Globalization

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What do we know?

- Prosperity is the consequence of good institutions – economic freedom and especially property rights

- Globalization as a process of integration of world markets based on free movement of goods, services, and means of production should imply the reduction of poverty
  - Is it the case?
  - Does globalization not impoverish the poor?
  - Does it not take jobs from the poor/rich?
  - Does it not destroy environment?
  - Does it not destroy culture?
• 3 phases of globalization
  – 1820 – 1915 first globalization
  – 1915 – 1945 deglobalization
  – 1945 – 2005 second globalization

Ratio between world export of goods and GDP
Ratio between the world stock of FDI and world GDP
People living on less than 1 dollar per day
PROPORTION OF PEOPLE LIVING ON A DOLLAR A DAY IN WORLD POPULATION, 1820-1998

Source: World Bank and US Bureau of the Census
The 1950s

BE SURE TO FINISH YOUR DINNER. THERE ARE CHILDREN STARVING IN CHINA AND INDIA!

Today

BE SURE TO FINISH YOUR HOMEWORK. THERE ARE CHILDREN STUDYING IN CHINA AND INDIA!!
Trade benefits everyone

• 1970 – 1990 average growth rates:
  – Closed industrialized countries 0.74 %
  – Open IC 2.29 %
  – Closed developing countries 0.69 %
  – Open DC 4.49 %

• 1990s average growth rates:
  – Unglobalized countries -1.1 %,
  – Globalized countries 5%

• The purpose is to maximize imports!
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<tr>
<td>Open to trade</td>
<td>6.9</td>
<td>5.9</td>
<td>6.4</td>
</tr>
<tr>
<td>Moderately open</td>
<td>4.9</td>
<td>1.6</td>
<td>2.3</td>
</tr>
<tr>
<td>Moderately protectionist</td>
<td>4</td>
<td>1.7</td>
<td>-0.2</td>
</tr>
<tr>
<td>Protectionist</td>
<td>1.6</td>
<td>-0.1</td>
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Jobs

• Jobs are not scarce...
  – 19th century - 80% of Czechs worked in agriculture, today only 2%.

  – USA: for each 2 jobs exported in 1990s there emerged 3 new jobs. Salaries rose as well.

  – Poor low skilled Americans in 1970s: 52% income for food, clothing and accommodation, today only 37%.
Environment

• Argument: wealthy countries export pollution to developing countries; people there have consequently higher incomes but worse environment.

• It is not empirically relevant:
  – USA import more pollution than they export.
  – The composition of foreign investments does not depend on the environmental impact.
  – According to the WB the most polluting enterprises are state owned.
• Environment is a luxury good

• „green ceiling“ - environmental Kuznets curve

• Grossman and Krueger: green ceiling at 5000 USD per capita

• WB – water pollution: decreases by 90% if the income increases from 500 USD to 20,000 USD per capita.
Culture

- Culture depends on commerce
- There is no culture authenticity – all cultures are synthetic

- Intuits in Canada
  - Soap stone statues
  - James Houston 1948
• Papua New Guinea
  – Totems – iron knives
• South Africa Ndebele culture
  – Beads from Czechoslovakia

• Dance music from DRC
• Kuna Indians – San Blas Islands
  – Mola – painted panels of blouses – 18th century from Huguenots

• Trinidad steel drummers
  – Originally 50 gallon barrels in the WWII

• Sioux – Beaded ornaments on bags
  – From Caucasian carpets
• Hawaiian guitar— Slovak immigrant Ján Dopjera living in California:
  “Dobro – good in any language!”

• All those artifacts flourished because of „commercial demand“ from rich countries.
Culture and homogenization

• Globalization does not imply homogenization of culture

• Diversity among countries declines while diversity within countries increases.
  – Paris and Hong Kong – greatest centers of high cuisine have the busiest Pizza Hut outlets as well.

• There is global culture – global topics:
  – food, action movies (vs. comedies)

• Local topics: fiction books, music (96% music in India is local, 81% in Egypt, 73% in Brazil)
• Cultures emerge due to contacts and mutual enrichment.

• Commerce brings wealth and change of life style → change of culture.

• Globalization leads to development of cultures but also to its demise.

• Globalization brings more diversity in time.