Globalization: some stylized facts (not exaustive!)

R. Helg

LIUC 2018
What Is Globalization?

• The world is moving away from self-contained national economies toward an interdependent, integrated global economic system

• A convenient definition of Globalization for this course: it is the process of increasing international economic integration of markets.

• Note that from our definition I have left out other dimensions: cultural, political, military etc. They are relevant, but the focus in this course will be mainly on the economic one.
Globalization: is it true?
(1950-2015, 1950=100; volume data; source: WTO)
## Globalization waves in the 19th and 20th century

(Percentage change unless indicated otherwise)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population growth</td>
<td>0.8 (^a)</td>
<td>1.7</td>
<td>1.9</td>
<td>1.6</td>
</tr>
<tr>
<td>GDP growth (real)</td>
<td>2.1 (^a)</td>
<td>3.8</td>
<td>5.1</td>
<td>2.9</td>
</tr>
<tr>
<td>Per capita</td>
<td>1.3 (^a)</td>
<td>2.0</td>
<td>3.1</td>
<td>1.2</td>
</tr>
<tr>
<td>Trade growth (real)</td>
<td>3.8</td>
<td>6.2</td>
<td>8.2</td>
<td>5.0</td>
</tr>
<tr>
<td>Migration (net) Million</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>US, Canada, Australia, NZ (cumulative)</td>
<td>17.9 (^a)</td>
<td>50.1</td>
<td>12.7</td>
<td>37.4</td>
</tr>
<tr>
<td>US, Canada, Australia, NZ (annual)</td>
<td>0.42 (^a)</td>
<td>0.90</td>
<td>0.55</td>
<td>1.17</td>
</tr>
<tr>
<td>Industrial countries (less Japan) (cumulative)</td>
<td>...</td>
<td>...</td>
<td>...</td>
<td>64.3</td>
</tr>
<tr>
<td>Global FDI outward stock, year</td>
<td></td>
<td></td>
<td>1982</td>
<td>2006</td>
</tr>
<tr>
<td>FDI as % of GDP (world)</td>
<td>...</td>
<td>...</td>
<td>5.2</td>
<td>25.3</td>
</tr>
</tbody>
</table>

\(^a\) Refers to period 1870-1913.

Chart 1
Share of major exporters in world merchandise trade, 1953-2006
(Percentage)

Note: Break in series between 1993 and 2003. Western Europe becomes Europe including Eastern Europe and Baltic States. NIEs - Newly Industrialised Economies comprising Chinese Taipei; Hong Kong, China; Rep. of Korea; Malaysia; Singapore and Thailand. Source: WTO Secretariat.
Appendix Chart 1
Share of industrial countries in world exports by major product group, 1955-2006
(Percentage)

Note: EU(15) before 2003 and afterwards EU(25).
Chart 2
Share of industrial countries in world manufactures exports by product group, 1955-2006
(Percentage)

- Automotive products
- Chemicals
- Manufactures
- Textiles
- Clothing
- Iron and steel
- Office and telecom equipment

a Road motor vehicles for the years 1955-73.
b Break in time series between 1973 and 1983.

Note: EU(15) before 2003 and afterwards EU(25).
Production globalization

source: UNCTAD, WIR 2015

Source: UNCTAD, FDI/MNE database (www.unctad.org/fdistatistics).
the globalization of production

FDI inflows: top 20 host destinations

Source: UNCTAD, WIR 2018

FDI inflows, top 20 host economies, 2016 and 2017 (billion of dollars)
the globalization of production

FDI outflows: top 20 home economies

Source: UNCTAD, WIR 2018
Globalization 4: a new phase?

A group of economist (see Gene Grossman and Rossi-Hansberg, 2006 and the presentation by Richard Baldwin, 2006)) have introduced the idea that with outsourcing globalization has entered a new phase.

The idea is that in the first phase globalization has been characterized by a first unbundling: end of the necessity of making goods close to the point of consumption. In this first phase we had trade in goods.

Recently, started a second unbundling: the end of the need to perform most production stages near each other. In this second phase we have trade in tasks.
Globalization 5: migration

Chart 3
Net immigration into developed countries, 1960-2006
(Five-year moving averages, net immigration as percent of population)

- Traditional immigration countries
- All
- Traditional emigration countries

a Traditional immigration countries comprise Australia, Canada, New Zealand and United States.
b Traditional emigration countries are composed of 18 western European countries: Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and United Kingdom.
Appendix Chart 3
Selected financial flows to developing countries, 1990-2006
(Billion dollars)

Globalization and the labour market

Fonte: WMR 2018

<table>
<thead>
<tr>
<th>Year</th>
<th>Migrant Workers (Million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1990</td>
<td>153</td>
</tr>
<tr>
<td>1995</td>
<td>161</td>
</tr>
<tr>
<td>2000</td>
<td>173</td>
</tr>
<tr>
<td>2005</td>
<td>191</td>
</tr>
<tr>
<td>2010</td>
<td>222</td>
</tr>
<tr>
<td>2015</td>
<td>244</td>
</tr>
</tbody>
</table>

Percentage of migrants over time:
- 1990: 2.9%
- 1995: 2.8%
- 2000: 2.8%
- 2005: 2.9%
- 2010: 3.2%
- 2015: 3.3%
Globalization and the labour market

(updates as of 3 June 2018)

- 2018
  38,052 arrivals to EUROPE
  33,192 by sea
  4,860 by land
  785 dead/missing - Mediterranean 2018

- 2017
  186,768 arrivals to EUROPE
  3,116 dead/missing - Mediterranean

- 2016
  390,432 arrivals to EUROPE
  5,143 dead/missing - Mediterranean
The recent European migration crisis

Mediterranean Update
Migration Flows Europe: Arrivals and Fatalities

Published 09:00 CET 14 July

103,175 Arrivals by Sea in 2017
363,401 Arrivals in 2016
2,357 Dead/Missing

Arrivals

- Italy: 86,121
- Greece: 9,723
- Spain: 6,973
- Cyprus: 358

Deaths

- Italy: 114
- Greece: 2,206
- Cyprus: 37

As of:
- Italy: 12/07/17
- Greece: 12/07/17
- Cyprus: 08/07/17
- Spain: 11/07/17
- Cyprus: 12/06/17
The recent European migration crisis
Globalization 6

Historical digression:

Fast economic growth is a feature of the last 200 years. It is a product of the capitalistic production system.

Globalization is an intrinsic feature of the capitalistic production system

(on this, see page 27 from Maddison, 2001)
Globalization and the capitalistic system of production

World GDP per capita
(1990 International Geary-Khamis dollars)

Drivers of Globalization

Two major factors underlie the trend toward greater globalization:

- the **decline in barriers** to the free flow of goods, services, and capital (but not to free flow of people!) that has occurred since the end of World War II. This process has been facilitated by the emergence of **global institutions** (GATT/WTO, IMF etc.)

- technological change
Declining Trade and Investment Barriers

Some stylized facts:

- After WWII substantial reduction in trade barriers (tariffs and non-tariffs barriers)
- On average less developed countries are more protectionist than industrialized countries (IC)
- South-South trade is characterized on average by higher trade barriers than South-North trade
- IC have peaks of protectionism in some sectors (ie agriculture and textile and clothing) in which many emerging economies have a comparative advantage
Monetary Poverty
Extreme poverty around the world has been reduced since 1820 if we control for population increase. In absolute terms it has continuously increased between 1820 and 1980. After it has reduced

World Poverty 1a: World population with less than 1.08 US$ (PPP) per day (old estimates)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>83,9</td>
<td>56,3</td>
<td>54,8</td>
<td>44</td>
<td>35,6</td>
<td>31,5</td>
<td>28,3</td>
<td>23,7</td>
<td>23,4</td>
<td>17,2</td>
</tr>
<tr>
<td>mil</td>
<td>886,8</td>
<td>1149,7</td>
<td>1175,7</td>
<td>1230,7</td>
<td>1342,6</td>
<td>1431,2</td>
<td>1183,2</td>
<td>1176,0</td>
<td>1175,1</td>
<td>931,3</td>
</tr>
</tbody>
</table>


World Poverty 1b: World population with less than 1.25 US$ (PPP) per day (old estimates – 2005 PPP prices)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>52,7</td>
<td>43,0</td>
<td>41,6</td>
<td>34,2</td>
<td>24,8</td>
<td>21,8</td>
<td>19,1</td>
<td>17,0</td>
</tr>
<tr>
<td>mil</td>
<td>1958,3</td>
<td>1798,6</td>
<td>1938,9</td>
<td>1751,2</td>
<td>1371,5</td>
<td>1255,4</td>
<td>1127,8</td>
<td>1010,4</td>
</tr>
</tbody>
</table>


World Poverty 1c: World population with less than 1.90 US$ (PPP) per day (new estimates – 2011 PPP prices)

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>1999</th>
<th>2011</th>
<th>2013</th>
<th>2015*</th>
</tr>
</thead>
<tbody>
<tr>
<td>%</td>
<td>35,0</td>
<td>28,1</td>
<td>13,5</td>
<td>10,7</td>
<td>9,6</td>
</tr>
<tr>
<td>mil</td>
<td>1850,1</td>
<td>1692,9</td>
<td>946,3</td>
<td>766,6</td>
<td>702,1</td>
</tr>
</tbody>
</table>

*=projection
Globalization and Extreme Poverty

**FIGURE A.1** Poverty rates continue to fall, but progress is uneven

![Graph showing poverty rates](image)


*Note: Regional poverty rates are measured at $1.25 (2005 PPP) a day, with forecasts to 2015 (to be updated).*

*Note: Surveys cover less than half of the population.*
World Extreme Poverty

Non-Monetary Poverty
Continuous reduction in all regions

World Poverty 2: Human Development Index for geographic areas (weighted average)

<table>
<thead>
<tr>
<th>Region</th>
<th>1870</th>
<th>1913</th>
<th>1950</th>
<th>1995</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australasia</td>
<td>0.539</td>
<td>0.784</td>
<td>0.856</td>
<td>0.933</td>
</tr>
<tr>
<td>North America</td>
<td>0.462</td>
<td>0.729</td>
<td>0.864</td>
<td>0.945</td>
</tr>
<tr>
<td>Western Europe</td>
<td>0.374</td>
<td>0.606</td>
<td>0.789</td>
<td>0.933</td>
</tr>
<tr>
<td>Eastern Europe</td>
<td>0.278</td>
<td>0.634</td>
<td>0.786</td>
<td></td>
</tr>
<tr>
<td>Latin America</td>
<td>0.236</td>
<td>0.442</td>
<td>0.802</td>
<td></td>
</tr>
<tr>
<td>Eastern Asia</td>
<td></td>
<td>0.306</td>
<td>0.746</td>
<td></td>
</tr>
<tr>
<td>China</td>
<td>0.159</td>
<td></td>
<td>0.650</td>
<td></td>
</tr>
<tr>
<td>South Asia</td>
<td>0.055</td>
<td>0.166</td>
<td>0.449</td>
<td></td>
</tr>
<tr>
<td>Africa</td>
<td>0.181</td>
<td></td>
<td>0.435</td>
<td></td>
</tr>
</tbody>
</table>

Source: Crafts (2000)
## World Income Inequality

### Three different approaches to measuring inequality in the world

<table>
<thead>
<tr>
<th></th>
<th>Concept 1: unweighted international inequality</th>
<th>Concept 2: weighted international inequality</th>
<th>Concept 3: “true” world inequality</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main source of data</strong></td>
<td>National accounts</td>
<td>National accounts</td>
<td>Household surveys</td>
</tr>
<tr>
<td><strong>Unit of observation</strong></td>
<td>Country</td>
<td>Country (weighted by its population)</td>
<td>Individual</td>
</tr>
<tr>
<td><strong>Welfare concept</strong></td>
<td>GDP or GNP per capita</td>
<td>GDP or GNP per capita</td>
<td>Mean per capita disposable income or expenditures</td>
</tr>
<tr>
<td><strong>National currency conversion</strong></td>
<td>Market exchange rate or PPP exchange rate (but different PPP concepts used)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Within-country distribution (inequality)</strong></td>
<td>Ignored</td>
<td>Ignored</td>
<td>Included</td>
</tr>
<tr>
<td><strong>Results:</strong></td>
<td>Increase Increase</td>
<td>Increase Reduction</td>
<td>Increase Reduction</td>
</tr>
<tr>
<td>- 1820-1980</td>
<td>Increase Increase</td>
<td>Increase Reduction</td>
<td>Increase Reduction</td>
</tr>
<tr>
<td>- 1980-2000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: adapted from Milanovic (2002)
World income inequality has continuously increased between 1820 and 1980. Note the inversion in relevance of the two components: between 1820 and 1930 within country inequality has been the most important component of world income inequality. After 1930 the leading component has become across country inequality.
In the last 20 years world income inequality has inverted its trend and started reducing. This evolution is mainly due to the fast convergence in per capita income between China (from 1980) and India (from 1990), on one side, and the developed countries, on the other. Note also the increase in the role played by within country inequality.
The dynamics of globalization and health

See what the BBC produces

and also what the IMF has to say