



Ralph Miliband Lecture Series

A Critical Debate about the Nature of Globalisation

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DEBATING GLOBALISATION: A LIBERAL PERSPECTIVE

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Ralph Miliband Programme Lecture

London School of Economics

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Debating Globalisation

- “As far as we can tell, there are no anti-global victories to report for the postwar Third World. We infer that this is because freer trade stimulates growth in Third World economies today.” Peter Lindert and Jeff Williamson

Debating Globalisation

A 'neo' is someone who pretends to be something, who is at the same time inside and outside of something; it is an elusive hybrid, a straw man set up without ever identifying a specific value, idea, regime or doctrine. To say 'neoliberal' is the same as saying 'semiliberal' or 'pseudoliberal.' It is pure nonsense. Either one is in favor of liberty or against it, but one cannot be semi-in-favour or pseudo-in-favour of liberty, just as one cannot be 'semipregnant', 'semiliving', or 'semidead'. Mario Vargas Llosa

Debating Globalisation

- Defining globalisation
- Record of the “second age” of globalization
- How to exploit the opportunities of globalisation

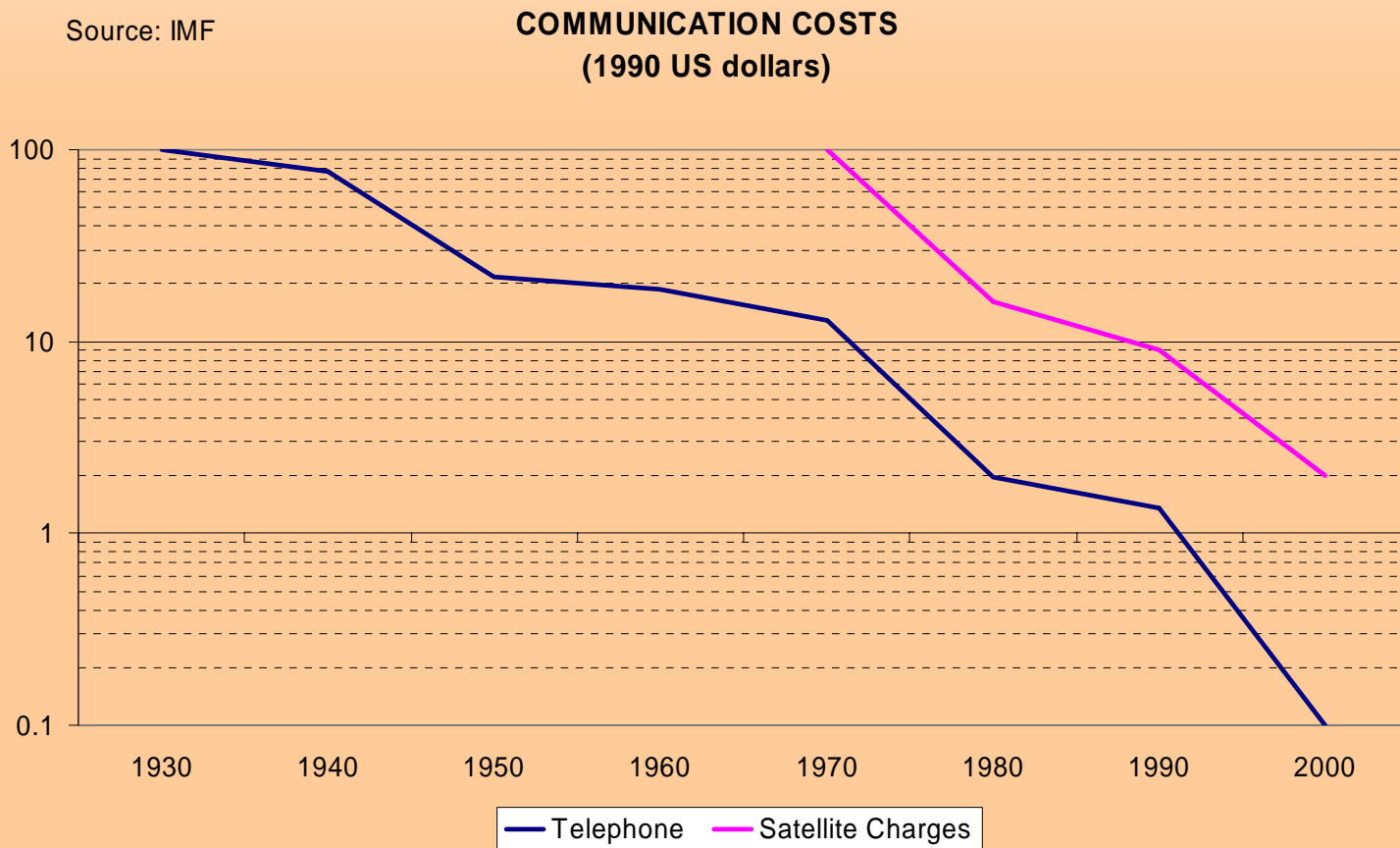
1. Defining globalisation – centrality of markets

- I define globalisation as integration of economies through markets across frontiers
- Globalisation is driven by
 - Technological change: the reduction in the costs of transport and communications
 - Economic liberalisation: the move to the market
 - Asia's rise
- In the 1980s and 1990s there was a worldwide liberalisation revolution, as communism, socialism and planning and import substitution were abandoned
- Globalisation is what followed

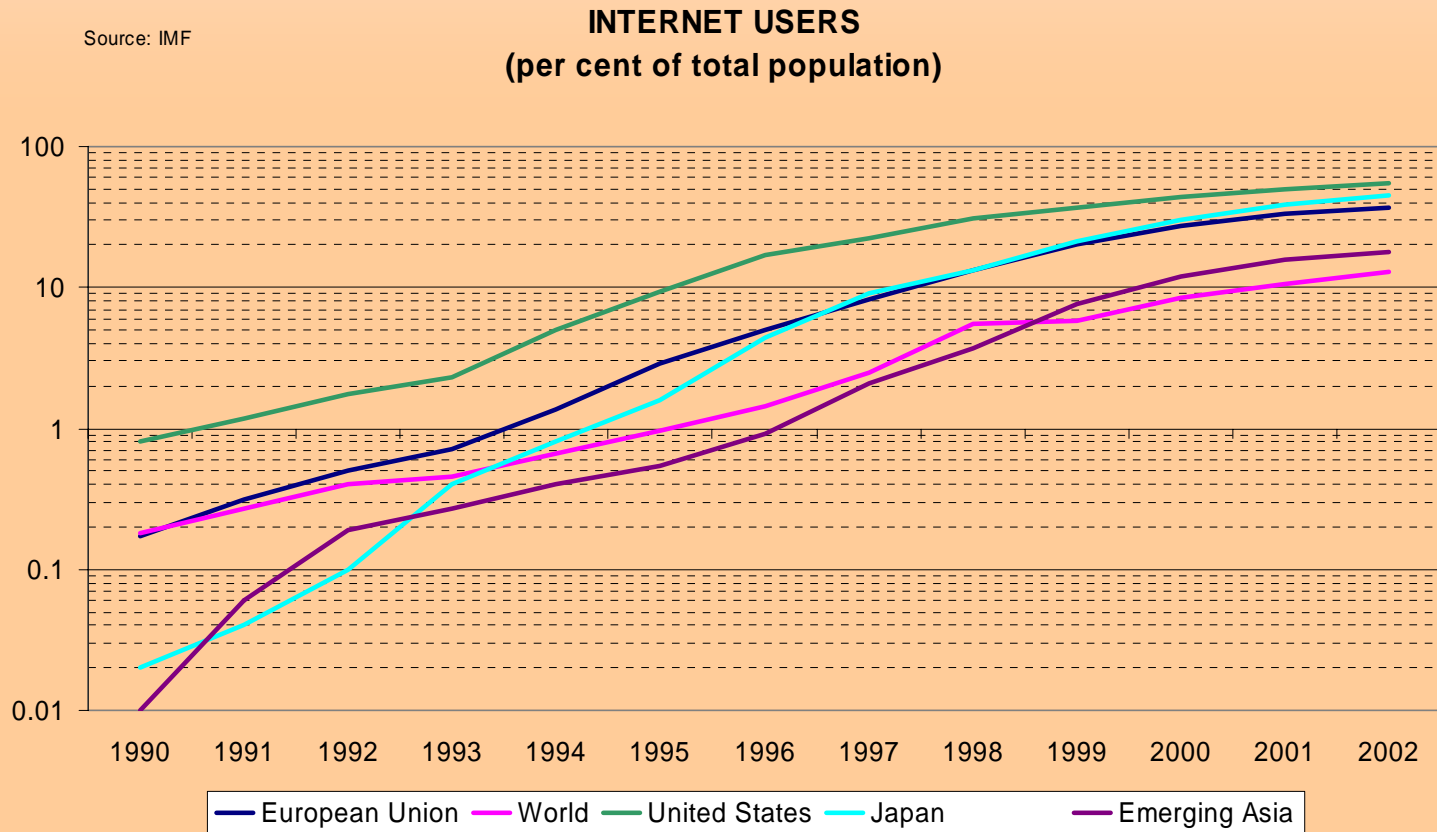
1. Defining globalisation – technology

- A big driver is the IT revolution
- The information revolution is only just beginning
- We do *not* yet know its full implications
- But it is forcing unbundling of production chains and making parts of services more tradable than manufactures, for the first time in history

1. Defining globalisation – technology



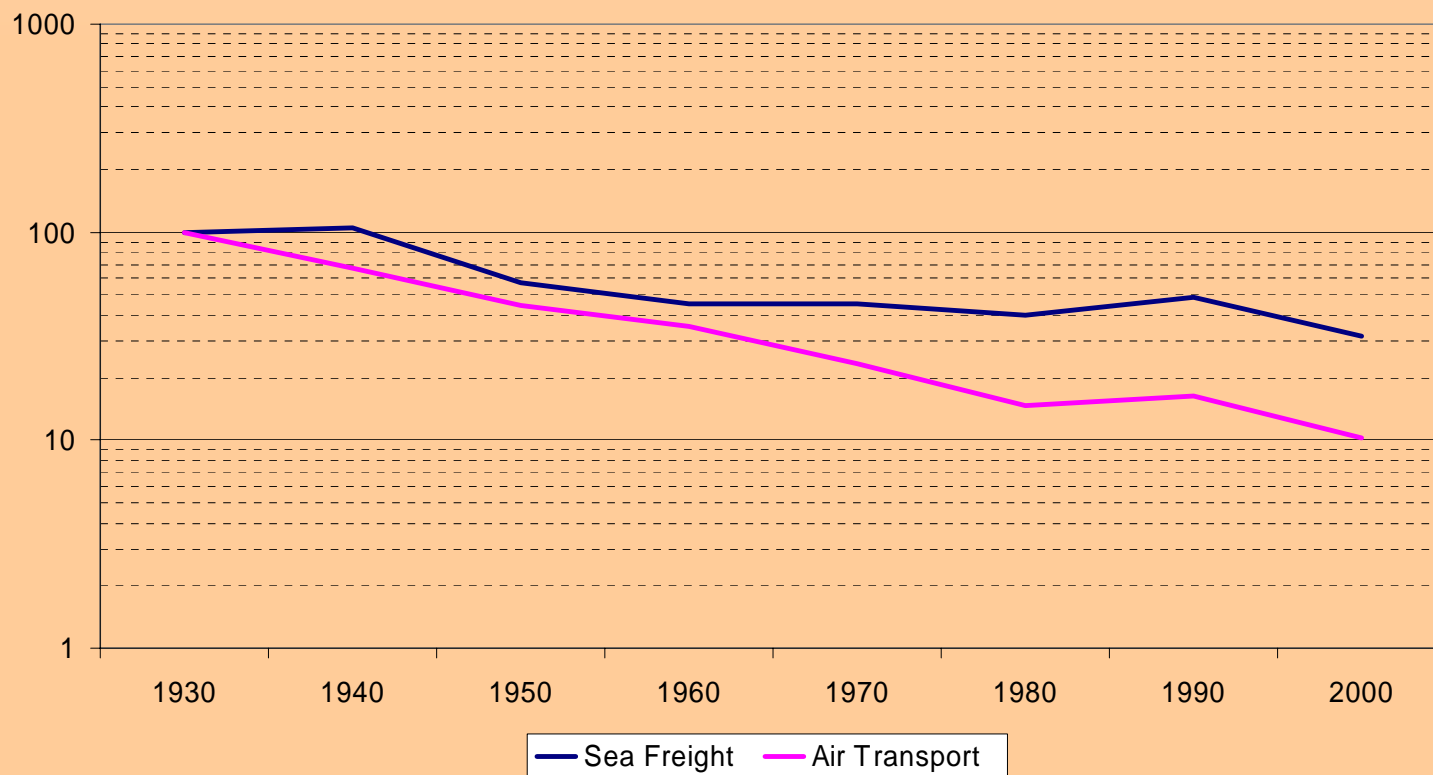
1. Defining globalisation – technology



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Source: IMF

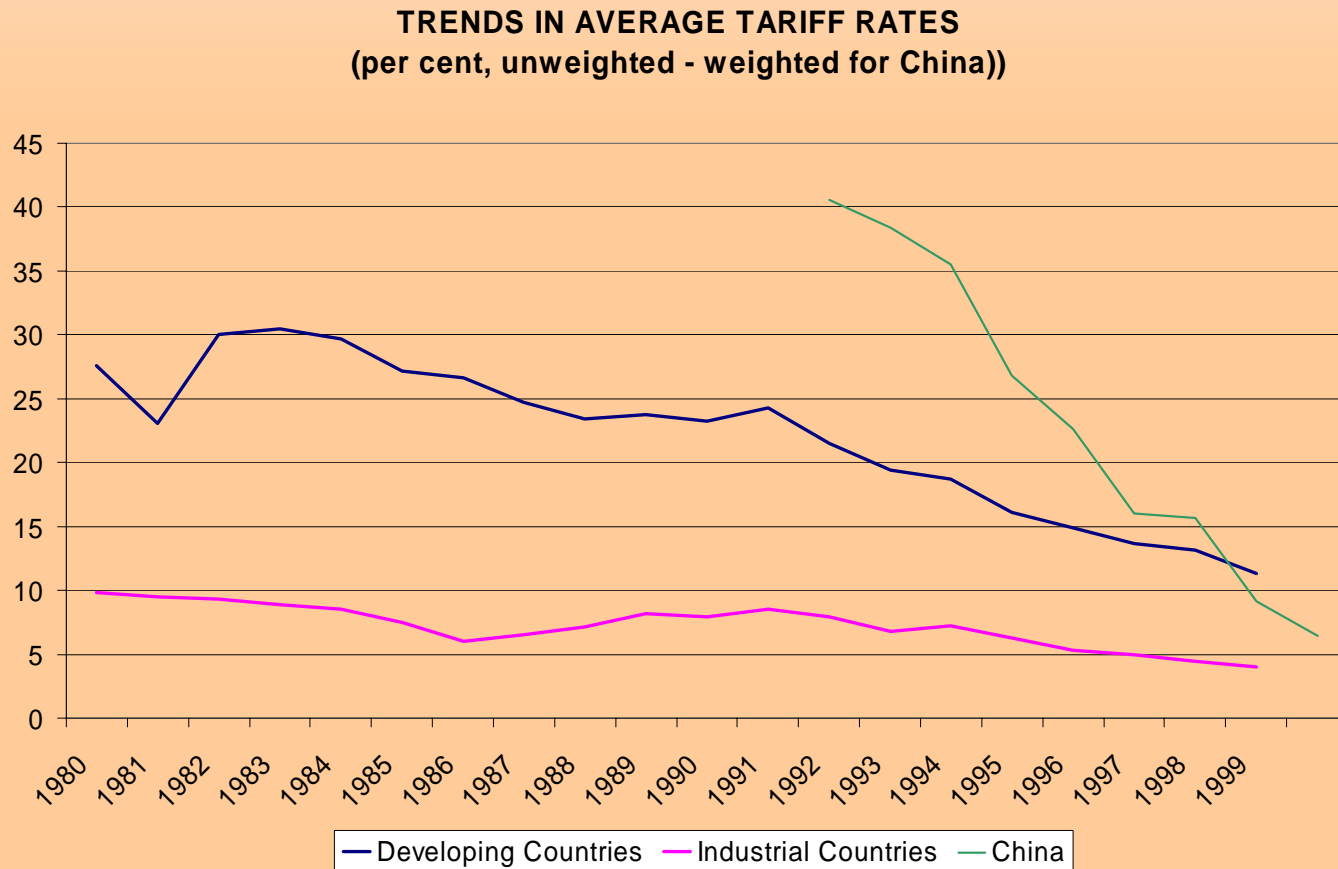
TRENDS IN TRANSPORT COSTS (1990 US dollars)



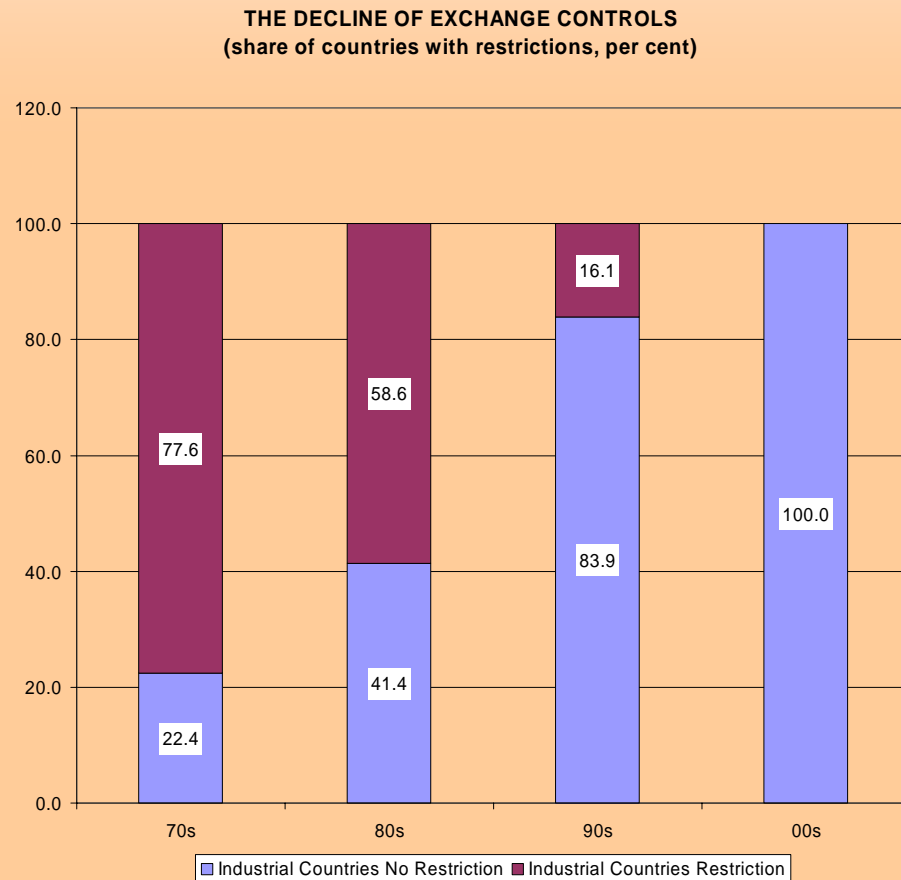
1. Defining globalisation – liberalisation

- Behind globalisation is:
 - Worldwide move to the market
 - Liberalisation at the border

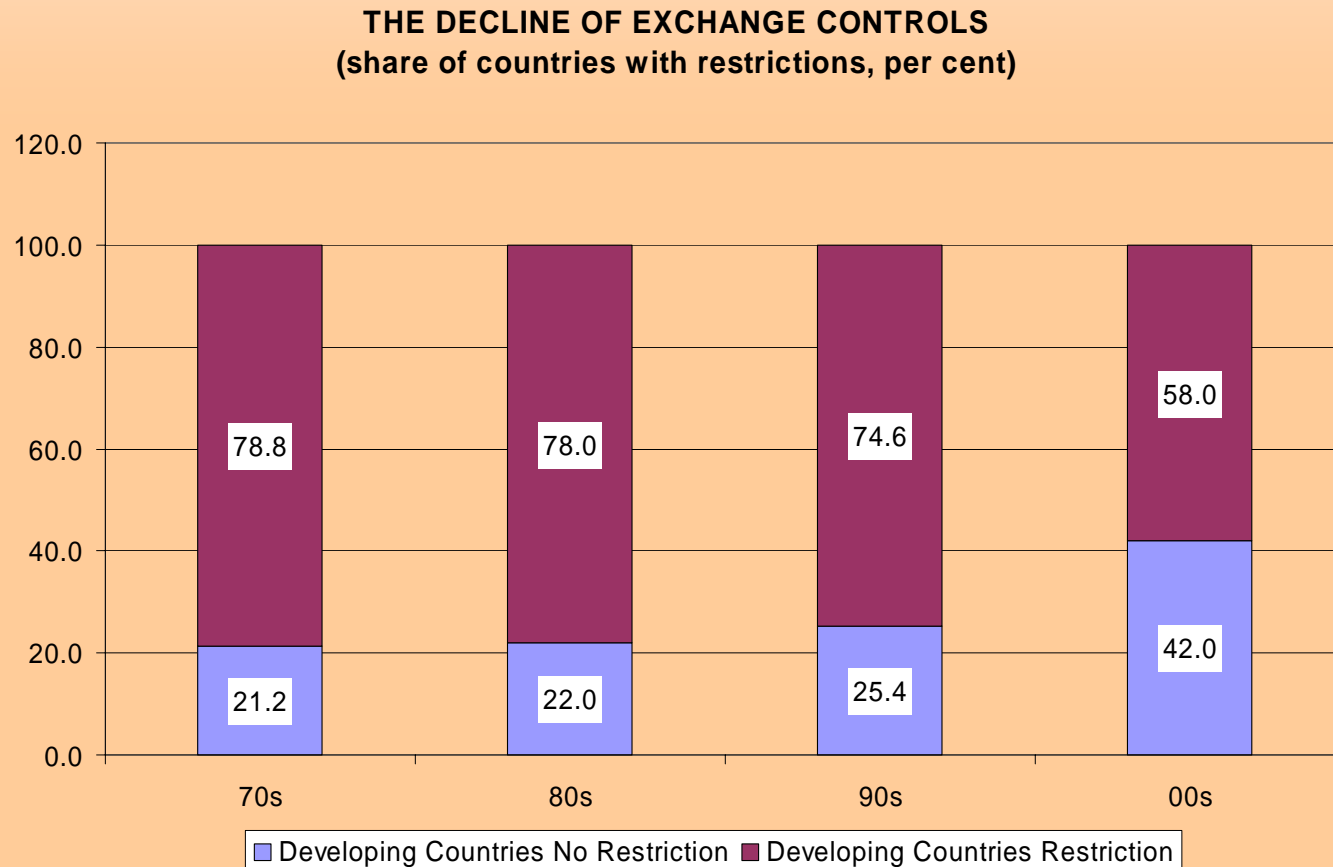
2. Defining globalisation - liberalisation



2. Defining globalisation - liberalisation



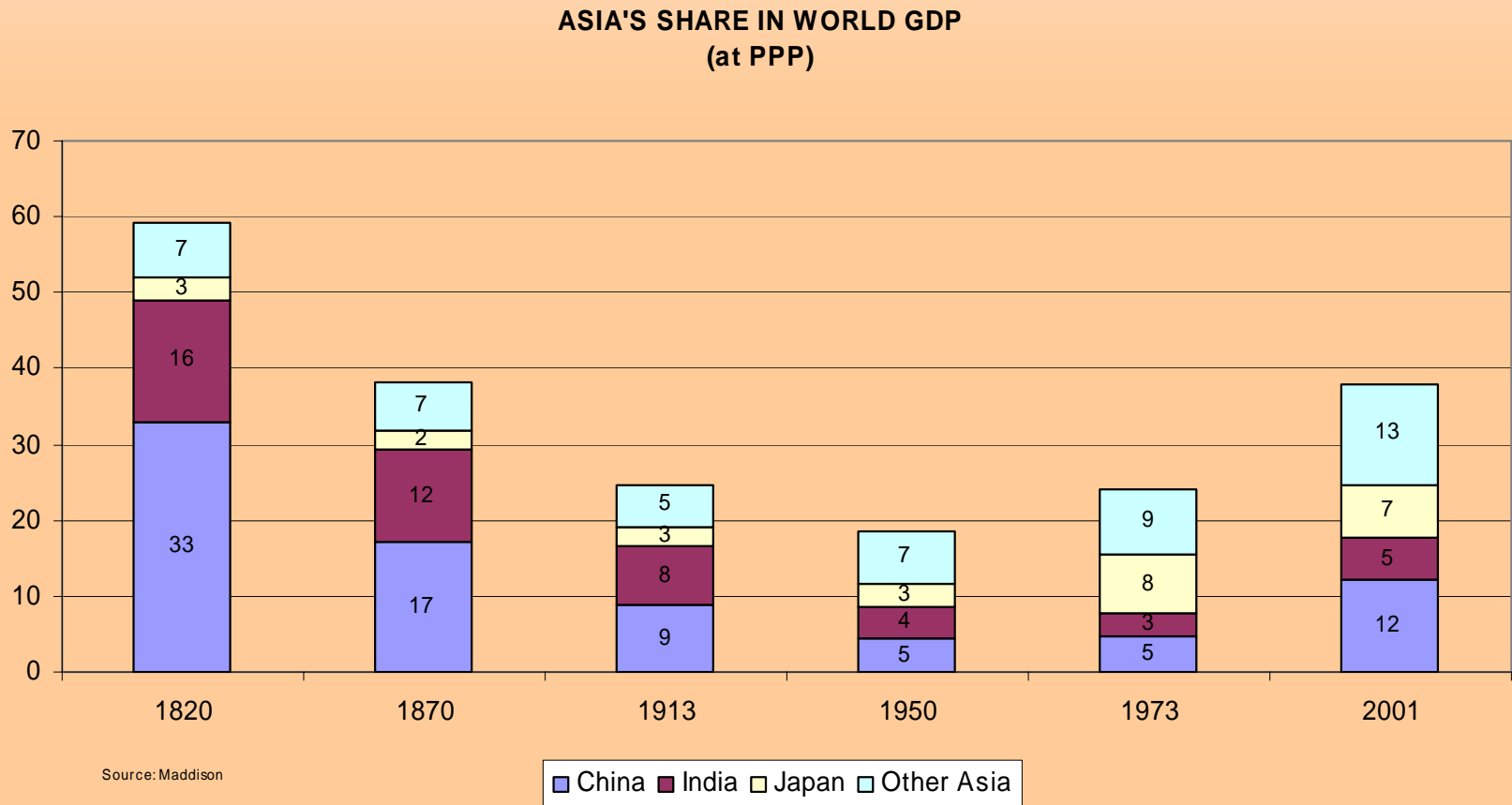
2. Defining globalisation - liberalisation



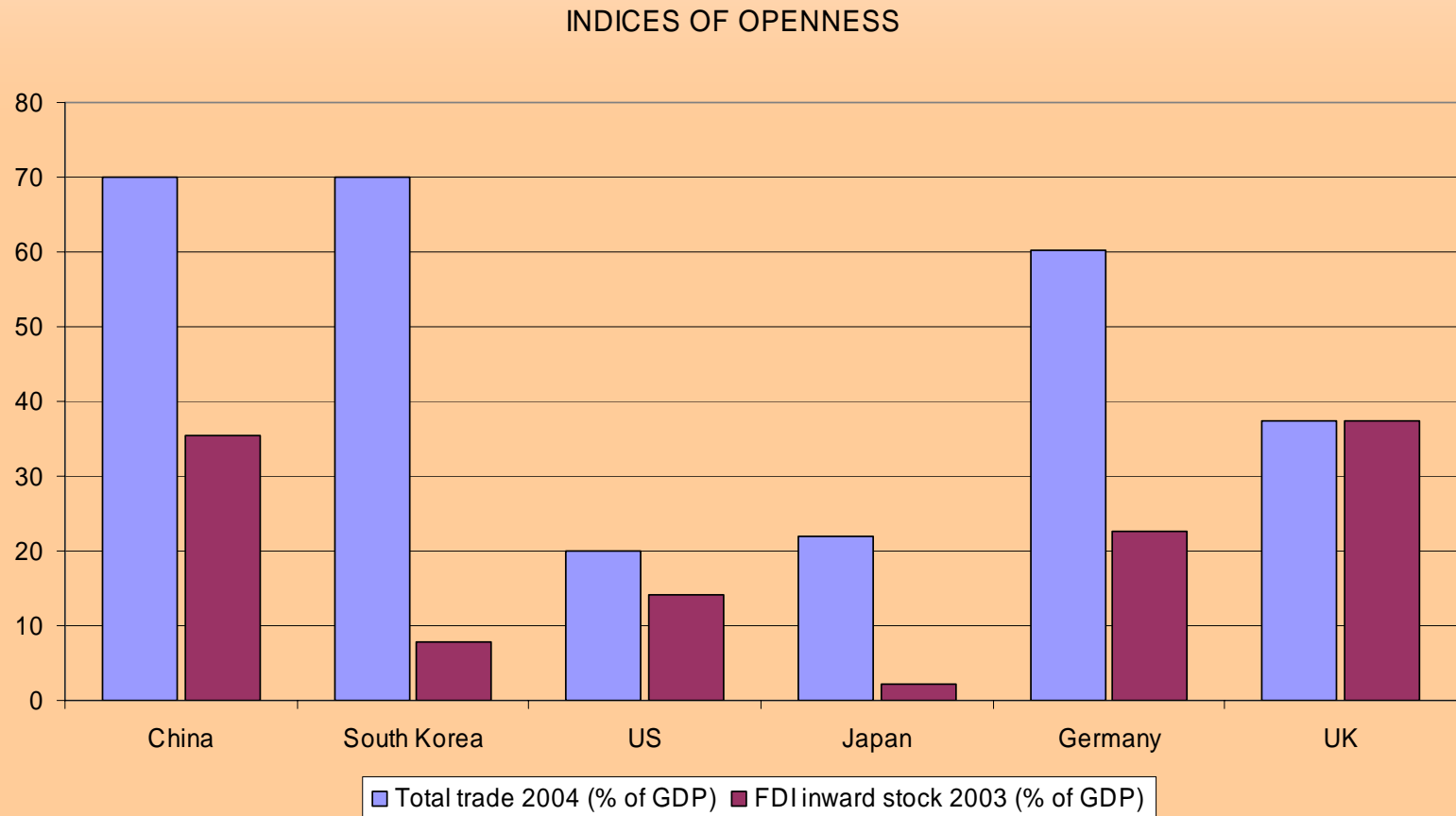
2. Defining globalisation – Asia's rise

- Asia's rise is the third great transformation, since the industrial revolution:
 - Early 19th century: rise of the UK
 - Late 19th and early 20th centuries: rise of US, Japan and Germany
 - Post-second world war: Japan's surge to China's rise
- East and south Asia contain more than half of humanity
- This is the end of European dominance

2. Defining globalisation – Asia's rise



2. Defining globalisation – Asia's rise



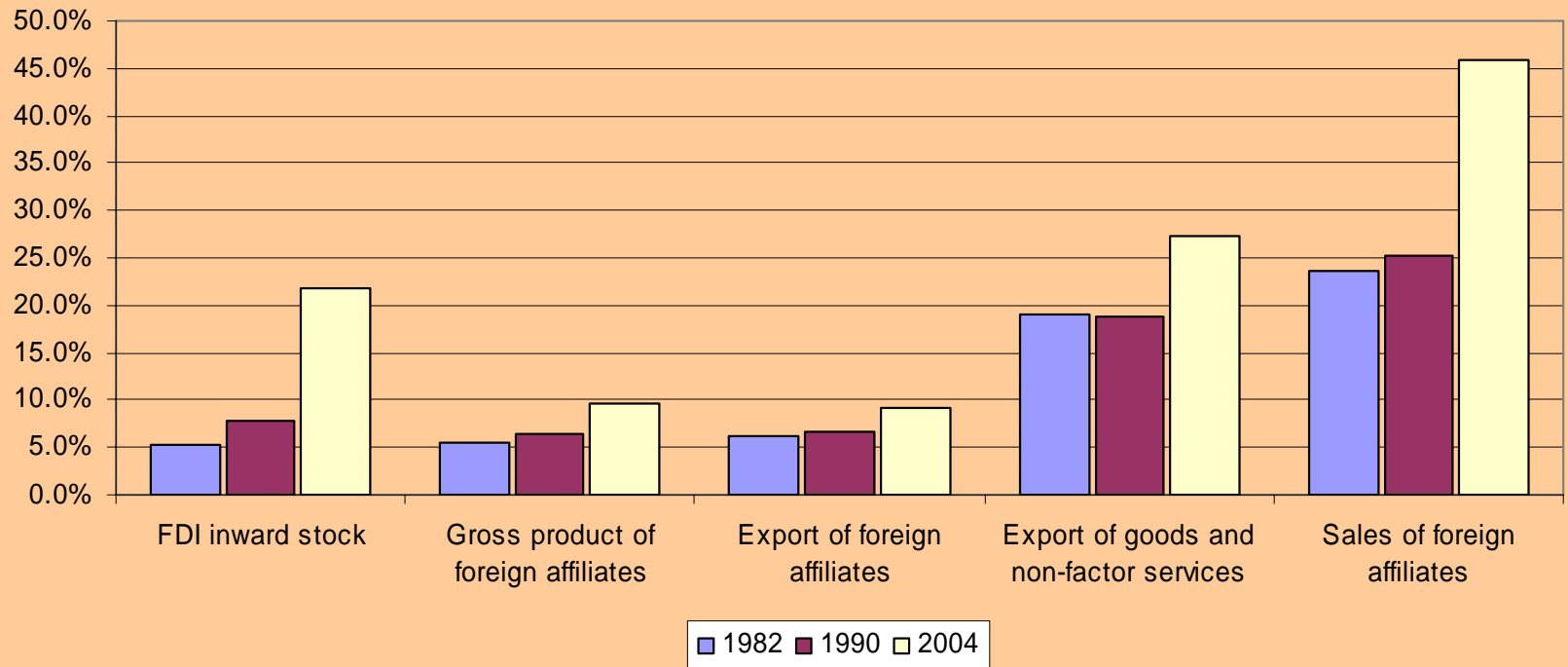
2. Record of globalisation

- Integration
- Growth, income distribution and poverty

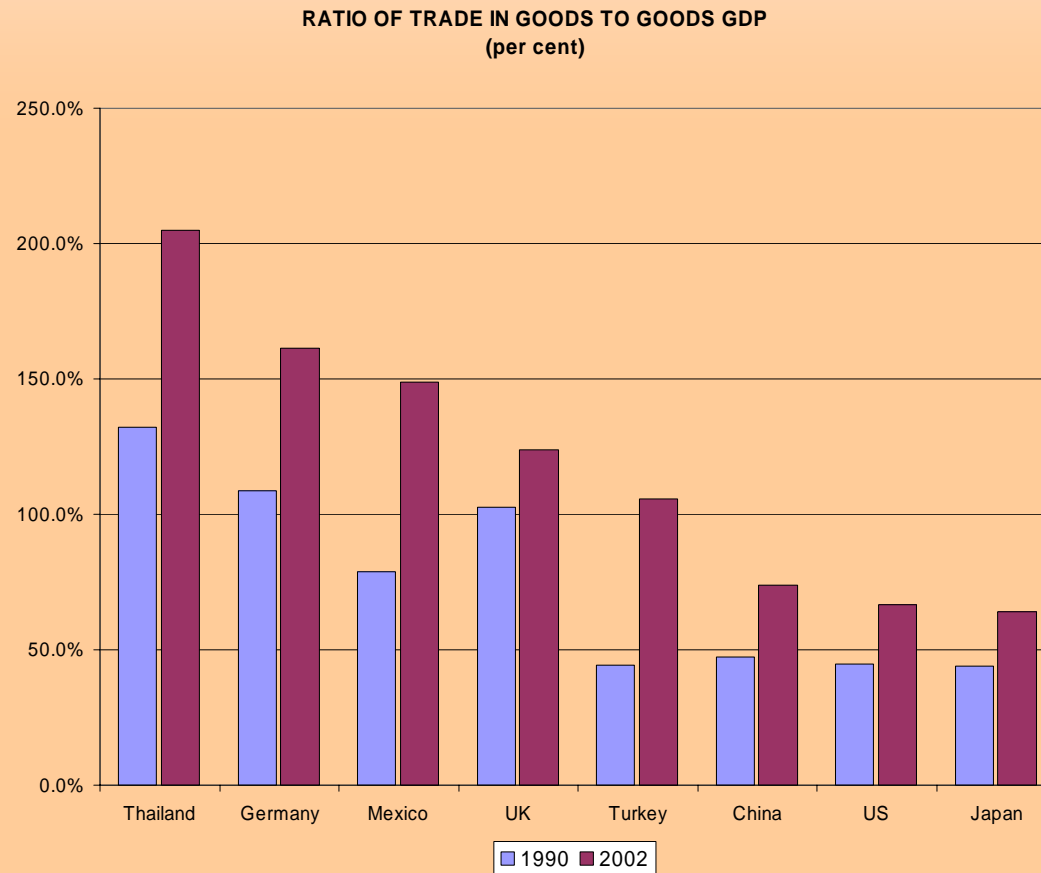
2. Record of globalisation

Source: UN

RISE OF GLOBAL ECONOMIC INTEGRATION (per cent of global GDP)

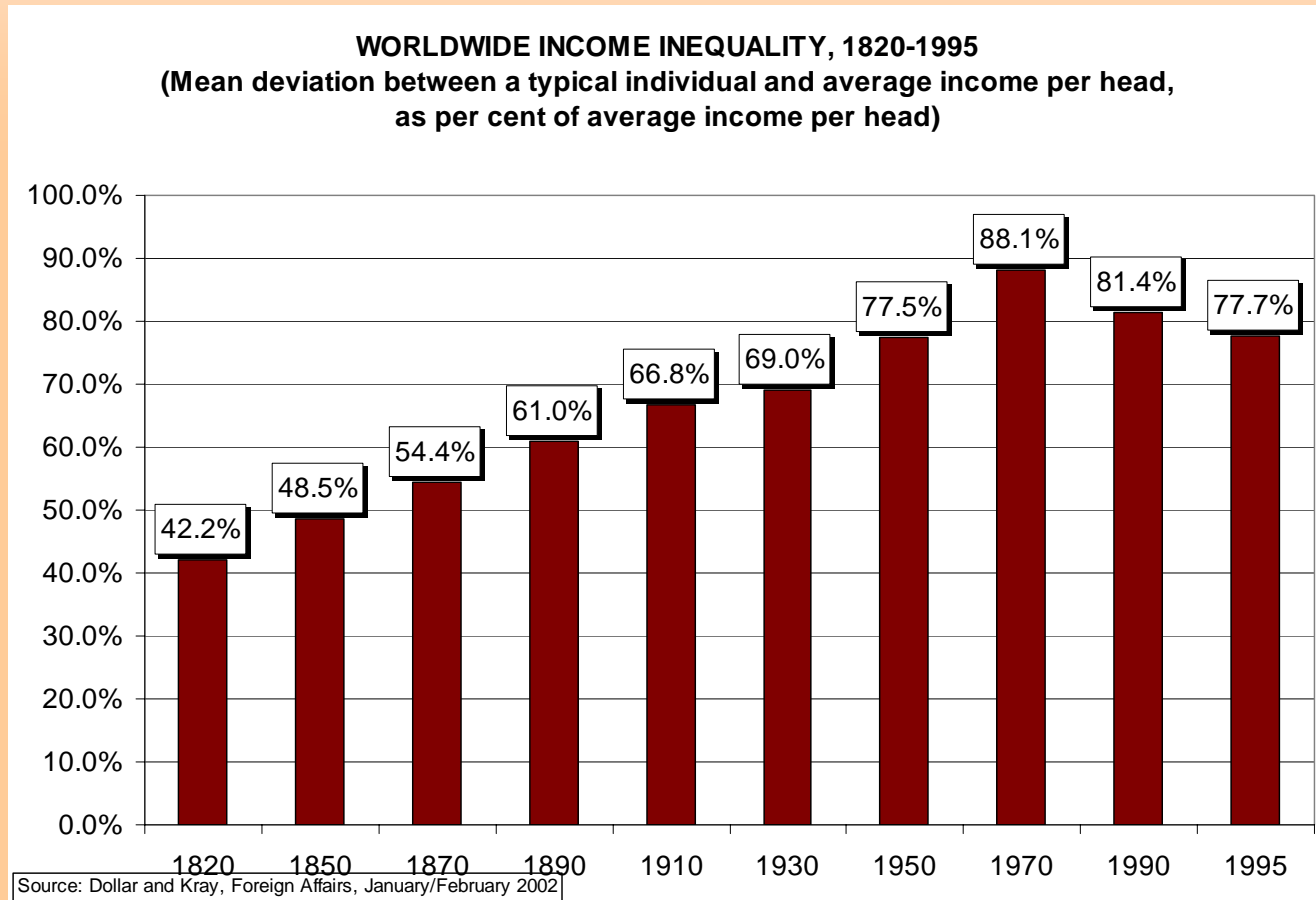


2. Record of globalisation

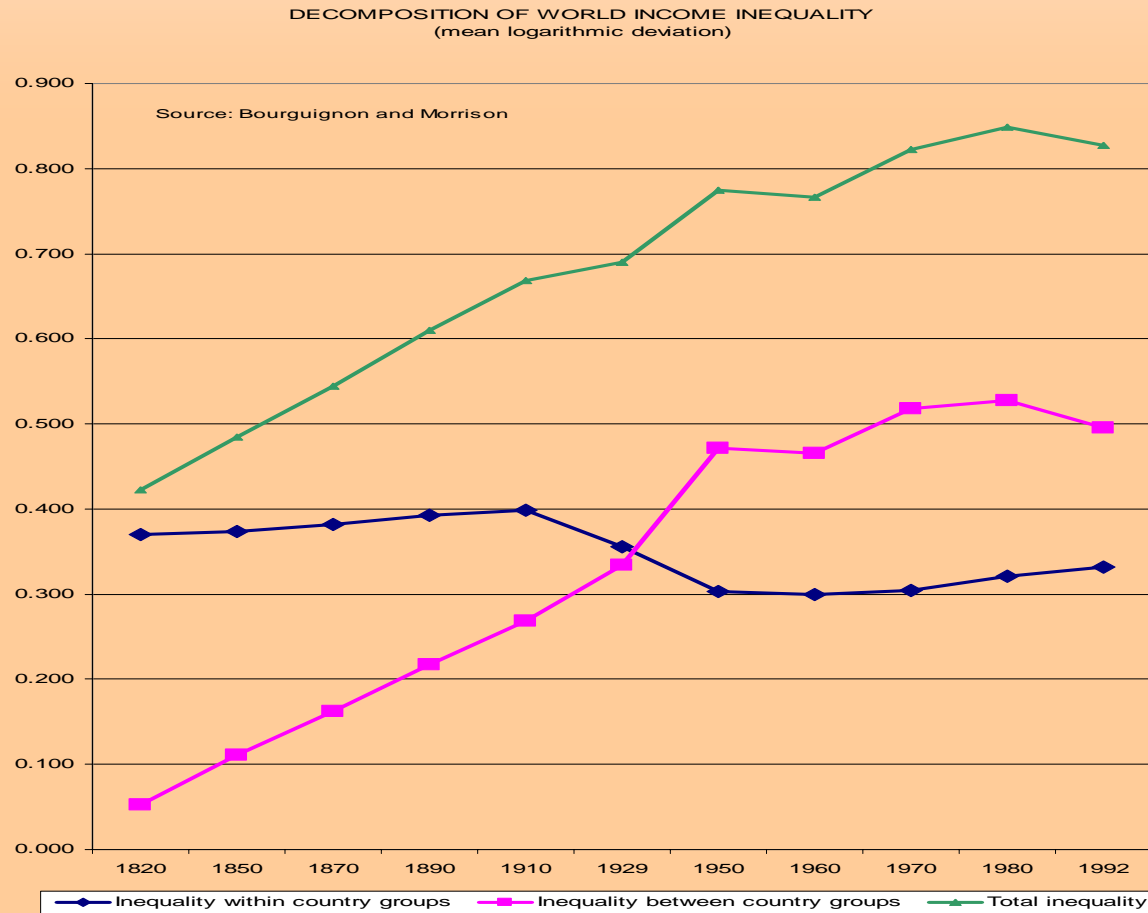


2. Record of globalisation

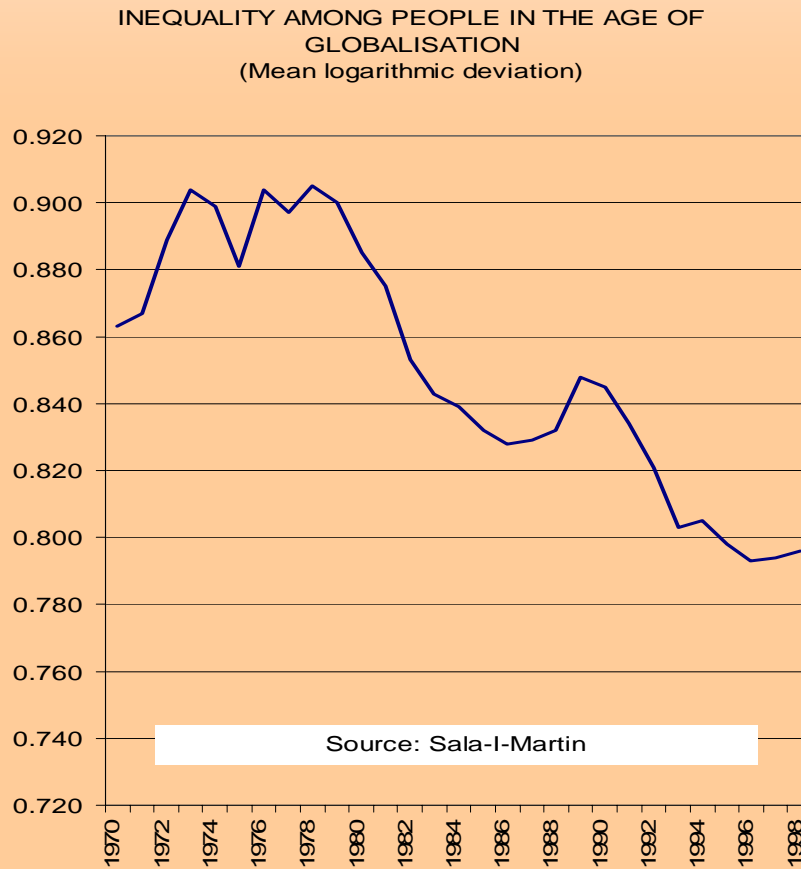
Global household inequality increased fastest in the 19th century and peaked in 1970. The big reason for the declining inequality was fast growth in east Asia and, more recently, in India.



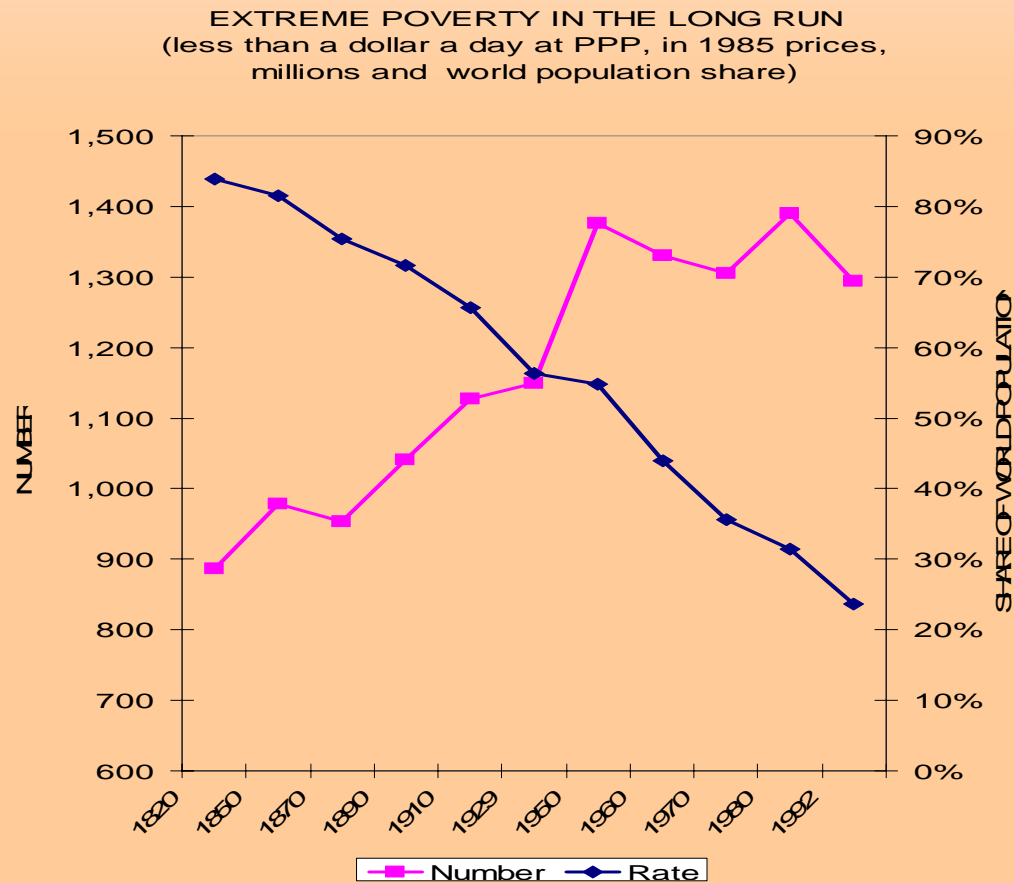
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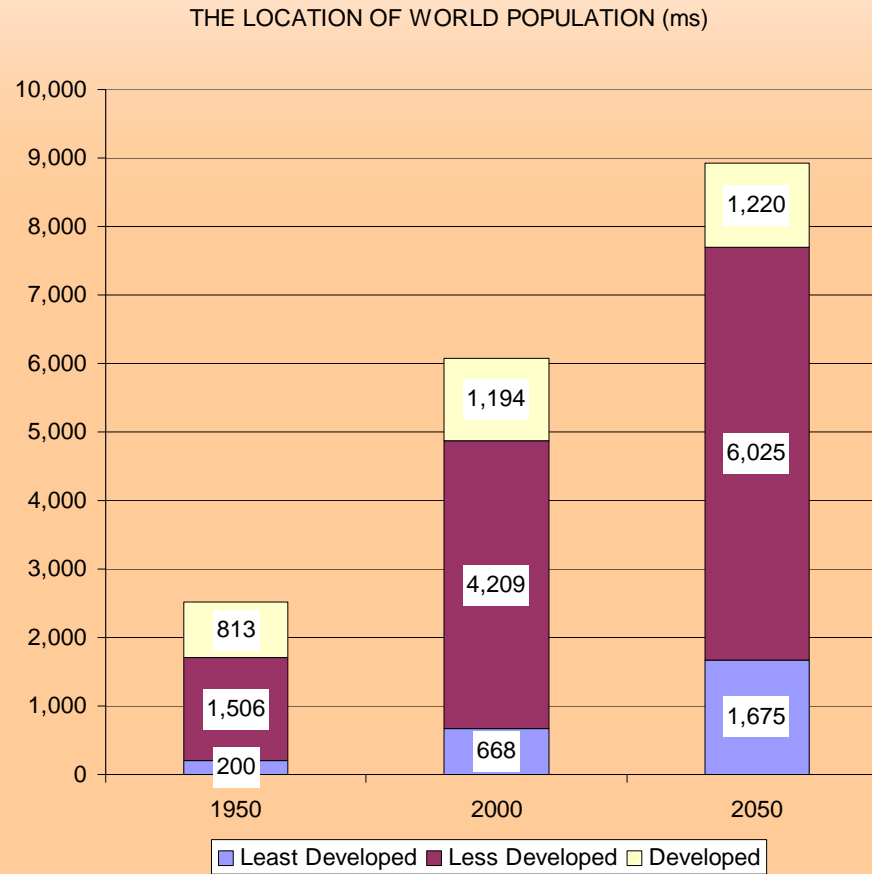
2. Record of globalisation



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2. Record of globalisation

	People living on less than \$1.08 a day at		
Regions	1981	1990	2001
East Asia & Pacific	767	472	284
(Excluding China)	161	95	72
China	606	377	212
Europe and Central Asia	1	2	18
Latin America and Caribbean	36	49	50
Middle East and North Africa	9	6	7
South Asia	475	462	428
Sub-Saharan Africa	164	227	314
Total	1,451	1,219	1,101
Total, excluding China	845	841	888
Sources: World Bank, <i>World Development Indicators 2004</i>			

2. Record of globalisation

Share of people living on less than \$1.08 a day at 1993 PPP, in regional populations			
Regions	1981	1990	2001
East Asia & Pacific	55.6%	29.6%	15.6%
China	61.0%	33.0%	16.6%
Europe and Central Asia	0.3%	0.5%	3.7%
Latin America and Caribbean	9.7%	11.3%	9.5%
Middle East and North Africa	5.1%	2.3%	2.4%
South Asia	51.5%	41.3%	31.1%
Sub-Saharan Africa	41.6%	44.6%	46.5%
Total	39.5%	27.9%	21.3%
Total, excluding China	31.5%	26.2%	22.8%
Sources: World Bank, <i>World Development Indicators 2004</i>			

3. Exploiting opportunities of globalisation

- My propositions:
 - Global governance is unavailable for the foreseeable future
 - Relations among states will continue to be based on relative power. David argues that I ignore power. I would answer that I take power seriously. It cannot be wished away.
 - But governance will change as power changes, though not necessarily for the better
 - I agree that states should identify the need to co-operate, in their mutual interest, using specific, well-targeted regimes
 - Globalisation is not a panacea. It is an opportunity that needs to be exploited. It has proved hard to do so

3. Exploiting opportunities of globalisation

My “ten commandments” are:

- First, a market economy is the only arrangement that has proved capable of generating sustained increases in prosperity, providing the underpinnings of stable liberal democracies and giving individual human beings the opportunity to seek what they desire in life.
- Second, states remain the locus of political debate and legitimacy. Supra-national institutions gain their legitimacy and authority from the states that belong to them.
- Third, it is in the interest of both states and their citizens to participate in international treaty-based regimes and institutions that deliver global public goods, including open markets, environmental protection, health and international security.

3. Exploiting opportunities of globalisation

- Fourth, such regimes need to be specific, focused and enforceable.
- Fifth, the WTO, though enormously successful, has already strayed too far from its primary function of promoting trade liberalisation. The arguments for a single undertaking that binds all members need to be reconsidered, since that brings into the negotiations a large number of small countries with negligible impact on world trade and gives them disproportionate power.
- Sixth, the case for regimes covering investment and global competition is strong. But it would be best to create regimes that include fewer countries, but contain higher standards.
- Seventh, it is in the long run interest of countries to integrate into global financial markets. But they should do so carefully, in full understanding of the risks.

3. Exploiting opportunities of globalisation

- Eighth, in the absence of a global lender of last resort, it is necessary to accept standstills and renegotiation of sovereign debt.
- Ninth, official development assistance is far from a guarantee of successful development. But the sums now provided are so small, just over a fifth of a per cent of the gross domestic product of the donor countries, that more would help if given to countries with reasonably sound policy regimes. But aid should never be so large that it frees a government from the need to raise much of its money from its own people.
- Tenth, countries should be allowed to learn from their own mistakes. But the global community also needs the capacity and will to intervene where states have failed altogether.



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