

Globalization and Its Critics

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Content of the presentation:

- Three Points of view on Globalization
- Trade Globalization
- Financial Globalisation

Three Points of view on Globalization

1st point of view: the economic analysis:

- aims in general to explain the socio-economic outcomes, e.g. growth, stability, poverty, (un)employment, inequalities;
- trade isolationism, present in the socialist (non-market) economies and in the distorted, quasi-statist market economies, has been very costly in terms of foregone economic growth and thus lower standard of living of millions of people. (A.M. Taylor 1996, M. Wolff, 2004);
- many professional economists had advocated socialism, i.e. the replacement of private ownership by the monopoly of the state ownership, and the replacement of the market by central planning (Balcerowicz, 1995);
- the statist doctrine of import substitution was until recently a part of mainstream economics, and it was supported by the World Bank (Wolf, 2004);
- The present discussion on the economics of trade globalization also often suffers from the lack of clarity, wrong assessments and sometimes wrong recommendations

Three Points of view on Globalization

2nd point of view: the political economy analysis

- aims at explaining political outcomes by linking them to various, less or more probable causes, including socio-economic outcomes.
- One should be very careful in drawing general conclusions from specific cases, e.g. from the present political backlash against trade globalization in the US under then candidate and now President Trump.
- political outcomes are probably more difficult to explain than economic ones because of a larger role of chance factors

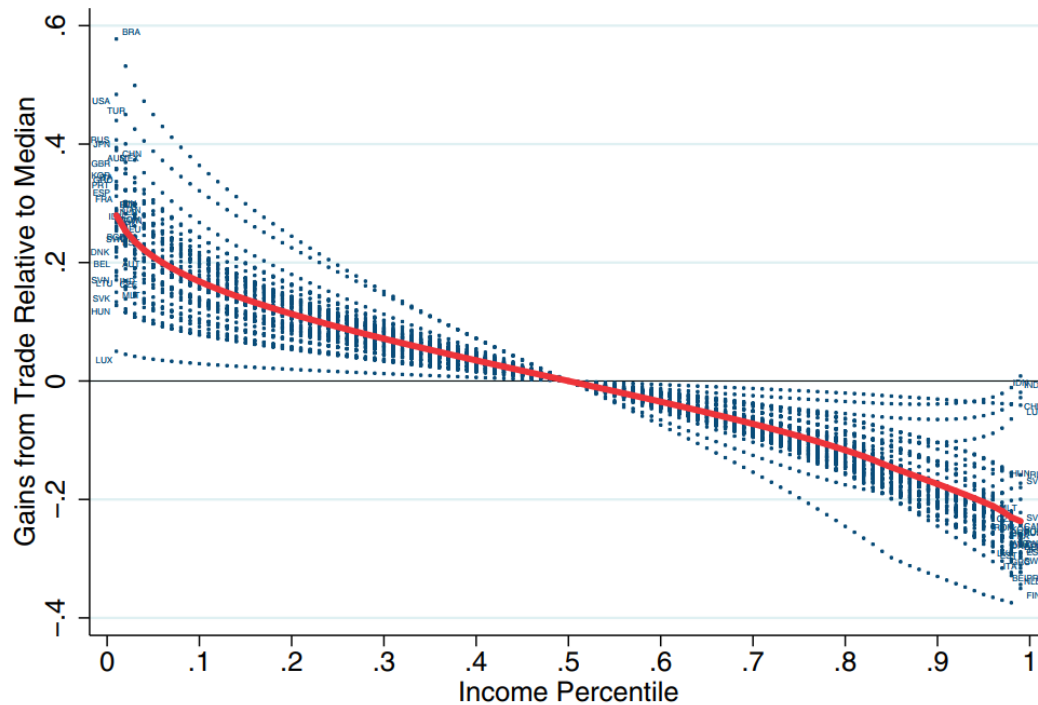
3rd point of view: the moral analysis:

- should not be confused with moralizing.
- deals with the moral standards of judging various outcomes, including those that are - rightly or wrongly, linked to globalization.
- All too often economists, and even more, - other social scientists focus on the people whom they regard as globalization's "losers" in the developed economies and disregard the beneficiaries of globalization in the poor countries (not to mention the winners in the developed states). Such a focus is a display of nationalistic ethics.

Three Points of view on Globalization

Diagram 1: The poor gain the most from trade as their consumption patterns are focused on tradable goods, e.g. food and manufactured goods, and to lesser extent services.

Distribution of unequal gains from trade (deviations are relative to the median individual; solid line is the average)



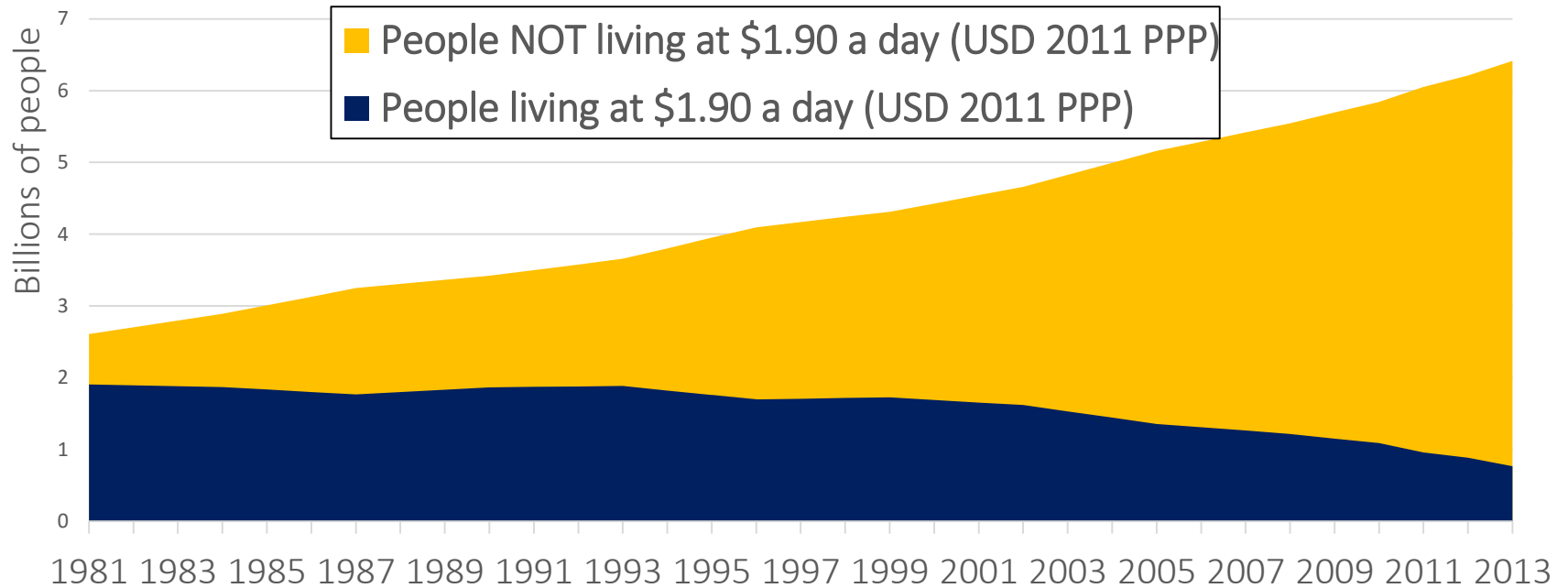
- In moving from autarky to trade, the relative prices of goods consumed intensively by the poor, such as food, fall more.
- The gains from opening to trade are estimated at **63% for the 10th percentile of the income distribution** and **28% for the 90th percentile**.
- The poor gain the most in every of the 40 countries modeled.

The sample consists of 27 EU Member States, Turkey, the USA, Canada, Australia, Japan, Mexico, Brazil, Japan, Korea, Taiwan, China, India and Indonesia.

Three Points of view on Globalization

Diagram II: In 1981 42% of world population lived at \$1.90 (2011 USD, PPP) and only 11% in 2013. This is despite the fact that world population increased during this time by 59%.

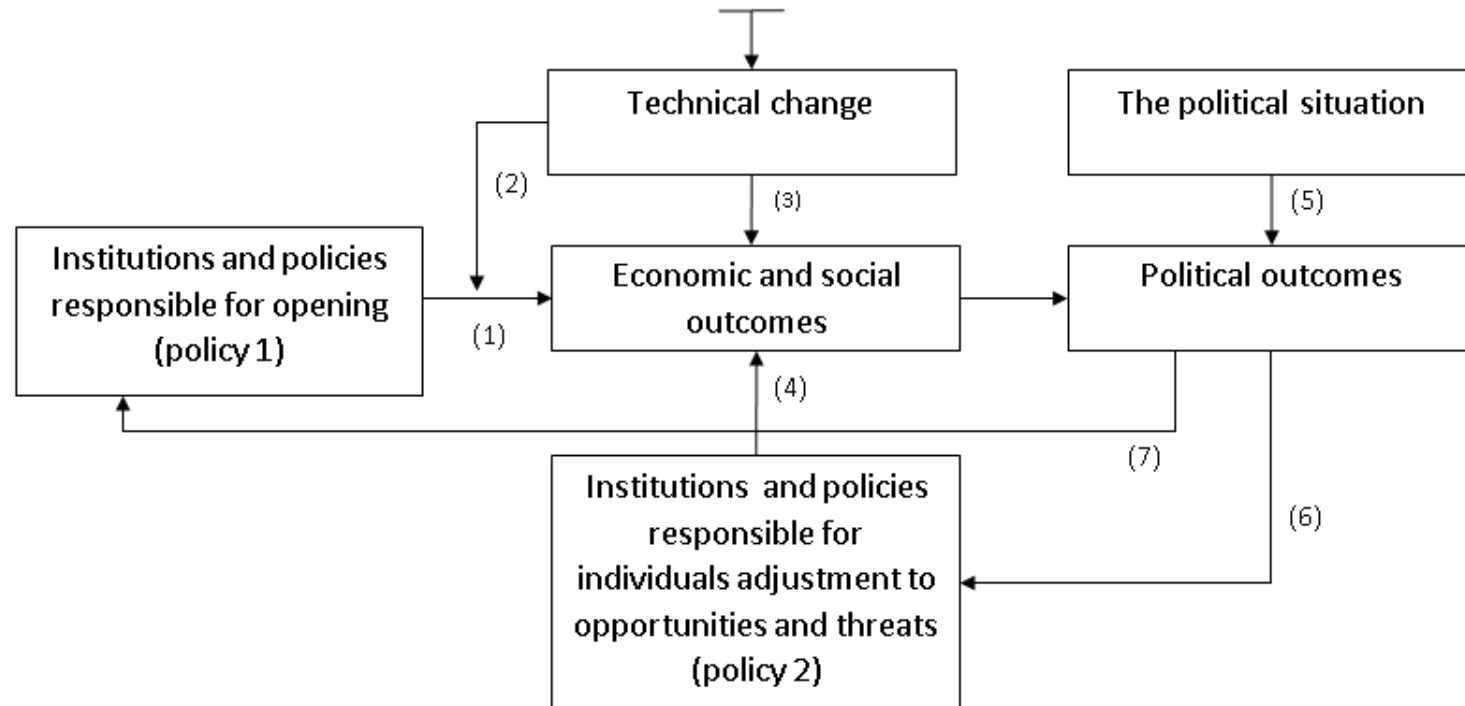
World population in poverty and not



Source: World Bank data

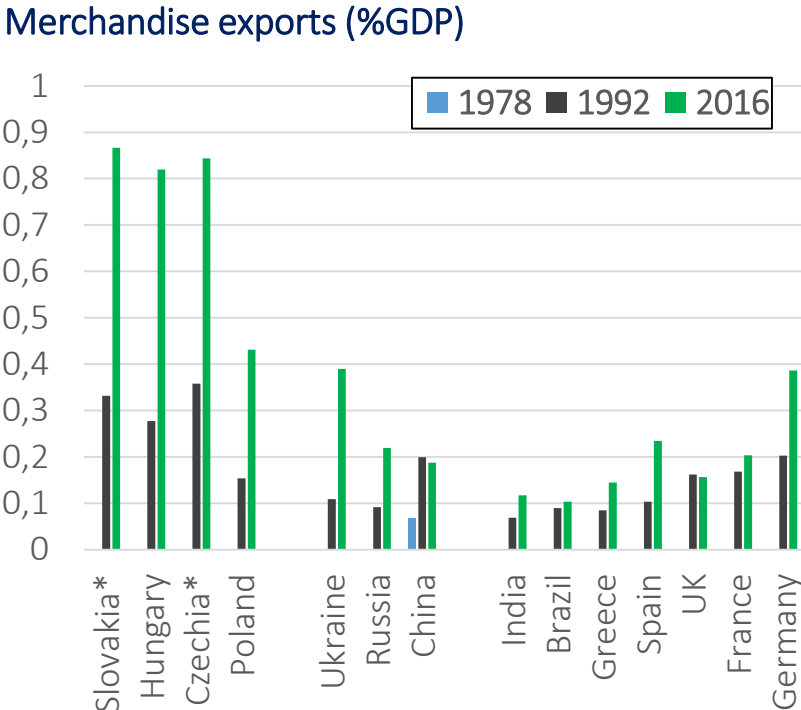
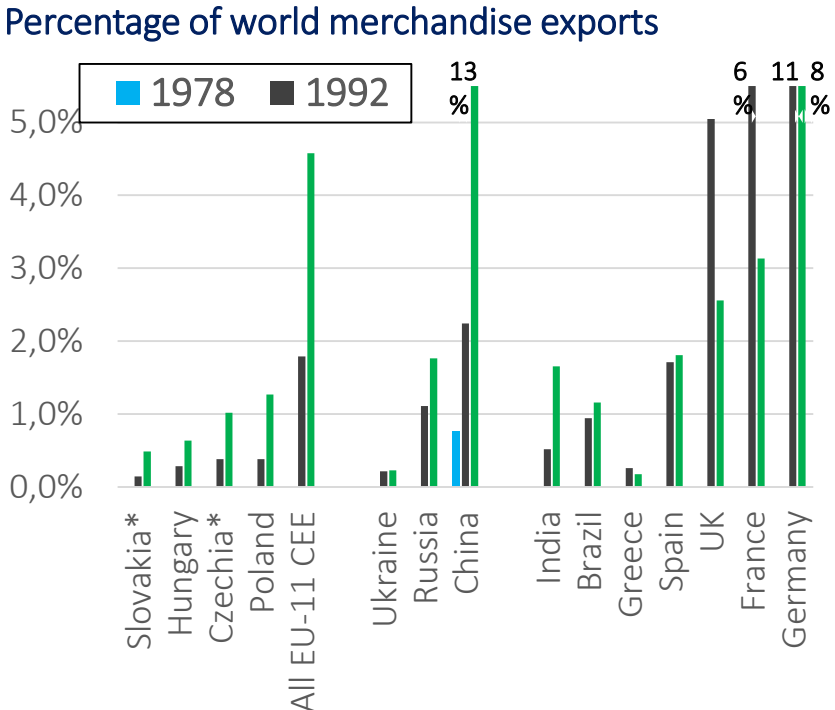
Trade Globalization

Diagram 3: Policies, globalization, outcomes



Trade Globalization

Diagram 4: Exports of post-communist economies pre- and post-transition, and selected other exporters.



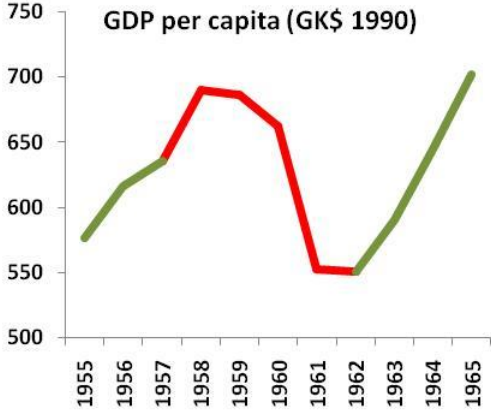
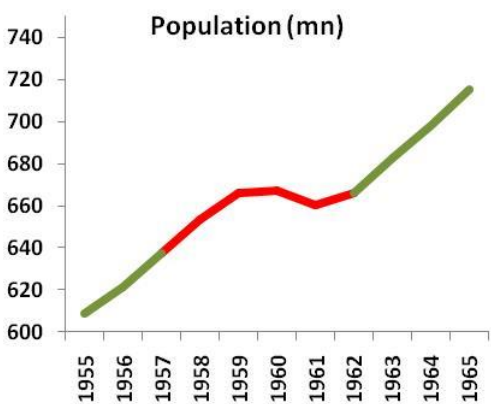
Note 1: **All EU-11 CEE** stands for all 11 EU Post-Communist economies. These have high GDP export shares as these are mostly small open economies and exports are high within the EU.
 Note 2: Declines in world export shares of the **UK, France and Germany** are in line with a general decline in export shares of high-income economies from 84% in 1992 to 67% in 2016.
 Note 3: **Russian** exports increased, but they are mostly raw materials. UN COMTRADE database shows that the share of minerals, metals, vegetables, foodstuffs and wood in Russian exports stood at 81% in 2016 (63% in 1995). According to the Harvard Atlas of Economic Complexity, the diversity and ubiquity of Russian exports between 1995 and 2016 has fallen.

Source: UNCTAD and FRED (only for current to 2009 USD conversion); *For Czechia and Slovakia the year is 1993 instead of 1992 due to the dissolution of Czechoslovakia

Financial Globalization

Diagram 6: Socialism - political power, fused with the economic power, is unlimited and almost totally crowds out legal markets, e.g.:

Great Leap Forward: China 1958-1962

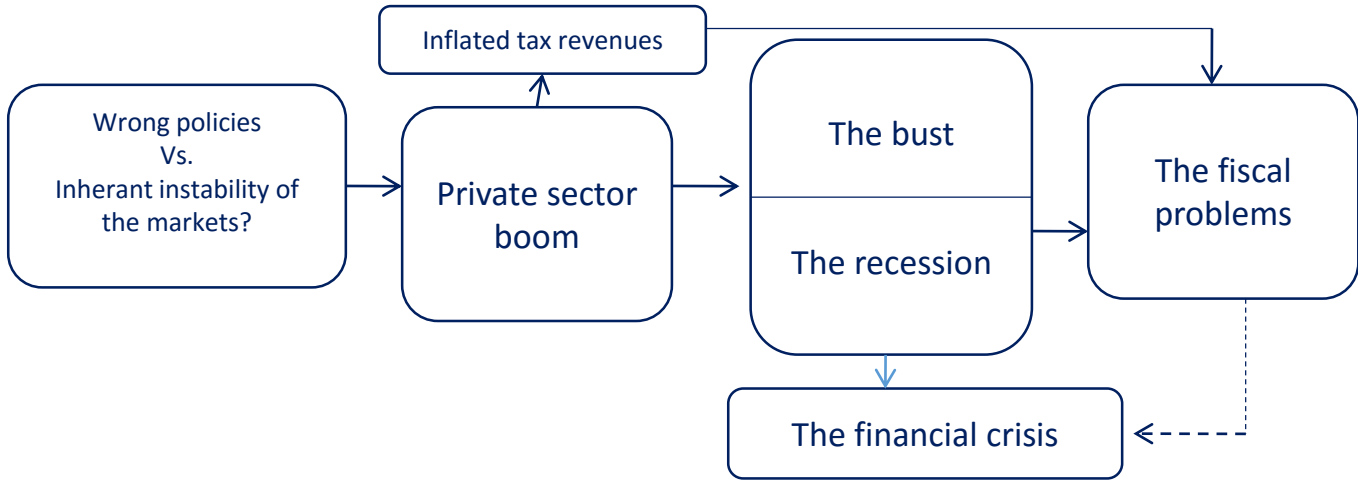


Growth rates	Great Leap Forward															
	1951	1952	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964	1965	
GDP	9,6%	9,5%	2,7%	0,9%	3,5%	6,9%	3,2%	8,6%	-0,6%	-3,5%	-16,5%	-0,4%	7,2%	9,2%	8,8%	
Population	2,0%	2,1%	2,2%	2,4%	2,2%	2,1%	2,6%	2,5%	2,0%	0,2%	-1,0%	0,8%	2,5%	2,3%	2,4%	

Source: Maddison, Statistics on World Population, GDP and Per Capita GDP, 1-2006AD

IV. Financial Globalization

Diagram 7: The dynamics of the Financial-Fiscal Crisis:

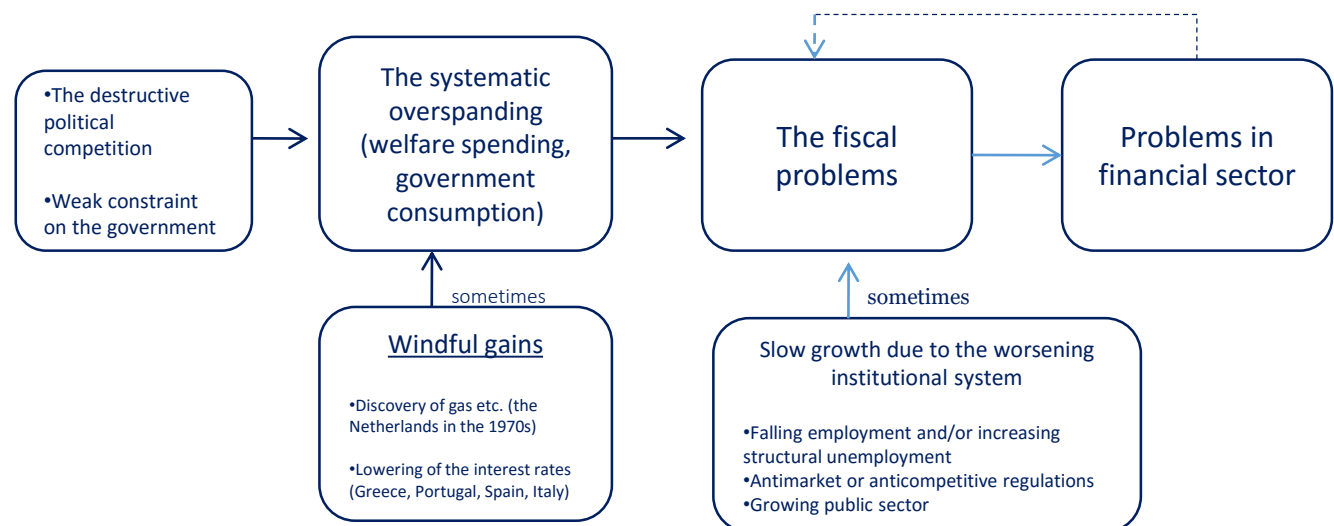


	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	
Household loans to GDP	Ireland	49,62%	54,79%	62,59%	72,70%	85,99%	94,41%	101,70%	112,55%	123,28%	118,89%
	Spain	48,14%	52,08%	57,61%	64,41%	71,87%	79,22%	83,24%	83,92%	86,43%	85,69%
	United Kingdom	74,89%	76,15%	82,73%	87,53%	92,55%	98,34%	92,81%	84,45%	103,68%	99,16%
Property price index	Ireland	60,6	64,9	74,1	82,4	88,5	100,5	100,0	90,9	78,5	66,3
	Spain	47,0	54,4	64,0	75,2	85,6	94,6	100,0	100,7	93,2	89,6
	United Kingdom	50,3	63,0	72,8	82,9	85,6	93,5	100,0	85,3	88,1	88,6

Source: Eurostat, ECB, Nationwide

IV. Financial Globalization

Diagram 8: The dynamics of Fiscal- Financial Crisis



	1990	1995	2000	2005	2006	2007	2008	2009	2010	
Greece	General government total expenditure	43,43	43,17	46,64	43,95	45,16	46,64	49,65	52,84	49,48
	General government net lending/borrowing	-14,51	-6,99	-3,69	-5,30	-6,12	-6,69	-9,80	-15,51	-10,42
	General government net debt	64,22	66,40	77,41	100,29	106,11	105,41	110,72	127,10	142,76
Portugal	General government total expenditure	39,26	39,66	39,29	42,42	40,82	44,30	44,64	49,83	50,64
	General government net lending/borrowing	-5,06	-3,41	-1,09	-2,54	-0,36	-3,15	-3,54	-10,11	-9,14
	General government net debt	n/a	n/a	41,97	57,95	58,77	63,66	67,36	78,79	88,70

Source: IMF