



## Define GLOBALIZATION

- Anything that lowers the costs of international transactions.
  - Includes transactions in goods, services, factors of production, financial assets.
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# Key Forms of International Integration

- Rise in trade flows.
  - Convergence of international prices.
  - Foreign portfolio investment.
  - Foreign direct investment (FDI).
  - Migrant labor
  - Immigration
  - Offshoring (aka “outsourcing”)
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## In other words...

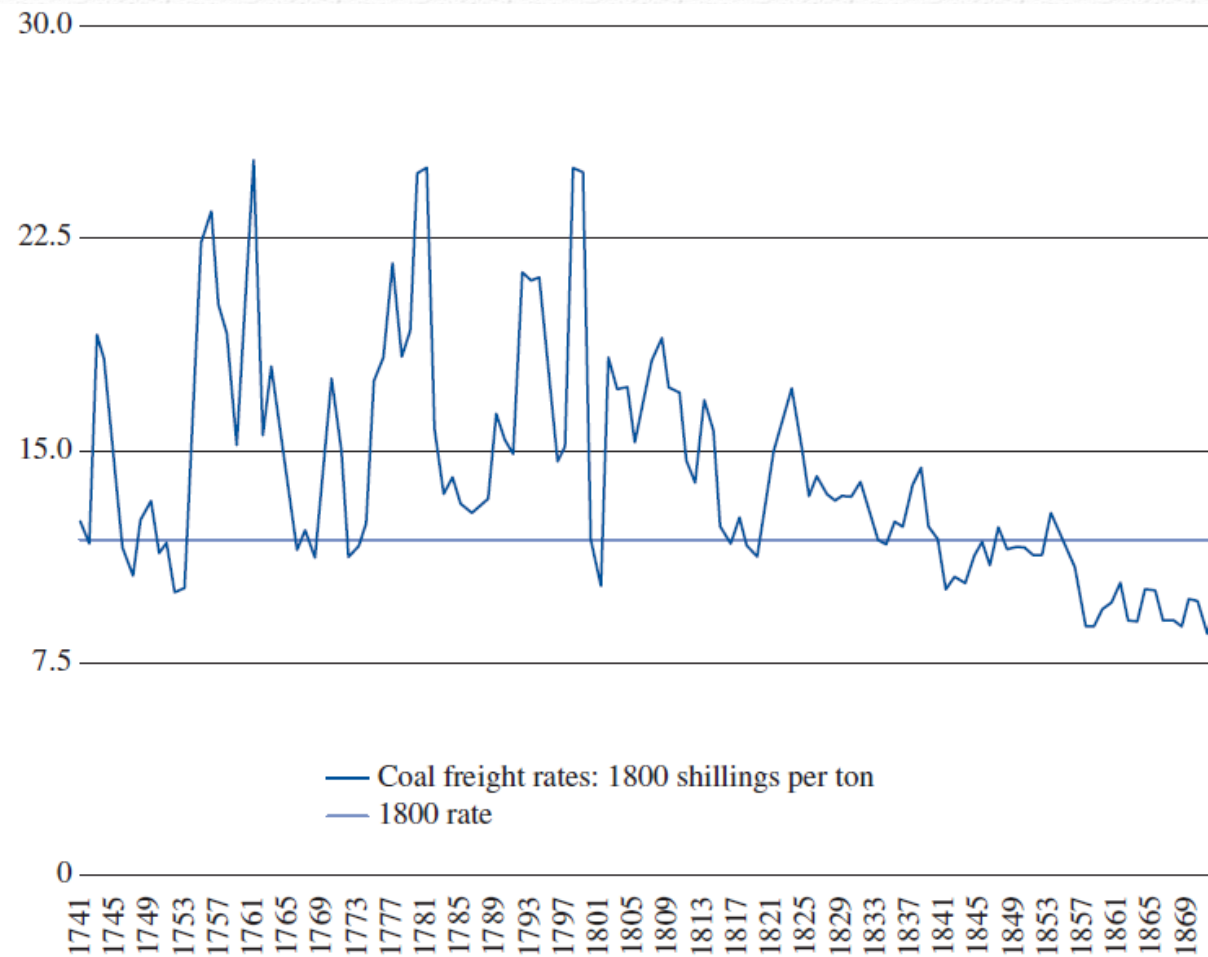
- Integration of goods/services markets.
  - Integration of financial markets
  - Integration of factor markets (capital plus labor)
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# Two huge waves of globalization

- 19th century (possibly centered on 1820's)
  - 20th century (after 1970)
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Source: Harley (1988, Table 9); Mitchell (1962, p.469, pp. 471-2).

**FIGURE 1.1**  
**British Shipping**  
**Rates for Export of**  
**Coal, 1741–1872.**

# 20<sup>th</sup> Century Drivers of Globalization

- GATT/WTO multilateral reductions in trade barriers beginning with end of WWII (undoing early-century tariffs).
  - Loosening of immigration restrictions imposed early in century.
  - Further improvements in communications; internet, etc.
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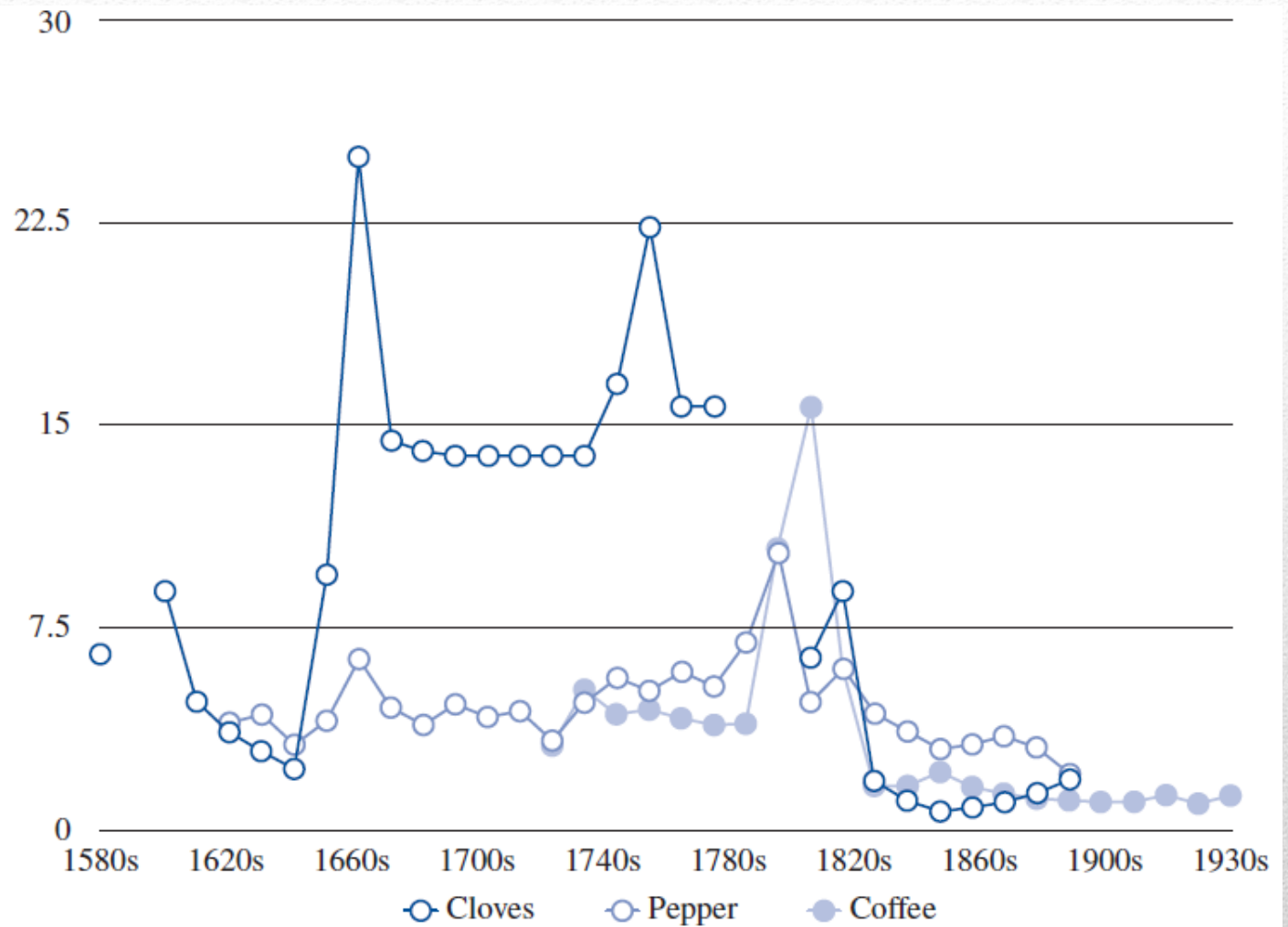




## 20<sup>th</sup> Century Evidence

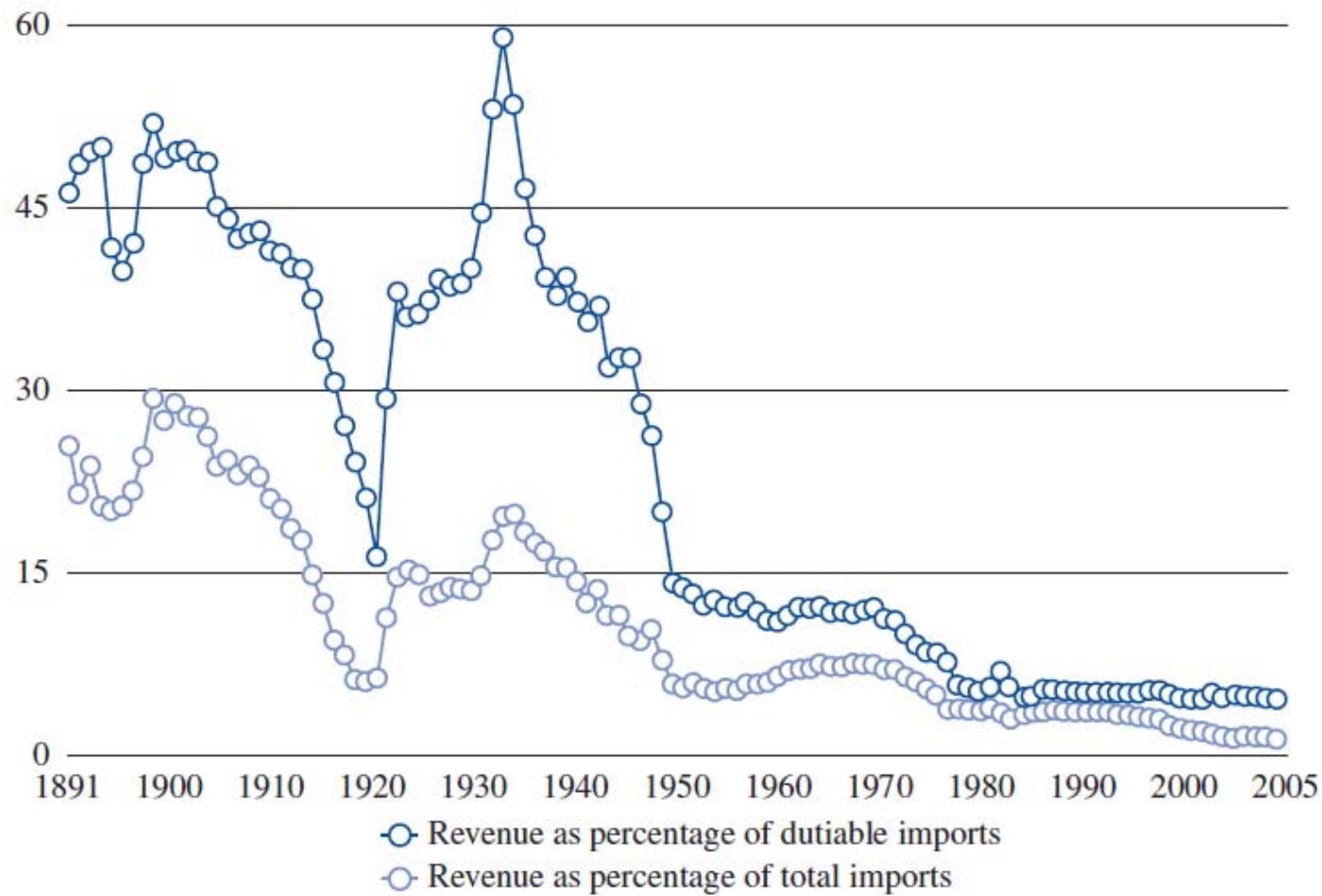
- Rising trade flows.
  - Rising importance of FDI.
  - Rising share of foreign-born in US labor force.
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**FIGURE 1.2**  
**Spice and Coffee**  
**Markups: Amsterdam**  
**vs. Southeast Asia,**  
**1580–1939.**



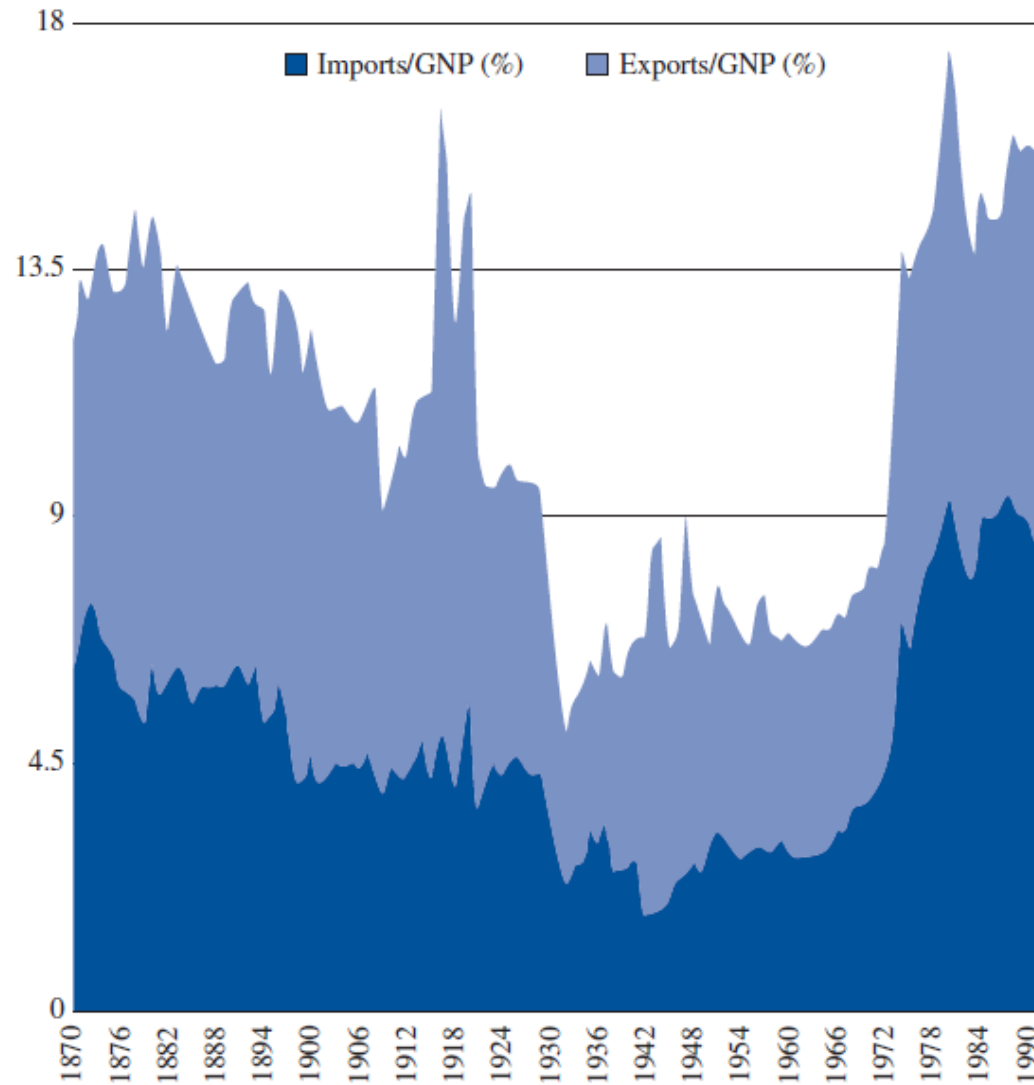
Source: O'Rourke and Williamson (2002). Data provided by the authors.





**FIGURE 1.3**  
Average U.S. Tariffs,  
1891–2005.

Source: U.S. International Trade Commission (USITC) (2006).

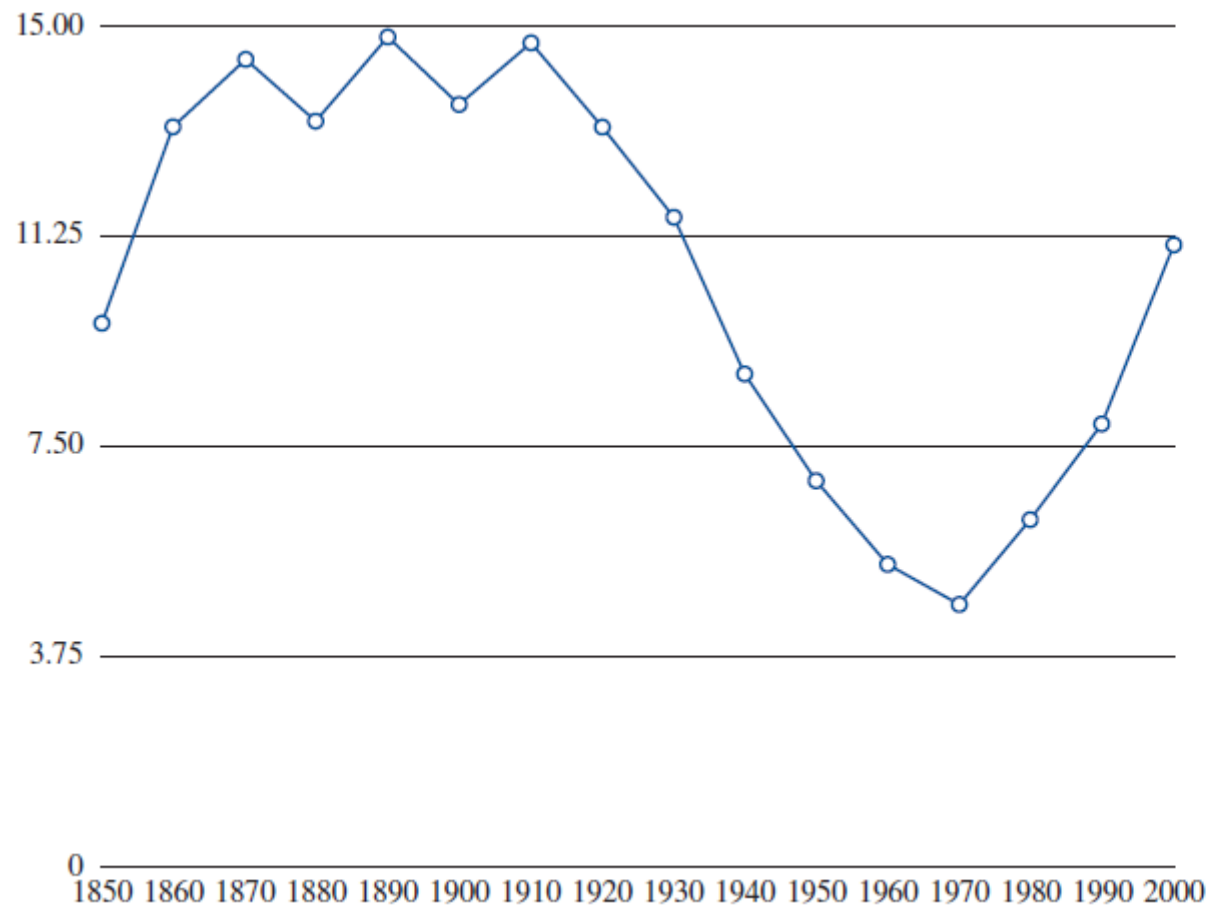


**FIGURE 1.4**  
**U.S. Trade Volume,**  
**1870–1993 (as % of**  
**GNP).**

*Source: B.R. Mitchell (1998), International Historical Statistics: The Americas, 1750–1993. New York, NY: Macmillan Reference.*

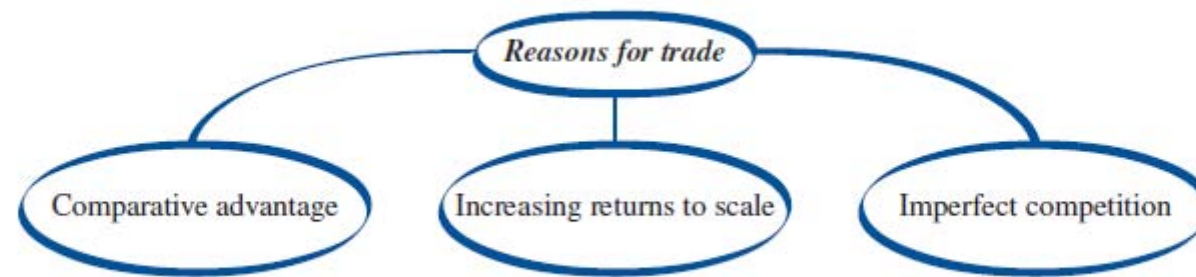
**U.S. Trade flows, 1793–1993 (% of GNP).**





Source: Gibson and Lennon (1999) and Malone et al., (2003).

FIGURE 1.5  
Foreign-born Fraction  
of U.S. Population,  
1850–1990.



# Where we are

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