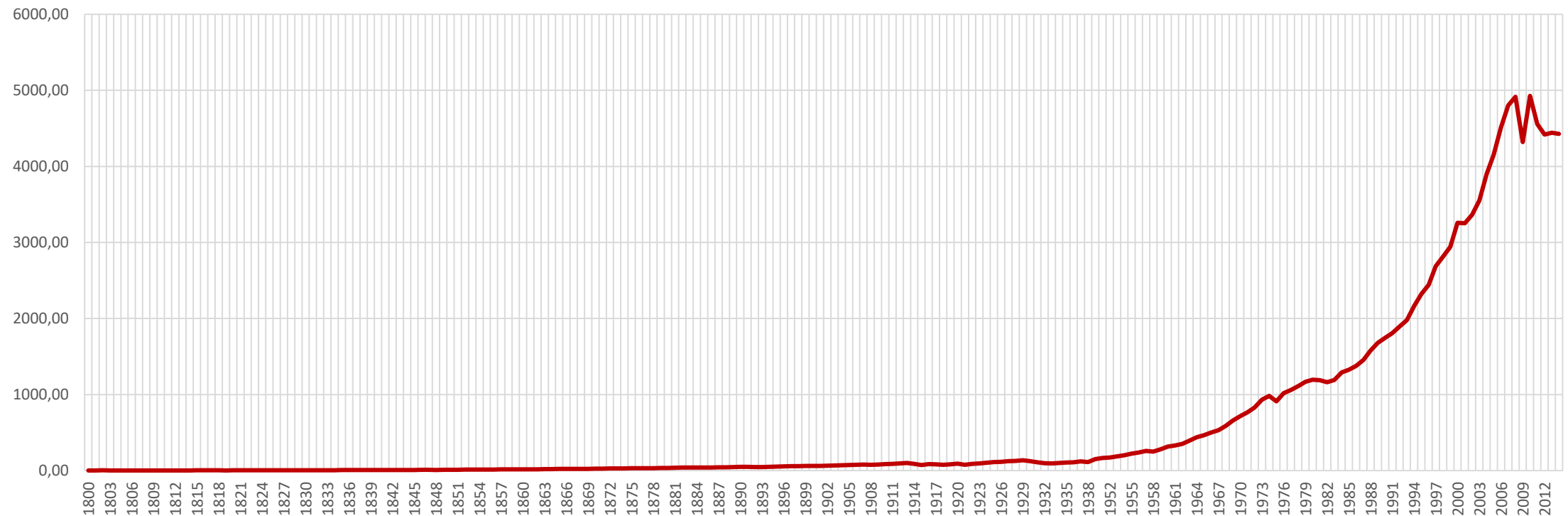


Globalization

Economic and Fiscal Policy

World trade

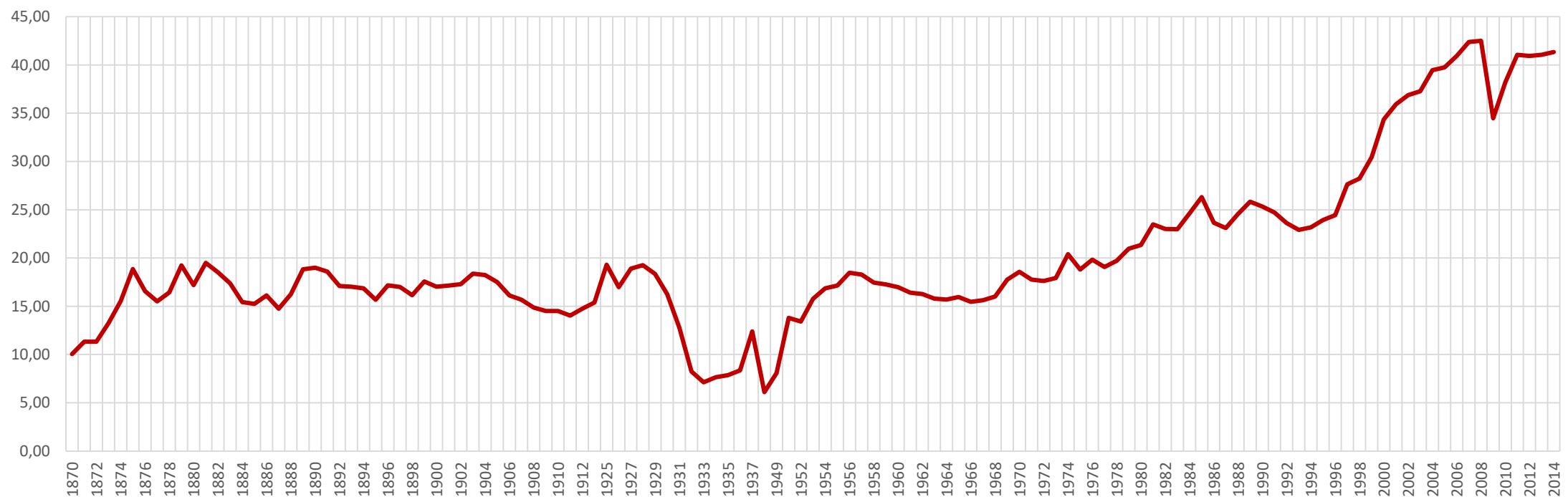
Growth of global exports at constant prices, 1913, in percent



Source: Ortiz-Ospina, Esteban, und Diana Beltekian. „Trade and Globalization“. Our World in Data, 2018. <https://ourworldindata.org/trade-and-globalization>.

World trade

Value of exports relative to GDP, AT/AT-HU



Source: Ortiz-Ospina, Esteban, und Diana Beltekian. „Trade and Globalization“. Our World in Data, 2018. <https://ourworldindata.org/trade-and-globalization>.

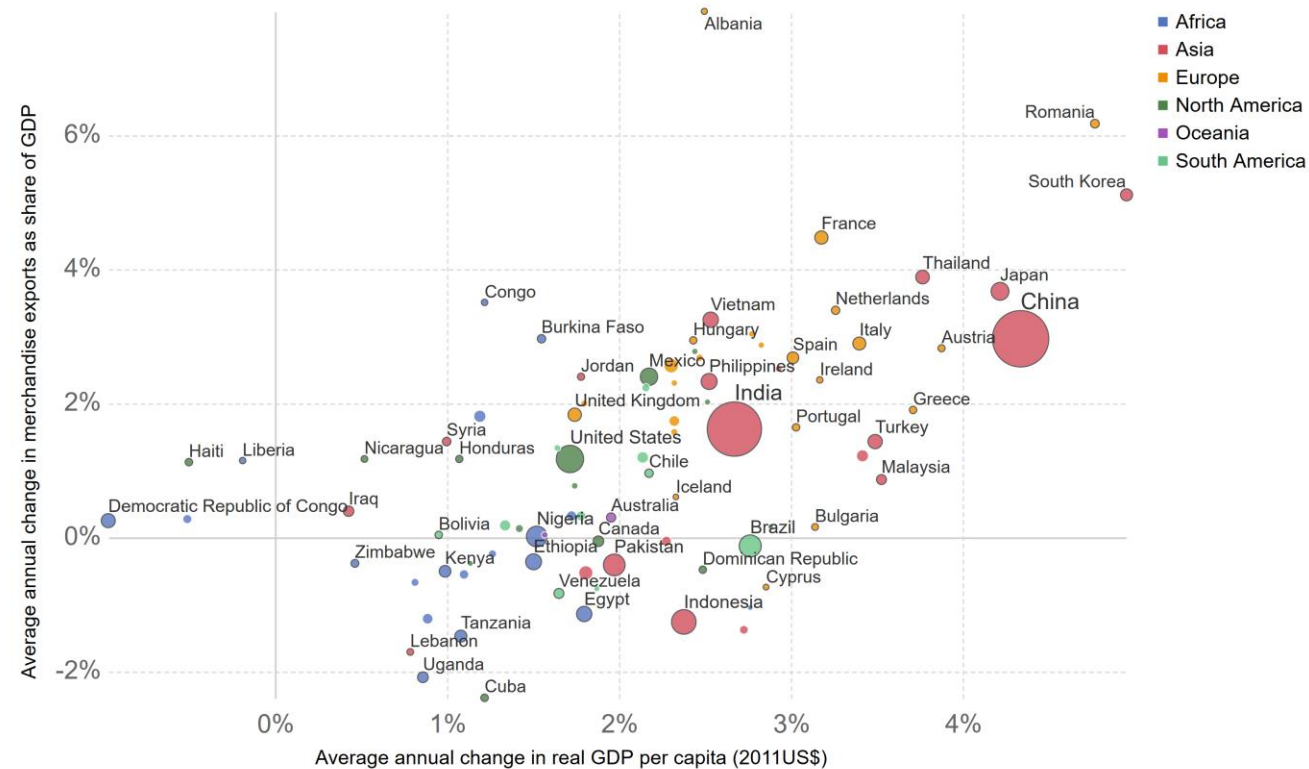
World trade

- Global economic links grow roughly exponentially
 - Trade growth
 - Globalisation
 - Two waves, interruption in inter-war period.
 - Before: Colonialism
 - Intraeuropean trade in
- International trade relative to output
 - Increases globally
 - Particularly strong increase in AT

Trade and growth

Growth of GDP and trade, 1945 to 2014

Average annual change in real GDP per capita vs Average annual change in exports as share of GDP.



Source: Ortiz-Ospina, Esteban, und Diana Beltekian. „Trade and Globalization“. Our World in Data, 2018.

<https://ourworldindata.org/trade-and-globalization>.

Source: Fouquin and Hugot (CEPII 2016), Maddison Project Database (2018), Population (Gapminder, HYDE(2016) & UN (2019))

CC BY

Trade and growth

- Comparative advantage
 - Two countries, different initial conditions (resource endowments, institutions, ...)
 - Assume two goods exist. Both countries will specialise in production of goods that they are better at producing.
 - Then, countries trade with each other, and the prices they pay in trading will be below the costs they would incur when they produced the good themselves. Eventually, both countries are better off than they would be without trade. Total production will be maximised.

Trade and growth

	Good A	Good B
Country X	1200	500
Country Y	800	400

- If X only produces A and Y only produces B, then overall production is greater than it would be if both countries produced both goods
 - Specialisation: 1200 A + 400 B
 - No Spec.:
 - X (each additional B -> give up 2,4 A): 200 B + 720 A
 - Y (each additional B -> give up 2 A): 200 B + 400 A

Trade and growth

- Economies of scale
 - If both countries face similar conditions, they will engage in specialisation and produce different goods
 - Given scale effects, production will be maximised if both countries specialise
 - Doubling of the inputs will affect output overproportionally

	2	10	20	40
Good A	8	100	400	1600
Good B	0.8	10	40	160

Criticism

- Joseph Stiglitz argues that:
 - Even though output may increase, this does not necessarily hold for employment – things that rich countries export is usually not labour intensive
 - Distributional implications from
 - relocation threats – bargaining power etc: Labour/capital
 - Worker distribution export –import sectors
- Higher volatility – market interdependencies can lead to crises spreading faster
- In the long run: losses from forgone opportunities for “Learning by doing”

Criticism

Exposure to rising Chinese imports and changes in employment across local labor markets in the US (1999-2007)

Our World
in Data

Regions correspond to commuting zone in the US. The trend line shows a reduction in manufacturing employment in the commuting zones facing large increases in Chinese import exposure.



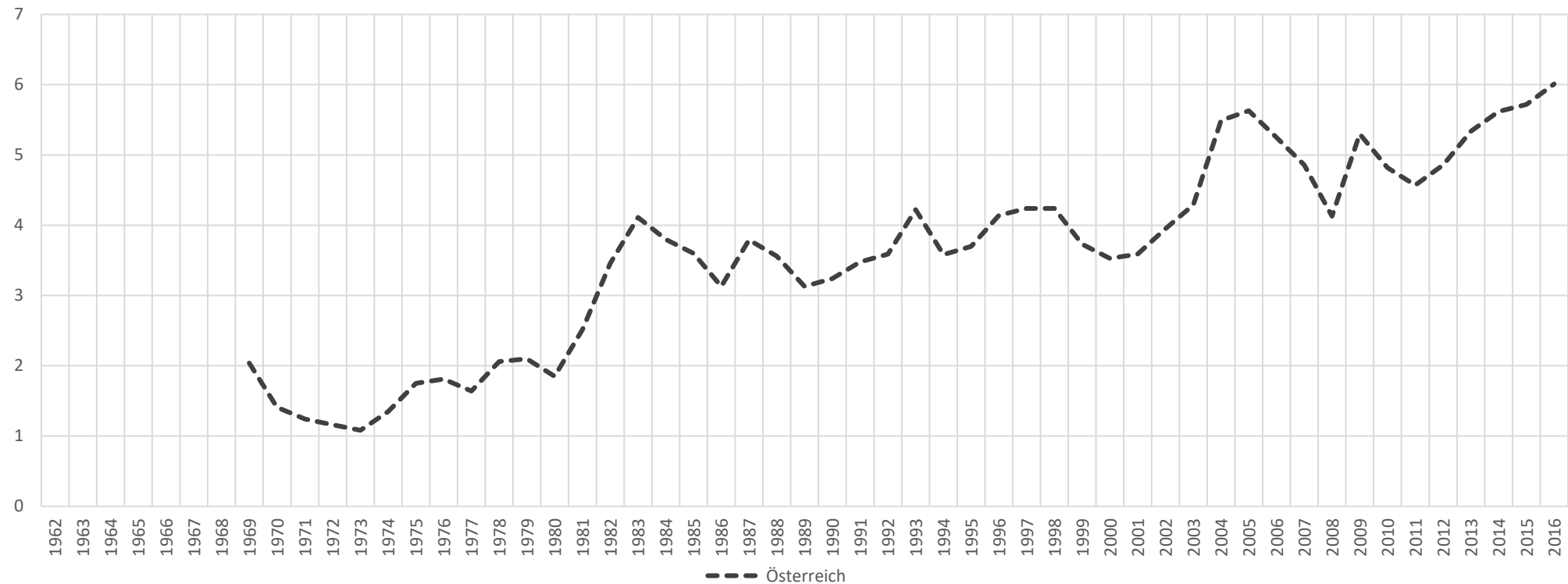
Note: OLS reduced form regression using the full Sample (N=722; coef = $-.33976267$, robust standard error = $.07116474$, $t = -4.77$)

Source: Figure 2B in Autor, Dom and Hanson (2013): "The China syndrome: Local labor market effects of import competition in the United States". American Economic Review, 103(6), 2121-68

04/10/2018

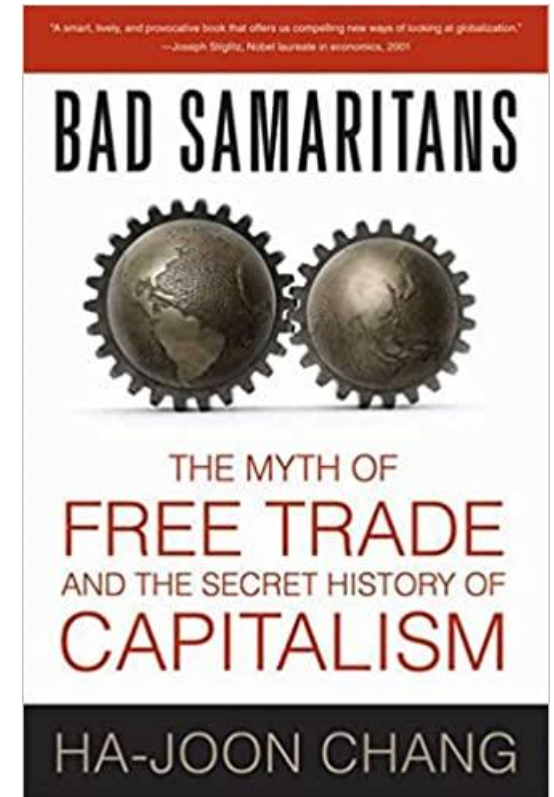
Criticism

Unemployment, 1962-2016



Criticism

- Ha-Joon Chang argues that historically, countries with a more liberal approach towards trade were not doing better
- Most successful economic development to be observed in countries without “Laissez-faire” capitalism
 - Building up industries with subsidies, taxation and regulation
 - UK 18th century: Technological progress emerges behind high and long-lasting trade barriers
 - High tariffs on manufactured goods imports, low tariffs for raw material imports, export subsidies
 - Corn laws: Export Imperialism. “Kicking away the ladder” argument
 - USA: Infant industry protection – protection for new firms until they reach international competitiveness
 - Between 1816 and the end of the second world war, US tariffs on imported were among the highest in the world on manufactured goods imports
 - International lobbying for free trade not before end of WWII.



World trade institutions

- Geneva: 1947 GATT – average tariffs fall by 35%
- Uruguay 1995:
 - WTO: Economic policy coordination (trade policy-multilateral negotiations), arbitration
 - GATS – Liberalisation of trade in services (debates about transparency of negotiations, public sector services, ...)
- Doha round – failed
 - Departure from multilateralism in favour of bilateralism
 - Problems: Breaking of earlier agreements (intellectual property rights protection reducing against agricultural subsidies and import quotas on textiles)

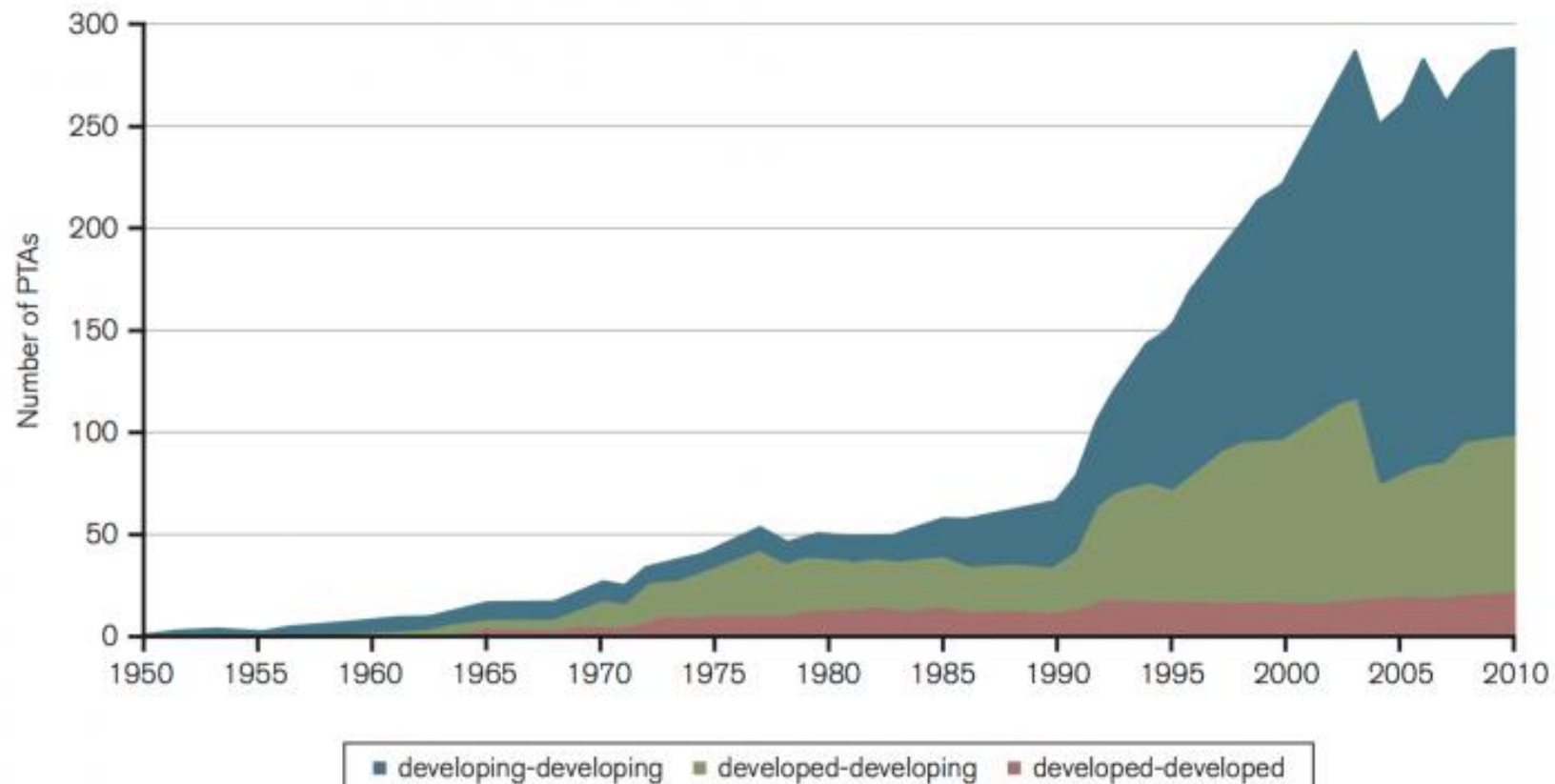


**WORLD TRADE
ORGANIZATION**

World trade institutions

- Changing nature of trade agreements
 - Investor to state dispute settlement (ISDS, in principle protection against expropriation)
 - Harmonization of regulatory standards (idea of transaction cost reduction, “non-tariff barriers”)
 - Intellectual property rights (something advanced economies usually push for – reaping monopoly rents in other countries)
 - Cross-border capital flow rules (countries give up tools to regulate foreign capital in- and outflows – capital controls. Those would be helpful for prudential regulation and stability, balance of payments management, ...)
- Special interest group capture?
- But: Potential for trade agreements with different focus and more popular support?

World trade institutions



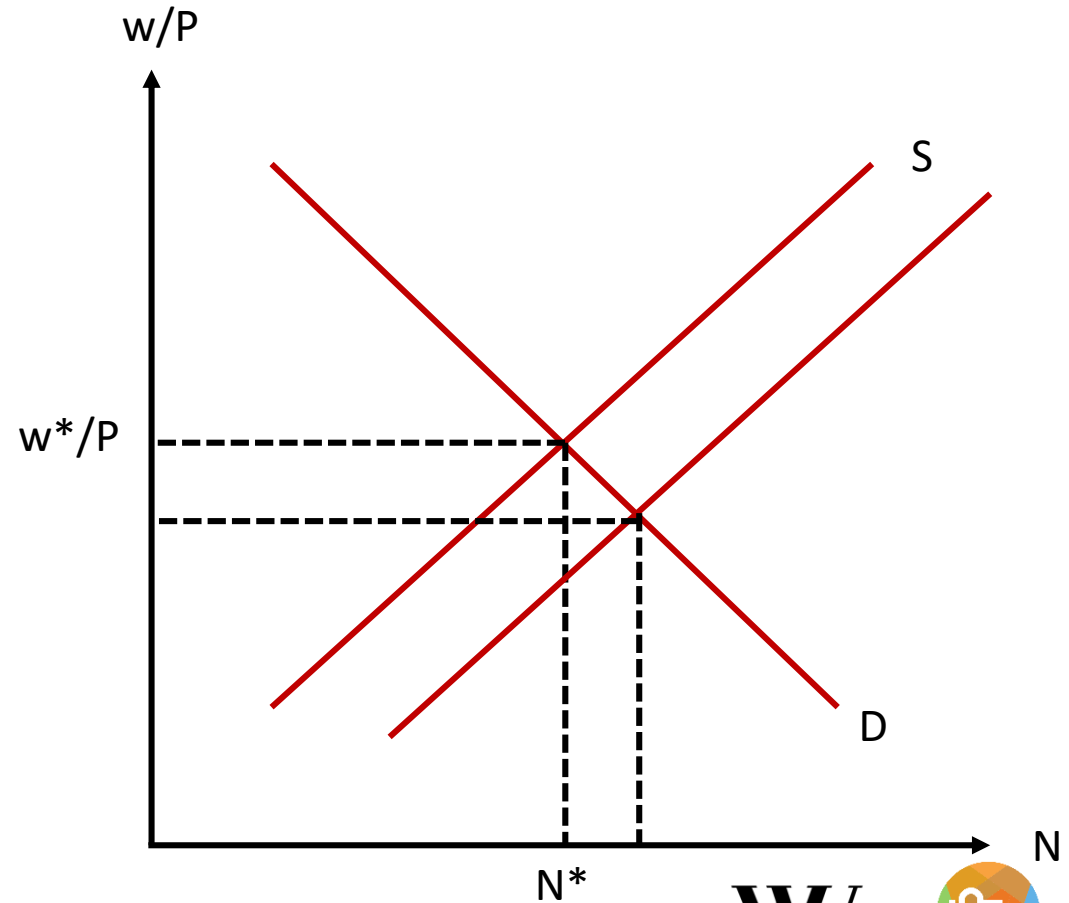
Source: WTO Secretariat.

Migration

- Globalisation does not only affect markets for capital, but also labour
- In large parts not as integrated as markets for capital and goods
 - Eg. AT:
 - Work permissions for non-EU citizens
 - Work permissions even within EU: transition
 - In parts reverse development on labour markets compared trade in goods
- Weakest component of economic globalisation
 - Exports/GDP > FDI > Migration
 - Convergence in prices of goods more advanced than for labour

Migration

- Destination country labour market
- Classical model: Reduction of substitute worker wages, increase in complementary worker wages
- Remember: Card study – Mariel boat lift



Migration

THE IMPACT OF THE MARIEL BOATLIFT ON THE MIAMI LABOR MARKET

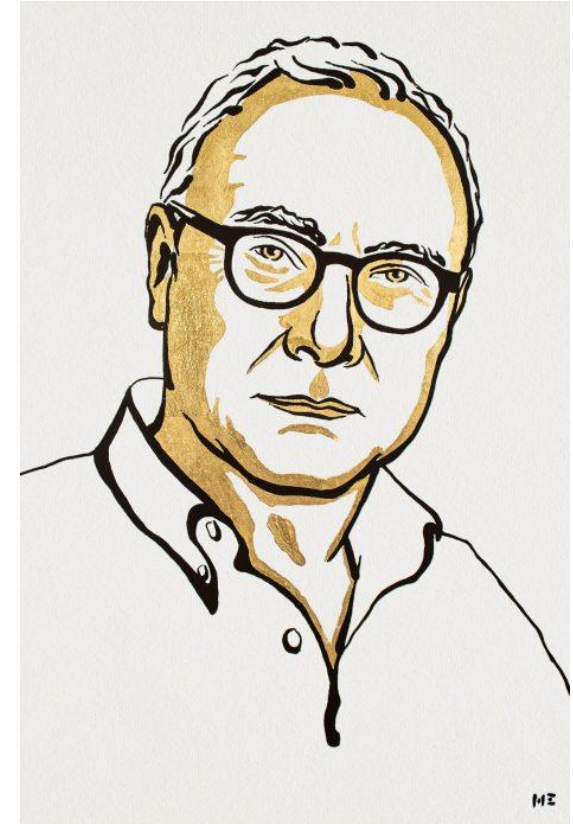
DAVID CARD*

Using data from the Current Population Survey, this paper describes the effect of the Mariel Boatlift of 1980 on the Miami labor market. The Mariel immigrants increased the Miami labor force by 7%, and the percentage increase in labor supply to less-skilled occupations and industries was even greater because most of the immigrants were relatively unskilled. Nevertheless, the Mariel influx appears to have had virtually no effect on the wages or unemployment rates of less-skilled workers, even among Cubans who had immigrated earlier. The author suggests that the ability of Miami's labor market to rapidly absorb the Mariel immigrants was largely owing to its adjustment to other large waves of immigrants in the two decades before the Mariel Boatlift.

- Natural experiment methodology
- Looking for evidence in situations with conflicting findings

Migration

- The Sveriges Riksbank Prize in Economic Sciences in Memory of Alfred Nobel 2021
- Prize motivation: "for his empirical contributions to labour economics."
- Research on minimum wage effects, migration in labour markets, etc.



Politics

- Can markets become international while politics remains local?
(Rodrik, Dani. „How Far Will International Economic Integration Go?“, 2000, Journal of Economic Perspectives, 22.)

