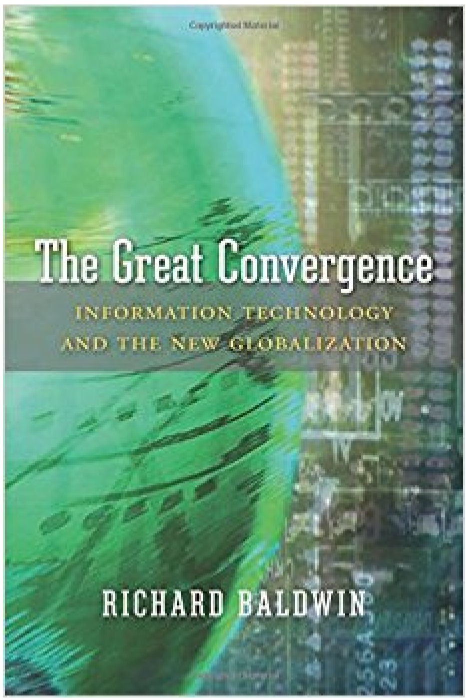
The Great Convergence: Information Technology And The New Globalization



Synopsis

Between 1820 and 1990, the share of world income going to todayÃ¢â ¬â„¢s wealthy nations soared from twenty percent to almost seventy. Since then, that share has plummeted to where it was in 1900. As Richard Baldwin explains, this reversal of fortune reflects a new age of globalization that is drastically different from the old.In the 1800s, globalization leaped forward when steam power and international peace lowered the costs of moving goods across borders. This triggered a self-fueling cycle of industrial agglomeration and growth that propelled todayÃ¢â ¬â„¢s rich nations to dominance. That was the Great Divergence. The new globalization is driven by information technology, which has radically reduced the cost of moving ideas across borders. This has made it practical for multinational firms to move labor-intensive work to developing nations. But to keep the whole manufacturing process in sync, the firms also shipped their marketing, managerial, and technical know-how abroad along with the offshored jobs. The new possibility of combining high tech with low wages propelled the rapid industrialization of a handful of developing nations, the simultaneous deindustrialization of developed nations, and a commodity supercycle that is only now petering out. The result is todayÃ¢â ¬â„¢s Great Convergence.Because globalization is now driven by fast-paced technological change and the fragmentation of production, its impact is more sudden, more selective, more unpredictable, and more uncontrollable. As The Great Convergence shows, the new globalization presents rich and developing nations alike with unprecedented policy challenges in their efforts to maintain reliable growth and social cohesion.

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Customer Reviews

[An] excellent bookÃ¢â ¬Â|BaldwinÃ¢â ¬â„¢s work seems likely to become a standard, perhaps indispensable, guide to understanding how globalization has got us here and where it is likely to take us next. There can be few more vital subjects today that will benefit from this sort of clear and comprehensive exposition. (Alan Beattie Financial Times 2016-11-24)Will surprise and illumine. (Paul Collier Times Literary Supplement 2016-11-23)There is much in this book to ponder. (Tyler Cowen Marginal Revolution 2016-11-24)In this brilliant book, Baldwin has succeeded in saying something both new and true about globalization. (Martin Wolf Financial Times 2016-12-02)Sheds a bright light on the nature of trade in todayÃ¢â ¬â„¢s eraÃ¢â ¬â ¢the Ã¢â ¬Ëœsecond globalizationÃ¢â ¬â„¢ since the industrial revolution. (Martin Wolf Financial Times 2016-11-23)BaldwinÃ¢â ¬â„¢s work is fascinatingÃ¢â ¬Â|The Great Convergence is set to become a canonical text within the field. (The Bookbag 2016-11-01)If the corrosive events of the [presidential election] in America are anything to go by, economist Richard Baldwin is absolutely, stunningly (yet unfortunately) correct. That said, this book does endeavor to change the way we think about globalizationÃ¢â ¬â ¢rather than the future of humanity. (David Marx David Marx Book Reviews 2016-11-14)The Great Convergence offers a compelling framework for thinking about how trade is organized and why and how it benefits whomÃ¢â ¬Â|I canÃ¢â ¬â„¢t imagine a better and more accessible analysis of trade and globalization in the digital era. (Diane Coyle Enlightened Economist 2016-11-01)In this meaty treatise, Baldwin argues that weÃ¢â ¬â„¢re in the process of a major shift in world economics and economic policy needs to be adjusted accordinglyÃ¢â ¬Â|Baldwin has put together an intriguing and compelling case. (Publishers Weekly (starred review) 2016-09-16)The Great Convergence is important and accessible in equal measure, with a balance between examples presented as stories and analytics set out with clarity and verve. (Paul Collier, University of Oxford)Many books deal with various features of globalization. Only BaldwinÃ¢â ¬â„¢s deals with the logic of globalization. Globalization happens when the movement of goods, knowledge, and people is technologically possible and cheap enough to encompass the entire world. The first globalization was built on the movement of goods, the one we live today on the movement of knowledge and information, the next one will be built on the movement of people. It is a must-read for those who want to learn about the past and to peer into the future. (Branko Milanovic, City University of New York)This important book should change the way we think about globalization. There have been two big globalization booms over the past two centuries. The first caused divergence between rich and poor nations while the second, since the 1970s, has caused convergence. With elegance, economist Richard Baldwin tells us why. (Jeffrey G. Williamson, Harvard University)The first part of this book offers a breathtaking overview of the four phases of globalization that Baldwin argues have taken place during the past 200,000 years. (G. John Ikenberry Foreign Affairs 2017-01-01)In this congenial volume, [Baldwin] adroitly covers 200,000 years of human trading practices, deploying insights from archaeology, anthropology, climate science, economic history, political science, development studies and other disciplines as he goes. He takes us on a journey from the ancient world to the 21st century, and from the global North to the developing South, in order to set the scene for the past 25 years of globalization. (Juliet Webster Times Higher Education 2017-01-05)The Great Convergence is an important text, because it argues for a change in the way we think about and deal with globalization. Baldwin disaggregates the monolithic, undifferentiated approach that considers globalization as a single phenomenon. Rather, the author argues that there are three major strands of globalization, and that these strands have been predominant during successive historical periods. First, globalization consisted of the movement of goods, then the movement of ideas/information, and, Baldwin posits, in the future the movement and enhanced functionality of people. Viewing globalization through this lens, supported by clear and lucid historical analysis, BaldwinÃ¢â ¬â„¢s view will cause the reader to think differently about trade agreement, government policy, the future of work, and other economic and political issues. This spirited thesis is presented with clarity in lucid and thoughtful prose that is accessible to all readers. (S. A. Schulman Choice 2017-03-01)ItÃ¢â ¬â„¢s a very powerful description of the newest phase of globalization. (Larry Summers Five Books 2017-02-20)[Baldwin] doesnÃ¢â ¬â„¢t simply deliver an excellent summary of the history of globalization with The Great Convergence. He also describes how it has changed over the last century, and how thanks to the digital revolution we stand on the threshold of a new age in the evolution of the global economyÃ¢â ¬Â¦Picking up BaldwinÃ¢â ¬â„¢s book is like stepping into an economic time machine. How did the west become the dominant economic center of the world in just two centuries, generating 70 percent of global economic output? Why did this trend start to change around 1990? And why are supply chains, not national borders, the deciding factors for globalization today? Only after these questions are answered can Donald TrumpÃ¢â ¬â„¢s protectionist counterrevolution be unmasked as the illusion it is. Baldwin delivers these answers, and argues them convincingly. (Torsten Riecke Handelsblatt Global 2017-03-09)Offers a valuable summary of how we got to where we are now. ItÃ¢â ¬â„¢s a narrative that bears retelling. (Jane Humphries Times Literary Supplement 2017-04-21)

Richard Baldwin is Professor of International Economics at the Graduate Institute, Geneva, and President of the Centre for Economic Policy Research (CEPR), London.

A highly original work on the subject.

This is a very thoughtful, focused book. It takes complex topics and carefully explains them.

A serious application of current macro economic theory to modern realities of international trade and economic development. This is an update and amplification of Ricardo’s thoughts on comparative advantage. Maybe not a perfect explanation for everything going in world wide economic developments but a very logical and comprehensive presentation.

The best contemporary book on globalization.Beautifully organized, clearly written, and meticulously documented. A tour-de-force.

This book provides a very imaginative and believable synthesis about the patterns of past and future globalization, from a trade economistÃƒÂ¢Ã â ¬Ã â„¢s viewpoint. While generally favorable about globalized trade, the author (RB) doesnÃƒÂ¢Ã â ¬Ã â„¢t pretend that trade always benefits everyone ÃƒÂ¢Ã â ¬Ã â • rather, he reminds us more than once that there are winners and losers, though it isnÃƒÂ¢Ã â ¬Ã â„¢t always obvious in advance who these will be. His conclusion sets forth an original, chilling and utterly plausible conjecture about the role of AI and robotics in the next phase of globalization. The text includes many aids to make things clear for the hurried or impatient reader, such as diagrams with extended captions, and text boxes with chapter summaries. I was disappointed by the way several important issues are ignored, including the impact of globalized trade on within-country inequality (particularly within G7 countries), and the social/political impact of globalization, both on domestic politics and as a national security matter. Nonetheless, this book provides a useful point of departure for thinking about how globalization works and how it may further affect our lives in the not-so-distant future.1. The bookÃƒÂ¢Ã â ¬Ã â„¢s basic idea is simple. RB posits that there are three types of costs that create barriers to export-type trade: the cost of moving goods, the cost of moving knowledge and information, and the cost of moving people for face-to-face interaction. As each type of cost gets cheaper, a new type of globalization emerges. (I distinguish export-type trade because, as RB points out, before the mercantilist 17th Century or so, the main objective of trade was quite different: it was to import scarce and useful stuff, with exports mainly seen as a method of payment in kind for imports.)The first wave of globalization occurred when shipping costs for goods went down. This was the Ricardo-type

ÃƒÂ¢Ã â ¬Ã Å“make here/sell thereÃƒÂ¢Ã â ¬Ã Â• (MHST) sort of trade, which continues to be most politiciansÃƒÂ¢Ã â ¬Ã â„¢ idea of what trade is about. Some developing countries, most notably Japan and to some extent Korea, were able to become wealthy under this type of trade regime, using what a Japanese academic dubbed the ÃƒÂ¢Ã â ¬Ã Å“flying geeseÃƒÂ¢Ã â ¬Ã Â• strategy, progressively entering more and more sophisticated types of production ÃƒÂ¢Ã â ¬Ã â • and abandoning the older types of production as one does so.Shortly before 1990, the second wave of globalization began in earnest, when ICT helped to bring down the cost of transferring knowledge and information. From that time, those commodities began to flow from the wealthy countries of the ÃƒÂ¢Ã â ¬Ã Å“NorthÃƒÂ¢Ã â ¬Ã Â• to the developing countries of the ÃƒÂ¢Ã â ¬Ã Å“SouthÃƒÂ¢Ã â ¬Ã Â• ÃƒÂ¢Ã â ¬Ã â • resulting in a precipitous decline in the G7 share of global GDP since 1990 (see graph @2; itÃƒÂ¢Ã â ¬Ã â„¢s this motion toward more even relative GDP shares that is the ÃƒÂ¢Ã â ¬Ã Å“great convergenceÃƒÂ¢Ã â ¬Ã Â• of the bookÃƒÂ¢Ã â ¬Ã â„¢s title).The sort of trade that results is quite different from MHST: New Globalization trade usually involves corporations transferring knowhow about assembly and manufacture of components to affiliates in low labor cost countries. The result is that only some parts of a productÃƒÂ¢Ã â ¬Ã â„¢s value chain might move away from the G7 country that previously had been home to the entire chain ÃƒÂ¢Ã â ¬Ã â • and which parts move away can vary from product to product or from sector to sector.A clear message of the book is that when politicians stick to the MHST mindset and fail to recognize that the New Globalization is different, policy can go wrong. Chapter 9 includes an interesting contrast between the Malaysian and Thai auto industries that illustrates this point. Malaysia tried during the 1990s to assemble and sell completed cars, but its ÃƒÂ¢Ã â ¬Ã Å“flying geeseÃƒÂ¢Ã â ¬Ã Â• mindset was obsolete, and it failed; Thailand embraced the notion of making components only, and today has a thriving industry that is part of Japanese auto makersÃƒÂ¢Ã â ¬Ã â„¢ networks. Similarly, Vietnam has developed expertise in making a component called a wire harness; while initially a supplier to the auto industry, it has been able to branch out to supply the component to additional industries as well.This New Globalization trade hasnÃƒÂ¢Ã â ¬Ã â„¢t benefitted all countries evenly ÃƒÂ¢Ã â ¬Ã â • rather, itÃƒÂ¢Ã â ¬Ã â„¢s preferentially benefitted countries relatively close geographically to G7 countries. This is why East Asia (close to Japan), Mexico (close to US) and Eastern Europe (close to Western Europe) have benefitted more than South America and Africa. (India is exceptional because it has relied to a unique degree on the export of services; perhaps its linguistic proximity to the US ÃƒÂ¢Ã â ¬Ã â • namely, widespread fluency in English ÃƒÂ¢Ã â ¬Ã â • operates analogously to geography.) Despite New GlobalizationÃƒÂ¢Ã â ¬Ã â„¢s benefits to companies with HQ in G7 countries, its impact on G7 countries themselves isnÃƒÂ¢Ã â ¬Ã â„¢t necessarily so rosy: as a graph and accompanying text show (@164-165), it tends to have the worst impact on the middle-skilled workforce in G7 countries. RB doesnÃƒÂ¢Ã â ¬Ã â„¢t ruminate on the political implications of this, though.2. The next wave will be when the cost of moving people for face-to-face interaction comes down. RB interprets this in a more ÃƒÂ¢Ã â ¬Ã Å“virtualÃƒÂ¢Ã â ¬Ã Â• than literal way: telepresence and telerobotics. Both of these technologies exist, but currently are expensive. For example, telerobotics currently allows a surgeon in one country to perform a delicate operation on a patient in a different country. Maybe the most important insight of the book is RBÃƒÂ¢Ã â ¬Ã â„¢s observation that before worrying about AI, we ought to consider the implications of cheap human labor in the developing world remotely operating robots in US or Japanese factories. Unfortunately, this topic is relegated to a brief discussion in the conclusion; I wished it had been the subject of much more elaboration. The social implications of this go beyond the displaced middle-skilled workers of the New Globalization. For example, if surgeons can work globally without ever leaving their home country, will that reduce the incentives for people to become surgeons? After all, why should I invest so many years of time and money to learn the skill and get licensed, if doctors in London, or Mumbai, or Bangkok will do all the interesting and/or lucrative operations in my home city? How many people can afford to gamble on becoming world-class? And if enough people think like me, could there be a shortage of surgeons if my city is hit by an earthquake or other disaster?3. The book suffers somewhat from several typical strains of economist myopia. RB mentions the old joke about how economists say ÃƒÂ¢Ã â ¬Ã Å“Sure it works in practice; but does it work in theory?,ÃƒÂ¢Ã â ¬Ã Â• yet he falls into the same pattern himself with a couple of chapters that attempt to provide a theoretical basis for his observations (Chaps. 6 & 7). Even if the theory ÃƒÂ¢Ã â ¬Ã â • a sort of Rube Goldberg machine cobbled from four different theories, actually ÃƒÂ¢Ã â ¬Ã â • can produce a story that seems to explain the past, there isnÃƒÂ¢Ã â ¬Ã â„¢t any indication that it can predict the future any better than RBÃƒÂ¢Ã â ¬Ã â„¢s simple underlying observation about the three costs. So itÃƒÂ¢Ã â ¬Ã â„¢s not clear that the theoretical digression adds much.The book omits any serious discussion of globalizationÃƒÂ¢Ã â ¬Ã â„¢s impact on within-country inequality ÃƒÂ¢Ã â ¬Ã â • a little surprising in the post-Piketty era. A conventional, simplistic and fallacious connection drawn between GDP and living standards (box @227) could have been avoided had the book paid more attention to within-country distribution of income and wealth.Another commonplace of trade discourse is RBÃƒÂ¢Ã â ¬Ã â„¢s implicit assumption that future will be an era of peace, as evidenced by his recommendation that G7 economies focus on the service aspects of manufacturing rather than manufacturing itself (Chap. 8). If within this century there is conflict between China and the US, or China and Japan, for example, woe betide the country that has to depend on international supply lines to obtain essential manufactures and to feed its population. Preservation of manufacturing and agricultural capacity and know-how are essential to a countryÃƒÂ¢Ã â ¬Ã â„¢s national security, but the question of how to balance security and development is never even mentioned in this book.RB also follows the neoliberal lead of HarvardÃƒÂ¢Ã â ¬Ã â„¢s Ed Glaeser in emphasizing that cities should be the focus of advanced economiesÃƒÂ¢Ã â ¬Ã â„¢ competitiveness policies (which RB characterizes memorably, if a bit disconcertingly, as ÃƒÂ¢Ã â ¬Ã Å“growth policy in sexy underwear,ÃƒÂ¢Ã â ¬Ã Â• @226). I live most of the year in the rural part of a country that has emphasized the growth of two or three metropolitan regions for the past 70 years, and from that perspective such a policy has a lot less to recommend it.4. While the bookÃƒÂ¢Ã â ¬Ã â„¢s substance is definitely macroeconomics rather than management, in tone it seems to aim for a sort of hybrid between an economics book and a business book. Mostly, this works well. The material is more demanding and less chatty than a typical business book, even one from Harvard Business Press; but the prose is clear and is supported by numerous helpful graphs and illustrations. The chapter-end summary boxes err on the side of being repetitious, often starting out with a recap of previous chaptersÃƒÂ¢Ã â ¬Ã â„¢ material as well.The main problem with the hybrid approach is the sourcing. There isnÃƒÂ¢Ã â ¬Ã â„¢t any bibliography, and even endnotes are few and far between, as is more typical of a book for a popular or time-pressured business executive readership. Among those few, some are too vague to be helpful: for example, the endnote hanging off a short quote from Simon Kuznets leads to a citation of a big fat book of KuznetsÃƒÂ¢Ã â ¬Ã â„¢s essays, without any essay title or page reference (@65, 304n4). A few journal articles are mentioned by title and author name within the main text, but the name of the journal or other source isn't supplied. If youÃƒÂ¢Ã â ¬Ã â„¢re the kind of reader who actively uses the cites in your reading material, this book may disappoint your expectations in that regard, especially considering it comes from HarvardÃƒÂ¢Ã â ¬Ã â„¢s main academic press.To conclude: Personally IÃƒÂ¢Ã â ¬Ã â„¢m very skeptical that removing restrictions on international trade is always a good thing for all countries. IÃƒÂ¢Ã â ¬Ã â„¢m also troubled by the idea that we must accept it as inevitable that people on the other side of the globe will someday be operating robots to do jobs that used to employ locals. And since I havenÃƒÂ¢Ã â ¬Ã â„¢t dug around much in global trade statistics myself, part of me wonders on principle whether this bookÃƒÂ¢Ã â ¬Ã â„¢s story is a little too neat. But despite my discomfort with some of this bookÃƒÂ¢Ã â ¬Ã â„¢s assumptions and attitudes, the main story it tells is simple, seems mostly consistent with experience, and provides a perspective for formulating future policies (even if those might be different from what RB would prefer). For those reasons itÃƒÂ¢Ã â ¬Ã â„¢s definitely worth reading if you’re interested in trade or the societal impact of globalization.

Globalization is very topical these days and has become extremely politically charged. The great convergence details the evolution of globalization through human history and in particular the differences between different eras of globalization. The author gives a narrative on the order of human history of how the step from production to consumption has evolved and how each era of globalization has been driven by different factors and how those differences led to different production techniques. The history is interesting but the framing of the latest stage of globalization is what is worth reading more than anything.The book is split into 4 parts. The author begins by giving the history of transformation of human labor into consumption. The author gives an intuitive overview of how self-sufficiency and subsistence living turned into agriculture and specialization. The author discusses how transportation of goods was very costly so trade was minimal despite the growth of cities which facilitated local exchange of specialization. The author then notes how steam and coal led to the decline of transportation costs which was the first major unbundling of production from consumption as production + transportation still led to large efficiency gains and comparative advantage drove development. The most recent stage of globalization the author highlights has been where stages of production have been separated and how supply chains taking advantage of specific comparative advantage has become more pronounced. This last part is the focus of the book.The author moves to discuss the ideas set out in the first part with more depth in particular he focuses on how early stage globalization led to an industrializing "north" against a less capital intensive "south". The author focuses on the conflict between agglomeration benefits and the cost inflation that it creates. The North refers to Europe and North America and the South pretty much everything else. Despite cheaper labor in the south the comparative advantage of a industrialized country final good with ownership of the whole supply change produced cheaper goods net of transportation costs than the South with cheaper labor inputs. As a consequence the industrializing north had the positive feedback of further investment which led to further development and improvement in cost structure as productivity growth was faster than wage growth. The second unbundling which is what we are currently witnessing is far more dynamic and a partial reversal of the first unbundling. As the cost of interaction over space has declined it has allowed for the increasing subcontracting out of parts of the production process. The author discusses how this has been enabled by improvements in trade global governance structures and agreements surrounding property rights and recourse through the courts. The result of the decline in transaction costs of using a supply chain versus relying locally on the whole production process has been revolutionary for global trade. The offshoring of production has enabled the use of cheap labor and elevated intellectual property to drive the most recent leg of globalization which has led to the offshoring of jobs.The author goes through cases of how production know how has been exported to where labor cost advantage is extreme. The examples include Mexico and China. On the other side of this has been the growth of service exports from the "North". The author spends time on policy as well and highlights the difficulties in trying to onshore labor given the global competitive landscape. Many of the examples are framed as situations where the corporate had no choice but to improve cost structure or lose business. As the impact of offshoring of labor is hitting the lower skilled labor pool, the need for safety nets is of great importance as is the need to continue to focus on where comparative advantage exists to drive productivity growth. This area is the trickiest but the author gives some good ideas on what to think about.The great convergence is a good overview of how globalization has enabled the separating of location and time of production and consumption. It gives a human history of this decoupling to give the full context of today versus the past and it is done intuitively. How we deal with the frictions associated with globalization is a fierce topic right now and unlikely to be resolved anytime soon. Despite the social unrest associated with it, the dynamics as to why globalization is occurring and how offshoring has been enabled by the technological world we live in imply the need to rethink policy in an educated fashion is paramount. The great convergence gives a sense of the dynamics and challenges and is very much worth the time.

Needs, and Behavior (Studies in Information) Fundamentals Of Information Systems Security (Information Systems Security & Assurance) - Standalone book (Jones & Bartlett Learning Information Systems Security & Assurance) Ricky Tims' Convergence Quilts: Mysterious, Magical, Easy, and Fun The Universe in a Single Atom: The Convergence of Science and Spirituality Ribbon of Sand: The Amazing Convergence of the Ocean and the Outer Banks Science and Technology Resources: A Guide for Information Professionals and Researchers (Library and Information Science Text) Beginner's Guide to Convergence Chromatography (Waters Series) Convergence: The Redesign of Design (AD Smart) Information Sources in Science and Technology, 3rd Edition (Library and Information Science Text (Paperback)) Information Sources in Science and Technology (Library and Information Science Text) A First Course in Information Theory (Information Technology: Transmission, Processing and Storage)