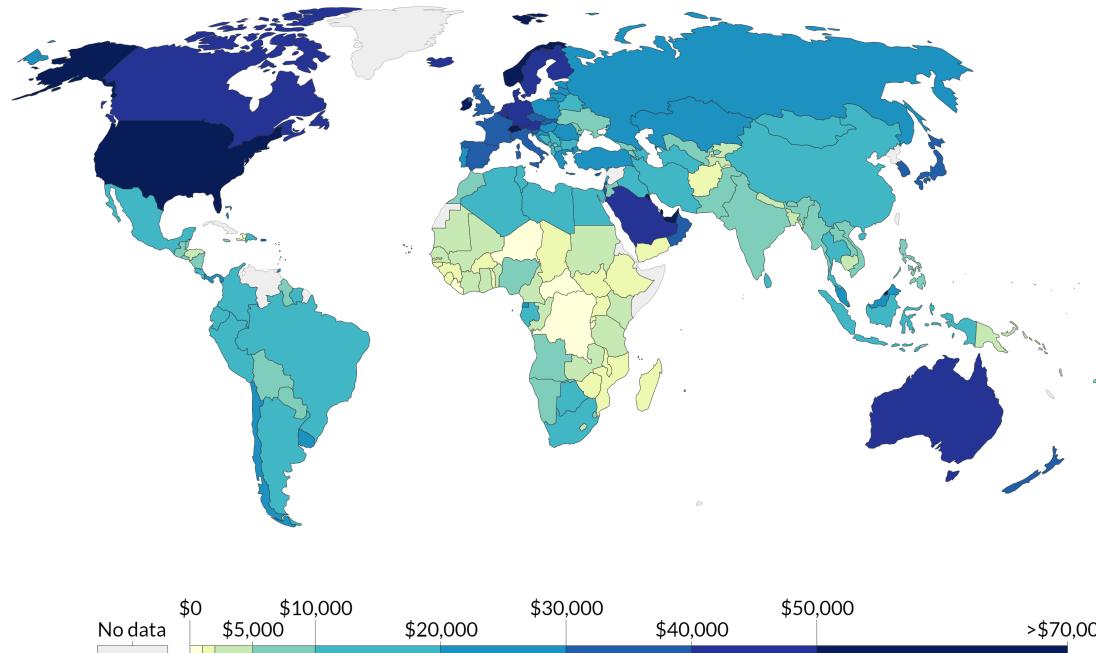
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# How we measure economic development?

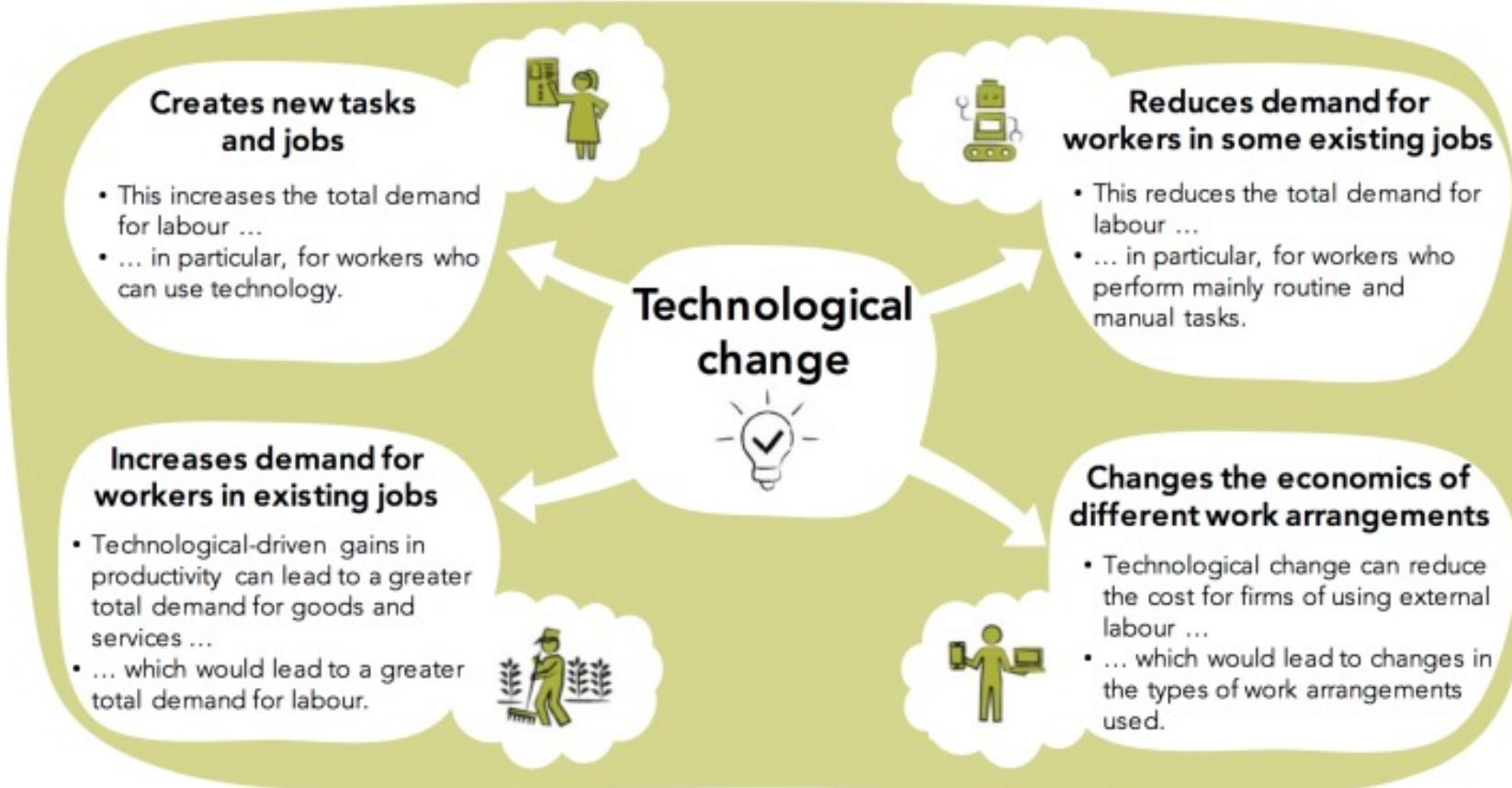
## GDP per capita

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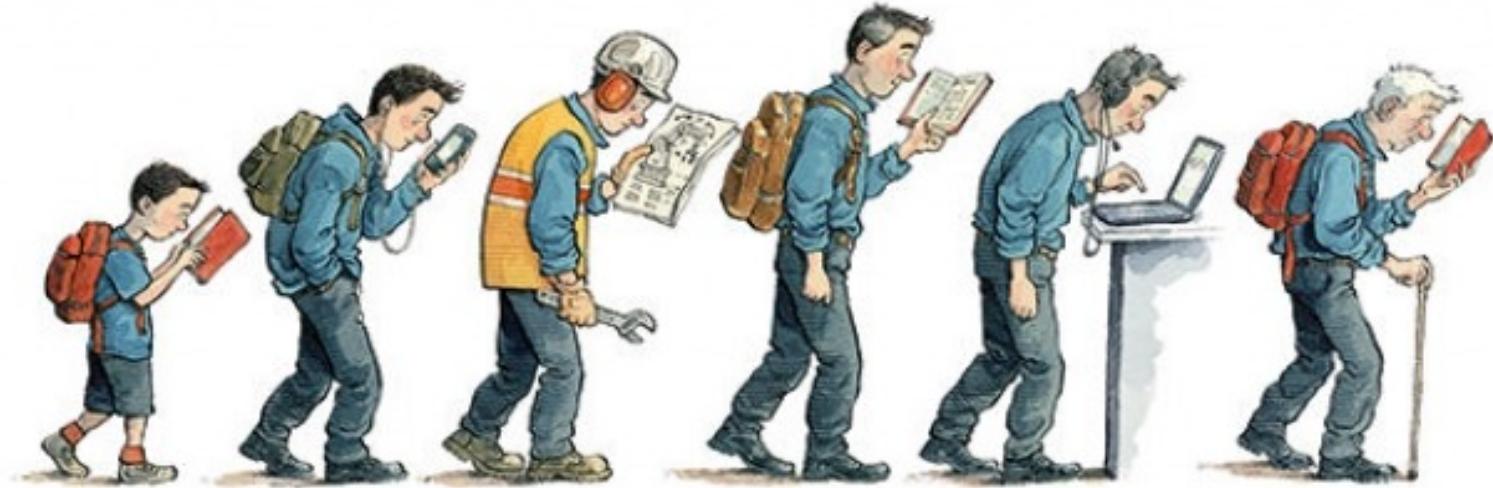
Our World  
in Data



# Technological change



# Equipping People to Stay Ahead of Technological Change (The Economist)



David Parkins

<https://www.economist.com/leaders/2017/01/14/equipping-people-to-stay-ahead-of-technological-change>

# Geography of the World Economy

- Shape the global system of resource distribution
- Create wealth and poverty
- Rise and fall of different national powers
- It's constantly transformed by a combination of technological and geopolitical forces



# Global Division of Labor

## 1700s onward

- Global division of labor emerged
- Core–periphery spatial model developed

## Manufacturing

- Concentration in Core
- Exports & imports to and from the Periphery

## WWII

- Led to the destruction of existing manufacturing capacity
  - Only North America came out of it strong
- Development of new technologies thereafter
- Facilitated rapid reemergence of British, French, German, & Japanese economies in post-WWII years

## Late 20th Century (and beyond):

- “Asian Tigers” emerged (Hong Kong, South Korea, Singapore, and Taiwan)

# Global Division of Labor

## Post-WWII Division

- Capitalist “West” dominated by the US
- “**First World**”: democracy; free market systems
- Communist “East” dominated by the USSR

Second World War: Former Soviet Union and satellite states in Eastern Europe

## “**Third World**”

- Countries attempting to align with the US or the USSR
- Evolved to mean “all others”
  - Generally, economically underdeveloped and impoverished)

# International economic system

- Capitalist world economy
- Multiple Nation-states
- Began in Western Europe
- Core of dominant, developed countries and a periphery of other countries



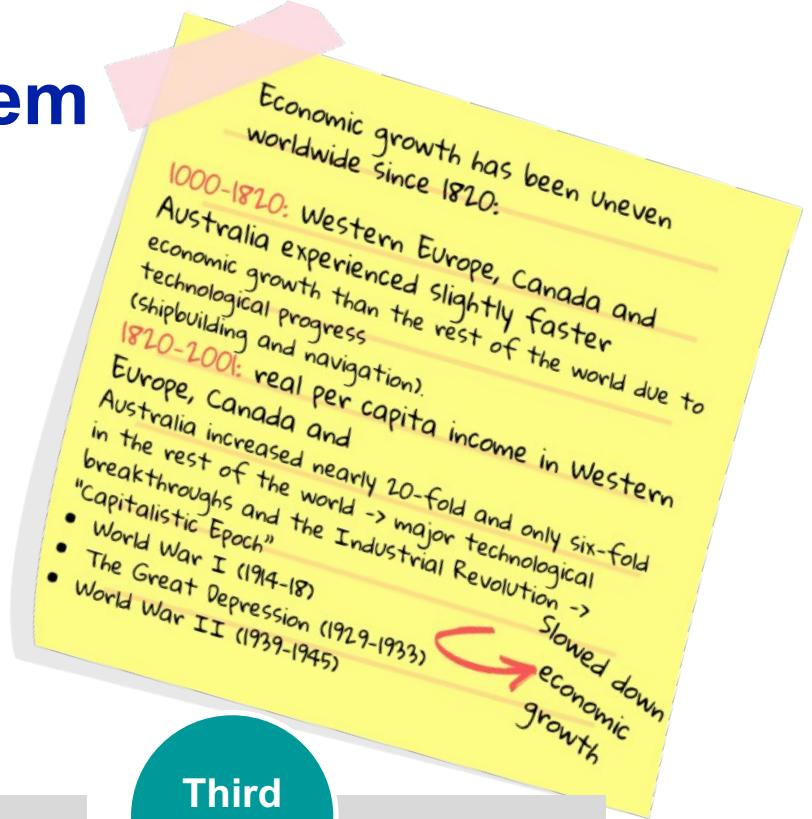
Economically developed countries of Europe, United States, Canada, Australia, New Zealand, and Japan



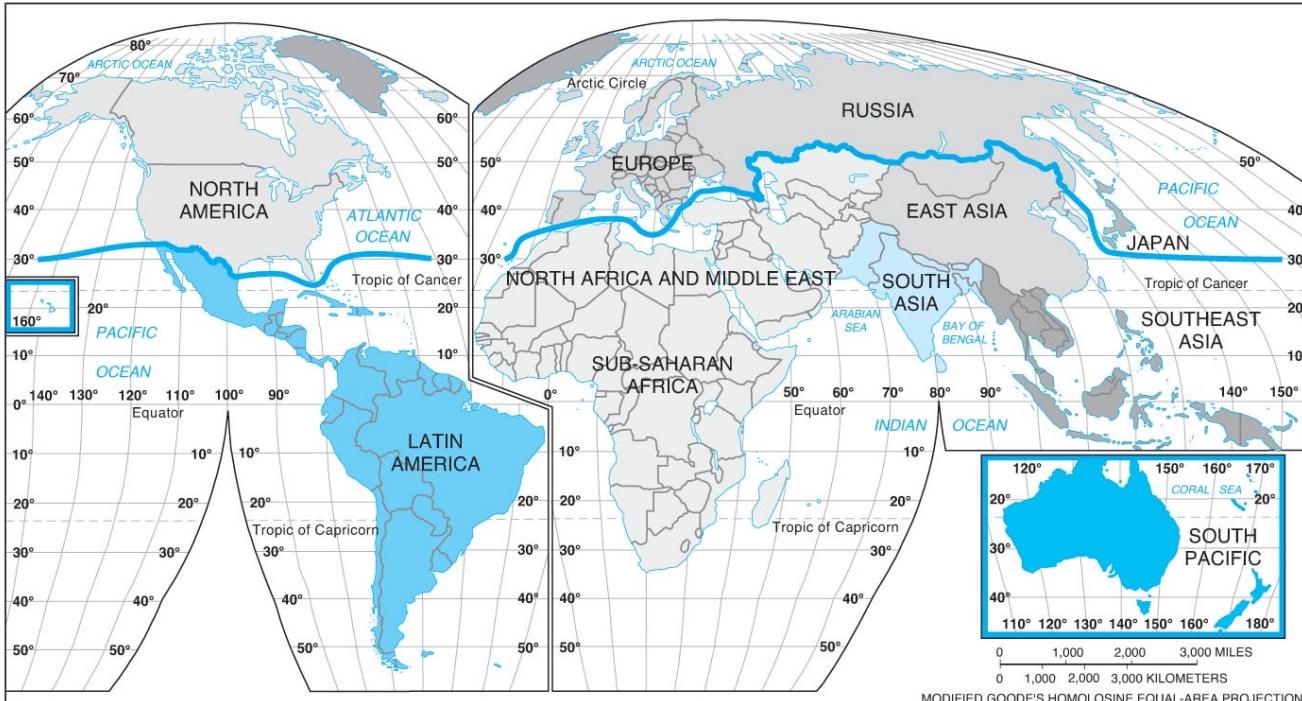
USSR and Eastern Europe (concept obsolete)



Less developed countries of South America, Africa, Middle East, and Asia



# Major World Regions



**Major World regions** can be divided into the First and Third Worlds, also called the **Global North and South**.

# Dominant components at Global Scale

## Core countries

- Higher wages
- Advanced technology
- Diversified production mix

## Periphery countries

- Low wages
- Rudimentary technology
- Simple production mix

## Semi-periphery countries

- Mix of core and periphery processes
- Potential to move into core
- Developed by Immanuel Wallerstein (1974, 1984) and others

- Global interdependent processes make the world economy
- Should not be seen as inherently beneficial or inherently negative, but rather a mixture of both sets of qualities

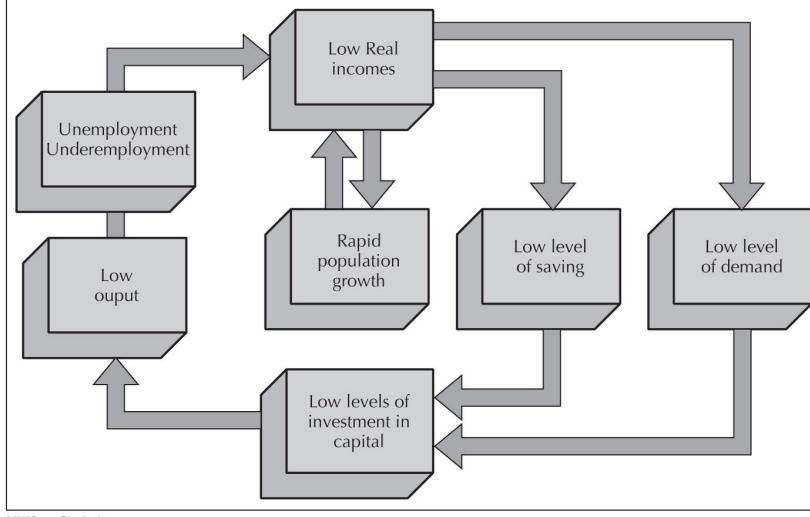
At any given time, the world economy is dominated by one or more core states

Which country is dominant now?

How might this change in the future?

# Poverty Cycle

- **Concept of poverty trap**
  - Less developed countries are trapped in a continuous cycle of poverty because they lack money to invest
- **Development Gap**
  - The exploitation of less developed countries by developed countries fosters a relation of dominance and dependence, resulting in poverty and underdevelopment.



# Forces in the Global Economy

- **Global organizations**
  - GATT, WTO, IMF, UN, etc.
- **Reduced trade barriers:** tariffs-tax on imports
- **Technological change:** containerization
- **Communication**
  - Internet
  - Entertainment
  - Telecom
- **Transportation**
- **Automation**

# **Globalization**

# Definitions of Globalization

- Empirical
- Ideological
- Historical
- **Differences about the globalization of today**
  - Simultaneity and complexity
  - Embeddedness of global production/consumption networks
  - The '**Washington Consensus**'

# Definitions of Globalization

- **The Four Tendencies**
  - Localizing processes
  - Internationalizing processes
  - Globalizing processes
  - Regionalizing processes

# What is Globalization?

Globalization is the integration of economies of countries throughout the world



- Improved communications
- Improved transportation
- Promoted global consumer culture
- Increase technology
- Global awareness: solving problems
- Capital: increases economic development
- Competition: decreased prices, increase efficiency and quality
- Diversify production
- Reduce waste
- Diffusion of consumer culture (some call “Americanization”)



- Cultural homogeneity (body of beliefs, customs, traditions, social forms, material traits constituting a distinct social tradition of a group of people)
- Unequal access to globalization and technology
- Increase resource use/economic vulnerability
- Increase power for unelected entities
- economic power/ growth (developed)
- Unemployment (developed)
- Outsourcing
- Brain drain
- Environmental degradation
- Threat of disease
- Labor abuse (child labor)
- Undermine regulation
- Overproduction
- Urbanization



# Globalization of the Economy

- International finance
- **Transnational Corporations (TNCs) or multinational enterprises (MNEs)**
  - Most have headquarters in one of the three regions of the core (North America, Western Europe, Japan)
  - TNCs are the primary agents of international trade, largely between and within their companies
  - Can compete on a world scale (transnational communications ability allows them to share information with the subsidiaries and branches)
- **Foreign Direct Investment**
  - Investment made by foreigners in industries/factories operated by foreigners from core regions

# Globalization of the Economy

- Global specialization in location of production
- Tertiary sector (Services: retail, wholesale, teaching, government, medicine, law, recreation)

# Globalization of Investment

- Three major command centers (**world cities**)
  - New York, London, Tokyo
- Manufacturing (jobs) located in low-wage, low-cost, low-regulation countries
- Trends
  - Proportion of FDI that core countries are sending to periphery is declining
  - Core countries are investing in other core countries
  - FDI located in countries with export-led industrialization (selectivity increasing)
  - Fastest growing economies have followed export-led model

# Global Specialization of Work

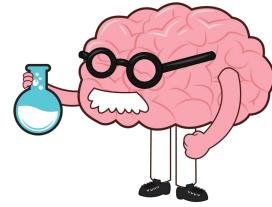
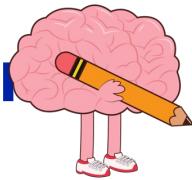
“Every location in the global economy plays a distinctive role based on its particular combinations of assets and weaknesses”

MNCs choose  
locations based on:



# Locational Specialization

- Each location plays distinctive role
- Original factors of production (population and resources) declining in importance
- **“Brain” power** become primary source of wealth (Gainesville?)
- Trans materialization (substitutability) changed role of resources
- TNCs identify optimum geographic factors and locations for each activity

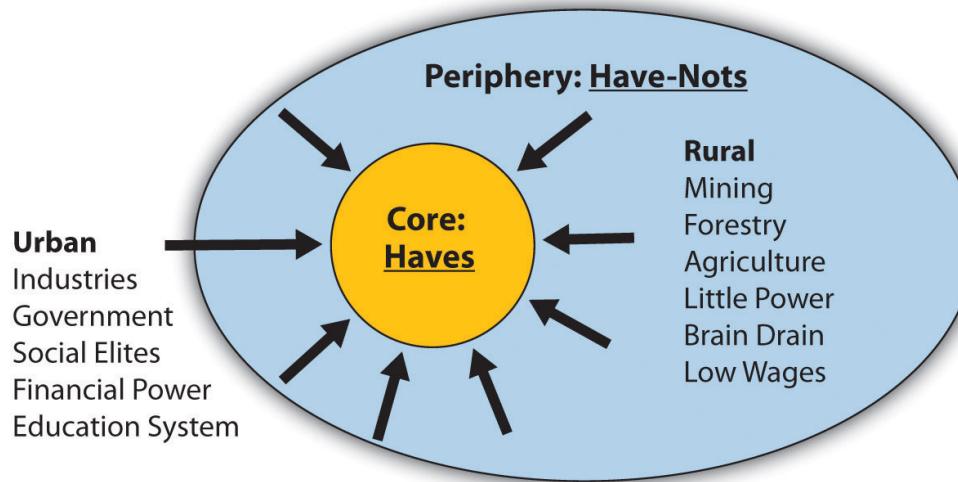


# Information Technology and Globalization

- Export and import of knowledge increases innovation
- Success is based upon access to information
- Knowledge workers mine databases and other knowledge bases
- Real-time information systems and instantaneous exchange of digital information facilitates international transactions (ex: radiologists)
- Increased connectivity facilitates economic activity

# Locational Specialization

- Globalization of economy has increased economic differences between “haves” and “have nots”
- People usually shift from periphery to core



# Globalization of Services

- Business services are essentials inputs for TNCs
  - Legal counsel, consulting, accounting, marketing, sales, computer services
  - Also includes tourism, foreign students, and entertainment
- Some argue for the decline role and importance of the nation-state
- Continuing emphasis on cultural differences
- American culture, most powerful export



# Globalization versus Local Diversity

- Many current political, social and economic problems form tension between those that promote globalization of culture and economy and those striving to preserve local traditions and economic self-sufficiency
- **Will coexist and shape each other (“glocalization”)**
- In globalized world more people become aware that their well-being is dependent upon events and trends elsewhere

# What the future holds?

- Social media
- Technology
- FDI: product and business opportunities → motive action
- Need foreign resources
- Developing world wants development
- Economic integration
- Global challenges require global solutions
- A philosophy about barriers
- Interdependence/comparative advantage
- Cyber-security
- Concerns for economic power
- Political turmoil
- Nationalism
- Resources limited
- Economic vulnerabilities → protectionism
- Cultural backlash
- Religious barriers
- Natural disasters
- Epidemics
- War/terrorism

# The End Of Globalization?

- Provincialism and nationalism taking hold?
- More protectionism?
- Reversal of the trend in the '90s of trade agreement and globalization?
- An open future?
- People out of poverty?
- Free and fair trade?
- How to “cushion” globalization negative impact and deliver its benefits to all countries and all nations?

# The End Of Globalization?

- Wealth gap between rich and poor countries
- Growing crisis of inequality within Western countries
- A world where we drink coffee from Brazil, wear a shirt stitched in Cambodia, check a phone made in China, and think nothing of it
- But is the steady opening up of global markets about to go into reverse?

# **Problems in World Development**

- **Different development between places**
  - Purpose of development is to improve quality of life
  - Very rich countries versus extremely poor countries
- **Problems of the poor**
  - Access to food, health care, affordable transportation
  - Clean water and air, secure jobs, adequate housing, etc.
- **Two critical issues**
  - Environmental constraints of energy supplies, resources and pollution
  - Enormous and explosive disparities in the distribution of wealth between rich and poor, rural and urban, dominant and subordinate ethnic groups

# Problems in World Development

## Environmental Constraints



# Problems in World Development

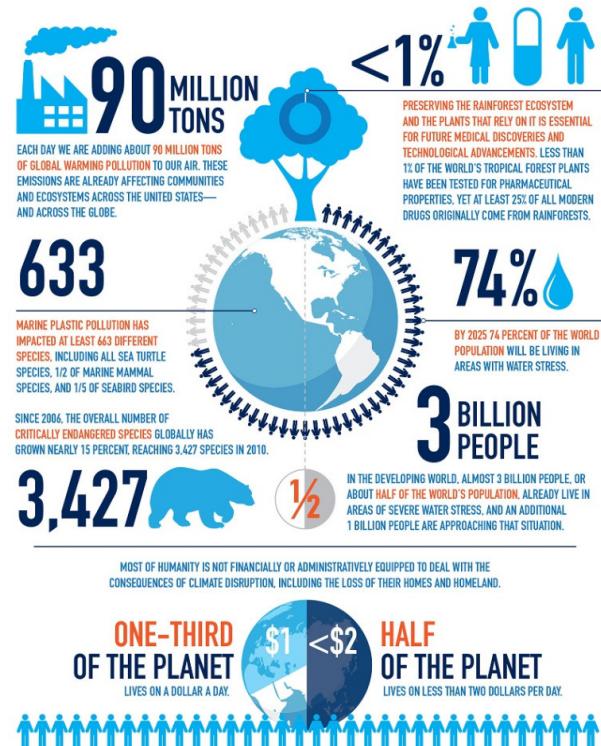
## Environmental Constraints

Environment being overstressed by:

- Massive overconsumption
- **Wasteful consumer culture in developed world**

Environment being squeezed in developing countries by poor destroying resource base to maintain life

- Three obstacles to economic growth:
  - Diminishing energy supplies
  - Resource limitations
  - Environmental degradation
- Fragility of environment poses formidable obstacle to economic growth



# Problems in World Development

## Disparities in Wealth and Well-being

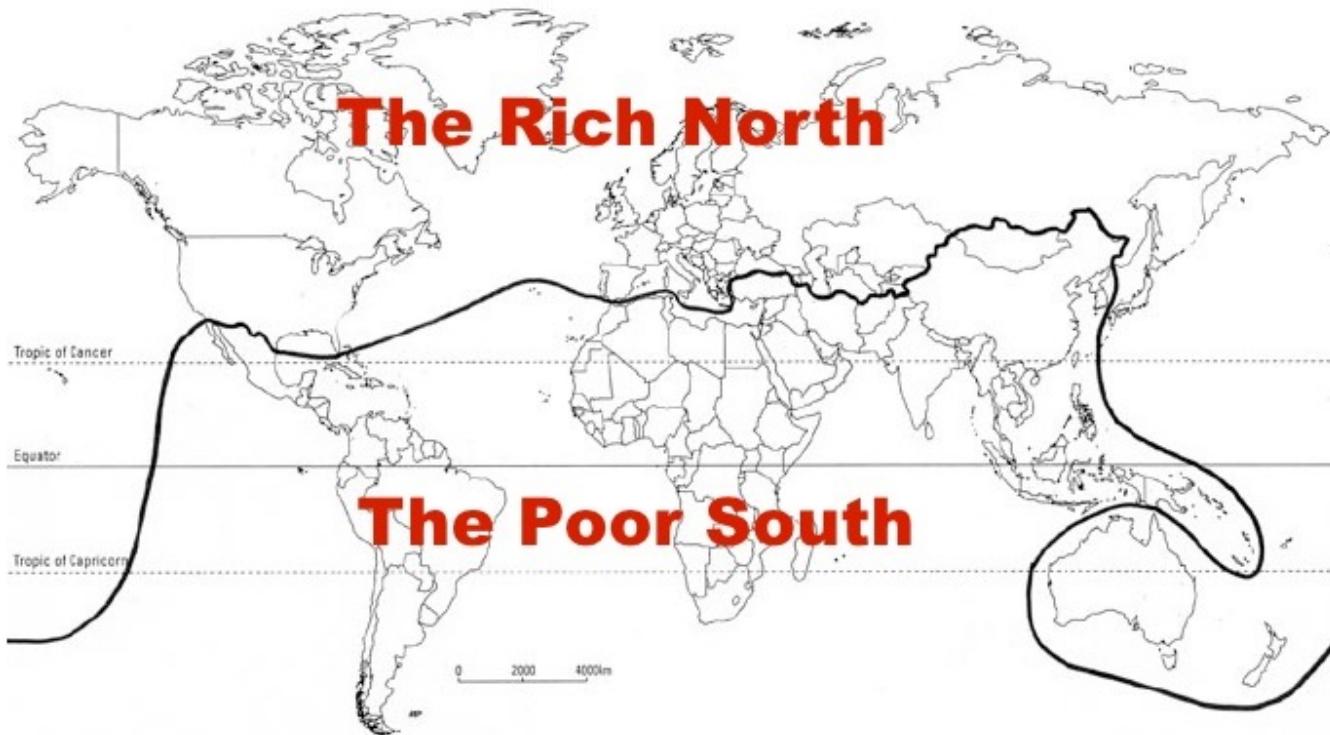
- World economy generates tremendous variation in well-being
  - Measured by GDP and paralleled by social and demographic measures
- Poverty both in developing and developed countries



# Problems in World Development

- Who are the world's poor?
  - Developing countries
  - Most were former European colonies in Africa, Asia, and Latin America
- Developing world is not homogenous
  - Continued disparities exacerbated by international development and economic agencies. Ex.: IMF

# Another Look...



# Late 20th & Early 21st Century

1  
**1950**  
Economic growth entailed increasing volatility

Interconnections among countries: has increased

2  
**1950-1970**  
Economic boom in Western countries

3  
**1970**  
Economic decline, followed by several recessions in subsequent decades

4  
**1982**  
**1991-1992**  
**1998-1999**  
East Asian financial crisis that influenced the rest of the world

5  
**2001-2002**  
IT sector collapse

6  
**2008**  
Worst recession since WWII

# Currently...

7  
2009

8  
20...

9  
19...

10  
1982...

11  
20...

12  
20...

Your turn!



# FDI

- **Foreign Direct Investment (FDI)**

- Company investing (through purchase) in a foreign country to gain control of business operations
- Toward existing firm OR to create affiliate
- FDI: indicates level of economic integration & increased MORE than countries' exports
- Exponential growth post-WWII (in amount & geographic coverage)

# TNCs

- Transnational Corporations (TNCs)
  - Exponential growth since 1980s-present
  - Much in the way of intra-firm trade (b/t firms)
  - Changing patterns of trade and investment
  - Investment greater than trade; decisions made by TNCs (not markets)



# Influence of Countries Toward FDI

- 80% of FDI comes from 15 countries (out of ~194 globally!)
- 30% just from the US & UK
- Host countries: (~ 50% of FDI) goes to Hong Kong, China, Singapore, Brazil, & Mexico
- **Newly Industrialized Economies (NIEs)**: important due to global manufacturing (much of which is in Asia)
- Newly Agriculturalizing Countries (NACs)
  - Few countries lead in this area
  - Brazil: key exporter: coffee, sugar, orange juice, beef, soybeans, etc.
- BRICs (term for future economically strong countries in 2001)
  - Brazil, Russia, India, China
  - **New BRICS? Countries?**



# Regional Comparisons

- **USA**

- Much of 20<sup>th</sup> Century; dominant
- Now, 20% manufacturing, 28% services 8% agriculture
- Exports: 10%; imports 14%: **trade deficit**
- **Biggest influence on FDI**



- **Europe**

- Largest trading region
- Politically integrated; economically diverse

- **Germany**

- Largest European economy still working toward integrating former East Germany

- **UK**

- Second largest European economy

# Key Words to Define

- Globalization
- Pro-globalization
- Neo-liberalism
- Global recession

- **Concepts to Review**

- Global networks
- Nationalization
- Geographical complexity
- Recession
- Global-local connections



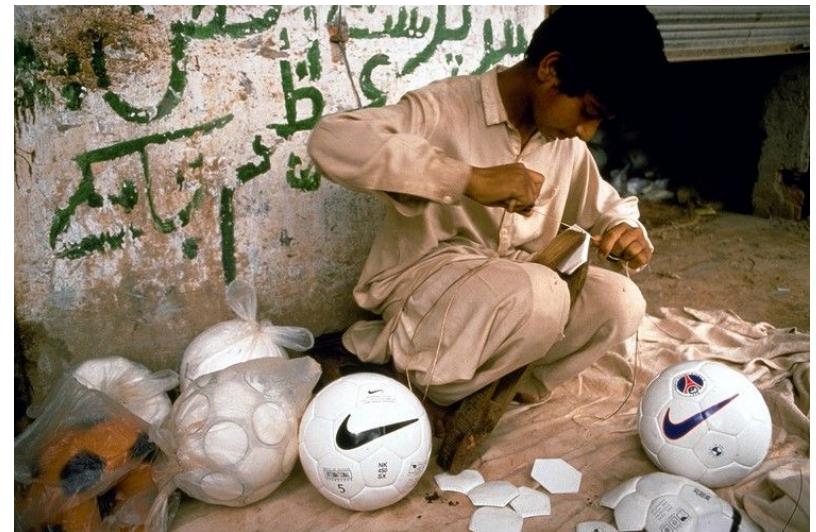
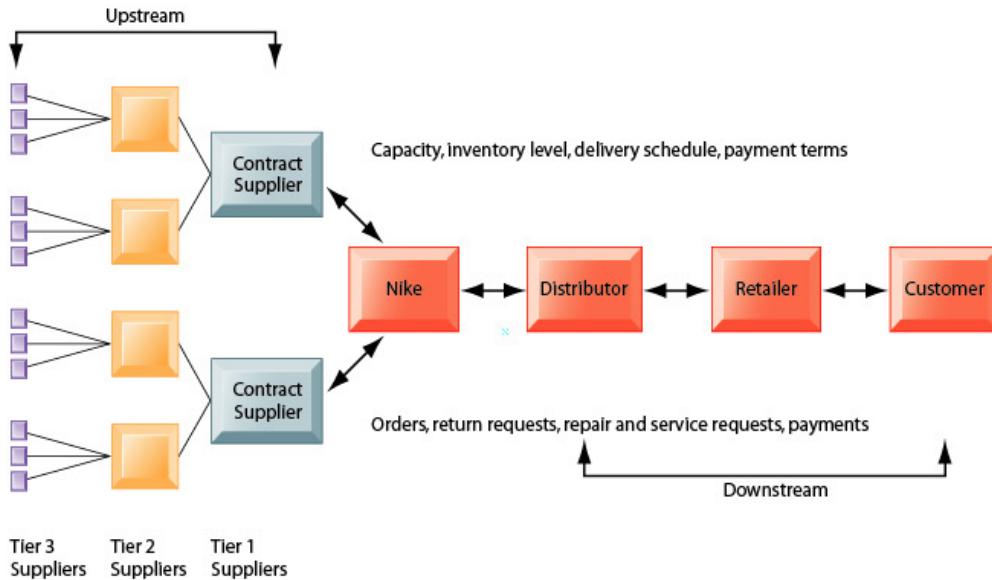
# Economic Structure of Society



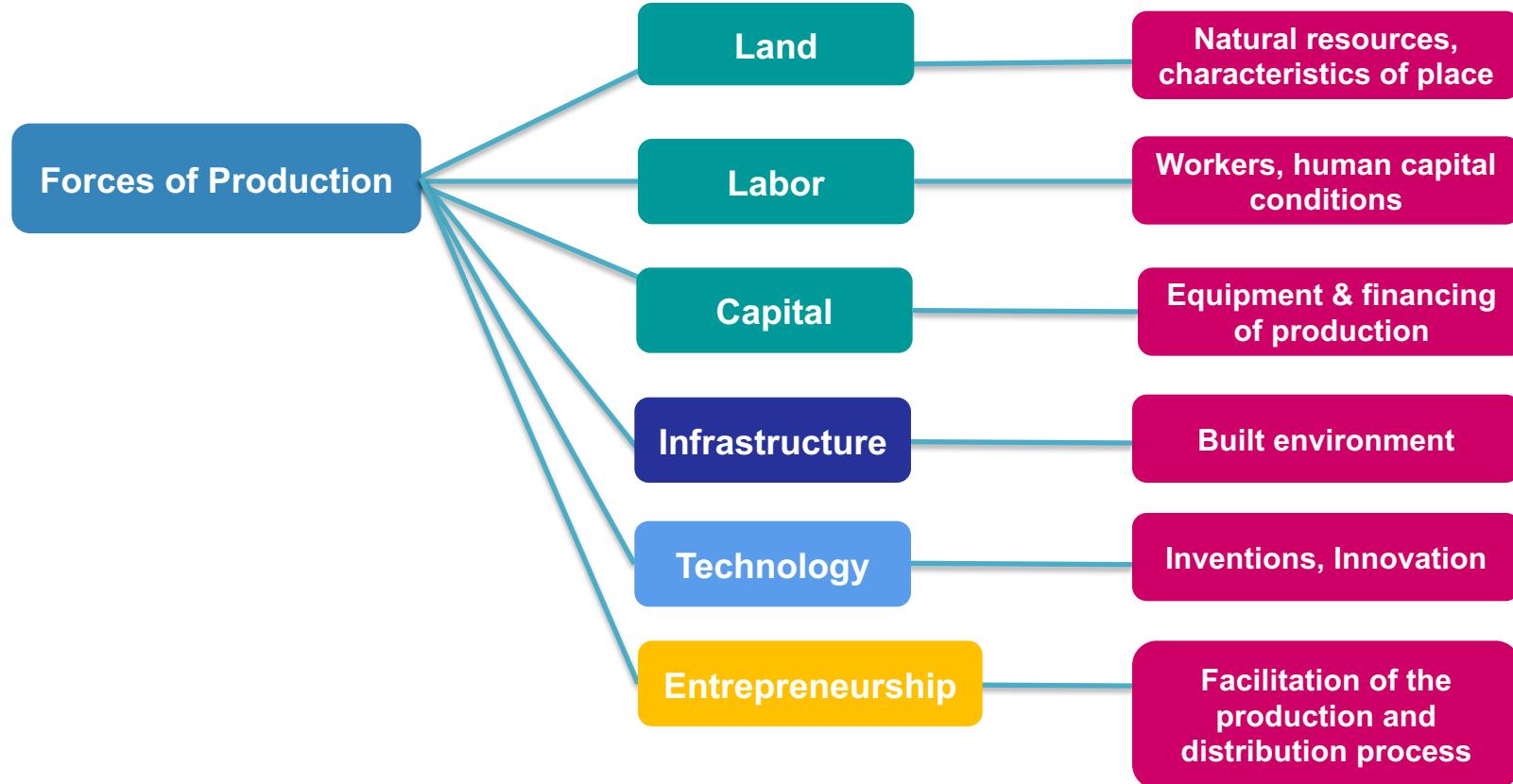
# The Basic Production Process



# Nike Shoes Supply Chain



# Basic Factors of Production



# Top 10 Most Powerful Countries 2019-20

**Super Powers**



**Army Power**



**Airforce Power**



**Navy Power**

**Cyber Power**

**Space Power**



# The End of Globalization?

- Causes of the 2008 financial crisis
- Responses to the crisis

Arguments pro and con?



# Globalization debate

- Conflicting views

## Hyper-globalists

- Argue that we live in a borderless world where the national is irrelevant
- Neo-liberal faction
- Anti-globalization faction

## Skeptical internationalists

- Nothing new about globalization
- The world was more open and transnational in the past than in the present

Questions?

