Waves of Globalization and the Economic Historian

Opening Plenary Session

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Introduction

• Economic historians have made important contributions to the study of Globalization

• Today:
  – Present an overview of the Waves but also identify some understudied dimensions
  – Suggest some areas and themes for understanding the history of Globalization
  – Contributing even more actively to the current debates
Many Definitions of Globalization

• Basic components in most definitions:
• Intensification of relations and exchanges between major regions
• Durability and frequency of interaction
• Generates deep and lasting impact on all partners
• Homogenization in some areas but also diversity
• Growing awareness and consciousness
• Broad vs. narrow; hard vs. soft definitions, depends on your purpose
What is Being Exchanged or Transferred?
An Incomplete List:

- Commodities, plants, animals, specie
- Migration, labor, slaves
- Capital ... Financial flows
- Information, ideas, technology
- Diseases
- Weapons
- Art, fashions, tastes
- Culture, religions
- Institutions
Periodization

- Earlier waves of Globalization were more limited; long-term progression
- Will focus on periods rather than numbers of waves
- Not the final word but four distinct eras:
  - Before 1500
  - 1500 to 1750 ... Early Modern Era for some
  - Nineteenth century
  - Current wave since the 1970s
Summary 1: Global in Interaction with the Local

• When studying Globalization, we need to pay more attention to the local.

• Most Outcomes associated with Globalization are not actually due to Globalization alone but depend on the interaction between the local and the global.

• As a result, many of the outcomes associated with Globalization have varied a great deal across countries.

• We need to study more explicitly the patterns in the interaction between local and global and the variation in outcomes.
Summary 2: Institutions and Globalization

• Globalization also leads to changes in institutions, and in the long run, the consequences of the latter may be even more important.

• Key Questions:
  – What Role Does Globalization play in institutional change?
  – How does Globalization change institutions?

Institutions and Institutional Change Related to Globalization
  – A- Rules and Organizations about Globalization
  – B- Exchange or Transfer of Institutions (often with modifications) since early times
  – C- Impact of Globalization on Domestic Institutions ... How Globalization Interacts with Domestic Institutions
Summary 3: Uneven Impact of Globalization

• We often study the impact of Globalization in the aggregate.

• While Globalization is often a positive sum process, it has had uneven impact both across the Globe and inside individual countries

• Uneven impact becomes more apparent as Globalization advances and the volume of connections grow

• In addition studying the impact of Globalization in the aggregate, we need to study its uneven impact and distributional consequences.
I- Before 1500 - 1

- Technically not Globalization until the 16th century and limited in degree but many similarities with later periods; provides many valuable insights
- Interactions between empires - civilizations
- Indian Ocean, Silk Route, Islam, Europe
- A new phase with the Mongols in the 13th century
I- Before 1500 - 2

- Exchanges not limited to trade
- Not only transfer of goods, plants and disease, but also ideas, information, technology and institutions
- We all know that the compass, gunpowder, paper and the printing press all originated in China and traveled west to the Middle East and Europe
- However, we do not as often emphasize the equally important exchanges and adaptations of commercial, monetary, fiscal, financial institutions between these regions
II- 1500 to 1750 - 1

- Age of discoveries
- Intensification of world wide exchanges, goods, crops, animals, migration and disease
- Key technologies: Sailing ships and guns
- Growing Connectedness
- Institutions shaping Globalization and their enforcement:
  - Trading companies backed by European states and navies
  - Shifting of power: Growing differences in state capacity inside Europe and between Europe and Asia
II- 1500 to 1750 - 2

• Globalization proceeded through the interaction of local and global

• Changes in institutions of international trade, money and finance: Private mechanisms were still important

• Exchange and adaptation of institutions by societies: Money, taxation and finance (more rapid) vs. property rights (slower)

• Towards global capitalism

• Uneven impact on different regions and different groups inside Europe, Asia, Americas and Africa
Between 1650 and 1860, approximately 10 to 15 million enslaved people were transported from western Africa to the Americas. Most were shipped to the West Indies, Central America, and South America.
Why is Globalization before the Modern Era So Important?

- According to the hard definition of Globalization, price convergence did not occur.
- However, impact of Globalization on Europe was not only due to trade and accumulation from trade; more indirect impact was more important.
- Contributions of Globalization to the Industrial Revolution:
  - British cotton textiles: Protectionism and innovation in response to Indian textiles.
  - Rise of an Early Modern consumer culture.
  - Role of export markets.
  - The indirect impact of Globalization was perhaps equally important: The rise of merchants and new classes in Western Europe who then shaped the institutions of capitalism.
III- Globalization in the Nineteenth Century - 1

- Industrial Revolution, supported by improvements in transportation technology
- Growing trade not only in manufactures but also in other widely used commodities
- Flows of labor or migration was increasingly integrated globally
- Capital flows on a global scale for the first time
- Large jump in quantitative indices: Price convergence in most tradable commodities, greater capital market integration and some (selective) factor price convergence
- Degree of Globalization was significantly higher than the earlier levels but not as high as the current wave
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Globalization over 5 centuries (1500-2011)
Shown is the sum of world exports and imports as a share of world GDP (%)
The individual series are labeled with the source of the data

Data sources: Klasing and Milionis (2014), Estevadeordal, Frantz and Taylor (2003) and the Penn World Tables Version 8.1
The interactive data visualization is available at OurWorldinData.org. There you find the raw data and more visualizations on this topic. Licensed under CC-BY-SA by the author Max Roser.
III- Globalization and Institutional Change in the 19th Century

- New institutions of Globalization: Free trade treaties, Gold Standard, institutions of international financial control

- The new institutions were shaped and ultimately enforced by European states and colonial empires

- Also: Interaction between Globalization and domestic institutions:
  - Changes in domestic laws related to trade, property rights etc.
  - Also: Wholesale reform movements across the globe: Japan, Ottoman Empire, colonies, others
III- The Mixed Record of 19th Century Globalization

• Globalization in the 19th century provided positive results in the aggregate but it was not beneficial for all.
• Outcomes were uneven and depended on the interaction between the Global and the local institutions and policies.

• **Example 1:** Free Trade vs. tariffs
• Experiences of developed countries vs. developing countries

• **Example 2:** Impact of capital flows and financial globalization
• Experiences of developed countries vs. developing countries

• As a result, while 19th century Globalization contributed to growth in the aggregate, it also contributed to the Great Divergence
Problems Facing Farmers

- drought
- crop/animal diseases
- expensive railroad costs
- high tariffs
- farmers unable to pay mortgages
- falling prices for crops

Bimetallism

- Farmers want to add more money into circulation
- Farmers want the government to coin more silver — "free coinage"
- More money produces inflation
- With inflation, prices are higher and it will be easier for farmers to pay back loans

"Ring behind us the suffering masses of this city and the world, meted out by the commercial interests, the ring interests, and the bankers everywhere, we will hear their demand for a standard by saying to them, you shall not press upon the brow of this crown of thorns, you shall not crucify me with doctrines kind upon a cross of gold."

William Jennings Bryan
IV – Current Wave Since the 1970s

• Deglobalization and Globalization since the end of WWI
• The Bretton Woods institutions responded to the vulnerabilities of Globalization during the Great Depression
• Studies of the earlier waves provide valuable insights into the current wave of Globalization
• Outcomes continue to depend on the interaction between the global and the local
• Globalization continues to have uneven impact both across the Globe and inside individual countries.
• Greater variation within developing economies: East Asia vs. the rest
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Conclusion

Our views of the causes of the Industrial Revolution have become more nuanced in recent decades.

Similarly, we can develop a more nuanced and more disaggregated view of the Waves of Globalization and their impact:

- We need to focus more explicitly on the interaction between the local and the global including the interaction of Institutions.
- We also need to focus more on the uneven impact of Globalization and its distributional consequences including the political economy of the backlashes against Globalization.
- Economic historians have comparative advantage in both tasks.