Comments on:

Is the Global Economy Deglobalizing?

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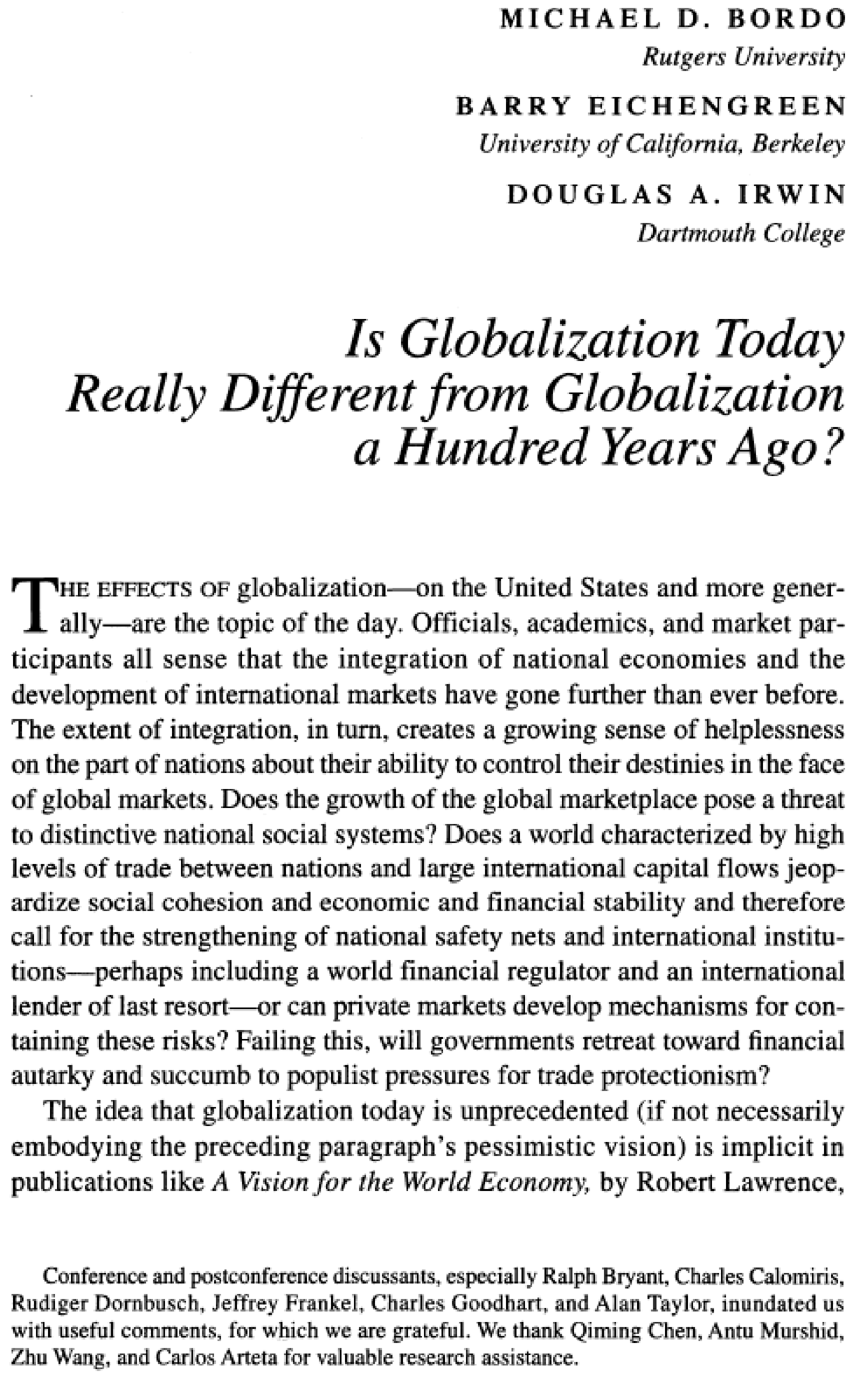
Brookings in 1999



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Is Globalization Today Really Different from Globalization a Hundred Years Ago?

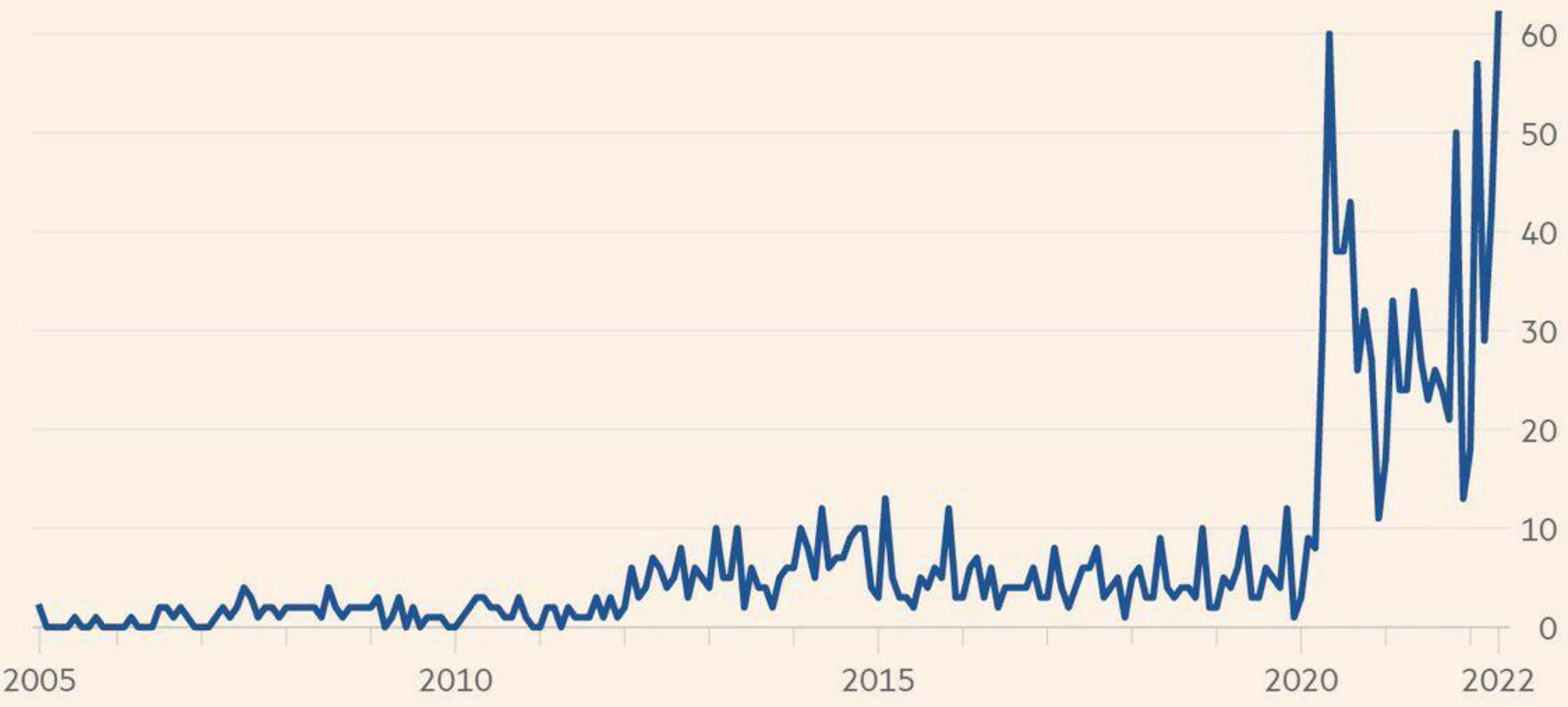
THE EFFECTS OF globalization—on the United States and more generally—are the topic of the day. Officials, academics, and market participants all sense that the integration of national economies and the development of international markets have gone further than ever before. The extent of integration, in turn, creates a growing sense of helplessness on the part of nations about their ability to control their destinies in the face of global markets. Does the growth of the global marketplace pose a threat to distinctive national social systems? Does a world characterized by high levels of trade between nations and large international capital flows jeopardize social cohesion and economic and financial stability and therefore call for the strengthening of national safety nets and international institutions—perhaps including a world financial regulator and an international lender of last resort—or can private markets develop mechanisms for containing these risks? Failing this, will governments retreat toward financial autarky and succumb to populist pressures for trade protectionism?

The idea that globalization today is unprecedented (if not necessarily embodying the preceding paragraph's pessimistic vision) is implicit in publications like *A Vision for the World Economy,* by Robert Lawrence,

Conference and postconference discussants, especially Ralph Bryant, Charles Calomiris, Rudiger Dornbusch, Jeffrey Frankel, Charles Goodhart, and Alan Taylor, inundated us with useful comments, for which we are grateful. We thank Qiming Chen, Antu Murshid, Zhu Wang, and Carlos Arteta for valuable research assistance.

Corporate talk of deglobalisation has hit a new high

Mentions of nearshoring, onshoring and reshoring on company earnings calls and investor conferences* (monthly)



*data from 9,000 companies globally

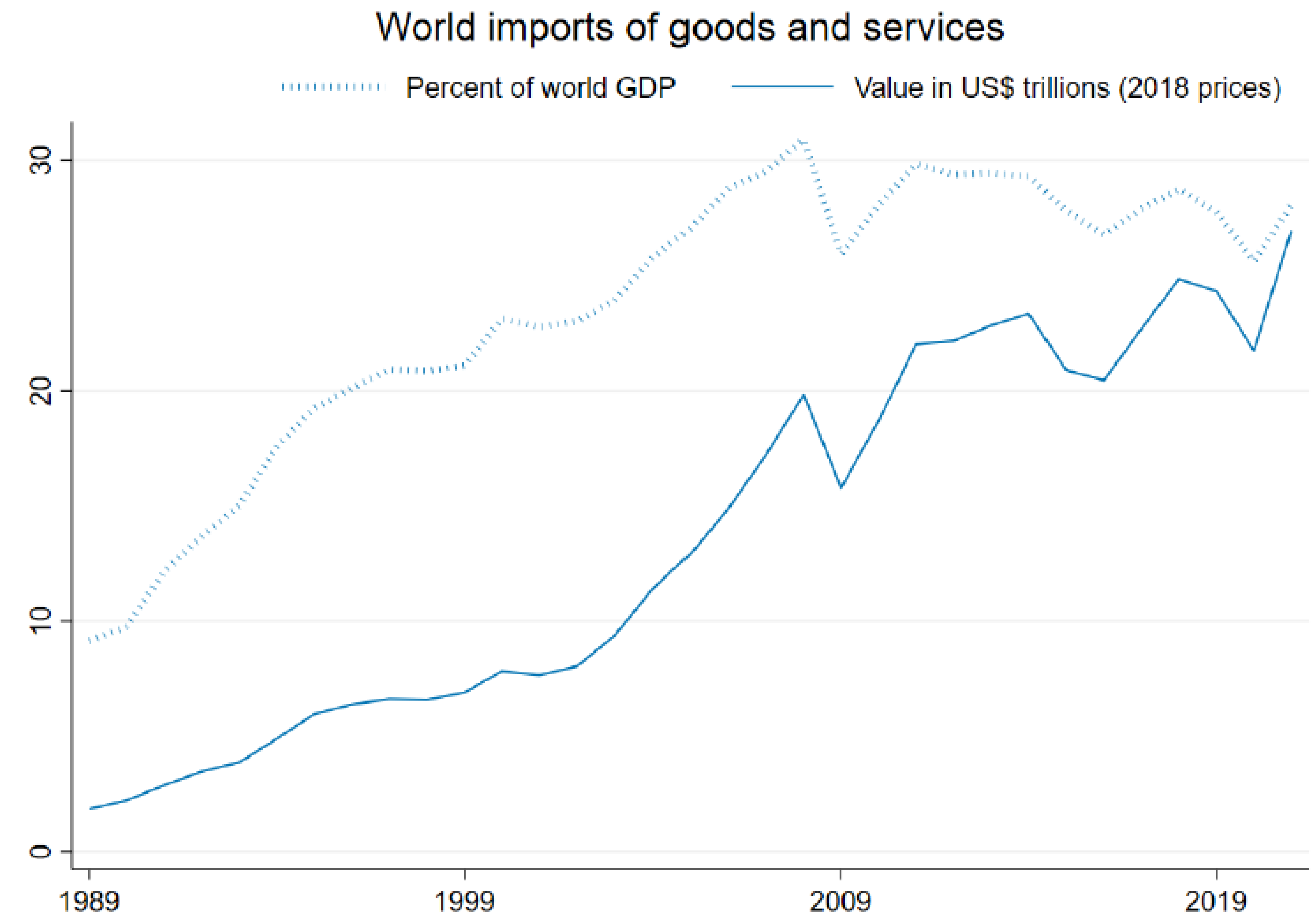
Source: Sentieo


FP
SPRING 2020
IS THIS THE END OF GLOBALIZATION?
Philippe Legrain on the coronavirus and nativism | Orville Schell on the end of Chimerica
Raghuram Rajan on the need to boost local governance | James Crabtree on Britain's post-Brexit identity crisis | Henry Farrell on the EU in an age of nationalism


The Economist
On the blink—the EU's bad crisis
Covid nostra: crime and the pandemic
Starting a business in a slump
The Mekong dries up
MAY 16TH–22ND 2020
Goodbye globalisation
The dangerous lure of self-sufficiency

What is globalization?

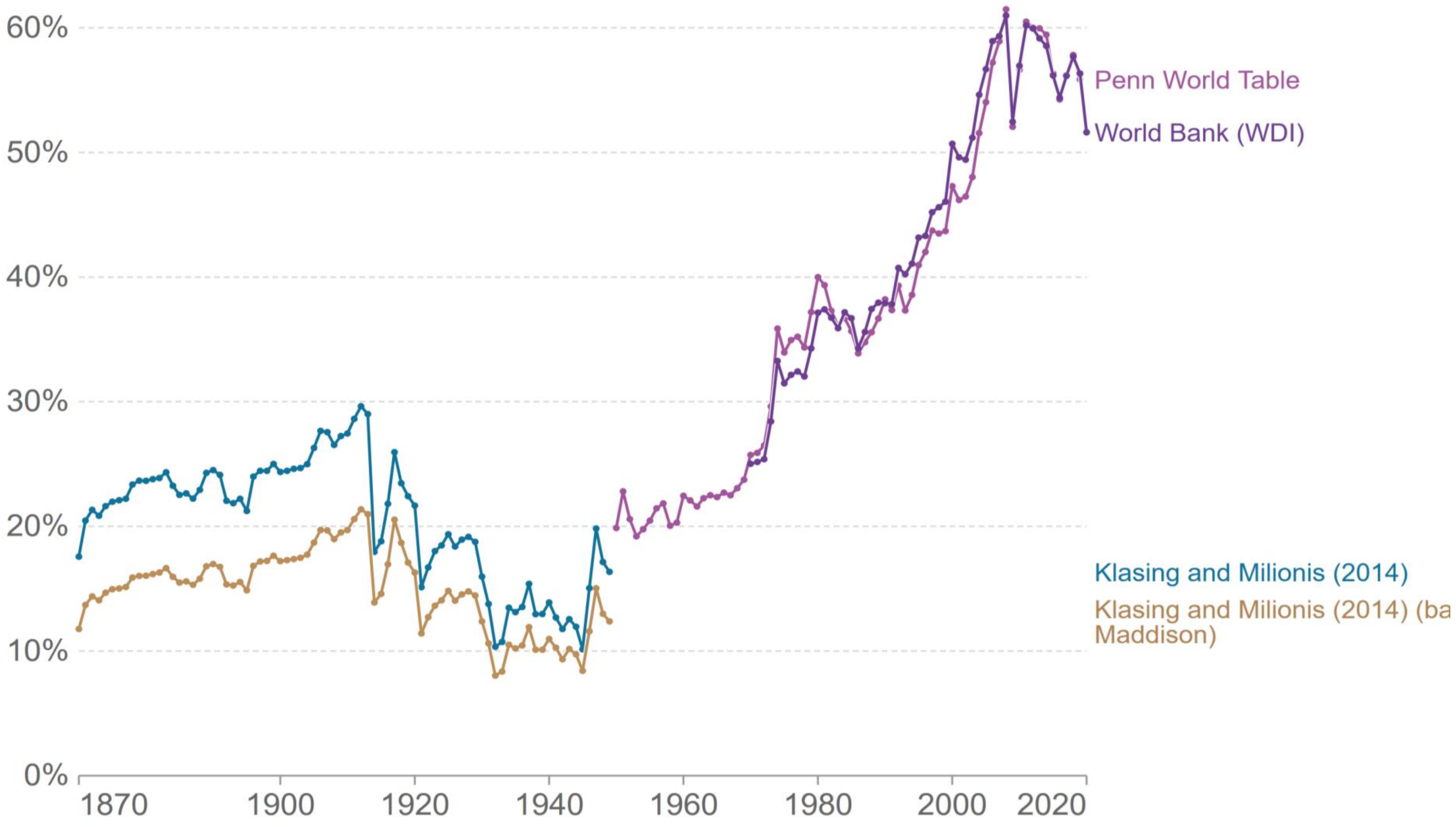
- International economic integration consisting of
  - Trade in goods
  - Capital flows
  - Labor mobility
  - Technology and data



Sources: COMTRADE, WTO, World Bank

World trade/gdp ratio

Shown is the "trade openness index". This index is defined as the sum of world exports and imports, divided by world GDP. Each series corresponds to a different source.



Source: Klasing and Milionis (2014), Estevadeordal, Frantz, and Taylor (2003), World Bank, Penn World Tables v10

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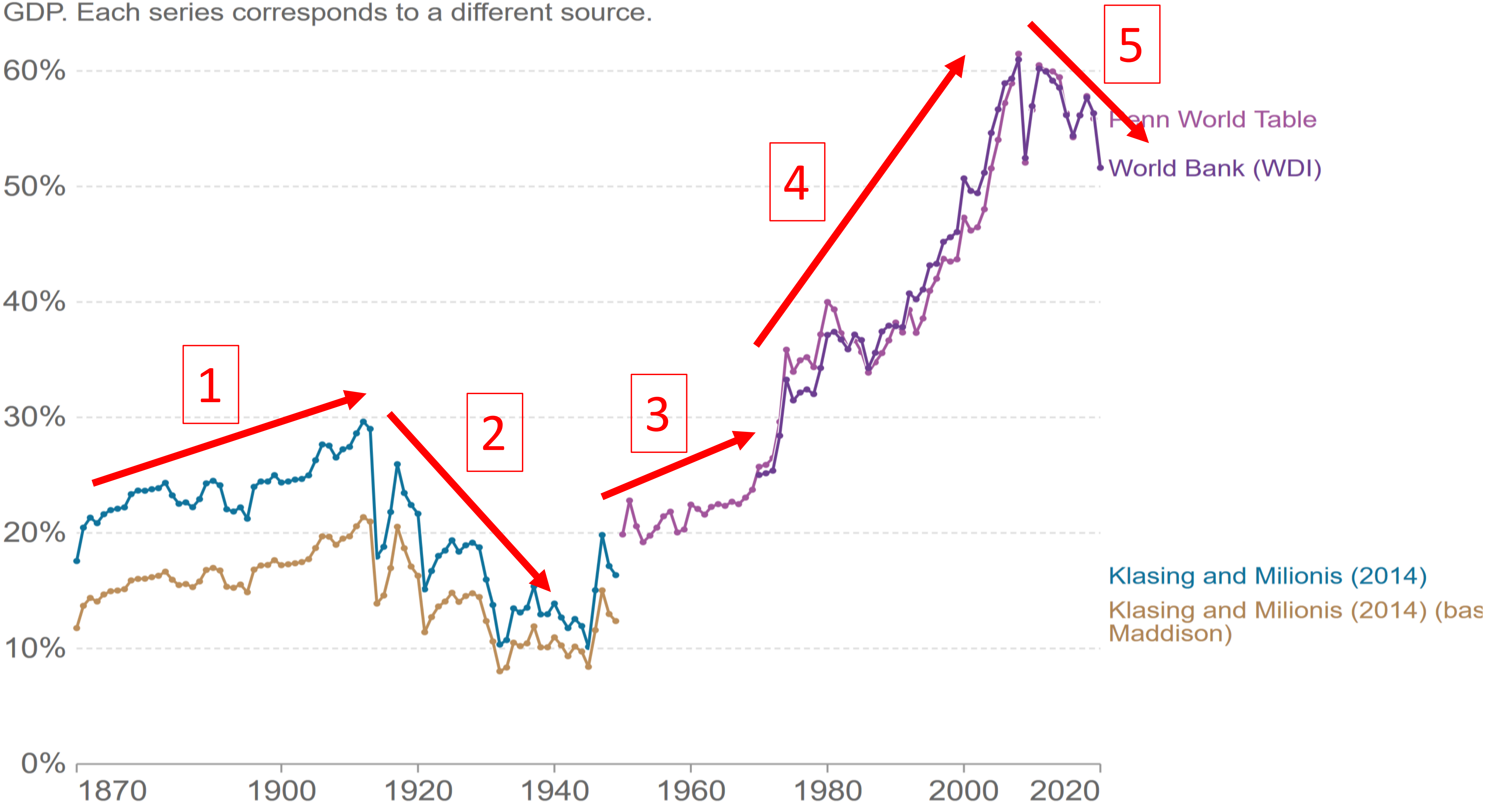

Source: Klasing and Milionis (2014), Estevadeordal, Frantz, and Taylor (2003), World Bank, Penn World Tables v10

End of Globalization 1.0

- First era from 1860-1914 ends
- Integration tensions (trade)
- Geopolitics (Anglo-German rivalry)

Journal of Economic Perspectives—Volume 12, Number 4—Fall 1998—Pages 51–72

Globalization, Labor Markets and Policy Backlash in the Past

Jeffrey G. Williamson

Two important features of the world economy since 1970 also characterized the economy in the late 19th century. First, the earlier period was one of rapid globalization: capital and labor flowed across national frontiers in unprecedented quantities, and commodity trade boomed as transport costs dropped sharply. Second, the late 19th century underwent an impressive convergence in living standards, at least within most of what we would now call the OECD club, but what historians call the Atlantic economy. Poor countries at the European periphery tended to grow faster than the rich industrial leaders at the European center, and often even faster than the richer countries overseas in the New World. This club excluded, of course, most of the third world and eastern Europe, and even around this limited periphery there were some who failed to catch up.

A recent literature has developed which argues that most of the convergence between 1850 and 1914 was due to the open economy forces of trade and mass migration. By inference, it also suggests that convergence stopped between 1914 and 1950 because of de-globalization and implosion into autarchy. These facts are directly relevant to debates over globalization today.[1] The new historical research shows that these forces of globalization had a significant distributional impact within participating countries. It also suggests that these distributional events helped create a globalization backlash which caused a drift towards more restrictive immigration and tariff policy prior to World War I.

[1] For an overview of the rapidly expanding literature which argues that open economy forces were central in driving convergence prior to 1914, see Williamson (1996), Hatton and Williamson (1998), and O'Rourke and Williamson (1997a).

■ *Jeffrey G. Williamson is Laird Bell Professor of Economics, Harvard University, Cambridge, Massachusetts.*

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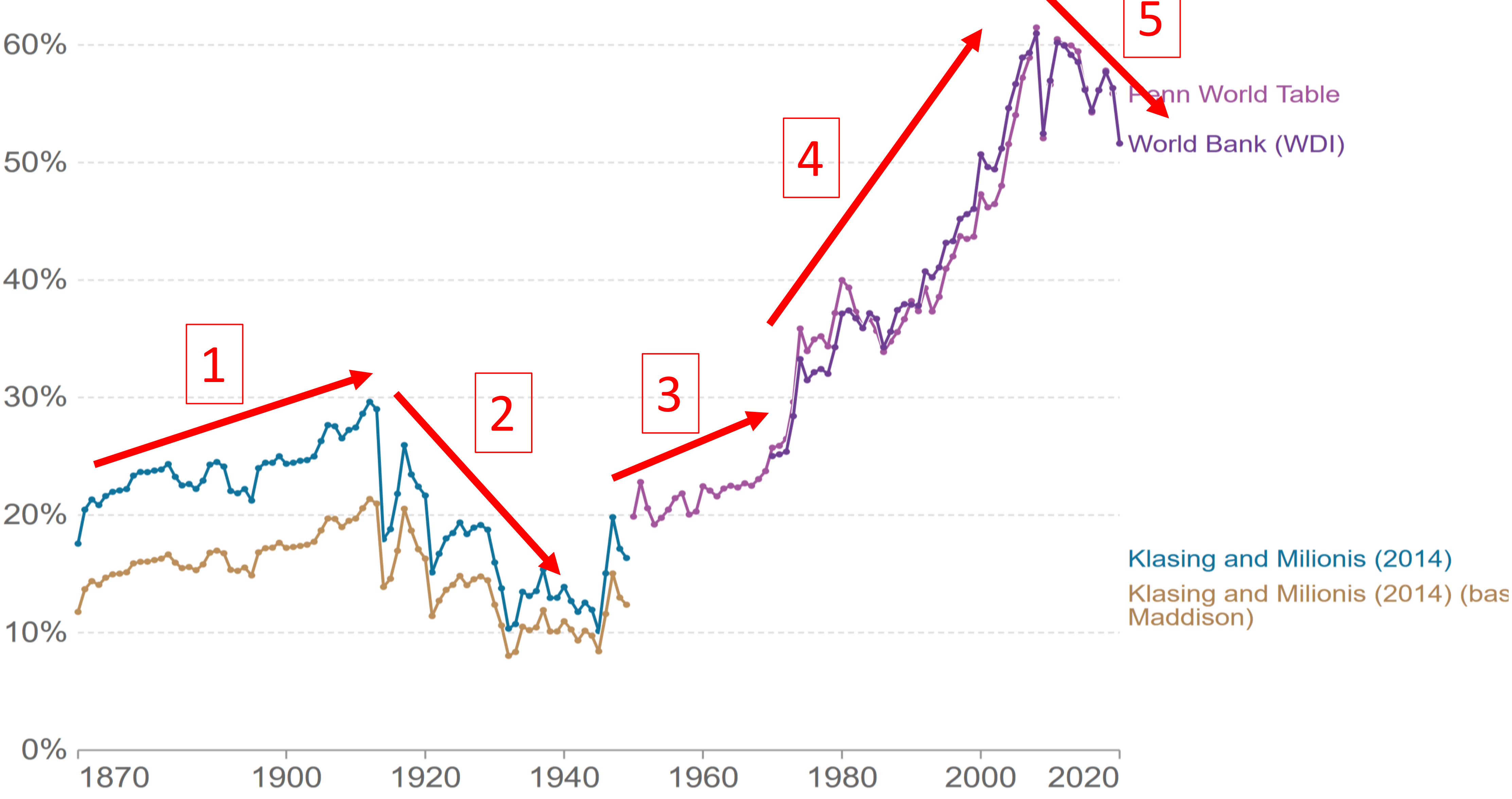
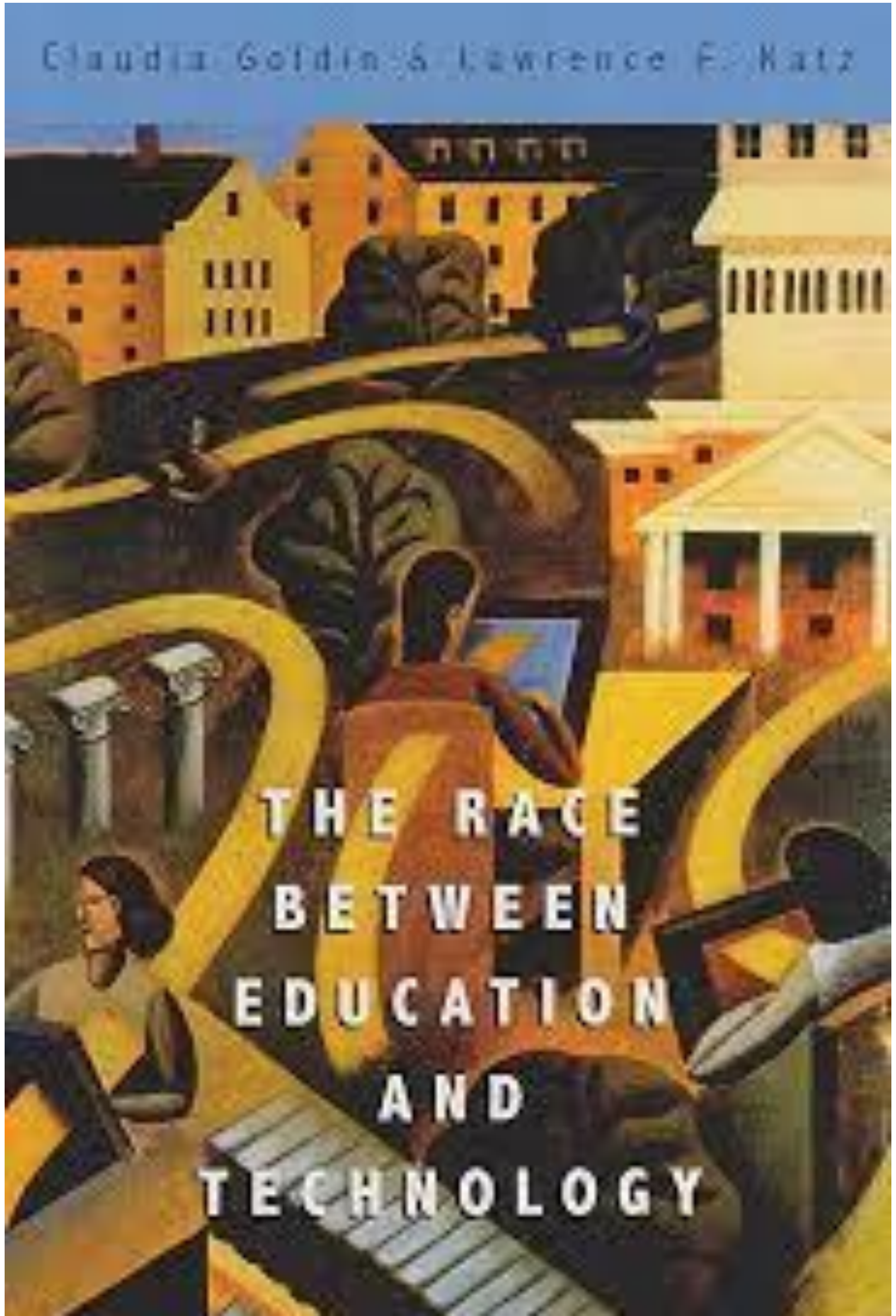


Source: Klasing and Milionis (2014), Estevadeordal, Frantz, and Taylor (2003), World Bank, Penn World Tables v10


Claudia Goldin & Lawrence F. Katz
THE RACE BETWEEN EDUCATION AND TECHNOLOGY

Race between technology and policy

- Working <u>against</u> each other in interwar period
- Working <u>together</u> with each other since WWII, until now?

Engines of Globalization (1980s-2000s)

- Declining transport costs
  - Air freight
  - Containerization
- Declining trade barriers
  - Unilateral reforms in developing countries
  - Multilateral agreements (WTO)

Containerization

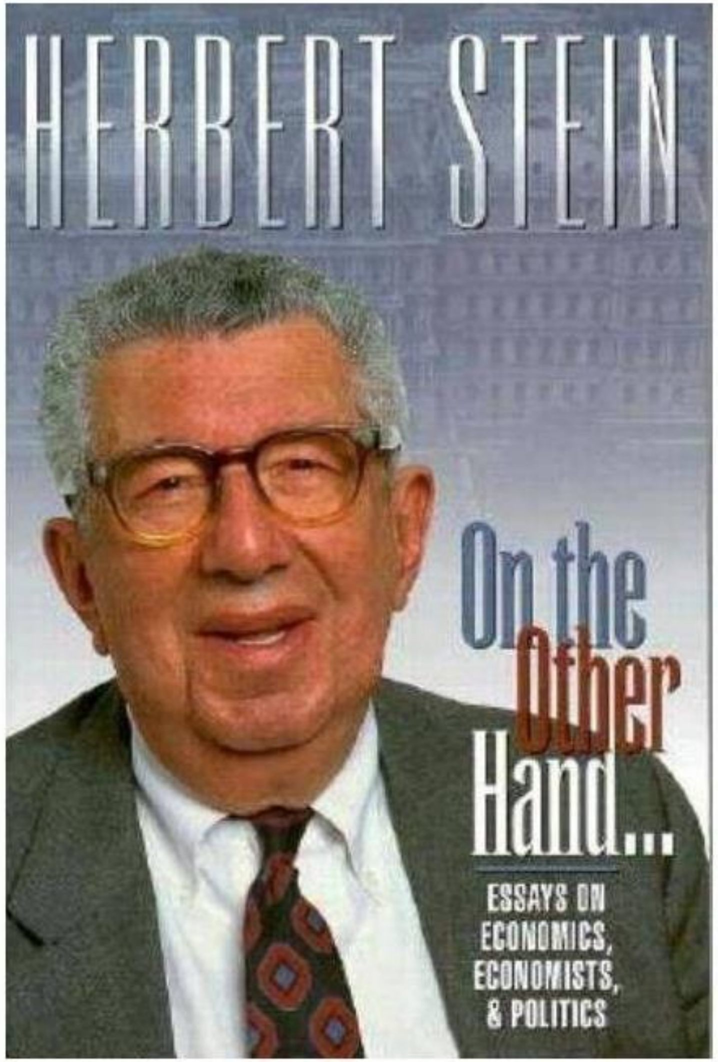
Airbus Beluga


1
BELUGA AIRBUS


AIRB

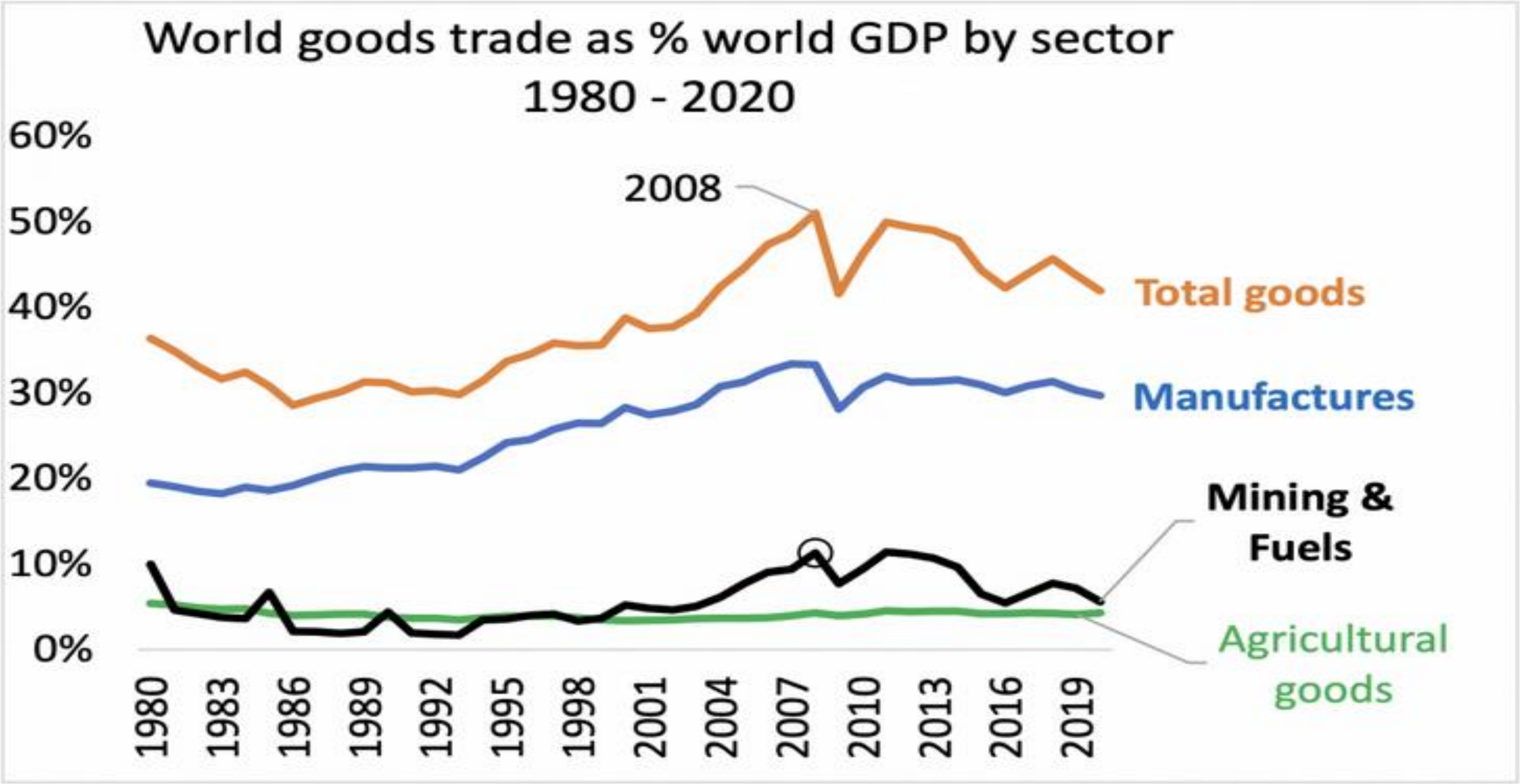

AIRBUS INDUSTRIE

Stein's Law

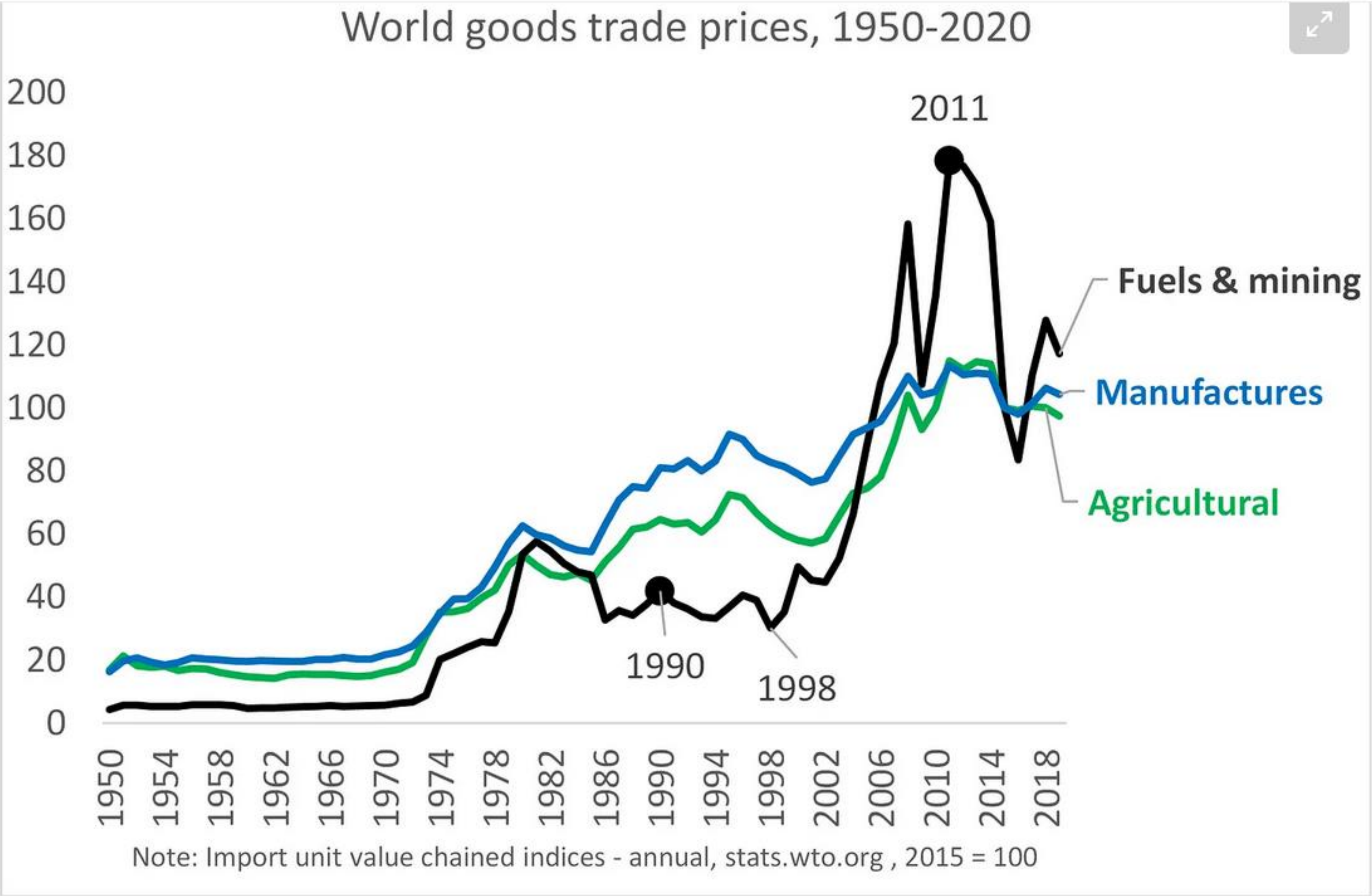


If something cannot go on forever, it will stop.

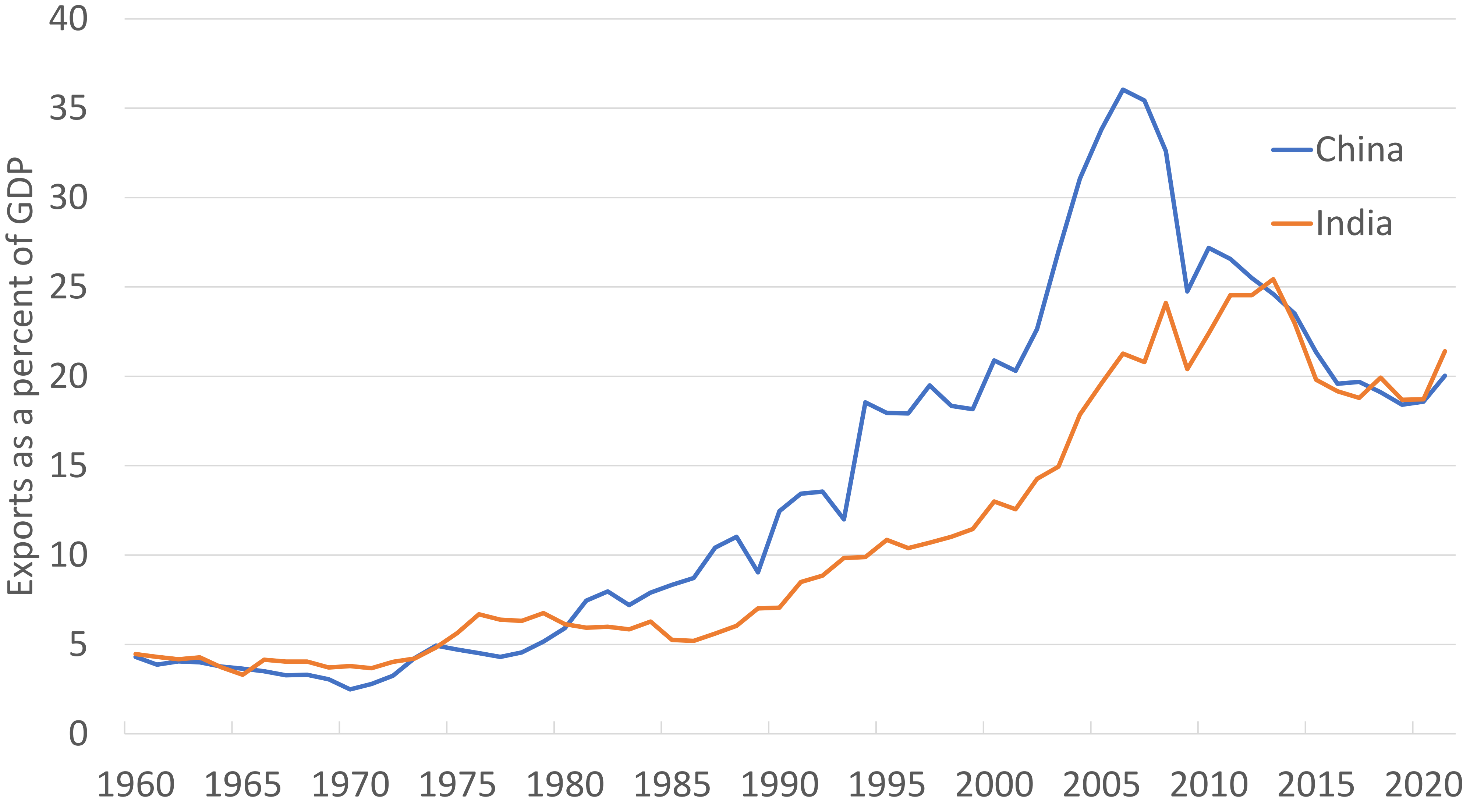
63% of drop in trade share due to minerals/fuels



Richard Baldwin (2022)

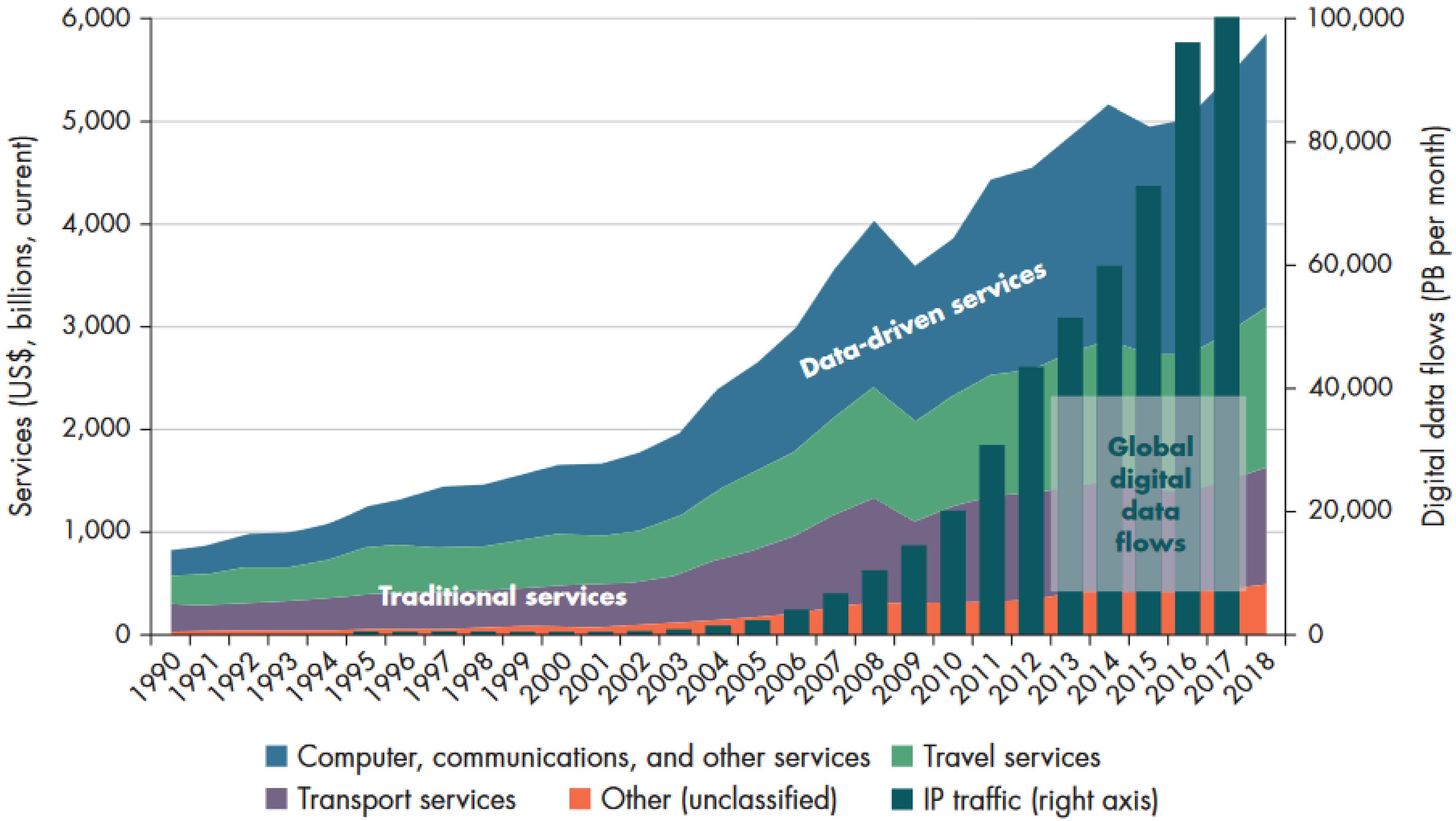

World goods trade prices, 1950-2020
200
180
160
140
120
100
80
60
40
20
0
2011
1990
1998
Fuels & mining
Manufactures
Agricultural
1950
1954
1958
1962
1966
1970
1974
1978
1982
1986
1990
1994
1998
2002
2006
2010
2014
2018
Note: Import unit value chained indices - annual, stats.wto.org , 2015 = 100

Policy or evolution?

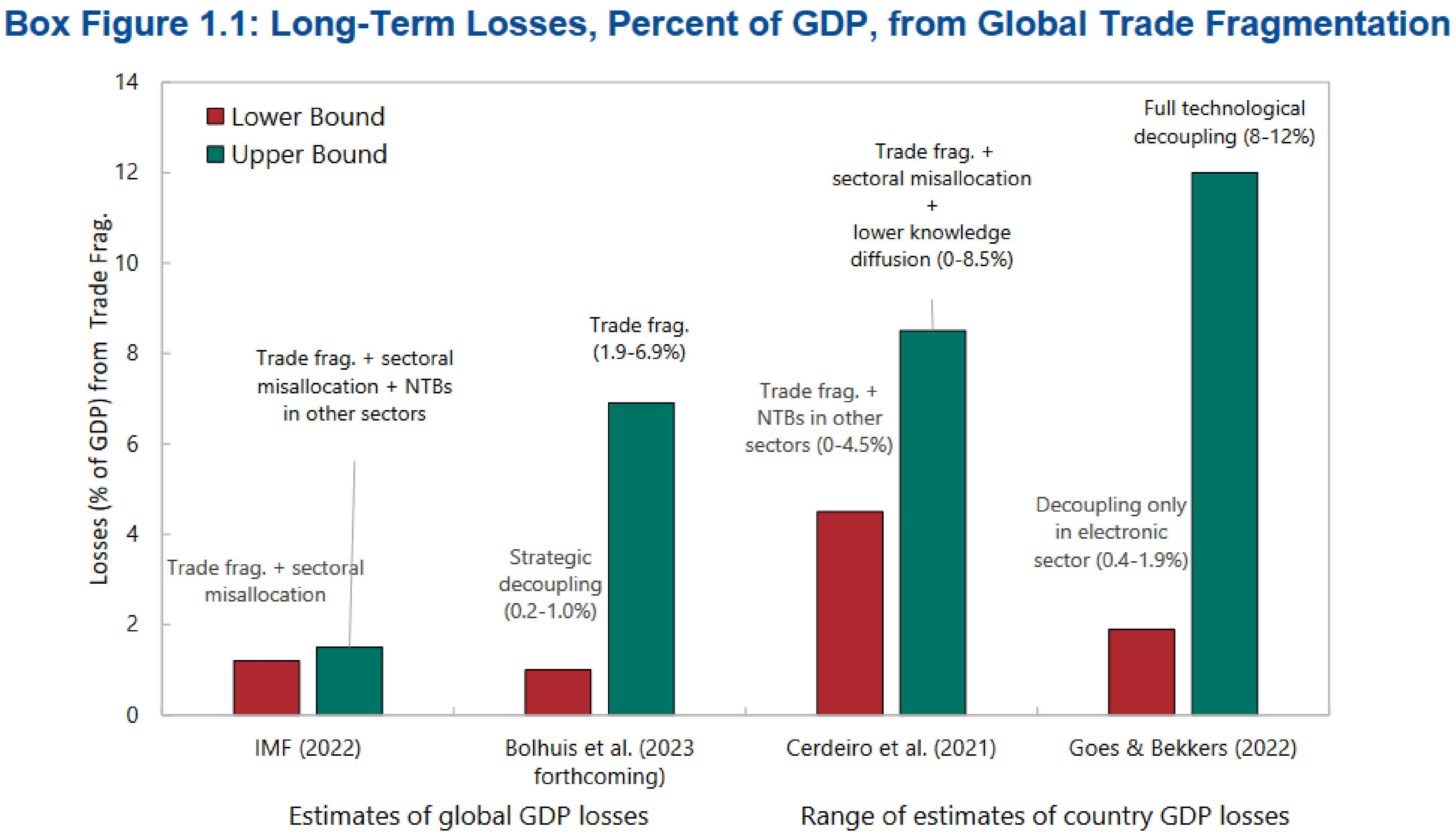


No deglobalization in services or data

Figure 7.4 **Since 1990, the global trade in data-driven services has grown exponentially and now constitutes half of trade in services**



Costs of geopolitical fragmentation



Conclusion

- Globalization not dead but resting, not ending but evolving. . . .
- Big uncertainty:
  - How much will policy continue to promote de-integration?