Globalisation

# Starter: Video Task

**Instructions:** Watch the video and answer the below discussion questions

**Link:**

<https://www.youtube.com/watch?v=shepp7De_4o>

**Question:**

What is globalisation all about?

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**Extension:** Do you totally agree with Dr Pirie’s assessment of the benefits of globalisation?

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# Presentation 1 - Intro to Globalisation

Complete the activities so as to have a complete set of notes:

**Definition:** *Globalisation*

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*Integration:*……………………………………………………………………………………………………………………………………………………………………………………

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*Interdependence:*

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**Key Notes:** *Four types of Integration*

* Free trade of G&S.
* Free movement of labour between countries.
* Free movement of capital.
* Free interchange of technology and ‘intellectual capital’ (i.e. ideas.)

**Stat:** The share of global GDP accounted for by exports of goods and services has risen from \_\_\_\_\_\_% in 1960 to almost \_\_\_\_\_\_% now.

**Question:** *What does this suggest about the world?*

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# Discussion Task: Exemplifying Integration

**Instructions:** For the four types of integration, list all the real-world examples you can think of integration increasing

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| Free Trade of G&S | Free movement of Labour between countries |
| Free movement of capital | Free interchange of technology and ‘intellectual capital’ (i.e. ideas.) |

What real world examples of increased interdependence can you think of?

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# Presentation 2 – Causes of Globalisation

Complete the activities so as to have a complete set of notes:

**Elaborate:** Elaborate on the below causes of globalisation

*Containerisation:*

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*Technological Change:*

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*Growth of Transnational Corporations (TNCs):*

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**Definition:** *Transnational Corporations (TNCs):*

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TNCs look to grow their revenues from selling in more markets, but also lowering their average costs through accessing economies of scale.

*International Finance Flows:*

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*Government Policy:*

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*However:*Brexit has seen the UK face higher tariffs with some of its biggest trading partners.

*Trade agreements:*

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*Growth of Trading Blocs:*

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*Greater Labour Mobility:*

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*Improvements in transportation:*

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*Greater ‘openness’ of former ‘closed’ economies:*

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. These play a vital role in the creation of new markets and the provision of low cost labour.

# Chart, line chart  Description automatically generatedArticle Task: The History of Globalisation - Railroads and Hegemons

**Instructions:**

* Read, highlight and annotate the article
* Answer the questions
* Discuss your answers as a class

**Article**

*Globalisation depends on technology and politics*

Historically, technology has been the single most important force for opening up borders. In the 1800s it was the spread of the steamship and refrigeration, the expansion of railroads and the invention of the telegraph that gave a push to globalisation. In the 1980s and 1990s it was the shipping container, and more recently it has been the internet, allowing information and services to be exchanged in the blink of an eye.

But technology is not enough; globalisation also needs political patronage. Writing in 1973, Charles Kindleberger pointed to the importance of an economic *‘hegemon’* (a supreme leader) who would act as an importer of last resort and financier of the world’s monetary system. From the mid-1800s until 1914 that hegemon was Britain. In 1846 it unilaterally reduced import tariffs by repealing the Corn Laws and in 1860 it signed a free-trade agreement with France, starting a virtuous cycle of falling tariffs worldwide. As guarantor of the gold standard, Britain made possible a system of fixed exchange rates, financing the deficits of some countries while absorbing the surpluses of others.

In 1910 Norman Angell, a British journalist, concluded in his book “The Great Illusion” that Europe had become so economically interdependent that war would be futile. Ten years and one world war later, John Maynard Keynes wrote: “What an extraordinary episode in the economic progress of man that age was which came to an end in August 1914! …The inhabitant of London could order by telephone, sipping his morning tea in bed, the various products of the whole Earth, in such quantity as he might see fit, and reasonably expect their early delivery upon his doorstep.” ****

Keynes worried, correctly, that the vindictive Treaty of Versailles would further fragment the damaged global economic system. It tumbled into abyss a decade later because, Kindleberger wrote, “Britain could not act as a stabiliser, and the United States would not: every country turned to protect its national private interest, the world public interest went down the drain, and with it the private interests of all.”

In 1945 America took up the mantle of benevolent hegemon. “Our foreign relations, political and economic, are indivisible,” said Harry Truman in 1947; and the pursuit of international peace and freedom was “bound up completely with a third objective: re-establishment of world trade.” America underwrote the International Monetary Fund and the Bretton Woods system of fixed exchange rates to end beggar-thy-neighbour currency devaluations, and the General Agreement on Tariffs and Trade to end trade disputes.

The breakdown of Bretton Woods, two oil-price shocks and the Latin American debt crisis severely tested globalisation in the 1970s and 1980s. Fearful of Japan’s growing economic clout, America turned protectionist. Free trade gave way to managed trade. But in 1989 the Berlin Wall fell and in 1990 Japan’s bubble economy burst. America became the “hyperpower” and presided over an unprecedented expansion of globalisation.

From 1970, there was a rapid adoption of the steel transport container aka containerisation. This reduced the costs of inter-modal transport, making trade cheaper and more efficient. Containerisation meant that costs of global transportation could be reduced due to the law of increasing dimensions and through the containers being loaded/unloaded away from ports. As containers are now loaded/unloaded away from ports this means that firms have more control over the quality of their stock and it avoids bottlenecks at the major ports.

From the 1990s the rise of the internet also changed global communications making it easier to communicate and share information around the world. E.g. internet. For example, to work on improvements on this website, I will go to a global online community, like elance.com. There people from any country can bid for the right to provide a service. It means that I can often find people to do a job relatively cheaply because labour costs are relatively lower in the Indian sub-continent. Companies have been driven towards international trade by a need to expand to their minimum efficient scale, thus lowering average total costs to a point at which they can compete with global players.

General Agreement on Tariffs and Trade (GATT) was a multilateral agreement regulating international trade. According to its preamble, its purpose was the "substantial reduction of tariffs and other trade barriers and the elimination of preferences, on a reciprocal and mutually advantageous basis." GATT was signed by 23 nations in Geneva on October 30, 1947 and took effect on January 1, 1948. Trade liberalisation is a key consideration with the WTO was established in 1995 and was preceded by the General Agreement on Tariffs and Trade (GATT). It helps to promote free trade by persuading countries to lower their import tariffs and other barriers to open markets including widespread use of import licenses, export subsidies and other non-tariff barriers.

Membership of the WTO has expanded with the successful admission of China, India and latterly, Russia to the WTO as events of global significance. WTO membership accounts for 98 per cent of world trade in 2014 compared with 91 per cent in 1995. With détente in the Cold War from the 1970s there was increasing trade between the USSR and rest of the world. New, cheap labour markets due to the fall of communism in USSR and opening up of China from 1978 onwards (socialist market economy and modernisation).

There has been a growth in the product markets for global businesses, also due to the fall of communism and opening up of China, this is seen more by India in 1991 moving away from protectionism and import substitution. With China’s current Silk Road policy of FDI along the land and sea route to Europe, it is clear that they are trying to drive globalisation as the Trump administration focused on an isolationist America First policy. The building of high speed trains will spread ideas and promote trade across Asia and Europe. Over time we have also seem many countries creating a more attractive tax system to attract multi-national corporations to set up an office or factory in their country, therefore increasing trade and communication.

These days America is acting less like a hegemon. Americans have grown leerier of foreign entanglements and more self-interested on economic matters. America walked away from the Doha trade talks in 2008 when it concluded it was getting too little in return for its own sacrifices, and Congress has refused to expand the International Monetary Fund’s resources. Many Americans think that China is violating the spirit of free trade. Others also see America as less of a leader. In a poll earlier this year the Pew Research Centre found that in 23 of 39 countries the largest groups of respondents thought that China had already replaced, or would replace, America as the main superpower. But China is not yet ready to take the hegemon’s mantle.

**Questions**

What are the causes of globalisation shown in the article? Examples?

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**Extension:** What are the headwinds against globalisation?

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# Presentation 3 – Impacts of Globalisation

Complete the activities so as to have a complete set of notes:

**Table Task:** Categorise the below impacts of globalisation based on the stakeholder they are affecting, and state whether they are generally a good or bad impact.

 *Different Stakeholders:* Environment, Workers, Producers, Governments, Consumers

|  |  |  |
| --- | --- | --- |
| **Stakeholder** | **Impact** | **Good or Bad?** |
|  | **Consumer choice:** The availability of G&S has considerably increased *E.g.*Consider the number of foreign grown options we have in the supermarket.*However:*Some argue G&S have become homogenised.*E.g***.** Some holidays are pretty much the same, apart from the scenery being different. |  |
|  | **Employment and Unemployment:** Some countries, particularly in the developing world, see growth in their employment levels from new manufacturing jobs. *However:* There may be higher structural unemployment in more developed countries where production has shifted to lower cost centres. |  |
|  | **Specialisation:** As nations trade more, they become increasingly specialised and trade their surpluses, allowing more consumption than if they were self-sufficient.Furthermore there is decreased risk for producers, as they can access a wider selection of resources and markets to sell their goods.*However:*There can be an increase in risk too as there is increased economic dependency.Supply chains can face huge problems should trade break down. |  |
|  | **Prices:** Lots of prices will fall as production is being switched to low cost regions (‘Made in China’).Furthermore, as most markets are growing there will be more EoS*However:*Some prices will rise as demand is growing.*E.g.*Commodity prices in early 21st century. |  |
|  | **Tax avoidance:** Some TNCs have artificially created structures to avoid paying as much tax as they should in the countries they operate in.*E.g. T*ransfer pricing  |  |
|  | **Real Incomes:** In the UK, consumers’ incomes generally go further as prices have fallen.*However:*Not every consumer gains, some may lose their job as production moves to countries where costs are lower.*E.g.*British miners and steel workers. |  |
|  | **Pollution:** Increased globalisation and trade requires more transportation, which will mean more fossil fuels are consumed. |  |
|  | **Migration:** Globalisation has seen more people move from different countries, generally from poorer to richer ones.In developed countries, immigration (people coming into a country) can fill jobs.*However:* It can also lead to tension.In developing countries, emigration (people leaving a country) can present a ‘brain drain’ as the most productive workers will leave to seek better life opportunities.*However:* They may send some money back to their native countries in the form of remittance payments. |  |
|  | **Citizen’s Wellbeing:** Developing countries face a trade-off between attracting TNCs, and the subsequent economic growth, versus the exploitation of workers. |  |
|  | **Costs and Markets:** Many firms will become more profitable.Wider supply networks can lower costs due to increased competition amongst suppliers.Firms can also sell in more markets, meaning increased revenues and more profits.*However:*Some firms may suffer, if there is increased competition for resources (pushing costs up) or increased competition for sales (pushing prices down) which could harm their profits. |  |
|  | **Threats to the Global Commons:** Globalisation requires increasing amounts of resources land potential ‘tragedies of the commons’.*Tragedy of the commons:*Individuals with free access to resources will act in their own self-interest and, contrary to the common good, may cause depletion of the resource leaving less available for future use.There could be irreversible damage to ecosystems, land degradation, deforestation, loss of bio-diversity and the fears of a permanent shortage of water. |  |
|  | **Wages:** Increased international competition has supressed wages of low skilled workers in developed economies.*However:*Unskilled wages are rising in developing countries. |  |
|  | **Bribery:** TNCs have a long history of gaining contracts or controls of resources through bribing government officials and politicians.This distorts development and can leads to lower incomes in the economy in general. |  |
|  | **TNCs:** TNCs create new jobs wherever they set up operations.*However:*The working conditions can be abysmal and the workers poorly paid.  |  |
|  | **Dominant Global Brands:** Businesses with dominant brands and superior technologies may squeeze out local producers.*E.g.*Starbucks and Costa forcing independent coffee shops out of business. |  |

# Assignment

**Section B (Data Response)**

**Figure 1 Share of wages as a proportion of GDP 1976 – 2013**



**Extract A Changes in the distribution of national income**

Between 1999 and 2011 average labour productivity in developed economies increased more than twice as much as average wages. For example, in the USA, real hourly labour productivity in the non-farm business sector has increased by about 85% since 1980, while real hourly earnings increased by only around 35%.

The global trend has resulted in a change in the distribution of national income. In many countries, the share of wages as a proportion of GDP is falling and the share of profits is rising. Even in China, a country where wages roughly tripled over the last decade, GDP increased at a faster rate than the total wage bill causing the labour share to decrease.

The drop in the labour share is due to technological progress, trade globalisation, entry of labour-abundant economies into the global economy, decreasing trade union density (the proportion of paid workers who are trade union members) and an increased pressure on firms to increase profits enhanced by the raise of private equity funds, hedge funds and institutional investors.

**Question:**

1. ‘Globalisation is solely responsible for the trend in the share of wages as a proportion of GDP’.

To what extent do you agree with this statement? Use the information provided and your own knowledge in your answer.

[15]

**SECTION C**

1. Assess the view that the main cause of globalisation is the increased significance of transnational companies.

[25]

1. To what extent do the costs of globalisation outweigh the benefits?

[25]

**Question:** 1 or 2

|  |
| --- |
| **Planning Grid: Aim = 5 paragraphs - 2 KAA points (16); 2 Eval points (9) with a conclusion**  |
| **KAA Point 1 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 1 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |
| **KAA Point 2 = signpost key point** |  |
| Application |  |
| Main concept & diagram |  |
| **Eval Point 2 = relate to your earlier point & re-read the title** |  |
| Context / evidence |  |
| **Conclusion = judgement** |  |
| Context; what does it depend on? |  |

# Research Essay

**Title:**

*Examine the significance of the factors which have contributed to increased globalisation in recent years*

**Structure**

* *At least three points of convincing analysis*
* *At leasthree pieces of evaluation*
* *A justified and applied conclusion, in which you make a judgement regarding the significance of the most important points of your essay.*

**Rules:**

* Type your essay on computer and add any diagrams by hand (don’t just copy and paste images from the internet)
* Cite your sources in a Bibliography at the end of your essay (I don’t care if you use Wikipedia, it is normally very good)
* 1500-word approximate word count (A bit either side is fine, within reason)

**Sources**

Start with the basic notes, then read around the topic of globalisation using the following websites:

<http://news.bbc.co.uk/1/hi/in_depth/business/2007/globalisation/default.stm> - BBC guide on globalisation

<http://news.bbc.co.uk/1/hi/special_report/1999/02/99/e-cyclopedia/711906.stm> - A BBC guide to globalisation and what it is all about

[http://www.guardian.co.uk/globalisation/story/0,7369,823274,00.html](http://www.guardian.co.uk/globalisation/story/0%2C7369%2C823274%2C00.html) – Simon Jeffery on the origins and meaning of the term ‘globalisation’

<http://www.johnpilger.com/page.asp?partid=12> – You should research this website extensively, browsing all the links on the ‘Globalisation’ menu on the left of the screen (Global economy, Liberalisation, etc). Some links will be more relevant and useful than others – nonetheless, research all of them as they will give you good insight and background knowledge on this topic

[http://www1.worldbank.org/economicpolicy/globalisation/index.html](http://www1.worldbank.org/economicpolicy/globalization/index.html) - This is the World Bank’s Globalisation home page. Go to ‘Issue Briefs’ (menu on left side of screen) to download and read ‘What is Globalisation’. You may also want to use the ‘Data and Statistics’ section to access useful data on globalisation indicators

<http://www.atkearney.com/main.taf?p=5,4,1,127,1> – Provides useful data (in PDF format) on key indicators of globalisation. Use this to substantiate your arguments on FDI flows, internet usage, etc

[http://www.guardian.co.uk/globalisation/story/0,,1934890,00.html](http://www.guardian.co.uk/globalisation/story/0%2C%2C1934890%2C00.html) – An interesting article illustrating the volume of goods that can be shipped across the globe with today’s transportation technologies

[http://www.guardian.co.uk/globalisation/story/0,,1759250,00.html](http://www.guardian.co.uk/globalisation/story/0%2C%2C1759250%2C00.html) – Provides some good context on how a Western retailer manufacturers in the third world

[http://www.guardian.co.uk/globalisation/story/0,,1800067,00.html](http://www.guardian.co.uk/globalisation/story/0%2C%2C1800067%2C00.html) – Provides a slightly different view on how MNCs are contributing to the process of globalisation

[http://www.guardian.co.uk/globalisation/story/0,,1862335,00.html](http://www.guardian.co.uk/globalisation/story/0%2C%2C1862335%2C00.html) – Provides some useful data on the global reach of Wal-Mart. See if you can make an ***evaluation*** point out of this