Challenges of globalization I

1. Globalization as part of big history?

Big history is concerned with the identification and explanation of major historical processes, events and regularities in human history. Globalization is one such process. The list includes the agrarian revolution, the emergence of civilizations, state formation, the industrial revolution and industrialization.

2. Fred Spier's (2010) big explanation of big history

"… the energy flowing through matter within certain boundary conditions has caused both the rise and the demise of all forms of complexity." (Spier, 2010, p. 21)

3. A general theory of organized systems based on evolution (Eric Chaisson, 2001)

Developments in several scientific disciplines suggest that the emergence, development, evolution and possible demise of organized systems (physical, biological, social systems) share strong similarities (Chaisson, 2001, p. ix). The prospect of unification in the study of these different domains appears plausible. Evolutionary thinking is a reasonable candidate for conducting the unification, so that it can be applied as well to pre-biological and post-biological domains.

4. The Goldilocks principle

As complexity can only emerge and exist under appropriate conditions and circumstances, the Goldilocks principle expresses the idea that all stable complex systems require certain conditions to emerge and last; see Spier (2010, pp. 36-40). In this respect, there are Goldilocks circumstances for a prosperous economy to arise and continue to exist; similarly, there are Goldilocks circumstances for a globalized economy (or the globalization phenomenon) to emerge and thrive.

5. Waves of globalization (Fred Spier, 2010)

Spier (2010, pp. 168-183) identifies three waves of globalization.

• First wave. Triggered by the European transatlantic voyages at the end of the 15th century. It was made possible by the exploitation of the energy stored in winds and ocean currents for transportation. Eurasia, Africa and the America became interconnected. A global trade network dominated by European states was established. Modern science was created during the first wave.

• Second wave. The second wave is the outcome of industrialization. The Industrial Revolution (end of the 18th century and beginning of the 19th century) was made possible by the attainment of a new complexity level based on the use of machines and the solar energy stored in fossil fuels (coal and oil). The Goldilocks conditions for industrialization initially favoured a single country: Great Britain. Its example was nonetheless quickly followed by other countries. Those countries that industrialized successfully reached unprecedented wealth levels, that eventually reached most of the population. Apparently, the continuation of the second wave required the elites to share the wealth created by industrialization with the rest of the population. Affluence was no longer a privilege of elites. Modern science and technology spread to businesses and society. A global division of labour also developed.

• Third wave. An ongoing wave associated with the current information technology revolution: electronic computers, global electronic networks, modern data technology… The term 'globalization' was coined during this wave. It is still uncertain whether the third wave will produce global convergence (in standards of living, cultural and political institutions, ideologies, world views, economic structures…).

Spier, Fred (2010): *Big history and the future of humanity*, Wiley-Blackwell, Chichester, UK.

Chaisson, Eric J. (2001): *Cosmic evolution: The rise of complexity in nature*, Harvard University Press, Cambridge, MA and London, UK.

6. Human future (Fred Spier, 2010)

"To me and many others, the most fundamental question concerning our human future is whether the inhabitants of planet Earth will be able to cooperate in achieving the goal of reaching a more or less sustainable future in reasonable harmony, or whether the current large division between more and less wealthy people, as well as the unequal distribution of power within and among societies, will play havoc with such intentions." Spier (2010, p. 203)

7. Globalization 1.0, 2.0, 3.0 (Thomas Friedman, 2007)

Thomas Friedman offers a similar typology of globalization episodes. In this account, states were the key agents in Globalization 1.0 (1492-1800), which hinged on the ability of states to mobilize resources. Multinational companies were the key agents in Globalization 2.0 (1800-2000), which involved the integration of labour and good markets, first through improvements in transport and next through improvements in communications. Individuals are the key agents in Globalization 3.0 (2000-?), who are being empowered by a convergence of digital technologies (personal computer, fiber-optic cable and software). This convergence has created a truly global community where anyone has access to massive amounts of information and can produce discoveries and innovations.

Friedman, Thomas L. (2007): *The world is flat 3.0: A brief history of the twenty-first century*, Picador, New York.

8. When did globalization begin? The O'Rourke-Williamson (2004) position

Globalization is described in economic terms: geographical market integration and, specifically, commodity market integration. The advance of market integration is measured in terms of commodity price convergence: the worldwide convergence of the prices of the same commodities. Globalization is said to begin in the early 19th century because commodity price convergence started around the 1820s. In this period, China is viewed as an autarkic economy and is therefore not considered a significant actor in the dynamics of global market forces.

9. When did globalization begin? The Flynn-Giráldez (2008) position

Globalization begins with the sustained interaction (in a deep and permanent manner) of all sufficiently populated land masses. The beginning of globalization cannot be ascertained by using exclusively statistical evidence: the identification of the onset of globalization must involve cultural, demographic, ecological, economic, epidemiological, political… evidence. All this evidence points to the beginning of the sixteenth century as the start of the process of geographical connection between the three roughly equal-sized regions that partition the planetary surface: the Pacific Ocean, the Atlantic Ocean plus the Americas, and the Indian Ocean plus Africa and Eurasia. Globalization is a historical process with origins in the 16th century. China's demand has always shaped globalization, its birth included. Europe was not the sole source of the global integration dynamics: European traders acted mainly as intermediaries.

O'Rourke, Kevin.; J. G. Williamson (2004): "Once more: When did globalisation begin?", European Review of Economic History 8, 109-117.

Flynn, Dennis O.; Arturo Giráldez (2008): "Born again: Globalization's sixteenth century origins (Asian/global versus European dynamics)", Pacific Economic Review 13(3), 359-387.

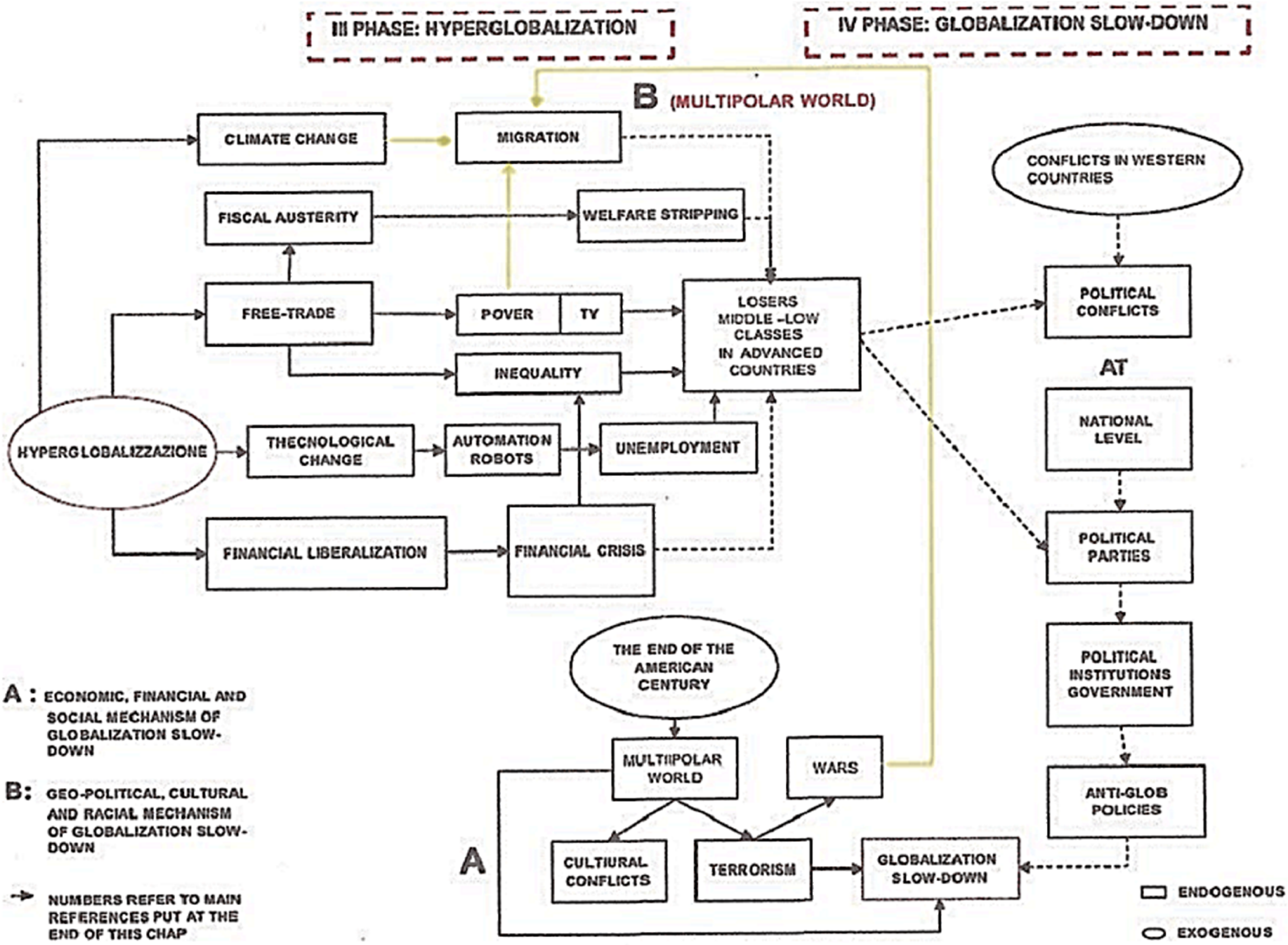
10. The globalization slowdown thesis (Antimo Verde, 2017)

Presuming that the middle and lower classes are capable of affecting the future of globalization, Verde (2017) claims that globalization will inevitably slow down if the middle classes manage to protect their interests politically. This conclusion follows from the analysis of three questions.

- Which actors would be more interested in limiting the expansion of globalization because they are worse off under globalization? His answer is that middle and lower-middle classes of developed countries (and of some developing countries) are the main losers of globalization. He lists some structural causes for this: skill-biased technological changes; aging; predominance of the financial sector; unfair competition from the developing countries; unfair free trade; delocalization of production activities; diminished role of trade unions; detrimental distributional effects caused by the adoption of national policies forced by the globalization process; globalization itself…

- Which factors would justify an anti-globalization reaction? Immigration, terrorism and rising inequality are presented as non-temporary reasons or problems that would lead the middle classes to oppose and react against globalization.
- How would the losing actors organize an effective reaction against the globalization process? By using their votes to protect their interests: middle and lower classes will elect political parties that propose to adopt anti-globalization national policies. If, as usual, such classes constitute the majority of the electorate, then the political change that will put brakes on globalization seems guaranteed.

Verde, Antimo (2017): *Is globalisation doomed? The economic and political threats to the future of globalisation*, Palgrave Macmillan, Cham, Switzerland.



Antimo's (2017, p. x) mechanism of globalization slowdown

11. Global inequality

"One of the most neuralgic issues in the debate about globalization in recent years has been whether or not it has been unfair. The 'pro' camp argues that the decades since 1980 have brought about the biggest reduction in inequality the world has ever experienced. The 'anti' camp argues that globalization has helped a few prosper but left behind the majority, leading to the greatest degree of inequality in history. Both hold some truth, depending on how you look at inequality. In particular, there is a distinction between inequality within countries and inequality between countries. Starting with the latter, and looking at average income per capita nation by nation, countries such as the United States and United Kingdom have pulled much further ahead of the poorest countries such as Zimbabwe and Niger. At the same time, there has been a huge rise in average income per capita in China and India such that they have narrowed the gap with the richest countries. This latter development means global inequality has decreased substantially, but inequality within nations has not."

12. Why inequality increases

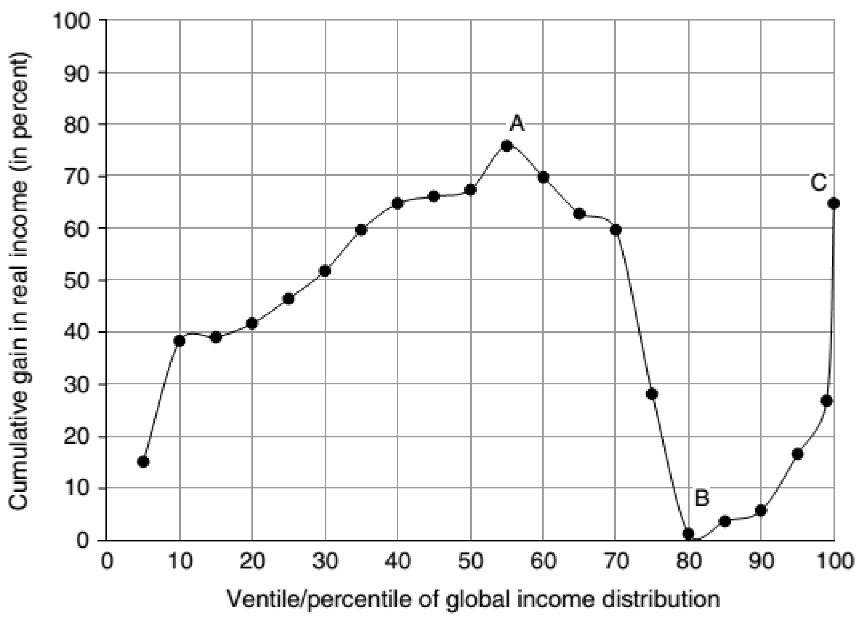
"…there are two main possible explanations for the development of greater inequality compared with the previous economic epoch. One is globalization, in effect bringing a large new source of cheap labor into the domestic economy; either through cheap imports or the offshoring of production, domestic workers have to compete with workers elsewhere who work for much lower wages (although they are also less productive). This could explain downward pressure on blue-collar wages or the low pay in basic services such as call centers (…) The other potential explanation is the adoption of new technologies requiring skills that were initially in short supply. Companies that use computers and other new technologies need people with greater cognitive abilities—computers can do the easy, repetitive work, so the humans need to do the more challenging and creative work. This is great news in the sense that a lot of dull jobs have gone and work for many has become more interesting, but it has substantially reduced the demand for workers with only basic qualifications, and swaths of formerly well-paid shop floor jobs have vanished (…) On balance, however, the technical change explanation emerges as the most important driver of increasing income inequality."

"…structural changes in the economy driven by new technologies are the fundamental driver of greater inequality, in much the same way that the wave of innovation of early capitalism in the nineteenth century led to great inequality until the workforce as a whole developed the new skills that were needed. Technology has interacted with globalization to exacerbate the trend toward greater inequality, contributing to income inequality within countries through the move of low and medium skill jobs overseas, and creating a rich global elite. The failure of some of the poorest countries to participate at all in these economic trends has made greater inequality a global phenomenon."

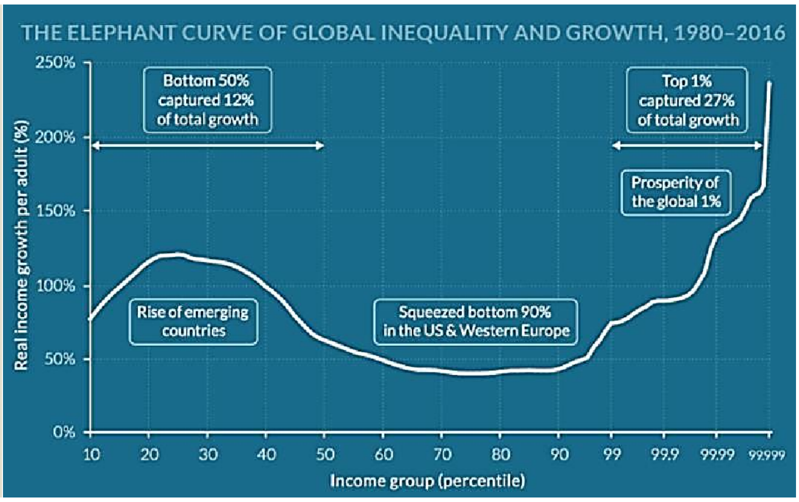
Coyle, Diane (2011): *The economics of enough. How to run the economy as if the future matters*, Princeton University Press, Princeton, New Jersey.

13. The gains from globalization are not evenly distributed: relative gains

The *elephant curve* on the right shows the percentual gain in real per capita income between 1988 and 2008 (the high globalization period). The horizontal axis ranks people in the world from the poorest (extreme left) to the richest (extreme right). The maximum gain (point A) is near the median (people slightly above the 50th percentile of the global income distribution) and for the richest (the top 1%, point C). The minimum gain (point B) corresponds to the global 80th percentile (most of it in the lower middle class of the rich countries).



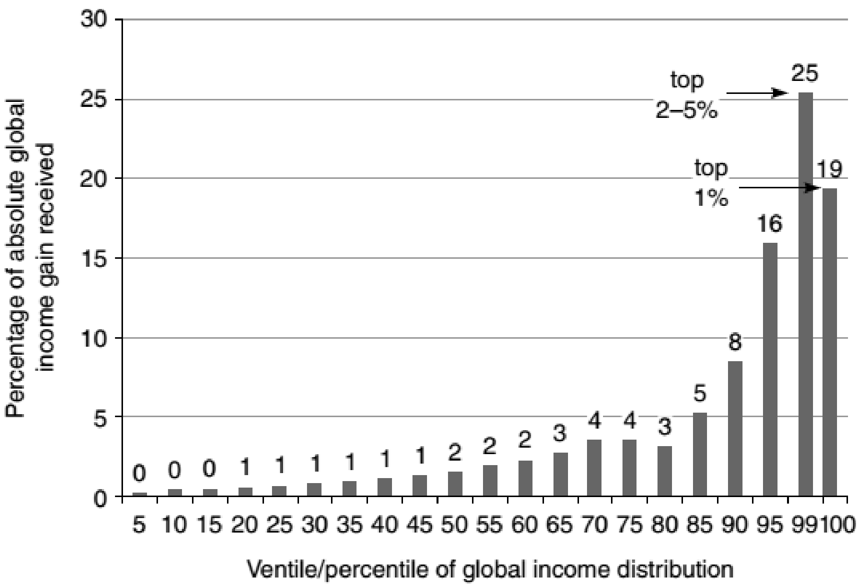
- **Beneficiaries of globalization (1988-2008).** (1) People between the 40th and the 60th percentile (1/5 of the world population). Most members in this group belong to Asian economies (China, India, Thailand, Vietnam, and Indonesia): the emerging global middle class. Hence, the Asian poor and middle classes define the great winners of globalization. (2) The global very rich (the global plutocrats).
- **The least benefited from globalization (1988-2008).** (1) The global poor (located in the countries that are not rich). (2) The global lower middle classes (most of whom live in the rich countries). Thus, the great losers of globalization are the lower middle classes and the poorer segments of the rich world.



http://prospect.org/article/worlds-inequality wid.world/wp-content/uploads/2018/01/ElephantCurve.pdf

14. The gains from globalization are not evenly distributed: absolute gains

The chart on the right shows how the total increment in income between 1988 and 2008 has been distributed by global income level. It indicates that around the 44% of all the gains has been received by the richest 5% of the world population (the top 1% receiving 19% of the income rise). The other beneficiaries of globalization (the emerging global middle class) pocketed only between 2 and 4%.

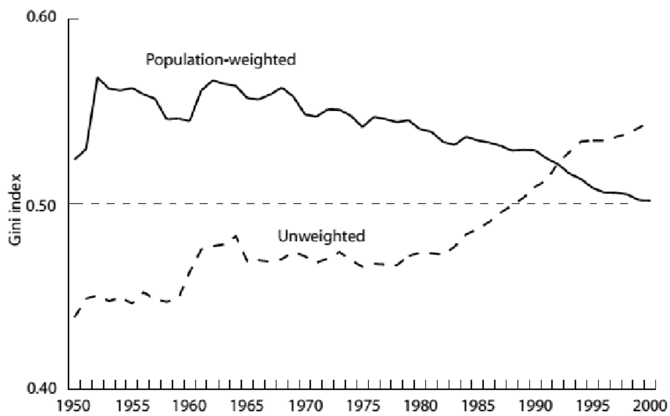


- **Top 1%.** According to Oxfam (16 January 2017), the eight richest men in the world together have the same amount of wealth ($426 billion = 0.16% of the world's wealth) as the poorest 50% of the world population.
- **$426 billion.** Spending one dollar per second ($86,400 per day), it would take more than 13,500 years to exhaust $426 billion.

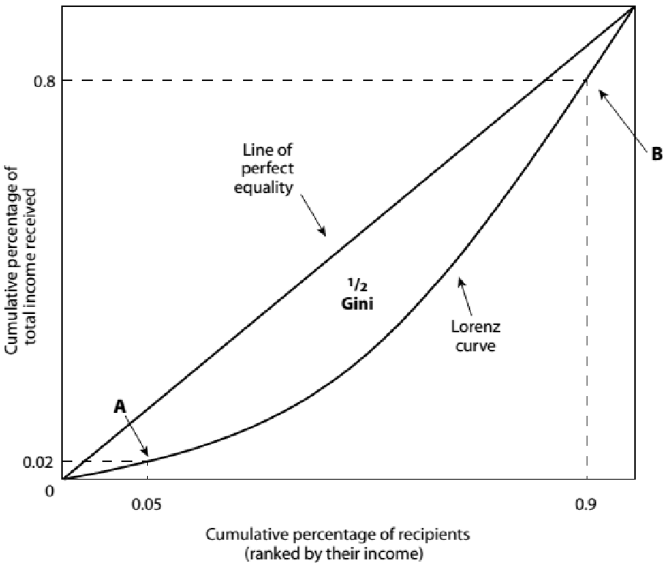
https://www.oxfamamerica.org/static/media/files/170105_bn-economy-for-99-percent-160117_embargo-en.pdf

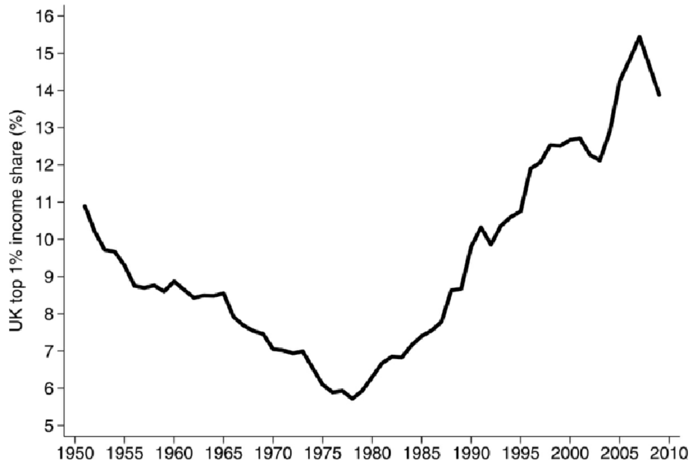
15. Inequality concepts

- **Concept 1 of inequality: unweighted international inequality.** Concept 1 associates with each country a representative individual, who is assigned the country's GDP per capita. Concept 1 actually compares countries, with all of them given the same weight.
- **Concept 2 of inequality: population-weighted international inequality.** As Concept 1, it is assumed that every person in a country receives the same income (the country's GDP per capita), but now the number of representative individuals attributed to each country depends on the country's size. Concept 2 ignores inequality within countries.
- **Concept 3 of inequality: individual international inequality.** In Concept 3 inequality measures are determined directly on individuals, all individuals in the world, with each individual counting the same.



- **Divergent measures of inequality.** The chart above shows two interpretations of the same reality: according to Concept 1, international inequality has increased (upward trend) in the last decades; whereas Concept 2 suggests a fall (downward trend). The difference: the behaviour of China and India (reduction in inequality essentially limited to a few big countries).
- **Gini coefficient (Corrado Gini).** It is a measure of inequality (and income distribution) going from 0 (maximum equality) to 1 (maximum inequality: a single individual receives all the income). The Gini index is the coefficient in percentages. Graphically, it is (twice) the area between the line of perfect equality (the main diagonal) and the Lorenz curve (which charts the proportion of total income received by the cumulative proportion of recipients ranked by their per capita income from poorer to richer; in the graph on the right, point A means that the poorer 5% of individuals receive the 2% of total income).





Milanović, Branko (2007): *Worlds apart: Measuring international and global inequality*, Princeton University Press, Princeton, NJ.

The rise of the super-rich in the UK (McQuaig, Linda; Neil Brooks (2013): *The trouble with billionaries: How the super-rich hijacked the world (and how we can take it back)*)

16. Inequality myths

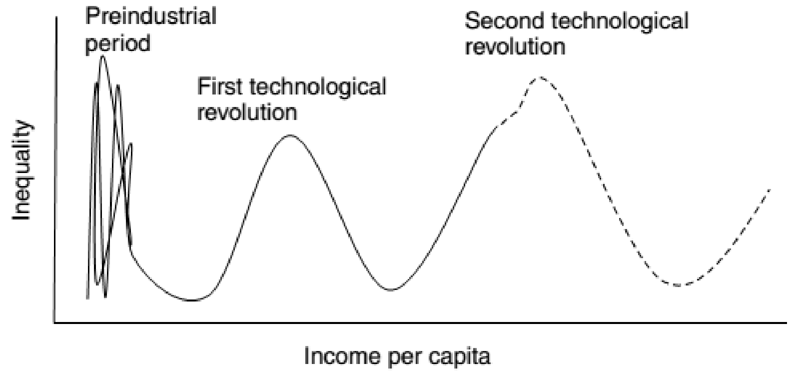
- **Myth 1**: Inequality is a necessary counterpart of economic dynamism and competitiveness. According to this myth, rising inequality is an inevitable consequence of rapid economic growth (or a necessary condition for competitiveness). Policies that lower inequality, it is claimed, reduce the incentives to work hard and innovate.
- **Myth 2**: The best way to help the poor is to help the rich ("Equity needs growth").
- **Myth 3**: Inequality is actually not a problem as long as extreme poverty is avoided and incomes are all rising ("the rising tide lifts all boats").
- **Myth 4**: As pay is related to ability, rising inequality is just the result of increasing differences in people's ability (I am paid more because I am worth it).

Sudhir Thomas Vadaketh; Donald Low (2014): *Challenging the Singapore Consensus*.

17. The Kuznets curve (or hypothesis)

The Kuznets curve is the conjecture (by Simon Kuznets) relating the level of economic inequality with the level of real income. Graphically, it takes the form an inverted U: for low income levels, inequality is low; as income grows, inequality increases; and, from some sufficiently high income level on, inequality decreases. However, the recent experience of the advanced economies shows that inequality need not decrease with development.

18. The Kuznets wave (or cycle)



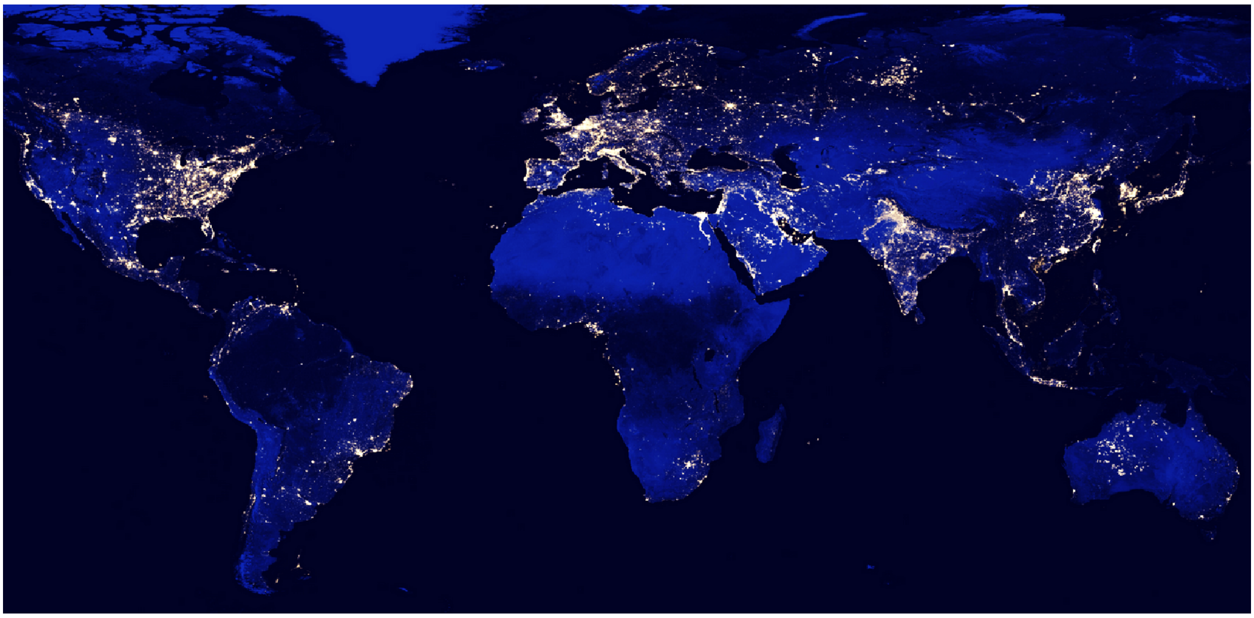
The Kuznets wave is the conjecture (Branko Milanović) that there are waves of alternating increases and decreases in inequality in time (as income increases).

- Before the Industrial Revolution inequality undulated around a fixed average income level (in a Malthusian cycle the source of the fluctuation in inequality is demographic: an income rise lower inequality and triggers a population increase among the poor; with a decreasing marginal productivity of labour, a larger population leads to a fall in productivity and income, which increases inequality and moderates population growth).
- The Industrial Revolution made possible a sustained growth of income and also an increase in inequality. First, because higher incomes create the potential for more inequality. Second, because structural changes in the economy (urbanization, rising importance of the industrial sector) drove up inequality. Inequality eventually decreased when the supply of more educated workers increased and economic policies responded to pressures to correct the uneveness of the distribution of income (the welfare state). Military conflicts and political revolutions (themselves often consequences of excessive inequality) also contributed to the reduction in inequality. The 'Great Leveling' refers to the reduction in inequality in the richer countries between 1945 and 1980.
- A new technological revolution affected the rich countries in the 1980s (digital revolution) by widening income disparities. The new technologies rewarded the more skilled workers, pushed up the return to capital and made the less skilled worker suffer the strong competition from China and India. The service sector increased in importance, with many of the new jobs not requiring much qualification and being badly paid. Moreover, pro-rich economic policies tended to be universally adopted.

Milanović, Branko (2016): *Global inequality: A new approach for the age of globalization*, Harvard University Press, Cambridge, MA.

19. How to reduce inequality

Extreme inequality can be solved through the tax system. The mechanisms involved in the first reduction were increased taxation, social transfers, hyperinflation, nationalization of property and wars. Globalization makes more difficult to raise taxation on capital income: it is harder to tax a mobile capital. The rich are also resistant to the application of redistributive measures (neoliberalism and trickle-down economics). And one of the apparent characteristics of globalization is that the winner takes all.



https://upload.wikimedia.org/wikipedia/commons/b/ba/The_earth_at_night.jpg

20. Piketty's $r > g$ theory of inequality: the fundamental force of divergence

The symbol r stands for an average rate of return on holdings of wealth over long periods (average return of stocks, corporate bonds, savings accounts, government bonds, real estate, other financial assets…). The symbol g is the GDP growth rate and can be interpreted as the average speed at which incomes in a economy grow. Piketty's theory (the fundamental inequality of capitalism) is that inequality increases when r grows faster than g. With $r > g$, wealth grows more than income; and as wealth is distributed more unequally than income, a faster growth of wealth with respect to the growth of income contributes to an increase in inequality: the rewards to the owners of wealth are larger than the income that, on average, generates the economy.

$$Y = W + P$$

aggregate income = salaries + profits

$$r = \frac{P}{K}$$

rate of return = profits / capital

$$K' = K + I$$

capital tomorrow = capital today + investment

$$I = s \cdot Y$$

investment = savings rate · income

$$Y' = (1 + g) \cdot Y$$

income tomorrow = (1 + income growth rate)· income today

Let $\alpha = \frac{P}{Y}$, $\beta = \frac{K}{Y}$ and $Y = \frac{Y}{L} \cdot L$, where L is population and $\frac{Y}{L}$ is average productivity. Therefore, $g \approx \lambda + n$: income growth is approximately equal to productivity growth plus population growth. As $r = \frac{P}{Y} \cdot \frac{Y}{K}$, it follows that $r = \alpha/\beta$ or, equivalently,

$$\alpha = r \cdot \beta$$

which Piketty calls "the first fundamental law of capitalism". Moreover,

$$\frac{K'}{Y'} = \frac{K + I}{Y'} = \frac{K}{Y'} + \frac{I}{Y'} = \frac{K}{(1+g) \cdot Y} + \frac{s \cdot Y}{(1+g) \cdot Y} = \frac{1}{1+g} \cdot \frac{K}{Y} + \frac{s}{1+g}.$$

At a stationary state, $\frac{K'}{Y'} = \frac{K}{Y} = \beta$. Hence, solving for β, it is obtained Piketty's "second fundamental law of capitalism" or dynamic law of accumulation:

$$\beta = \frac{s}{g} \approx \frac{s}{\lambda + n}$$

A falling share $\frac{W}{Y}$ of wages in income can be interpreted as a rise in inequality: capital gets an increasing larger portion of income. From $Y = W + P$, $1 = \frac{W}{Y} + \frac{P}{Y} = \frac{W}{Y} + \alpha$. As a result,

$$\frac{W}{Y} = 1 - \alpha = 1 - r \cdot \beta = 1 - \frac{s \cdot r}{g} \approx 1 - \frac{s \cdot r}{\lambda + n}.$$

The above equation indicates that the wage share $\frac{W}{Y}$ decreases (inequality goes up) when:

(i) the savings rate s rises;

(ii) the rate of return r rises;

(iii) the rate of growth λ of labour productivity falls;

(iv) the rate of growth n of population falls; or

(v) the rate of growth g of the economy declines (this is a combination of (iii) and (iv)).

21. Forces of convergence and divergence of market economies

With a constant s, the dynamics of inequality is explained by the evolution of the private rate of return r on capital and the rate of growth g of income. Having $r > g$ implies that wealth accumulated in the past grows faster than income (and wages). That capital tends to expand itself more rapidly than the economy is the principal force of divergence (inequality). The diffusion of knowledge and skills is a powerful force of convergence (and social stability). Globalization seems to have favoured so far the forces of divergence: the narrowing of income inequality between countries has been relatively small (look at the Earth at night, or page 7: light = prosperity; darkness = poverty).

22. Piketty's claims

- The growth (or contraction) of an economy's wealth-to-annual-income ratio ($\beta = K/Y$) is the quotient s/g between the net savings (the accumulation rate) and the economy's growth rate.
- Wealth is eventually concentrated in the hands of a small group: the larger β, the more unequal the distribution of wealth.
- An unequal distribution of income is the consequence of an unequal distribution of wealth: the privileged small group will steer political decisions on their behalf, to prevent the rate of profit from falling.
- The privileges of the small group will be preserved through inheritance.
- When wealth is inherited, the small privileged group will possess great influence (politically, economically, socioculturally) that will most likely be exercised to the detriment of the majority.

"The process by which wealth is accumulated and distributed contains powerful forces pushing toward divergence, or at any rate toward an extremely high level of inequality (…) It is possible to imagine public institutions and policies that would counter the effects of this implacable logic: for instance, a progressive global tax on capital. But establishing such institutions and policies would require a considerable degree of international coordination." (Piketty, 2014, p. 27)

Piketty, Thomas (2014): *Capital in the twenty-first century*, Belknap Press, Cambridge, MA.

Dickens, Edwin (2015): "Piketty's Capital in the Twenty-First Century: A review essay", Review of Political Economy 27(2), 230-239.

López-Bernardo, Javier; Félix López-Martínez; Engelbert Stockhammer (2016): "A Post-Keynesian Response to Piketty's 'Fundamental Contradiction of Capitalism'", Review of Political Economy 28(2), 190-204.

23. A new country: Richistan

"(In the US) The rich weren't just getting richer; they were becoming financial foreigners, creating their own country within a country, their own society within a society, and their economy within an economy. They were creating Richistan." There are four classes in Richistan.

- **Lower Richistan**. Some 7 million households with net worth $1-10 m. "Most of them are welleducated, work-a-day professionals: corporate executives, doctors, lawyers, bankers, designers, analysts and money managers. More than half their wealth is derived from income, with another third coming from investment returns. In an increasingly global, hightech, finance-oriented economy, Lower Richistanis have benefited from the growing demand for highly educated workers and rising pay at the top."
- **Middle Richistan**. It includes more than 2 million households, with net worth between $10 m and $100 m. "Most Middle Richistanis make their money from salaries, small businesses or investment returns. As you move from Lower to Upper Richistan, however, the number of entrepreneurs and business owners starts to increase. Middle Richistan has twice as many entrepreneurs as Lower Richistan, showing that the surest path to big wealth is starting your own company and selling it."
- **Upper Richistan**. It includes thousands of households, with net worth at least $100 m. "Most made their money by starting their own companies and selling them, although CEOs and money managers

(especially hedge funders) are rapidly joining the ranks. The lives of Upper Richistanis have become incredibly complicated. To run them, they're creating 'family offices'—large companies dedicated entirely to serving a family's day-to-day needs, from investments and legal work to travel plans and hiring house staff (…) When you live in Upper Richistan, your entire philosophy of money changes. You realize that you can't possibly spend all of your fortune, or even part of it, in your lifetime and that your money will probably grow over the years even if you spend lavishly. So Upper Richistanis plan their finances for the next hundred years."

- **Billionaireville**. With 13 inhabitants in 1985, it had more than 400 in 2006. "<u>The personal lives of billionaires are more like companies</u>. Their homes are like hotels—sprawling campuses with their own logos, purchasing budgets and legions of staff. Ask a billionaire for his or her bank statement and you'll get a five-level flowchart of interlocking subsidiaries, holding companies, investment funds and foundations."

Frank, Robert L. (2007): *Richistan: A journey through the American wealth boom and the lives of the new rich*, Crown Publishers, New York.

24. Inequality trends (in the US)

"While <u>US inequality is part of a global trend</u>, the condition is more acute due to the nature of hyperindividualistic capitalism and public policy in this country."

- "One of the most important trends (…) is the <u>persistent stagnation of wages since the 1980s</u>. After a period of relative shared prosperity, between 1947 and 1977, when real wages doubled for every stratum of US society, we entered a phase of flat or falling paychecks for a majority of US wage earners. Since 1975, there have been extraordinary gains in productivity. But over half of US wage earners have not shared in the fruits of their labors. In 1970, the bottom half of wage earners, roughly 117 million adults, made an average of $16,000 a year in current dollars. By 2014, earnings for the bottom half of households had remained virtually unchanged, bumping up slightly to $16,200. Over the same period, the incomes of the top 1 percent tripled, from average annual wages of $400,000 to $1.3 million.
- The result is <u>persistent poverty at the bottom</u>, a work treadmill for low-wage workers, and a squeeze on middle-class workers. For more than four decades, poverty rates have remained unchanged. Over 13.5 percent of the population, an estimated 43 million people, live below the poverty line."
- "Another form of income inequality is the <u>increasing gap between the compensation of CEOs and top corporate executives compared to average- or lowest-paid workers in firms</u>. In the mid-1960s, the ratio between CEO pay and average worker pay was about 20:1. In recent years, the ratio has swollen to more than 300:1. Skyrocketing CEO pay is one of the drivers of increased income concentration."
- "Another alarming trend has been the <u>updraft of both income and wealth to the very wealthiest households</u>. Between 1980 and 2013, the richest 1 percent saw their average real income increase by 142 percent, with their share of national income doubling from 10 percent to 20 percent. But most economic gains during this period have flowed to the top 0.1 percent – the top one-tenth of 1 percent – whose real income increased by 236 percent. Their share of national income almost tripled, from 3.4 percent to 9.5 percent. <u>Since the economic meltdown of 2008, an estimated $91 of every $100 in increased earnings have gone to the top 1 percent</u> (…) Wealth has increasingly concentrated at the top. The wealthiest 1 percent of households now hold roughly 42 percent of private wealth, up from 33 percent in 1983. At the very pinnacle of US wealth is the Forbes 400 (…) with a combined net worth of $2.3 trillion. Together, <u>this group has more wealth than the bottom 62 percent of the US population combined</u>. The 20 wealthiest billionaires (…) have more wealth than the entire bottom half of the US population."
- "One reason the wealthy have so much more than the bottom half of US households is that <u>almost 20 percent of US households have zero or negative net worth</u>."
- "Reflecting the historic inequalities between white, black, and Latino households, <u>the racial wealth divide has grown over the last several decades</u>. In 2013, the median wealth of white households was an alarming 13 times greater than the median wealth of black households —up from 8 times greater in 2010. White households had 10 times more wealth than Latino households. <u>The richest 100 billionaires have more wealth than the entire African American population</u> (…) 42 million people. <u>The wealthiest 186 billionaires have as much wealth as the entire Hispanic population: more than 55 million people</u>."

- “Inequality in America is reversible (…) The policy agenda described in this book —such as eliminating student debt, expanding good jobs through green infrastructure, establishing a universal basic income, and expanding homeownership and wealth-building opportunities— are examples of big interventions that will reverse inequality (…) Reversing inequality is not only possible. It is the only path forward.”

Collins, Chuck (2018): *Is inequality in America irreversible?*, Polity Press, Malden, MA.

25. Global power elites and the transnational capitalist class (Peter Phillips, 2018)

“[In 1956, C. Wright] Mills described the power elite as those ‘who decide whatever is decided’ of major consequence. Sixty-two years later, power elites have globalized and built institutions that facilitate the preservation and protection of capital investments everywhere in the world.”

“The Global Power Elite function as a nongovernmental network of similarly educated wealthy people with common interests of managing, facilitating, and protecting concentrated global wealth and insuring the continued growth of capital. Global Power Elites influence and use international institutions controlled by governmental authorities—namely, the World Bank, International Monetary Fund (IMF), NATO, World Trade Organization (WTO), G7, G20, and many others. These world governmental institutions receive instructions and recommendations for policy determinations from networks of nongovernmental Global Power Elite organizations and associations.”

“We name some 389 individuals in this book as the core of the policy planning nongovernmental networks that manage, facilitate, and protect the continued concentration of global capital. The Global Power Elites are the activist core of the Transnational Capitalist Class—1 percent of the world’s wealthy people—who serve the uniting function of providing ideological justifications for their shared interests and establishing the parameters of needed actions for implementation by transnational governmental organizations.”

“This concentration of protected wealth leads to a crisis of humanity, whereby poverty, war, starvation, mass alienation, media propaganda, and environmental devastation are reaching a species-level threat. We realize that humankind is in danger of possible extinction and recognize that the Global Power Elites are probably the only ones capable of correcting this condition without major civil unrest, war, and chaos. This book is an effort to bring awareness of the importance of systemic change and redistribution of wealth, to readers as well as to the Global Power Elites themselves, in the hope that they can begin the process of saving humanity.”

Phillips, Peter (2018): *Giants: The global power elite*, Seven Stories Press, New York.

26. Will money ever become obsolete? (*The Orville*, Season 1, Episode 11)

“It [money] became obsolete with the invention of matter synthesis. The predominant currency became reputation (…) Human ambition didn’t vanish. The only thing that changed was how we quantify wealth. People still want to be rich, only now rich means being the best at what you do.”

27. Globalization is an asymmetric process (leading to differentiated outcomes)

Rich countries are in a better disposition to rip the benefits of globalization. The preconditions for the success of globalization are more likely to be more easily satisfied by the rich countries: physical, educational and social infrastructure (transportation networks, human skills, trust, political institutions…). These preconditions are also necessary to produce high-reputation goods (positional goods: trade in services, decommodified goods, currencies), the type of goods that are becoming increasingly important to benefit from globalization. Reputation is the key competitive factor in a globalized economy and is not subject to the traditional analysis based on comparative advantages. There is an entry cost to benefit from globalization that the poorer countries cannot pay. In view of this, globalization seems to bestow its benefits asymmetrically, delivering disproportional trade benefits to the richer countries.

28. The new poverty trap of current globalization

This trap is the result of lacking adequate physical infrastructures, capital stock, educational achievement, appropriate institutions, governance skills and ability to control the domestic macroeconomic fundamentals in the presence of free flows of international capital. It also contributes to the trap the enforcement of an institutional international order that favours the rich: transformation of global competition into positional competition (more importance of the trade in services and decommodified goods) and legal architecture that reinforces the leaders in the positional competition (protection to intellectual property rights and to the free mobility of capital).

29. Two views on the benefits and costs of globalization

- Critics: globalization has exploited people in developing countries, caused massive disruptions to their lives and produced few benefits in return.
- Supporters: reductions in poverty achieved by countries which have embraced integration with the world economy, with China and India being the current poster-countries of such success.

Yotopoulos, Pan A.; Donato Romano (eds.) (2007): *The asymmetries of globalization*, Routledge, London and New York (especially chapter 10: "What have we learned about globalization?").

30. Matt Ridley (2010) on the modern global economy

"To explain the modern global economy, then, you have to explain where this perpetual innovation machine came from. What kick-started the increasing returns? They were not planned, directed or ordered: they emerged, evolved, bottom-up, from specialisation and exchange. The accelerated exchange of ideas and people made possible by technology fuelled the accelerating growth of wealth that has characterised the past century."
"Innovation is like a bush fire that burns brightly for a short time, then dies down before flaring up somewhere else. At 50,000 years ago, the hottest hot-spot was west Asia (ovens, bows-and-arrows), at 10,000 the Fertile Crescent (farming, pottery), at 5,000 Mesopotamia (metal, cities), at 2,000 India (textiles, zero), at 1,000 China (porcelain, printing), at 500 Italy (double-entry book-keeping, Leonardo), at 400 the Low Countries (the Amsterdam Exchange Bank), at 300 France (Canal du Midi), at 200 England (steam), at 100 Germany (fertiliser); at 75 America (mass production), at 50 California (credit card), at 25 Japan (Walkman). No country remains for long the leader in knowledge creation (…) Why must the torch be passed elsewhere at all? (…) The answer lies in two phenomena: institutions and population. In the past, when societies gorged on innovation, they soon allowed their babies to grow too numerous (…) or they allowed their bureaucrats to write too many rules, their chiefs to wage too many wars, or their priests to build too many monasteries (…) or they sank into finance and became parasitic rentiers."

Ridley, Matt (2010): *The rational optimist: How prosperity evolves*, HarperCollins, New York.

31. Is globalization prone to recurrently generate backlashes and collapses?

- "Globalization is not only a process that occurs somewhere out there—in an objective and measurable world of trade and money. It also happens in our minds, and that part of globalization is often more difficult to manage. To understand both the process and our reactions to it, we need a historical grounding."
- "The phenomenon of globalization has today become a ubiquitous way of understanding the world, but people who used the concept as a tool of analysis failed to understand its volatility and instability."
- "Globalization not only involves international movements of goods, people, and capital, but is also associated with transfers of ideas and shifts of technology, which affect and restructure our preferences. In consequence, globalization generates continuous uncertainty about values."
- "Globalization is vulnerable to periodic financial catastrophes, which involve very sudden alterations of concepts of value. That is, our values themselves are reevaluated during such crises. During a crisis, unexpected and apparently random linkages become apparent. People begin to see in what complex ways the world has become interconnected."
- "The perception of instability calls into question the sophisticated techniques devised for monetary management (…) In the uncertainty of globalization setbacks, the experience of the past becomes a powerful template for understanding the contemporary predicament (…) Today, we look back to the Great Depression of the late 1920s and 1930s as a model for what can go wrong when globalization breaks apart."

- "Politics and economics are inextricably and inherently linked, and politics provides an alternative to market mechanisms for the management of globalization crises."
- "When breakdowns occur, reconstruction is extremely difficult and involves a long and arduous effort for the rebuilding of social trust. Value renewal takes time."

32. Globalization cycles: can the future of globalization be seen in its past?

- "Globalization is not only a process that occurs somewhere out there—in an objective and measurable world of trade and money. It also happens in our minds, and that part of globalization is often more difficult to manage. To understand both the process and our reactions to it, we need a historical grounding."
- "All of these previous globalization episodes ended, almost always with wars that were accompanied by highly disruptive and contagious financial crises. Globalization is often thought to produce a universalization of peace, since only in a peaceful world can trade and an interchange of ideas really flourish. But in practice, a globalization of goods, capital, and people often leads to a globalization of violence."
- "It is thus possible to speak of globalization cycles, with long periods of increased interchange of goods, and flows of people and capital. But then something happens. People feel there has been too much interaction; they draw back from the global setting and look instead for protected areas in which they can be safe from global threats and global devastation. The shock or trauma is often connected with financial collapse, especially the profound uncertainty that financial disaster brings."

James, Harold (2009): *The creation and destruction of value: The globalization cycle*, Harvard University Press, Cambridge, MA.

33. Rodrik's (2018, ch. 10) new rules for the global economy

- 'Markets must be deeply embedded in systems of governance.' Markets are not self-regulated institutions: for proper functioning they need the support of other institutions (courts, legal systems, regulators, social insurance, redistributive taxation, infrastructure, public investment in R&D…). This applies to global markets as well as national markets.
- 'Democratic governance and political communities are organized largely within nation-states, and are likely to remain so for the foreseeable future.' 'The quest for extensive global governance is a fool's errand, both because national governments are unlikely to cede significant control to transnational institutions and because harmonizing rules would not benefit societies with diverse needs and preferences.' 'When international cooperation does "succeed," it typically codifies the preferences of the more powerful states or, even more frequently, of international corporations and banks in those states.'
- 'There is no "one way" to prosperity.' Since 'the core institutional infrastructure of the global economy must be built at the national level, it frees up countries to develop the institutions that suit them best.' Regulations that cover labor markets, corporate governance, antitrust, social protection, and even banking and finance differ considerably in prosperous societies: US, Europe, Japan… 'The most successful societies of the future will leave room for experimentation and allow for further evolution of institutions over time. A global economy that recognizes the need for and value of institutional diversity would foster rather than stifle such experimentation and evolution.' The prosperity game never ends.
- 'Countries have the right to protect their own regulations and institutions.' 'The recognition of institutional diversity would be meaningless if nations were unable to "protect" domestic institutions.'
- 'Countries do not have the right to impose their institutions on others.' 'The recognition of institutional diversity would be meaningless if nations were unable to "protect" domestic institutions.' 'Nations have a right to difference, not to impose convergence.'
- 'The purpose of international economic arrangements must be to lay down the traffic rules for managing the interface among national institutions.'
- 'Nondemocratic countries cannot count on the same rights and privileges in the international economic order as democracies.' 'What gives the previous principles their appeal and legitimacy is that they highlight democratic deliberation—where it really occurs, within nation-states. When nation-states are

not democratic, this scaffolding collapse.’ ‘These principles support a different model of global governance, one that would be democracy enhancing rather than globalization enhancing.’

Rodrik, Dani (2018): *Straight talk on trade: Ideas for a sane world economy*, Princeton University Press, Princeton, NJ.

34. Dominant paradigms (world views, tacit set of beliefs, default interpretations) in the West

- ‘Markets’ are good: economies based on a system of markets produce efficient outcomes and are endowed with a self-correcting ability.
- Democracy is good: political systems based on a system of representative democracy produce effcient political outcomes and are endowed with a self-correcting ability.
- Capitalist growth is good: societies organized on the basis of a capitalist system that exploits fossil fuels and natural resources reach unlimited growth.
- Globalization is good: a global economy favouring free trade and global integration delivers a growing welfare.

Randers, Jorgen (2012): *2052: A global forecast for the next forty years*, Chelsea Green Publishing, White River Junction, VT.

35. Development traps

The existence of development traps is denied by the right: good policies allow any country to escape poverty. The left consider these traps a by-product of global capitalism. Collier (2007) identifies four such traps: the conflict trap (civil war and coups), the natural resources trap, the trap of being landlocked with bad neighbors, and the trap of bad governance in a small country. No trap is inescapable but globalization has made it more difficult to use the global market to escape from them: to take advantage of globalization, an economy should be sufficiently developed (“strong”) and the problem of the economies trapped is that they are insufficiently developed (“weak”). There is then a vicious circle: a country is underdeveloped by some trap because it cannot join properly the globalization process, and it cannot join the process because of the country is underveloped. In 2006, according to Collier (2007), there were 58 trapped countries, with around 980 million people living there. The typical feature of these countries is being small.

Collier, Paul (2007): *The bottom billion: Why the poorest countries are failing and what can be done about it*, Oxford University Press, New York.

Reinert, Erik S. (2011): “Review of The bottom billion by Paul Collier”, Journal of Global History 6(1), 156-158.

36. Why is not all the world developed?

Easterlin (1981) views the spread of modern economic growth as depending on the diffusion of knowledge of new production techniques, whose acquisition and application of this knowlege has depended on the extent to which the population has acquired the traits and motivations that formal schooling provides. In turn, political conditions and ideological influences seem to have determined in the past the implementation of modern education systems. Easterlin (1988) attributes the insufficient diffusion of technology to the lack of appropriate institutions (social capabilities).

- **Will all the world become developed?** “This, then, is the future to which the epoch of modern economic growth is leading us: a world in which ever-growing abundance is always outpaced by material aspirations, a world of increasing cultural uniformity. (...) The proximate roots of the epoch of modern economic growth lie in the growth of science and diffusion of modern education”.

37. The Easterlin (happiness-income) paradox

The paradox is that empirical studies indicate that happiness (subjective well-being) increases with income at a point in time but, over time, this relationship disappears: the average level of happiness is unrelated to economic development. Easterlin’s (1988) explanation is that happiness is positively related to one’s income but negatively related to the income of the rest: you feel better off if your income rises when, for the rest, income remains constant; and you feel worse off if it is your income that remains constant while that of the rest goes up.

Easterlin, Richard A. (1981): "Why isn't the whole world developed?", Journal of Economic History 41(1), 1-19.

Easterlin, Richard A. (1988): *Growth triumphant: The twenty-first century in historical perspective*, The University of Michigan Press, Michigan, IL.

Stevenson, Betsey; Justin Wolfers (2008): "Economic growth and subjective well-being: Reassessing the Easterlin paradox", Brookings Papers on Economic Activity 2008, 1-87.

38. Collapse

"… a NASA-funded group recently created the Human and Nature DYnamics (HANDY) program to model the fall of the Roman, Han, Mauryan, and Gupta Empires, and when they pushed the button, it spit out a disquieting forecast: 'Global industrial civilization could collapse in coming decades due to unsustainable resource exploitation and increasingly unequal wealth distribution.' (…) In this model, by the way, one of the greatest dangers came from elites who argued against structural change on the grounds that 'so far' things were working out. That 'so far' is always the problem, as the man who fell off the skyscraper found out (…)

We've displaced most everything else: if you weigh the earth's terrestrial vertebrates, humans account for 30 percent of their total mass, and our farm animals for another 67 percent, meaning wild animals (…) total just 3 percent. In fact, *there are half as many wild animals on the planet as there were in 1970*, an awesome and mostly unnoticed silencing. And yet nothing slows us down—just the opposite. By most accounts, we've used more energy and resources during the last thirty-five years than in all of human history that came before (…) On his way to the theoretically groundbreaking Rio environmental summit in 1992, the first President Bush famously declared, 'The American way of life is not up for negotiation' (…)

Why should you take seriously my fear that the game, in fact, may be starting to play itself out? The source of my disquiet can be summed up in a single word, a word that will be repeated regularly in this book: *leverage*. We're simply so big, and moving so fast, that every decision carries enormous risk.

Rome's collapse was, of course, a large-ish deal. But given that there were vast swaths of the world that didn't even know there *was* a Roman Empire, it wasn't a big deal*everywhere*. Rome fell, and the Mayans didn't tremble, nor the Chinese, nor the Inuit. But an interconnected world is different. It offers a certain kind of stability—everyone in every country can all hear the scientists warning of impending climate change, say—but it removes the defense of distance (…) We are putting the human game at risk, that is, from things going powerfully wrong and powerfully right. As we shall see, humans have now emerged as a destructive geologic force (…) And humans have simultaneously emerged as a massive *creative* force, in ways that threaten the human game not through destruction but through substitution. Robots are not just another technology, and artificial intelligence not just one more improvement like asphalt shingles. They are instead a replacement technology, and the thing's that's going obsolete may well be us (…) The outsize leverage is so crucial because, for the first time, we threaten to cut off our own lines of retreat. When Rome fell, something else was there (…) The human game we've been playing has no rules and no end, but it does come with two logical imperatives. The first is to keep it going, and the second is to keep it human."

McKibben, Bill (2019): *Falter: Has the human game begun to play itself out?*, Henry Holt and Company, New York.

39. Globalization is 'the great event of our time' (Martin Wolf, 2004, p. ix) and works

Wolf (2004) offers the conventional arguments in support of liberal market economies: they contribute to prosperity, democracy and personal freedom. He contends that, despite some not so favourable consequences, the world would be worse under alternative economic systems (or at least the systems supported by the critics of liberal market economies). Wolf also remarks that, in some aspects, globalization has not advanced as much as in previous episodes. He consider the biggest failure of current globalization the insufficient transfer of capital and knowledge to the developing economies. He adds that there is in fact too little globalization:

"the chief obstacle to making the world work better (…) is not its limited economic integration, as critics of economic globalization argue, but its political fragmentation. It is the deep-seated differences in the institutional quality of states that determine the persistence of inequality among individuals across the globe. The big challenge (…) is to reconcile a world divided into states of hugely unequal capacities with exploitation of the opportunities for convergence offered by international economic integration. In short, if we want a better world, we need not a different economics, but better politics." (pp. 11-12)

Wolf, Martin (2004): *Why globalization works: The case for the global market economy*, Yale University Press, New Haven and London.

40. The paradox of prosperity (Todd G. Buchholz, 2016)

Buchholz suggests the following 'paradox of prosperity': "It is a common and dangerous mistake to think that societies are less vulnerable when they are relatively prosperous (…) even relatively prosperous societies have a tendency to come apart." He identifies five "potent forces that can shatter even a rich nation: (1) falling birthrates, (2) globalized trade, (3) rising debt loads, (4) eroding work ethics, and (5) the challenge of patriotism in a multicultural country." As regards (1):

> "As countries grow rich, their birthrates fall and the average age of the population climbs. In order to keep up a lofty standard of living, citizens need workers to serve them, whether as neurosurgeons in hospitals, waiters in restaurants, or manicurists in nail salons. This requires an influx of new workers, which means opening up the gates to more immigrants. Unless a country has strong cultural and civic institutions, new immigrants can splinter the dominant culture. Thus countries face either (1) declining relative wealth or (2) fraying cultural fabric. Prosperous nations cannot enjoy their prosperity without becoming multicultural. But if they become multicultural, they struggle to pursue unified, national goals."

Buchholz derives the following general rule from his research: the fertility rate falls to 2.5 children per women when GDP grows above 2.5 percent for two generations (some 50 years). A third generation of growth and the rate falls below 2.1.

Buchholz, Todd G. (2016): *The price of prosperity: Why rich nations fail and how to renew them*, Harper, New York.

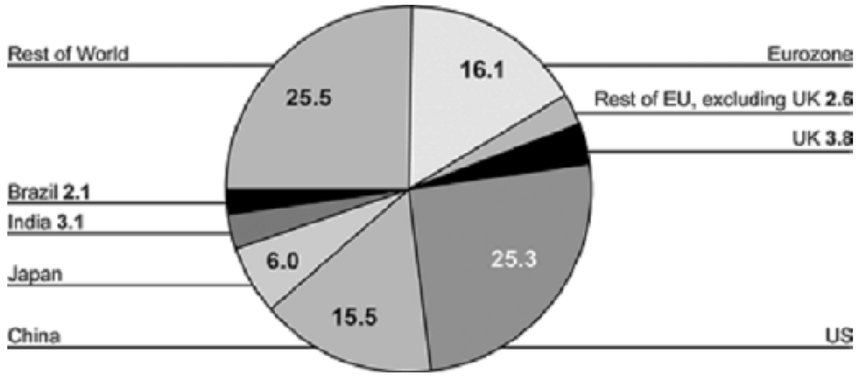
41. Five globalization myths (John Agnew, 2018)

- "The first myth is that the world is 'flat.' Associated above all with the American journalist Thomas Friedman, this perspective sees the world as an increasingly undifferentiated investment surface in which trade and investment flow (or will soon flow) relatively unhindered from place to place. At the same time, the presumption is that this process brings unambiguous benefits to the world as a whole (…) The corollary that Friedman sees as following from this trend in the diffusion of production, the decreased relevance of states to the world order, does not follow. Indeed, China's very economic success has had much to do with its state-organized response to new global opportunities rather than being a simple outcome of increased free trade *tout court*."
- "The second myth is that globalization as we are experiencing it is entirely new."
- "Contemporary globalization is also often merged with the overlapping but hardly analogous idea of liberalization (usually under the label of neoliberalism to distinguish it from classical nineteenth-centuryliberal thought). This third myth is important because it implies that globalization has at root a singular ideological inspiration: to replace states with markets. From this viewpoint, globalization is a political movement rather than a socioeconomic process (…) It is clear that globalization has several aspects to it that have had nothing much to do with neoliberalism (…) globalization, in the sense of increased reliance on markets and consumer capitalism, is not simply an ideological projection invented in the 1970s (…) but the result of US government sponsorship of a 'free-world' economy during the Cold War (…) Globalization has its ideological roots in this process, not just in the neoliberalism of the 1980s."
- "Whatever its precise ideological provenance, however, from this viewpoint globalization must be antithetical to the welfare state. At least this is the typical story told by both its proponents and by its critics. This is the fourth myth of globalization. The presumption here is that under conditions of

globalization states will be disciplined by global 'markets' to cut back on their welfare services (pensions, unemployment benefits, etc.) because, if they do not emulate other states that do so they will be left at a competitive disadvantage when it comes to attracting inward investment (…) Yet (…) economic development has always required infrastructure investment and investment in public services to make the private investment pay off at all. Indeed, a case can be made that under conditions of enhanced competition for capital investment, states need to increase their spending on education and infrastructure rather than reduce it."

- "The fifth myth of globalization is that There Is No Alternative (TINA) to it (…) There is no destiny to contemporary globalization. It has appeared under US geopolitical sponsorship and could be attenuated as the United States goes into geopolitical decline. Even if that happens, an invigorated Chinese government shows signs of wanting to pick up the slack in the face of Trump's "America First" campaign. As a consequence, globalization could begin to take on a different form."

1. Netherlands
2. Ireland
3. Belgium
4. Austria
5. Switzerland
6. Singapore
7. Denmark
8. Sweden
9. Hungary
10. Canada
11. Finland
12. Portugal
13. Norway
14. Cyprus
15. Spain
16. Slovakia
17. Czech Republic
18. Luxembourg
19. France
20. United Kingdom



KOF Globalization Index 2016 Shares of world GDP (2016) · https://www.imf.org/en/Data

https://www.statista.com/statistics/268168/globalization-index-by-country

https://www.imf.org/external/datamapper/NGDP_RPCH@WEO/OEMDC/ADVEC/WEOWORLD

The KOF Globalisation Index measures the economic, social and political dimensions of globalisation

"Larger national economies tend to rank lower in globalization because of lower dependence on foreign transactions: the United States ranks 34, Germany 27, Brazil 75, Japan 48, India 109, and China 73."

42. Further ideas on globalization (John Agnew, 2018)

- "In writing about globalization and sovereignty there has been little commentary on how globalization has been accompanied by a seemingly countervailing process of political-economic fragmentation."
- "What is new about contemporary globalization is the increasingly global dominance of images and practices intimately related to the marketplace society and the speed at which transactions traverse the world."
- "… the global is still intricately interwoven with the local. In one sense there is no such thing as the 'global.' It exists only as an emergent property; the global is made up of webs of interaction, movement, surveillance, and regulation between people and institutions with discrete locations in particular places. What is new is the density and geographical scope of the weave."
- "Much of the sociological hype about globalization sees it as synonymous with homogenization, as if the whole world were becoming alike culturally and economically. The literature on time-space compression might also suggest such a prospect, if only on the distant horizon. In fact, there is considerable evidence that globalization is polarizing the world as a whole between geographical haves and have-nots: between regions and localities tied into the globalizing world economy and those outside it (Internet and all) and between those who have received a 'leg up' into this economy, on the one hand, and those who may have to remain outside it, on the other."
- "… the globalizing world economy is not an economy of national territories that trade with one another, notwithstanding the tendency of the World Bank and other international organizations to portray it this way. Rather, it is a complex mosaic of interlinked global city-regions, prosperous rural areas, resource sites, and 'dead lands' increasingly cut off from the technologies of timespace compression that fuel

globalization. All of these are widely scattered across the globe, even if there is a basic global north-south structure to the world economy as a whole. Some of the prosperous areas, for example, can be found within even the poorest countries."

- "… the major geographical anchors of the new global economy are overwhelmingly located in North America, Europe, and East Asia. For example, during the period 2005–2015, the United States, the EU, Japan, and China accounted for 65 percent of the inflows of foreign direct investment (FDI) and 72 percent of the outflows, and the G-20 group of countries accounts for 58 percent of global FDI stock. Trends suggest, however, that since the 1980s the US has become relatively less important as both a source and a destination for FDI whereas certain poorer countries have become relatively more important as both destinations and as sources; China, Brazil, South Korea, Mexico, and Malaysia are the outstanding cases. This has happened even as American companies and finance still exercise tremendous power over global markets. The 'grotesque sovereignty' represented by Donald Trump's administration in the US from 2017 onward (…) seems unlikely to bring back the jobs in coalmining and steelmaking that he promised, their loss owing much more to the impact of technology than that of globalization."
- "The world of spatial variation in economic potentials and political identities is simply too complex for the binary thinking—globalization versus states, markets versus states, and so on—that characterizes so much discussion of sovereignty under contemporary political-economic conditions. We remain mired in nineteenth-century either/or thinking about territory versus the global. Globalization and sovereignty are tied together in a wide variety of ways across the world. We can expect such pluralism to continue."

Agnew, John (2018): *Globalization and sovereignty. Beyond the territorial trap*, Rowman & Littlefield, Lanham, MA.

43. Unstable world, stable delusions (Chris Harman, 2010)

- "We live in an unstable world, and the instability is going to increase. It is a world where a billion people feel hungry every day, and the hunger is going to increase. It is a world which is destroying its own environment, and the destruction is going to increase. It is a violent world, and the violence is going to increase. It is a world where people are less happy, even in the industrially advanced countries, than they used to be, and the unhappiness is going to increase."
- "The moment any part of the global economy begins to stabilise they will forget the hundreds of millions of lives that have been shattered by the crisis. A few months when banks are not collapsing and profits are not falling through the floor and the apologists will be pumping out candyfloss once again. Their futures will seem better and they will generalise this to the world at large with renewed talk about the wonders of capitalism and the impossibility of any alternative –until crisis hits again and throws them into another panic."
- "Capitalism transforms society in its entirety as its sucks people by the billions into labouring for it. It changes the whole pattern by which humanity lives, remoulding human nature itself. It gives a new character to old oppressions and throws up completely new ones. It creates drives to war and ecological destruction. It seems to act like a force of nature, creating chaos and devastation on a scale much greater than any earthquake, hurricane or tsunami. Yet the system is not a product of nature, but of human activity, human activity that has somehow escaped from human control and taken on a life of its own."

44. The misleading view of globalization: The new age of global instability (Chris Harman, 2010)

- "This whole process was baptised 'globalisation' by the 1990s. It was bracketed together with neoliberalism as representing a whole new phase of capitalism –for enthusiasts a phase very different to any previously. They held not only that the world should be organised according to the free flows of capital, without any intervention by governments (…) We lived, it was said, in the age of multinational (or sometimes transnational) capital, of firms moving production at will to wherever it could be done most cheaply. It was (…) a world of 'weightless' production, where computer software and the internet were much more important than 'old fashioned metal-bashing' industries, and where the absolute mobility of capital had completely detached it from any dependence on states."

- "As Suzanne de Brunhoff noted: 'Even though huge financial flows of mobile capital are daily circulating round the globe, a global single market of capital does not exist. There is no single world rate of interest and there are no single world prices for produced goods… Financial assets are denominated in different currencies which are not 'perf ect substitutes'' (…) Not only did the popular globalisation accounts overstate the degree of mobility of capital, they also provided a much distorted view of what that mobility involves. Alan M Rugman pointed out that of the big multinationals 'Very few are 'global' firms, with a 'global' strategy, defined as the ability to sell the same products and/or services around the world' (…) The pattern was not one of capital flowing effortlessly over a homogenous worldwide landscape. It was 'lumpy,' concentrated in some countries and regions (…) 'All that is solid' did 'melt into air' as Marx had put it –but not in the way the crude globalisation theory held. For capital's old companion, the state, entered into the process at every point."
- "The internationalisation of firms' operations, far from leading to less dependence on state support, increases it in one very important respect. They need protection for their global interests. A whole range of things become more important to them than in the early post-war decades: trade negotiations for access to new markets; exchange rates between currencies; the allocation of contracts by foreign governments; protection against expropriation of foreign assets; the defence of intellectual property rights; enforcement of foreign debt repayments. There is no world state to undertake such tasks. And so the power of any national state to force others to respect the interests of capitals based within it has become more important, not less (…) The successor to the state capitalism of the mid-20th century has not been some non-state capitalism but rather a system in which capitals rely on "their" state as much as ever , but try to spread out beyond it to form links with capitals tied to other states. In the process, the system as a whole has become more chaotic."
- "The interaction between the great powers is not the peaceful concert of nations dreamt of by certain apostles of neoliberalism and free trade. There are contradictory interests, with military force a weapon of last resort for dealing with them. The greatest source of instability has come from the attempts of the US to permanently cement its position at the front of the global pecking order."
- "The growing role of finance had its impact throughout the global economy. Every upturn in the recession-boom cycle after the early 1980s was accompanied by financial speculation, causing massive rises in the US and British stock markets in the mid-1980s and mid-1990s, the huge upsurge of Japanese share and real estate prices in the late 1980s, the dotcom boom of the late 1990s, and the housing booms in the US and much of Europe in the early and mid-2000s. Along with these went successive waves of takeovers and mergers of giant companies."
- "The first big growth of international finance in the 1960s was a result of the way the growth of international trade and investment and US overseas military expenditure associated with the Vietnam War –led to pools of finance ('Euromoney') which had escaped the control of national governments. The next big growth came with the recycling of massively expanded Middle East oil revenues through the US banking system –revenues that were a product of the increased dependence of productive capital on Middle East oil. The restructuring of productive capital took place increasingly (…) across national borders, even if mostly it was regional, not global, in scope (…) But industry could not restructure in this way without having financial connections across borders. It required international financial networks if it was to repatriate profits or establish subsidiaries elsewhere in the world (…) Capitalism internationally went through nearly four decades in which profitability was substantially lower."
- "Globally this meant there was a growing pool of growth of money capital-money in the hands of productive as well as non-productive capitals-searching for outlets that seemed to promise higher levels of profitability. Hence the pressure on firms to deliver short-term rather than long-term profits. So too the succession of speculative bubbles and the repeated 'Minsky' shifts from speculation to Ponzi schemes in which financiers used the money entrusted to them by some investors to pay off other investors and line their own pockets (…) The financial system expanded as a consequence, since it played a key part in collecting together the funds for speculation, and could then use the assets whose value had increased because of speculation as collateral for borrowing more funds. There developed a mass of capital wandering round the world looking for any opportunity where it seemed there might be profits to be made."
- "Capitalism became a global system in the 20th century in a way it had not been before. Not only were there global markets and global finance but capitalist industry and capitalist structures of consumption arose in every region of the globe, although unevenly. As that happened a tendency noted in its embryonic form by

only the most far sighted thinkers of the 19th century, including Marx and Engels, developed until by the end of the century it was visible to everyone who cared to look. This was the tendency for the system to undermine the very process of interaction with nature (…) The most dramatic expression of this has been the way the accumulation of certain gases in the atmosphere are raising the global temperature and producing climate change. Capitalist industry and its products always had devastating environmental effects."

- "It is the sort of interaction of the economic, the environmental and the political we should expect to see repeated again and again in the 21st century, producing recurrent, very deep social and political crises that frame the choice between global catastrophe and revolutionary change."

Harman, Chris (2010): *Zombie capitalism: Global crisis and the relevance of Marx*, Haymarket Books, Chicago, Illinois.

45. Adverse effects of globalization (Ian Bremmer, 2018)

- **Economic insecurity: globalization creates and shifts wealth**. "Globalization creates new economic efficiency by moving production and supply chains to parts of the world where resources—raw materials and workers—are cheapest. In the developing world, the influx of capital from wealthier nations has created the first truly global middle class. In the developed world, this process bolsters the purchasing power of everyday consumers by putting affordable products on store shelves, but it also disrupts lives by killing livelihoods as corporations gain access to workers in poorer countries who will work for lower wages (…) Trade has not become as toxic a political issue in Europe as in the United States."

  "Beyond trade, globalization boosts technological change by exposing businesses of all kinds to international competition, forcing them to become ever more efficient, which leads to greater investment in game-changing innovations. Advances in automation and artificial intelligence are remaking the workplace for the benefit of efficiency, making the companies that use them more profitable, but workers who lose their jobs and can't be retrained for new ones won't share in the gains (…) As a result, large numbers of U.S. factory jobs have been lost not to Chinese or Mexican factory workers but to robots (…) Broadening the effect, the introduction into the workplace of artificial intelligence is also reducing the number of—and changing the skill sets needed for—a fast-growing number of service sector jobs (…) 'Globalization,' says Le Pen, is "manufacturing by slaves for selling to the unemployed.'"

- **Cultural anxiety**. "The second way in which globalism creates fear centers on identity. Globalization doesn't just move factory-built products. It also moves people, feeding public anxiety by shifting the racial, ethnic, linguistic, and religious makeup of communities, sometimes abruptly. In the United States, as in many European countries, there's an especially strong sense of national identity based on racial, ethnic, and religious affinity. Add the migrant crisis that brought the largest influx of homeless people since World War II, many of them Muslims fleeing violence and oppression in the Middle East and North Africa, and Europeans begin to feel much less secure about the future of their nations (…) Finally, globalism also inspires fear by enabling connectivity. The instantaneous global flow of ideas and information connects more people more quickly than ever before and gives them new opportunities for education, collaboration, and commerce. But it also gives them more to be angry about, new ways to broadcast that anger, and new tools to help them coordinate protest."

- "**The battle of us vs. them will only become more intense.**" (1) "There is little reason to believe that a decades-long trend toward greater inequality and a greater sense of economic unfairness, particularly in the United States, will be reversed anytime soon." (2) "Nor should we expect a sudden narrowing of economic strength between the wealthier countries of Northern Europe, where unemployment is relatively low, and the poorer countries of Southern Europe, where unemployment remains stubbornly high. Resentments over bailouts and austerity will create new opportunities for new politicians to exploit in years to come. In addition, the turn toward identity-driven nationalist politics in Eastern Europe will make it difficult for Germany and France to sell the sorts of EU and eurozone reforms that might make European institutions stronger, more resilient, and more accountable." (3) "The wealthiest companies can continue to use their political clout to push for tax rules that allow them to move money across borders to exploit tax advantages. As Rodrik has written, governments will then depend more heavily for revenue on taxing the wages and consumption of individual citizens. That trend will extend the transfer of wealth and widen inequality further." (4) "Nor is there good reason to believe there will be fewer immigrants in the future." (5)

"Terrorism is unlikely to subside." (6) "Cyberspace is another arena in which government will become increasingly less able to provide basic public protection." (7) "Another factor that's likely to exacerbate inequality: next-generation automation (…) The increasing automation of the workplace, advances in machine learning, and the broad introduction into the economy of new forms of artificial intelligence will ensure that jobs of the future will require ever higher levels of education and training. As anyone now paying tuition—for themselves or someone else—knows all too well, the price of higher education in the United States is rising faster than for almost any other service."

Bremmer, Ian (2018): *Us vs them: The failure of globalism*, Portfolio/Penguin, New York.

46. Salient features of current globalization (Thomas Hylland Eriksen, 2014)

- "Disembedding, including delocalization. Globalization implies that distance is becoming irrelevant, relative, or at the very least less important. Ideas, songs, books, investment capital, labor, and fashions travel faster than ever, and even if they stay put, their location can be less important than it would have been formerly. This aspect of globalization is driven by technological and economic changes, but it has cultural and political implications."
- "Speed (…) Anything from inexpensive plane tickets to cheap calls contribute to integrating the world (…) However, acceleration is uneven, and relative slowness may be just as significant as relative speed. Different parts of societies and cultural worlds change at different speeds."
- "Standardization (…) The rapid increase in the use of English as a foreign language is suggestive of this development, as is the worldwide spread of similar hotels and shopping centers, as well as the growing web of international agreements and industry standards."
- "Connections. The networks connecting people across continents are becoming denser, faster, and wider every year."
- "Mobility. The entire world is on the move, or so it might sometimes seem. Migration, business travel, international conferences, and not least tourism have been growing steadily for decades."
- "Mixing. Although cultural crossroads, where people of different origins met, are as ancient as urban life, their number, size, and diversity is growing every day. Both frictions and mutual influence result (…) The instantaneous exchange of messages characteristic of the information era leads to probably more cultural mixing than ever before in human history. However, cultural mixing does not necessarily lead to the breakdown of boundaries between identities."
- "Risk. Globalization entails the weakening, and sometimes obliteration, of boundaries. Flows of anything from money to refugees are intensified in this era. This means that territorial polities have difficulties protecting themselves against unwanted flows. Typical globalized risks include AIDS and other epidemics, transnational terrorism, and climate change (…) Most of these risks cannot be combated efficiently by single nation-states."
- "Identity politics. Politics founded (…) in the maintenance and strengthening of particular collective identities (…) Identity politics, whether nationalist, ethnic, religious, or regionalist, are direct responses to globalizing processes, which seem to threaten the local."
- Alterglobalization. "The new social mo-vements, ranging from ATIAC in France to the Occupy movement in the United States, the Slum Dweller Alliance in Mumbai, and *los indignados* in Spain, are not opposed to global connectedness as such but reject the narrowly profit-seeking neoliberalist version of globalization, which they see as dehumanizing and oppressive. What these diverse organizations have in common is resistance to the disembedding tendencies of globalization, and they may be described collectively as reembedding movements."

> - Globalization entails both the intensification of transnational connectedness and the awareness of such an intensification.
> - Globalization is largely driven by technological and economic processes, but it is multidimensional and not unidirectional.
> - Globalization entails both processes of homogenization and processes of heterogenization: it makes us more similar and more different at the same time.
> - Globalization is a wider concept than Westernization or neoimperialism and includes processes that move from south to north as well as the opposite.
> - Although globalization is old in the sense that transnational or even global systems have existed for centuries—indeed for millennia—contemporary globalization has distinctive traits due to enhanced communication technology and the global spread of capitalism.

Eriksen, Thomas Hylland (2014): *Globalization: The key concepts*, second edition, Bloomsbury, London.

47. Optimistic view of globalization

The optimistic view of globalization contends that continued technological progress is possible and that is enough, through permanent economic expansion, to dealth with distributional and stability problems. This view seems to rely on the naïve belief in a benevolent invisible hand: left by itself, humanity unintendedly will take good care of itself. The tenet is that competition (for resources, markets, power…) is always and everywhere good. This view emphasizes the importance of the economic dimension of globalization.

48. Pessimistic view of globalization

(1) All technologies have unforeseen unintended consequences, some of which could be very damaging (devastating even?) and impede the continuation of technological progress (climate change, ecological catastrophe). And despite conceding the viability of an indefinite technological progress, there is the likely possibility that technology will get out of control and become autonomous of humanity.

(2) It remains to be proved that a planet with a finite amount of material resources can sustain technological progress forever.

(3) Even if the adverse effects of possibilities (1) and (2) are neutralized, technological solutions do not operate in a social vacuum: social institutions (social technologies) must be devised, implemented and shown to be durable to deal with the social problems created by new technologies and expanding economic processes.

(4) Even if the technological, environmental and social obstacles in (1), (2) and (3) are overcome, there is a final obstacle: humanity has not so far made the moral progress equivalent to the technological (or even the institutional) progress made so far (the best minds are selected to carry out technological and scientific activities but apparently not to rule people). States and corporations (the main players in globalization) are not in charge of the intellectual more capable nor the morally more virtuous individuals. If globalization is not subject to control, humanity is making a risky bet on its survival (to remain on a run-away train). If the decision is to control the globalization process, it is yet to be proved that the controllers will subordinate personal, national or short-run interests to global and long-run interests. Selfish, myopic and dishonest individuals have shown themselves to be better players in the power game than altruistic and virtuous people. Hence, those more likely to drive the global vehicle are the least capable of driving it safely.

- The pessimistic view regards cooperation as the only strategy for long-run survival at the same time that sadly realizes that we have not yet learned how to cooperate at a global scale (and is unlikely that we will ever do: history shows that divergences are ultimately solved by force not by pact). This view emphasizes the importance of the political dimension of globalization.

49. Seven fallacies of the globalization debate (Gabor Steingart, 2008)

(1) Societies are problem-solving organizations. The natural progression for a developed economy is to move from an industry-based to a service-based economy. In fact, industrial work is merely shifting to Asia.

(2) Economics and morals have nothing in common. The way commodities are produced and services provided is not a merely technical question, but is subject to moral judgment.

(3) The new world is flat. There is a drak side in free trade: when the West imports goods from Asian economies, their labour and environmental unfair practices are imported as well and this endangers jobs in the West. Trade is politics and the political world is not flat.

(4) Globalization is a tide that lifts all boats. Even if this is the long run outcome, globalization is so far delivering asymmetric results: upper classes benefit comparatively more than the rest.

(5) Globalization creates peace. Conflict persists but now the struggle is conducted on the economic field (it can be interpreted that the US won thus the Cold War). Increasing economic interdependence does not prevent military conflict (as the First World War illustrates).

(6) Governments can no longer take care of their people. Politicians tell that globalization is omnipotent, a force of nature that has weakened the power of states, when it is them who have chosen to relinquish or not make use of that power (“Arguing against globalization is like arguing against the laws of gravity”,

Kofi Annan). The rise of China was a political not a market project: it was the achievement of politicians, not market forces. It is not Big but Smart Government what is needed.

(7) Globalization is a hot issue. Globalization should be subject to anyone's scrutiny, not something outside our comprehension or control. Democracy means taking control of, or at least shaping, history. "The challenge is to figure out how to ensure that globalization serves the people", not the other way round.

50. The world is broken (Gabor Steingart, 2008)

Globalization is not flattening the world, but mismanaging it.

- The world is not flat for workers. Globalization has created a global labour market dominated by a race to the bottom in salaries and a loss of power of the workers' associations. Jobs migrate to the lowest bidder. Current globalization has for the first time globalized the markets for all the factors of production: capital, labour, energy and raw materials. Many of the unpleasant features of globalization stem from connecting significantly different economies (the West and the Rest). Globalization avoided those features when more similar economies are involved (Europe and North America, 1945-1975).
- The national welfare state is in retreat, leaving people more vulnerable to the adverse effects of globalization and benefiting a few (or a larger part of the population but insufficiently).
- The great knowledge transfer. This transfer is allowing developing countries to move from agriculture to services without going through industry. That means that the rich countries cannot rely on the presumption that only low-paid, unskilled, routine (blue-collar) jobs could go abroad: white-collar workers will be the victims of the next great wave of offshoring.
- Capitalism is not just exploitative of labour, but also the natural resources. "China, the country with the most impressive growth rates in recent years, also tops the list of countries with little respect for their people and environment".
- Benefits are asymmetrically distributed: "It's like being in a crowded lifeboat. Only if one of the passengers jumps into the water can the other nine survive." (Jagdish Bhagwati)

Steingart, Gabor (2008): *The war for wealth. The true story of globalization, or why the flat world is broken*, McGraw-Hill, New York.

51. Two views on the impact of globalization on world income (Erik S. Reinert, 2004, p. 1)

- Orthodox view (Paul Samuelson). Unrestricted international trade leads to factor-price equalization: the prices paid to the production factors (capital, labour) will tend to converge around similar values around the world. In particular, wages in poor countries should converge to wages in rich countries.
- Heterodox ('the other canon') view (Gunnar Myrdal). International trade reinforces existing income differences between richer and poorer economies. In this view, the gains from trade are not symmetrically distributed. For example, economies accumulating more human capital are in better position to attract more physical capital, which will become more productive in those economies and will increase the accumulation of human capital there.

Reinert, Erik S.; ed. (2004): *Globalization, economic development and inequality*: *An alternative perspective*, Edward Elgar, Cheltenham, UK.

52. Globalization vs globalisms

Globalization can be viewed as a set of processes under which interdependence at the global level is increased. Globalisms are ideologies that ascribe some meaning or value to globalization. Steger (2013, ch. 7) identifies three main globalisms.

- Market globalism. It is considered the current dominant ideology. Market globalism is associated with neoliberalism. The five claims of market globalism are:
  (i) Globalization = Market integration + Market liberalization
  (ii) Globalization is inevitable and irreversible
  (iii) Globalization takes care of itself: no one is in charge of the process
  (iv) Globalization is good: it benefits everybody

(v) Globalization helps democracy to spread.

- Justice globalism. It proposes the construction of a new world order based on principles of egalitarianism, global solidarity and distributive justice ('Another world is possible'). It opposes the globalization from above of market globalism (globalization as an elite project) with a globalization from below (globalization of the people, for the people, by the people). The five claims of justice globalism are:
  (i) Neoliberalism creates global crises
  (ii) Neoliberal (market-driven) globalization has increased inequalities
  (iii) The solution to global problems requires democractic participation
  (iv) Another, better world is both possible and needed
  (v) Power to the people, not to corporations.
- Religious globalisms. Religious globalisms (jihadist Islamism, for instance) oppose both market and justice globalisms. They intend (i) to mobilize religious communities to defend their faiths from non-religious ideologies (consumerism, secularism, liberalism) and (ii) to give complete preeminence to religious principles, values and beliefs over secular rules and political institutions. In some cases, any means is acceptable to achieve this goal.

Steger, Manfred (2013): *Globalization: A very short introduction*, Oxford University Press, Oxford, UK.

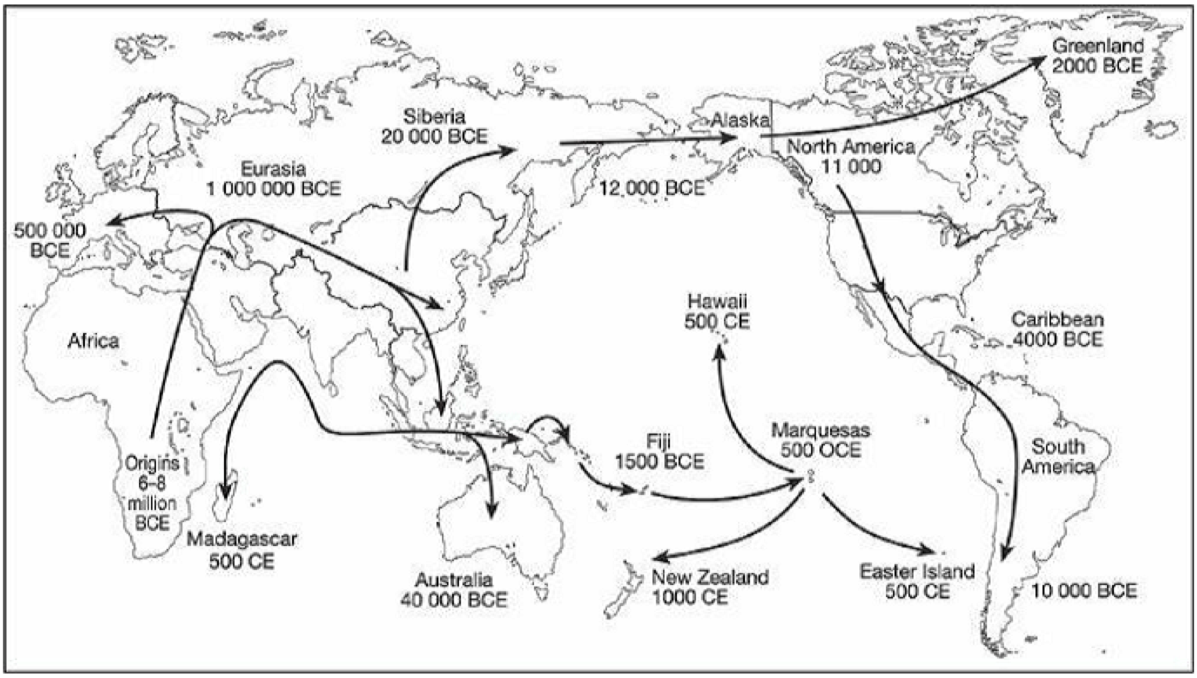
53. The three recent epochs of capitalism

(1) The Belle Epoch (1880-1914): the first era of global financial capitalism; (2) the Golden Age (1945-1975) of capitalism; (3) the Neoliberal Era (1980-2017): the second era of global financial capitalism. The Belle Epoch, the product of the cumulative development of capitalism, collapsed: two world wars with a Great Depression in between. By comparing the Belle Epoch with the Neoliberal Era, Thomas Piketty (2014) anticipates the persistence of a low-growth regime and a traumatic end to the Neoliberal Era (global wars and economic crises), unless there is a global political peaceful reorganization that stops the forces that, through the progressive accumulation of capital in fewer hands, is exacerbating class conflict. As in the Golden Age, an interventionist welfare state (at a global scale) is the needed counterbalancing force, to temper the forces of global financialization, even at the price of sacrificing economic growth.

Piketty, Thomas (2014): *Capital in the twenty-first century*, Belknap Press, Cambridge, MA.

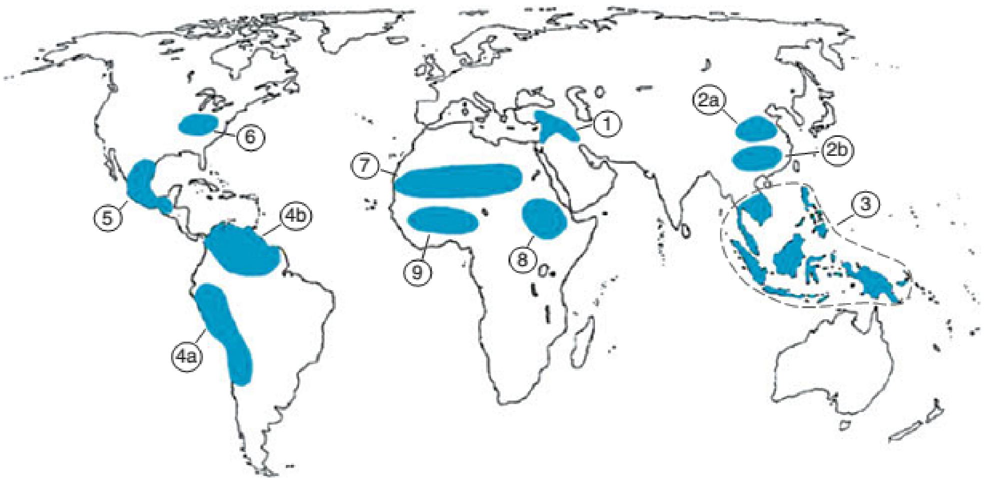
54. Long view of the globalization process (as the intensification of global interdependence)

- Period 1: territorial conquest of the planet. The human species expands over the planet. Migration is the driving force for the global conquest of the land. The unique economy was of the hunter-gatherer type.



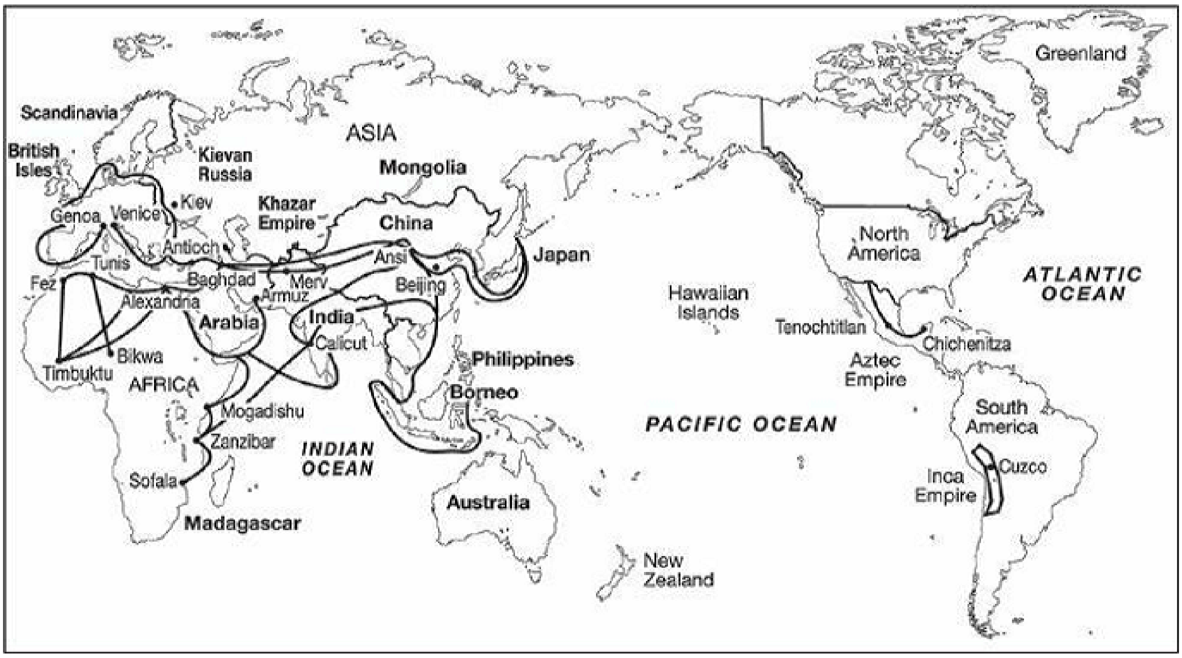
Early human migrations, Steger (2013, p. 39)

- Period 2: ancient globalization. Initiated with the agricultural revolution (which took millennia to unfold). Transformation from food-collecting to food-producing socities. Agrarian civilizations focused on political expansion, not economic development. Slow technological diffusion. Main environmental problem: keep the soil high in nutrients.



Centres of origin of agricul-ture. 1 Middle East; 2a northern China; 2b southern China; 3 Southeast Asia; 4a South American highlands; 4b South American lowlands; 5 Central America, 6 arid savannas of northern Africa; 7 eastern North America; 8 highlands of Ethiopia; 9 humid savannas of West Africa (K. Martin; J. Sauerborn (2013): *Agroeco-logy*, Springer, p. 17)

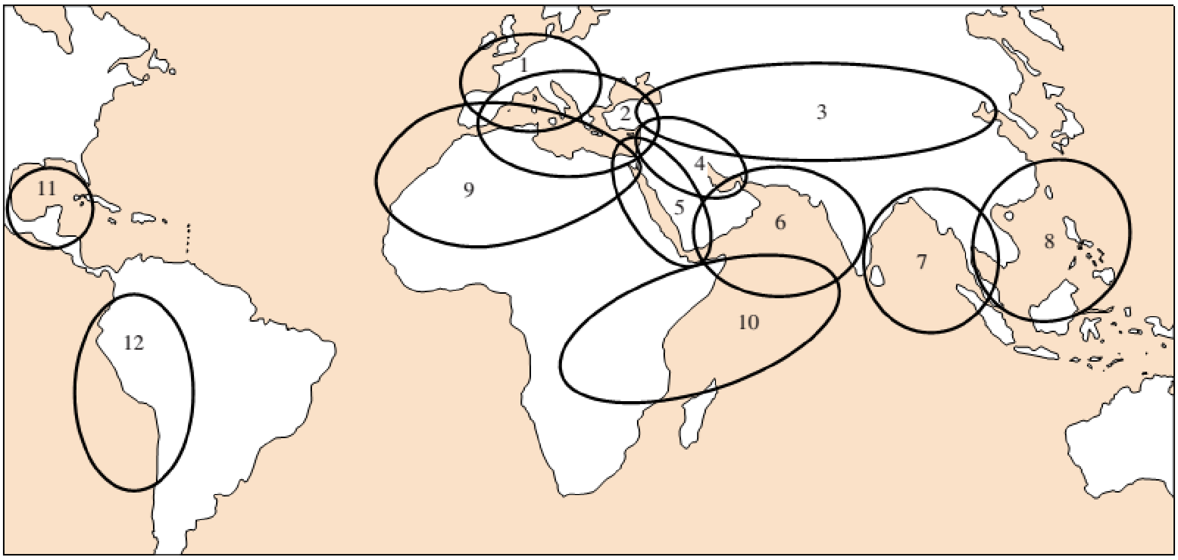
- Period 3: old globalization. Starts around 1500, when the Old and New Worlds become connected. It is associated with the conquest of the seas: states reconquer the planet. Food globalization. More global trade networks. Faster technological diffusion. Origin of modern states. Emergence of global hegemons. Emergent capitalism. Global economy recurrently shaken by booms and busts.



Major world trade networks, 1000-1450, Steger (2013, p. 44)

- Period 4: modern globalization. It is born around 1800 with the Industrial Revolution. Industrialization and representative democracy spread. The expansion of industrialization is measured in centuries rather than millenia. Age of minerals (fossil fuels and mineral resources). Increasing flows of goods and people. Fast technological innovation. Anthropocene: humanity alters the trajectory of the planet. Rise of the West and Great Divergence. Origin of a state-based international political system. Modern states everywhere: political globalization concluded. Political expansion of the centre against the periphery. Unifying force of science. Explosive population growth.

- Period 5: hyperglobalization. Initiated around 1980, it involves the globalization of information: connections revolution (personal computer, internet, mobile phone). Digital expansion. Accelerated technological innovation. Great acceleration: the period after World War II up the present is the period of human history with the most rapid and pervasive changes (economic growth, resource use, waste generation, disturbance of the Earth System). Origin of a fully globalized economic system (based on multinational firms). Labour market: the less globally integrated. Rise of international finance. Production globalized (outsourcing). Platform companies, platform capitalism. Silent revolution: production at zero marginal cost. Rise of the Rest. Monopolies of the centre: technology, finance, resource exploitation, weapons of mass destruction, and media and communication. New capitalism launch in the 1980s (Samir Amin: generalized-monopoly capitalism). Labour weakened: is capital crushing labour?



Regions of the 15th-century world economy, O'Brien and Williams (2016, p. 42)

- Period 6: future globalization? It could start in a not-too-distant future. Mechanization and automation: the rise of the robots and the end of work? Will artificial intelligence be dangerous? Will humans destabilize the Earth System? Global governance or sovereign national states? Will excessive inequality be tamed? Revolt of the elites or global triumph of democracy? The end of war? Will social pacification be reached? Major social conflicts/tensions (or its sources) eradicated? How sustainable will global economic growth be? Has globalization an expiration date? Population bomb: overpopulation, population collapse, population under control? Conquest of space or trapped on Earth? ("All civilizations become either spacefaring or extinct," Carl Sagan (1994): *Pale blue dot: A vision of the human future in space*) What is the future of the welfare state? How will energy shortages be solved? Will capitalism survive its sources of instability (finance, resource exhaustion, climate change, pollution, inequalities, depopulation)? Will it reinvent itself?

O'Brien, Robert; Marc Williams (2016): *Global political economy: Evolution and dynamics*, Palgrave, London.

Steger, Manfred (2013): *Globalization: A very short introduction*, Oxford University Press, Oxford, UK.

55. Rodrik's (2007, p. 8) central dilemma of the world economy

There exists a tension between the economic reality (the global nature of many markets) and the political reality (the local nature of the institutions under which markets operate).

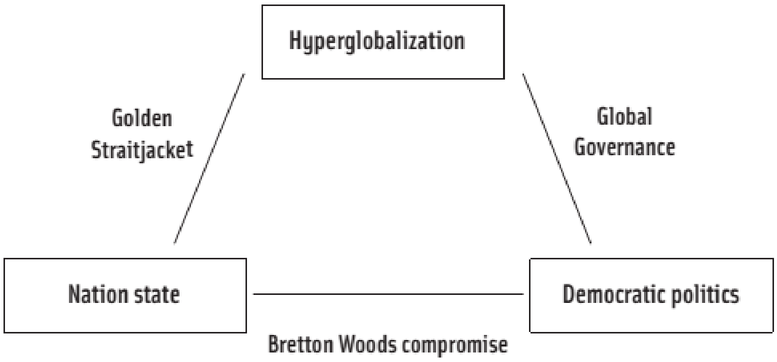
Rodrik, Dani (2007): *One economics, many recipes: Globalization, institutions, and economic growth*, Princeton University Press, Princeton, NJ.

56. Rodrik's (2011) trilemma: The inevitable clash between politics and hyperglobalization

"The fundamental political trilemma of the world economy: we cannot have hyperglobalization, democracy, and national self-determination all at once." A fully globalized economy forces the state to preserve the economic globalization and satisfy the needs and expectations of international traders and investors. When there is a conflict between the needs of the people and the needs of these agents, the state must give priority to the latter. To restore domestic democratic legitimacy, globalization must be limited. The third option is to give up state sovereignty to globalize democracy. Hence, the options are: restrict democracy, limit globalization or globalize democracy (sacrificing national sovereignty).

Rodrik, Dani (2011): *The globalization paradox: Why global markets, states, and democracy can't coexist*, Oxford University Press, Oxford, UK.

The political trilemma of the world economy, Rodrik (2011, p. 201)



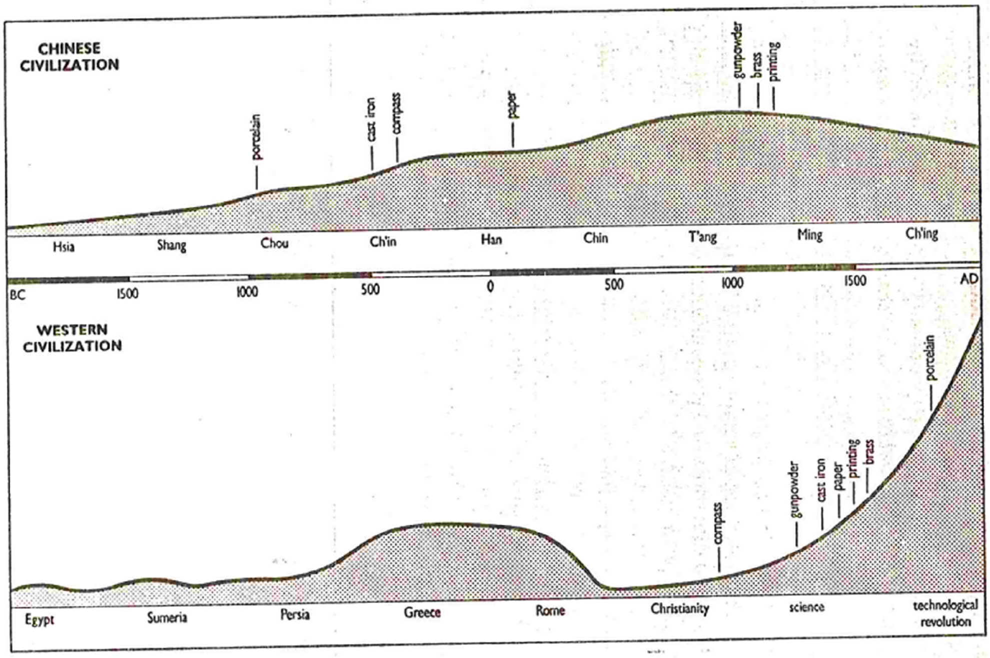
57. Yates' (2016, p. 47) dilemma

"It is impossible to create a society that is both just and capitalist." According to Yates, in a capitalist economy, capital rules: the system works by creating a few winners and many losers, poles of wealth and poverty, periods of expansion and recession, overworked employees, alienating workplaces, exploitation by the powerful, despoiled environments… "Losses are always socialized, and gains are always privatized."

Yates, Michael (2016): *The great inequality*, Routledge, New York.

58. Mahbubani's (2013, p. 1) Great Convergence: 'everything that rises must converge'

Kishore Mahbubani (2013) claims that more change has occurred in the world in the last three years than in the last three centuries. This massive change is creating a new global civilization. The force driving such change is globalization. The problem is that currently the world economy is like a boat without a captain: the institutions of global governance are too weak.



Mahbubani, Kishore (2013): *The great convergence: Asia, the West, and the logic of one world*, PublicAffairs, New York.

59. Is globalization driven by technology or by politics?

Is globalization essentially an inexorable (deterministic) process or essentially a contingent process driven by the decisions of individuals (and, in principle, a reversible project)? In the second case, are the involved individuals just an elite (politically and/or economically powerful individuals)? Is globalization ultimately an economic or a political phenomenon?

(Globalization = extension and intensification of economic, political and social activities across borders, political and geographic = make the planet smaller)

60. Does globalization yield convergence?

The deterministic view of the globalization process is in line with the presumption of historical convergence. The idea is that technological progress forces social changes, that those changes are inevitable and, therefore, that (regardless of history, cultural particularities, national ideologies and practices) societies will become more alike in their basic organization and convergence also in standards of living. The only difference is the speed at which societies reach the common destination.

61. 'The paradox of our times', Held (2010, p. 4)

The paradox is that the global core problems (associated with sharing the planet, sustaining societies and establishing global regulations) increasingly trascend political borders but the tools to handle these issues are inadequate or insufficient (problems addressed in an ad hoc manner, with international/global institutions lacking coordination and accountability). The paradox expresses a problem of global governance: global problems cannot be solved at the national level or by nations acting alone. Worse still, the gap between the need for global solutions and the inability of multilateral institutions to meet that need is growing.

Held, David (2010): *Cosmopolitanism: Ideals and realities*, Polity Press, Cambridge, UK.

62. Paradoxical big threats to the 21st century world economy

- Threat 1: the threat of scarcity. This threat is associated with a possible ecological catastrophe and how this will affect the future of life on Earth.
- Threat 2: the threat of abundance. This threat is created by automation and is defined in terms of how automation will affect the future of work.

63. Two categories of intellectuals (Noam Chomsky, 2016)

- Conformist (technocratic) intellectuals. Those who line up in support of established powers and official aims, and ignore or rationalize official crimes.
- Dissident (value-oriented) intellectuals. Those that condemn the crimes of the powerful, conduct critical analyses of official decisions and actions, and side with the poor and those treated unfairly. They aim to advance the causes of freedom, justice, mercy, peace…

Chomsky, Noam (2016): *Who rules the world*?, Metropolitan Books, New York.

64. On interpreting empirical evidence

Fig. 1 below represents a variable growing at 1‰ (0.1%) per year for 3,000 years; Fig. 2, 1‰ growth for 25,000 years. In both cases, 1 is the inial value. The same phenomenon (1‰ annual growth) looks like different depending on the scale chosen: in Fig. 2 it appears as if something extraordinary had happened (an apparently 'glacial' growth suddently turns explosive), whereas Fig. 1 suggests that everything is 'business as usual'.

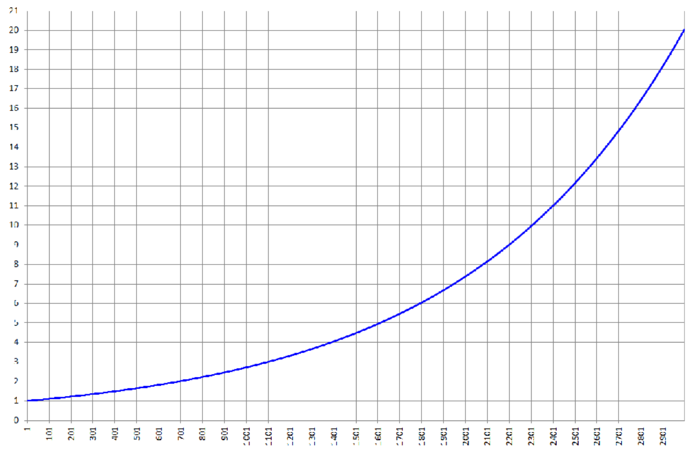


Fig 1. 1‰ growth for 3,000 years

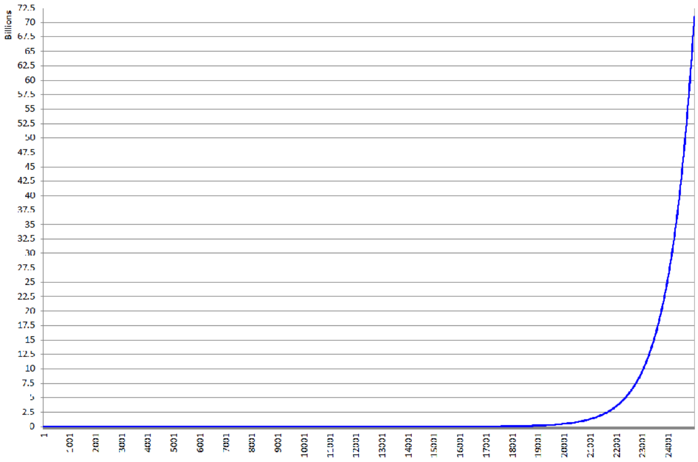


Fig 2. 1‰ growth for 25,000 years

A World Economic Forum report on the challenges of globalization:
http://www.weforum.org/reports/geo-economics-seven-challenges-globalization