

Challenges of globalization IV

1. When did globalization begin? The O'Rourke-Williamson position

Globalization is described in economic terms: geographical market integration and, specifically, commodity market integration. The advance of market integration is measured in terms of commodity price convergence: the worldwide convergence of the prices of the same commodities. Globalization is said to begin in the early 19th century because commodity price convergence started around the 1820s. In this period, China is viewed as an autarkic economy and is therefore not considered a significant actor in the dynamics of global market forces.

2. When did globalization begin? The Flynn-Giráldez position

Globalization begins with the sustained interaction (in a deep and permanent manner) of all sufficiently populated land masses. The beginning of globalization cannot be ascertained by using exclusively statistical evidence: the identification of the onset of globalization must involve cultural, demographic, ecological, economic, epidemiological, political... evidence. All this evidence points to the beginning of the sixteenth century as the start of the process of geographical connection between the three roughly equal-sized regions that partition the planetary surface: the Pacific Ocean, the Atlantic Ocean plus the Americas, and the Indian Ocean plus Africa and Eurasia. Globalization is a historical process with origins in the 16th century. China's demand has always shaped globalization, its birth included. Europe was not the sole source of the global integration dynamics: European traders acted mainly as intermediaries.

O'Rourke, Kevin.; J. G. Williamson (2004): "Once more: When did globalisation begin?," *European Review of Economic History* 8, 109-117.

Flynn, Dennis O.; Arturo Giráldez (2008): "Born again: Globalization's sixteenth century origins (Asian/global versus European dynamics)," *Pacific Economic Review* 13(3), 359-387.

3. The globalization slowdown thesis (Antimo Verde, 2017)

Presuming that the middle and lower classes are capable of affecting the future of globalization, Verde (2017) claims that globalization will inevitably slow down if the middle classes manage to protect their interests politically. This conclusion follows from the analysis of three questions.

- Which actors would be more interested in limiting the expansion of globalization because they are worse off under globalization? His answer is that middle and lower-middle classes of developed countries (and of some developing countries) are the main losers of globalization. He lists some structural causes for this: skill-biased technological changes; aging; predominance of the financial sector; unfair competition from the developing countries; unfair free trade; delocalization of production activities; diminished role of trade unions; detrimental distributional effects caused by the adoption of national policies forced by the globalization process; globalization itself...
- Which factors would justify an anti-globalization reaction? Immigration, terrorism and rising inequality are presented as non-temporary reasons or problems that would lead the middle classes to oppose and react against globalization.
- How would the losing actors organize an effective reaction against the globalization process? By using their votes to protect their interests: middle and lower classes will elect political parties that propose to adopt anti-globalization national policies. If, as usual, such classes constitute the majority of the electorate, then the political change that will put brakes on globalization seems guaranteed.

Verde, Antimo (2017): *Is globalisation doomed? The economic and political threats to the future of globalisation*, Palgrave Macmillan, Cham, Switzerland.

4. Globalization is 'the great event of our time' (Martin Wolf, 2004, p. ix) and works

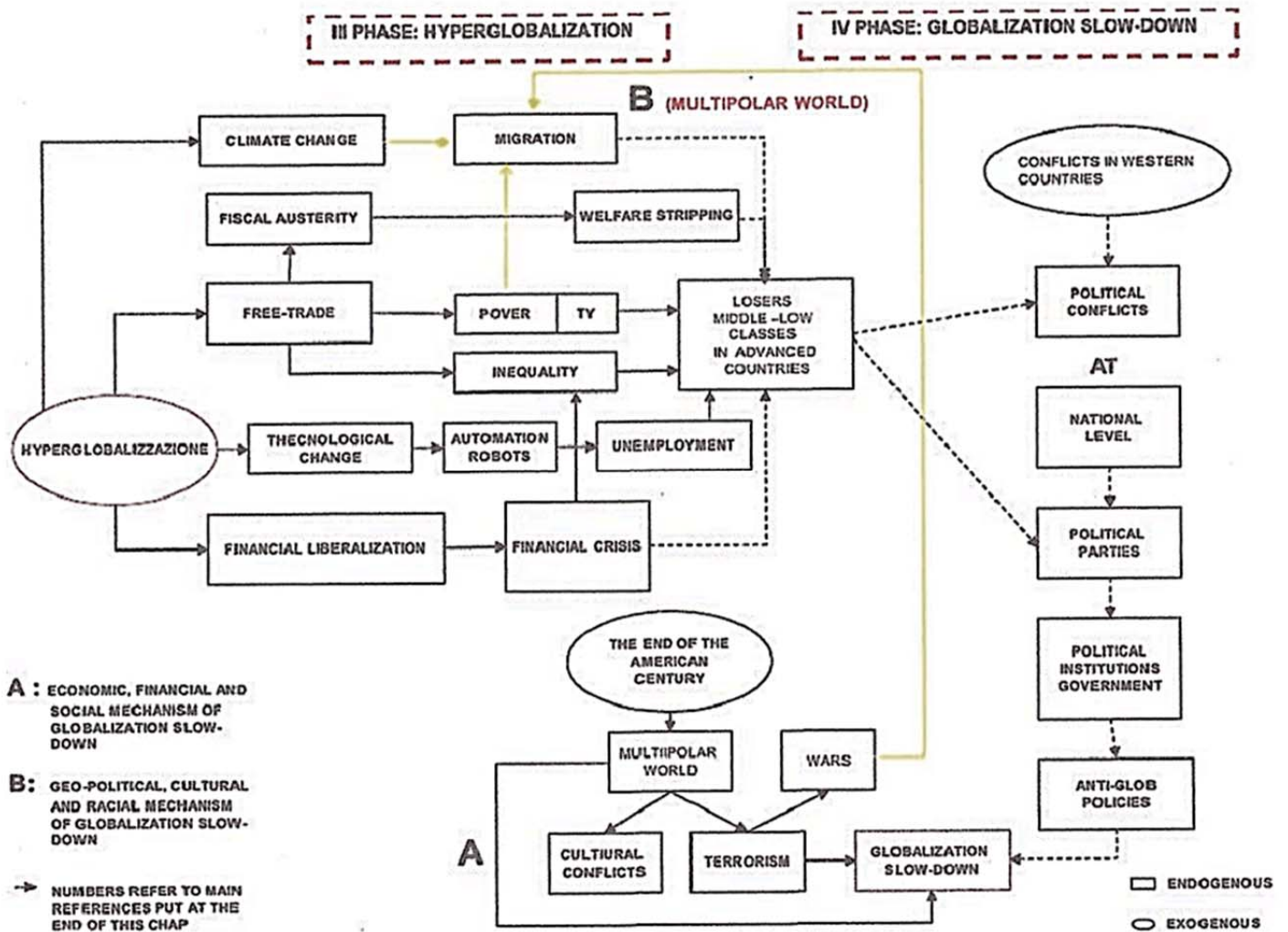
Wolf (2004) offers the conventional arguments in support of liberal market economies: they contribute to prosperity, democracy and personal freedom. He contends that, despite some not so favourable consequences, the world would be worse under alternative economic systems (or at least the systems supported by the critics of liberal market economies). Wolf also remarks that, in some aspects, globalization has not advanced as much as in previous episodes. He consider the biggest failure of current globalization

the insufficient transfer of capital and knowledge to the developing economies. He adds that there is in fact too little globalization:

“the chief obstacle to making the world work better (...) is not its limited economic integration, as critics of economic globalization argue, but its political fragmentation. It is the deep-seated differences in the institutional quality of states that determine the persistence of inequality among individuals across the globe. The big challenge (...) is to reconcile a world divided into states of hugely unequal capacities with exploitation of the opportunities for convergence offered by international economic integration. In short, if we want a better world, we need not a different economics, but better politics.”

(pp. 11-12)

Wolf, Martin (2004): *Why globalization works: The case for the global market economy*, Yale University Press, New Haven and London.



Antimo's (2017, p. x) mechanism of globalization slowdown

5. The paradox of prosperity (Todd G. Buchholz, 2016)

Buchholz suggests the following 'paradox of prosperity': “It is a common and dangerous mistake to think that societies are less vulnerable when they are relatively prosperous (...) even relatively prosperous societies have a tendency to come apart.” He identifies five “potent forces that can shatter even a rich nation: (1) falling birthrates, (2) globalized trade, (3) rising debt loads, (4) eroding work ethics, and (5) the challenge of patriotism in a multicultural country.” As regards (1):

“As countries grow rich, their birthrates fall and the average age of the population climbs. In order to keep up a lofty standard of living, citizens need workers to serve them, whether as neurosurgeons in hospitals, waiters in restaurants, or manicurists in nail salons. This requires an influx of new workers, which means opening up the gates to more immigrants. Unless a country has strong cultural and civic institutions, new immigrants can splinter the dominant culture. Thus countries face either (1)

declining relative wealth or (2) fraying cultural fabric. Prosperous nations cannot enjoy their prosperity without becoming multicultural. But if they become multicultural, they struggle to pursue unified, national goals.”

Buchholz derives the following general rule from his research: the fertility rate falls to 2.5 children per women when GDP grows above 2.5 percent for two generations (some 50 years). A third generation of growth and the rate falls below 2.1.

Buchholz, Todd G. (2016): *The price of prosperity: Why rich nations fail and how to renew them*, Harper, New York.

6. The retreat of the welfare state in the last two decades (Antimo Verde, 2017)

- Dominant explanation? The retreat of the welfare state is a forced adaptation to changing circumstances. Enjoying a welfare state is like living beyond one’s means. The welfare state started to be dismantled once politicians realized the insustainability of the welfare state.
- Alternative view (Giacomo Corneo, 2017): capitalism is inconsistent with the welfare state. Specifically, the capitalist system (= markets + private ownership of the means of production) tends to repel collective welfare systems. The welfare state emerged as a response to the threat of rebellion by industrial workers and lasted thanks to accidental and exceptionally favourable circumstances (world wars, global depression, cold war). Once these circumstances disappear, capitalism returns to normal and its working starts deteriorating the welfare state. If capitalism is not subject to control, the erosion of the welfare state will continue. If the mechanisms endangering the welfare state are not confronted, “capitalism’s friendly mask will keep slipping, revealing its original face. It will return to its default operating mode—as a system in which most people are abandoned to their fates and exposed to the vicissitudes of the market without any protection, and in which there are no limits to economic and social in equality. Implied by this line of thought is a need for constant work to defend the value of the welfare state.” (p. 231)

It is only through politics that the welfare state can be protected against capitalism. Without that protection, the welfare state eventually becomes extinct. In this respect, Corneo (2017, App.) makes a proposal for increasing public ownership of capital (for instance, by generalizing sovereign wealth funds, such as those existing in Alaska, Australia, New Zealand and Norway, and make those funds socially responsible).

“A high level of wealth in equality is a threat to both shared prosperity and democracy. Public capital can play a crucial role in counteracting that threat. It can generate a social dividend for every citizen and it can spur individuals’ participation in their workplaces and the political arena. By doing these things, public capital can break the vicious circle of increasing wealth concentration and political capture, contribute to more equality of opportunity, and reduce the transaction costs of financial investment.” (p. 282)

Corneo, Giacomo (2017): *Is capitalism obsolete? A journey through alternative economic systems*, Harvard University Press, Cambridge, MA.

7. The imprecision of concepts: the Sorites’ paradox

The Sorites’ paradox (paradox of the heap) is an expression of the fact that (a concatenation of) small changes may create a big consequence: does a heap of sand continue to exist after removing a grain? In particular, concepts defined by separating the value of a variable taking values in a continuum are inconsistent. Drawing a line on items that are continuously distributed is an arbitrary choice that masks the danger of inconsistency with the appearance of precision. Lines must be drawn to define concepts but any such line is arbitrary. How much money is sufficient to call an individual rich? How many hairs on a head must be lost to get a bald head? What separates an economic from a non-economic activity (that is, what should be included in the GDP computation)? With respect to globalization, all integration is a matter of degree.

Moore, Basil John (2006): *Shaking the invisible hand: Complexity, choices and critiques*, p 132

8. Dr Bob's Third Law (in honour of Robert Hargrove Montgomery by John F. Weeks)

"You don't need an economist to understand the basic workings of the economy." (Weeks, 2014, p. xi)
Presumably, the first law is "People can rule themselves without kings and queens" and the second one is "People do not need a priest to read the Bible."

John F. Weeks (2014): *Economics of the 1%: How mainstream economics serves the rich, obscures reality and distorts policy*, Anthem Press, London and New York

9. The Olson hypothesis (Mancur Olson, 1984)

The Olson hypothesis holds that political stability, in the long run, is likely to be economically dysfunctional, as it prone to hamper or retard economic performance through the rent-seeking activities of consolidated interest groups. The argument is as follows: (i) in stable societies, the number of collusions and organizations for collective action tend to grow and accumulate; (ii) most of these organizations are distributional coalitions: rent- and self-seeking interest groups; (iii) the activity of these distributional coalitions cause a decline in economic growth by slowing down change and innovation, since these coalitions do not in general welcome the adoption of new technologies nor significant reallocations of resources that may be needed to address economic changes and shocks. Conversely, faster growth could be promoted through shocks to the socio-political order that dismantle powerful interest groups

Olson, Mancur (1984): *The rise and decline of nations: Economic growth, stagflation, and social rigidities.*

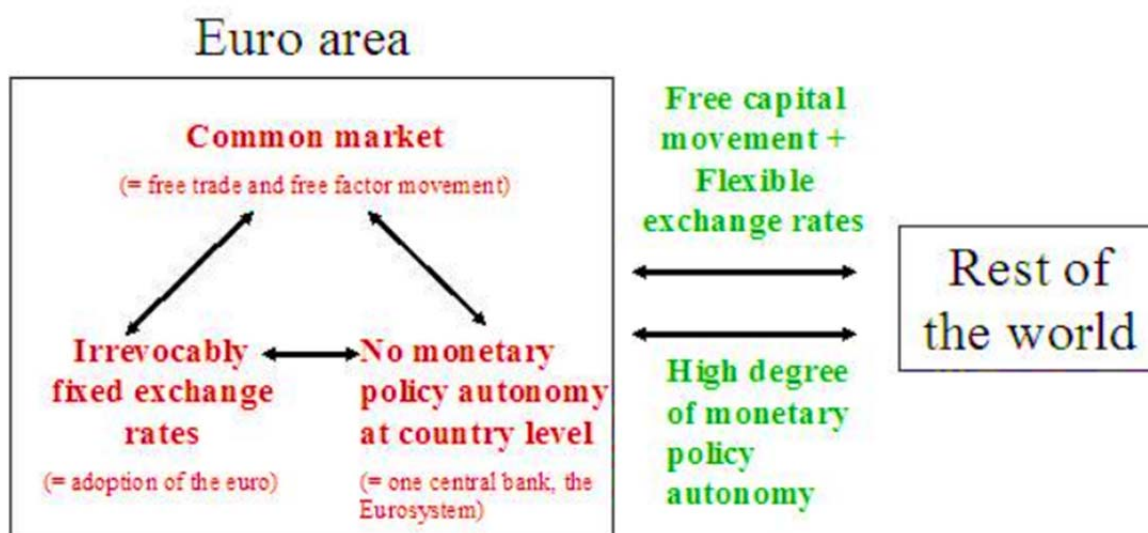
Goldsmith, Arthur A. (1987): "Does political stability hinder economic development? Mancur Olson's theory and the Third World," *Comparative Politics* 19(4), 471-480.

Quiggin, John (1992): "Testing the implications of the Olson Hypothesis," *Economica* 59(235), 261-277.

10. The inconsistent quartet (Tommaso Padoa-Schioppa, 'founding father' of the euro)

The open economy trilemma asserts a financial impossibility: under free international mobility of capital (there is no capital control), if it is not possible for an economy to control at the same time the foreign price of its currency (the nominal exchange rate) and its domestic price (the nominal interest rate).

Tommaso Padoa-Schioppa suggested, in 1982, a variant of the open economy trilemma. In this variant, four apparently desirable goals (the inconsistent quartet, *quartetto inconciliabile*) cannot be simultaneously achieved. According to Padoa-Schioppa, a group of countries (such as the European Union) cannot have free trade, international capital mobility, independent domestic monetary policies and fixed exchange rates.



Bini Smaghi, Lorenzo (2011): "Tommaso Padoa-Schioppa: Economist, policymaker, citizen in search of European unity," Speech given at the European University Institute, Fiesole, 28 January 2011.

<https://www.ecb.europa.eu/press/key/date/2011/html/sp110128.en.html>

11. The devilish dilemma of Big Data (Klous and Wielaard, 2016, p. 40)

“Many Big Data plans face a major dilemma. Companies need more and more data in order to create (social) value to provide the services we require. The more we are willing to share that data, the more they are capable of meeting our needs and thereby creating social value. But many people are strongly against sharing more data. They associate Big Data with Big Brother scenarios, and are worried that companies only want to make as much money as possible from our personal data and that governments don't care about our privacy.”

Klous, Sander; Nart Wielaard (2016): *We are Big Data: The future of the information society*, Atlantis Press.

12. Two scenarios for 2050 (Alexandru Vulpe, 2016)

- Open scenario. The world and its structures are open and continue to facilitate how people are actively involved in their management.
- Closed scenario. There is a differential access to almost everything: powerful players (big corporations, governments) regulate access and participation to organizations and structures

Alexandru Vulpe (2016): “Technology Advancements in 2050 and How the World Will Look Like,” chapter 2 in *Wireless world in 2050 and beyond: A window into the future!*, Ramjee Prasad and Sudhir Dixit (eds.), Springer.

13. The Cassandra effect (Wierzbicki, 2016, p. 3)

The Cassandra effect: the more precise a forecast, the less likely it is believed (“the more precisely somebody forecasts future events, the less credibility is given to such forecast”).

Wierzbicki, Andrzej Piotr (2016): *The future of work in information society: Political-economic arguments*, Springer, Switzerland.

14. A big triad: growth, distribution, stability

The challenges of globalization could be defined in terms of three dimensions.

- Growth dimension. Globalization is an expansionary process. The expansion of globalization unfolds in parallel with the growth, expansion or extension of other phenomena: flow of goods, people, information, practices, technologies, habits... Globalization has proved to be good at growth. Many variables have grown with it: global population, development and well-being, technological progress, material prosperity, energy usage, consumption, impact on the Earth System, speed of transport and communication... The impression is that the success of globalization along this dimension has depended on its connection with the market institution: periods in which international mobility (of goods, capital, people) have been tolerated or stimulated appear to have intensified economic growth and globalization. Globalization itself has grown, as in encompasses or affects more aspects of human and social life.
- Distribution dimension. This refers to how the outcomes of the growth dimension are distributed among people (in this case, those involved in the globalization process). These outcomes could be positive (benefits and gains) or negative (costs and losses). There also a multiplicity of such outcomes, which can be defined in terms of income, wealth, political power, social influence or prestige, knowledge... Regarding distribution, globalization seems to have generated a mixed result: over the long run, its benefits tend to spread; over the short run, they tend to be concentrated. Consequently, globalization is not necessarily good at distribution. An accelerated globalization could create a new dynamics in which the benefits initially shared by a few fail to be more or less evenly distributed among the rest. Without social or political institutions accelerating distribution, the benefactors of globalization may successfully block the extension of its benefits to the general population. In this case, inequality and heterogeneity may be the result of a decentralized (unregulated) globalization. The success of globalization to deliver fair distribution appears then to be related to the capacity of some centralized authority to steer, regulate or control globalization. The need for this authority seems more likely the fastest globalization expands or deepens.
- Stability dimension. This dimension has to do with the conditions necessary for the first and second dimensions to be viable. Concerning globalization, this dimension defines those conditions under which globalization can continue or, at least, be preserved.

(1) Social stability. A breakdown of globalization may occur as a result of insurmountable social or political tensions generated by an unfair distribution. The prospects in this respect do not appear favourable: nothing in past or current globalization processes ensure that social institutions will be developed to handle successfully the distributional problems caused by globalization. Globalization seems to benefit (and favour) mechanisms (like free markets, property rights, monetary profits) that contribute to produce technological progress. Contrariwise, no such mechanism appears to consistently operate to create social institutions conducive to institutional progress (globalization does not need democracy, civil rights and freedoms, social benefits... nor has directly contributed to their creation).

(2) Ecological stability. Destroying the material base of globalization (the environment, its resources and renewal cycles) is the main threat to the continuation of the growth of globalization. Again, globalization is in a precarious position along the stability dimension: though the optimists regard the engine of growth (technology) as the source of solutions for ecological deterioration, the pessimists point to the impossibility of making continued growth sustainable (stable) on a finite environment. Against that limitation there is no technological solution. In parallel, there is the damage already inflicted on the environment, which could be possibly be well beyond repair. Given the characteristics of globalization (growth comes first and above all), it appears very likely that globalization (and civilization, its partner and co-creation) has been the fortunate outcome of exceptionally good conditions provided (but just for a short period of time) by nature. Nature eventually returns to unfavourable conditions. Globalization just helps nature to reach those conditions and, in the process, destroys civilization.

In sum, the great challenge is to ascertain whether there is a form of globalization in which the three dimensions coexist and if, they cannot, if globalization can mutate into a process in which the last two dimensions are sustainable at the expense of the first one: an intensive rather than extensive form of globalization.

15. Stephen Hawking (2018) on the survival of humanity

“I regard it as almost inevitable that either a nuclear confrontation or environmental catastrophe will cripple the Earth at some point in the next 1,000 years which, as geological time goes, is the mere blink of an eye. By then I hope and believe that our ingenious race will have found a way to slip the surly bonds of Earth and will therefore survive the disaster.

(...) I think we are acting with reckless indifference to our future on planet Earth (...) To leave Earth demands a concerted global approach—everyone should join in (...) The technology is almost within our grasp. It is time to explore other solar systems. Spreading out may be the only thing that saves us from ourselves. I am convinced that humans need to leave Earth. If we stay, we risk being annihilated.” (ch. 7)

“When we invented fire, we messed up repeatedly, then invented the fire extinguisher. With more powerful technologies such as nuclear weapons, synthetic biology and strong artificial intelligence, we should instead plan ahead and aim to get things right the first time, because it may be the only chance we will get. Our future is a race between the growing power of our technology and the wisdom with which we use it. Let’s make sure that wisdom wins.” (ch. 9)

“The second development which will impact on the future of humanity is the rise of artificial intelligence (...) But the advent of super-intelligent AI would be either the best or the worst thing ever to happen to humanity. We cannot know if we will be infinitely helped by AI, or ignored by it and sidelined, or conceivably destroyed by it. As an optimist, I believe that we can create AI for the good of the world, that it can work in harmony with us. We simply need to be aware of the dangers, identify them, employ the best possible practice and management and prepare for its consequences well in advance.” (ch. 10)

“I am advocating that all young people should be familiar with and confident around scientific subjects, whatever they choose to do. They need to be scientifically literate, and inspired to engage with developments in science and technology in order to learn more. A world where only a tiny super-elite are capable of understanding advanced science and technology and its applications would be, to my mind, a dangerous and limited one. I seriously doubt whether long-range beneficial projects such as cleaning up the oceans or curing diseases in the developing world would be given priority. Worse, we could find that technology is used against us and that we might have no power to stop it.” (ch. 10)

Hawking, Stephen (2018): “Brief answers to the big questions,” Bantam Books, New York.

16. Do capitalism and globalization endanger the provision of public goods?

“The expansion of the market system encourages individual rationality in each of us, weakening the drive for cooperation (...) However, it is a cooperative attitude which is needed to come to collective decisions which make public goods possible.” (de Grauwe, 2017, p. 51)

The growing interdependence that comes with globalization creates the need to identify and supply public goods, by public authorities, beyond the national level (at the regional and the world level). Two basic examples of these new public goods are a multilateral trade system and global financial stability. Cooperation at the international level is not only needed to provide these goods but also to correct the negative externalities that arise from domestic policies taken without concern for their international repercussions. Lack of cooperation among states replicates at the global level what lack of cooperation among individuals produces at the national market level.

The 2007-08 global financial crisis can be seen as a consequence of the failure to endow a globalized economy with credible global rules, at least regarding international financial relations and macroeconomic policies. Global finance and global trade call for global regulation and global cooperation.

Bini Smaghi, Lorenzo (2011): “Tommaso Padoa-Schioppa: Economist, policymaker, citizen in search of European unity,” Speech given at the European University Institute, Fiesole, 28 January 2011.

de Grauwe, Paul (2017): *The limits of the market: The pendulum between government and market*, Oxford University Press, Oxford, UK.

Sinn, Hans-Werner (2010): *Casino capitalism: How the financial crisis came about and what needs to be done*, Oxford University Press, Oxford, UK

17. Two views on the impact of globalization on world income (Erik S. Reinert, 2004, p. 1)

- Orthodox view (Paul Samuelson). Unrestricted international trade leads to factor-price equalization: the prices paid to the production factors (capital, labour) will tend to converge around similar values around the world. In particular, wages in poor countries should converge to wages in rich countries.
- Heterodox (‘the other canon’) view (Gunnar Myrdal). International trade reinforces existing income differences between richer and poorer economies. In this view, the gains from trade are not symmetrically distributed. For example, economies accumulating more human capital are in better position to attract more physical capital, which will become more productive in those economies and will increase the accumulation of human capital there.

Reinert, Erik S.; ed. (2004): *Globalization, economic development and inequality: An alternative perspective*, Edward Elgar, Cheltenham, UK

18. Two categories of intellectuals (Noam Chomsky, 2016)

- Conformist (technocratic) intellectuals. Those who line up in support of established powers and official aims, and ignore or rationalize official crimes.
- Dissident (value-oriented) intellectuals. Those that condemn the crimes of the powerful, conduct critical analyses of official decisions and actions, and side with the poor and those treated unfairly. They aim to advance the causes of freedom, justice, mercy, peace...

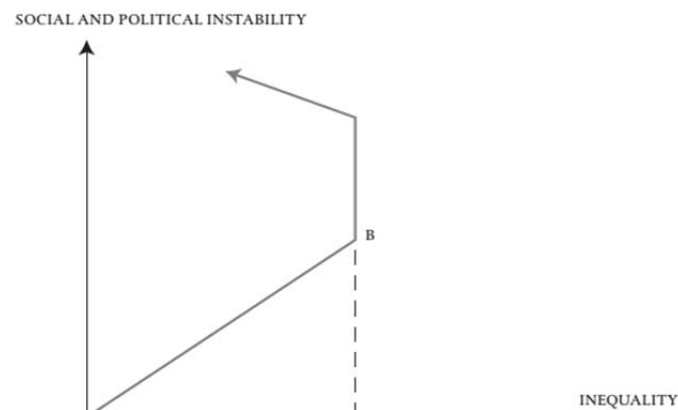
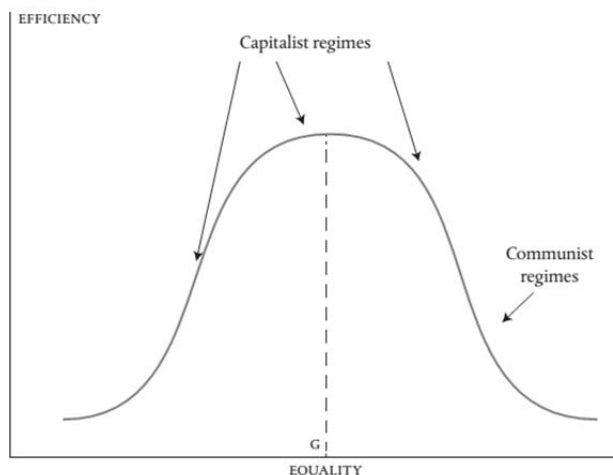
Chomsky, Noam (2016) : “Who rules the world?,” Metropolitan Books, New York.

19. Government vs market: efficiency, equality, stability

The chart below on the left (de Grauwe, 2017, p. 88) shows the presumed link between efficiency and equality. If correct, this link establishes limits to what can be achieved through redistribution policies. “The loss of prosperity can be so great that many people reject the system. This reaction was an important factor in the implosion of communist regimes, which were no longer capable of guaranteeing minimal material prosperity. They had clearly exceeded their limits and were punished.”

The chart below on the right (de Grauwe, 2017, p. 150) shows the presumed link between instability and inequality. “When inequality increases, so does the degree of political and social instability. At B we have reached a tipping point. Great inequality leads to revolution, violently overturning the market system. From

that point on the degree of inequality is dramatically reduced. Such revolutions, however, do not always lead to reduced instability; in fact instability may initially rise, because many conflicting groups attempt to grasp power. In time this tends to lead to consolidation of power in the hands of an authoritarian regime. The cycle can begin again.” (de Grauwe, 2017, p. 149)

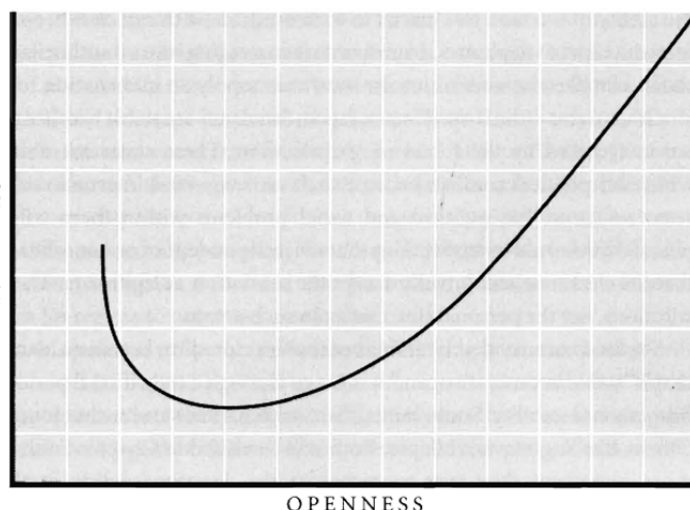


de Grauwe, Paul (2017): *The limits of the market: The pendulum between government and market*, Oxford University Press, Oxford, UK.

20. Ian Bremmer’s (2006) J curve between stability and openness

“Each nation whose level of stability and openness we want to measure appears as a data point on the graph. These data points, taken together, produce a J shape. Nations to the left of the dip in the J are less open; nations to the right are more open. Nations higher on the graph are more stable; those that are lower are less stable.” (Bremmer, 2006, p. 6)

Bremmer, Ian (2006): *The J curve: A new way to understand why nations rise and fall*, Simon & Schuster, New York.



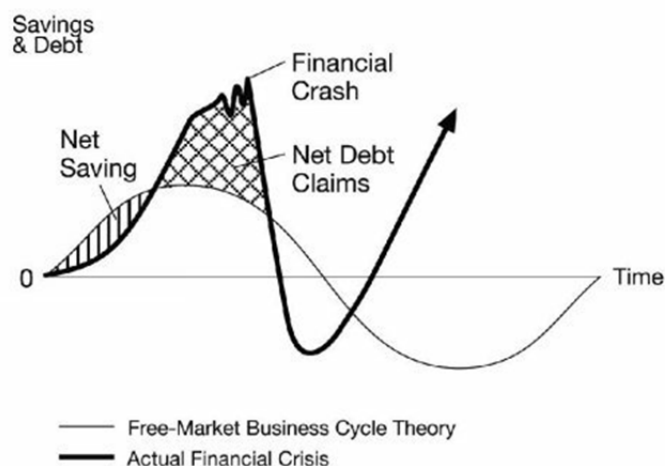
21. Laws of capitalist economies (Michael Hudson)

- “The inexorable tendency of debt to grow beyond the ability to be paid.”
- “There is no way to sustain the rise in debt without killing the economy.”

“Neoliberals say they’re against government, but what they’re really against is democratic government. (...) As Germany’s Wolfgang Schäuble said, ‘democracy doesn’t count.’ Neoliberals want the kind of government that will create gains for the banks, not necessarily for the economy at large. Such governments basically are oligarchic. Once high finance takes over governments as a means of exploiting the 99%, it’s all for active government policy – for itself.”

Hudson, Michael (2017): *J is for junk economics: A guide to reality in an age of deception*, ISLET-Verlag.

Financial Crisis vs. Business Cycle

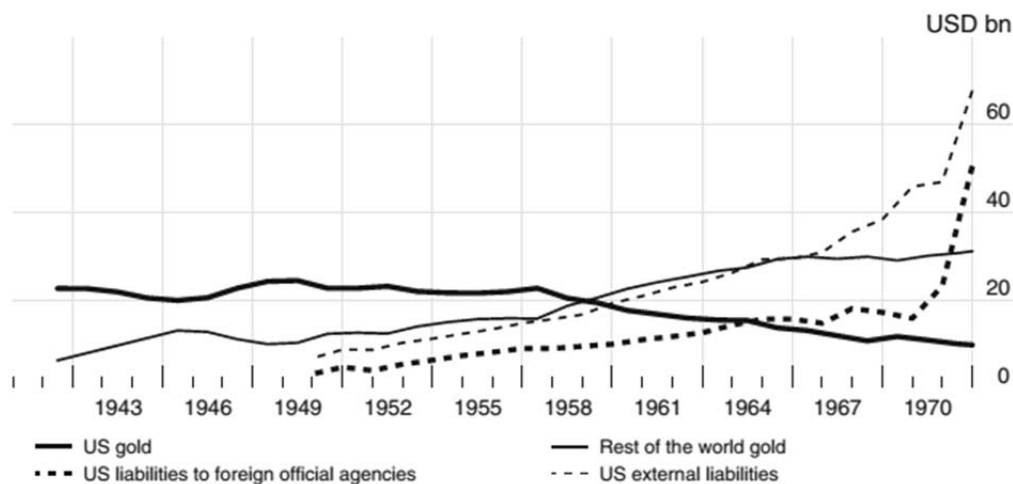


22. The Triffin dilemma (Robert Triffin, 1960)

Triffin predicted the end of the Bretton Woods system, which relied on the credibility of the commitment of the convertibility of dollars into gold. He argued that the system faced a dilemma.

- To meet the international liquidity needs (which were growing with an expansionary world economy), a sufficient amount of dollars should circulate; that is, foreign dollar balances should increase.
- But a large and growing proportion of foreign dollar balances with respect to US gold reserves endangers the credibility of the convertibility commitment.

Hence, if the US international liabilities grow too slowly, global trade is restrained and deflation may ensue; but if the US international liabilities grow too much (to satisfy the demands of a growing international trade), the dollar would lose value against gold and a run on the US gold stock will precipitate the downfall of the system. The chart illustrates how the Bretton Woods system broke down.



23. The safe assets dilemma: A new Triffin dilemma?

The Triffin dilemma was the discovery that the unbalanced growth of certain macrofinancial magnitudes could generate systemic instability. The safe assets dilemma is another instance of the idea of instability fuelled by unsustainable growth. Specifically, the Triffin dilemma highlights the possibility that the global demand for a stock (US international liabilities) would outgrow the US official holdings of another stock (gold). The safe assets dilemma points out another financial trouble: the possibility that the global demand for another stock (US Treasury liabilities) would outgrow a flow (the US GDP, a flow that provides the taxes needed to service the Treasury's debt).

24. The Triffin general dilemma (Tommaso Padoa-Schioppa, 2010)

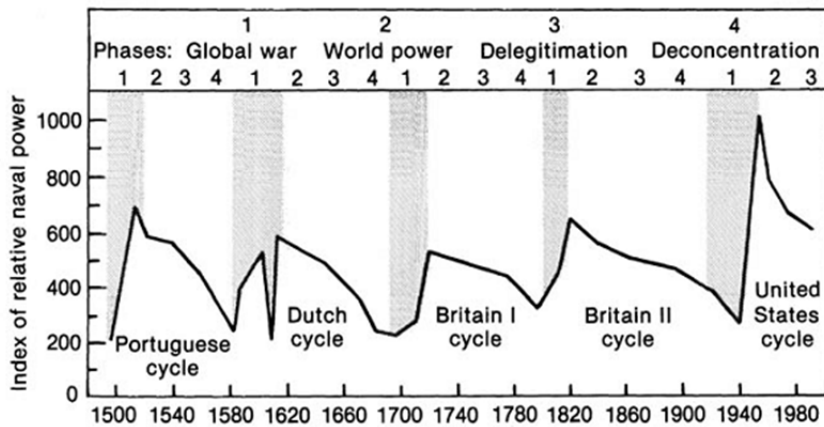
Suggested by Padoa-Schioppa, the 'Triffin general dilemma': "the stability requirements of the system as a whole are inconsistent with the pursuit of economic and monetary policy forged solely on the basis of domestic rationales in all monetary regimes devoid of some form of supranationality." In particular, as during the Bretton Woods era, the US monetary policy strongly influences global monetary conditions; yet, this policy is conducted without taking into account its international repercussions. In general, the US use its privileged economic status to its own advantage, letting the rest bear the costs of the collateral effects the US decisions cause abroad (the global financial crisis, started in mid-2007 in the US, could be a case at hand; the collapse of the Bretton Woods system, another one).

25. Capitalism does not imply democratization

Political authoritarianism has survived in an age of capitalist globalization in part because it has presented itself as guarantor of domestic and international marketization. It is claimed that an oppressive state is needed to conduct the unpopular policies required to response the shock that represents economic liberalization. Globalization appears to strengthen dictatorial regimes and the illiberal policies pursued by democracies. The paradox is that "the more economically liberal a country becomes, the greater its reliance on authoritarianism seems to be across contexts." (Bloom, 2016)

Bloom, Peter (2016): *Authoritarian capitalism in the age of globalization*, Edward Elgar, Cheltenham, UK.

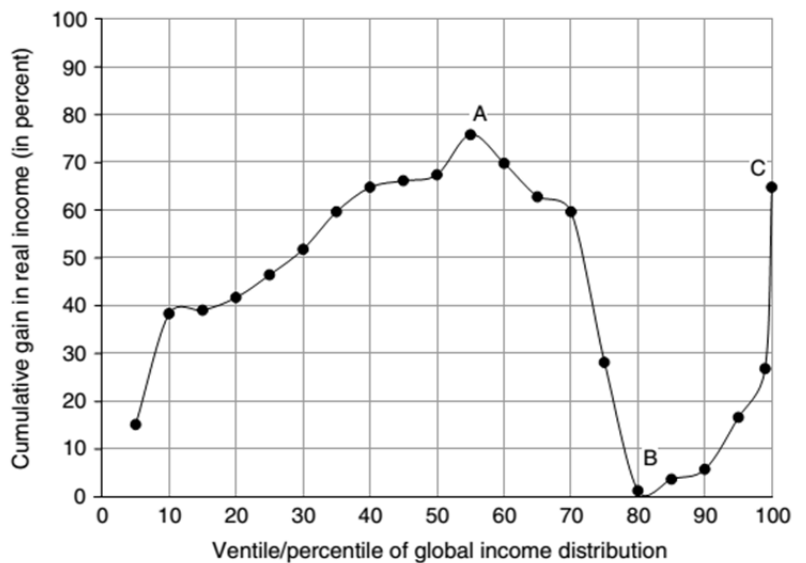
26. Has Western dominance ended?



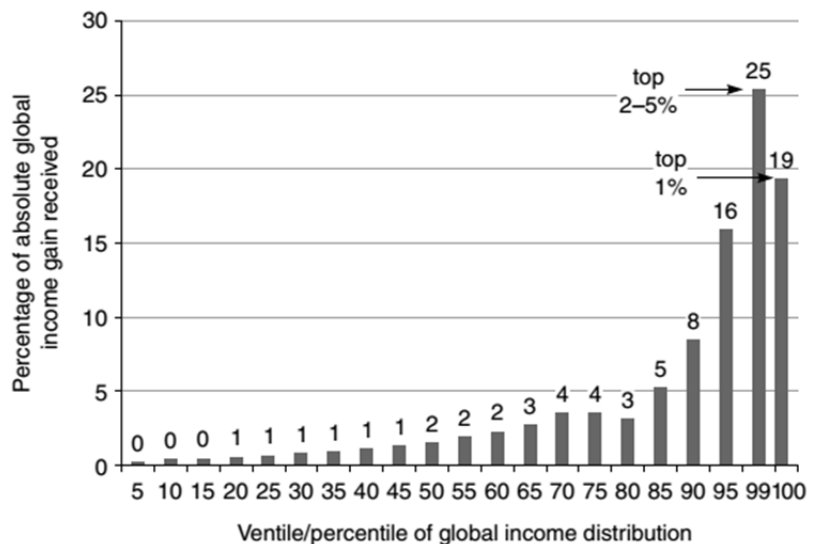
Kupchan, Charles (2012): *No one's world: The West, the Rising Rest, and the coming global turn*, Oxford University Press, New York.

27. The gains from globalization are not evenly distributed: relative gains

The elephant curve on the right shows the percentual gain in real per capita income between 1988 and 2008 (the high globalization period). The horizontal axis ranks people in the world from the poorest (extreme left) to the richest (extreme right). The maximum gain (point A) is near the median (people slightly above the 50th percentile of the global income distribution) and for the richest (the top 1%, point C). The minimum gain (point B) corresponds to the global 80th percentile (most of it in the lower middle class of the rich countries).



- Beneficiaries of globalization (1988-2008). (i) People between the 40th and the 60th percentile (1/5 of the world population). Most members in this group belong to Asian economies (China, India, Thailand, Vietnam,, Indonesia): the emerging global middle class. The Asian poor and middle classes define the great winners of globalization. (ii) The global very rich (the global plutocrats).



- The least benefited from globalization (1988-2008). (i) The global poor (located in non-rich countries). (ii) The global lower middle classes (most of whom live in the rich countries). Thus, the great losers of globalization are the lower middle classes and the poorer segments of the rich world.

28. The gains from globalization are not evenly distributed: absolute gains

The chart just above shows how the total increment in income between 1988 and 2008 has been distributed, by global income level. It indicates that around the 44% of all the gains has been received by the richest 5% of the world population (the top 1% receiving 19% of the income rise). The other beneficiaries of globalization (the emerging global middle class) pocketed only between 2 and 4%.