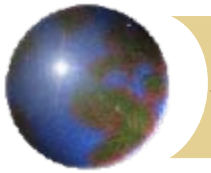


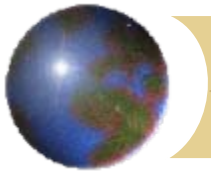
Globalization: An Economic Perspective

Patrick Conway
World View Global Education Leaders' Program
19 June 2007



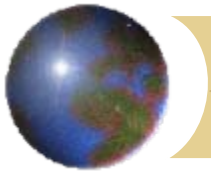
Session Outline

- Globalization: what is it?
- Globalization is Opportunity
- Opportunity means Uncertainty
- Economic Globalization: impact in North Carolina
- False Sightings of Globalization
- “Naming” globalization for our students



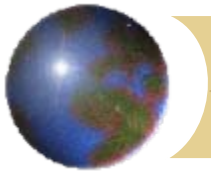
1. Globalization: What is it?

- Globalization can be defined as the increased interconnectedness of peoples and nations through technology, trade and finance.
- This is channeled and reinforced by an increasing number of multilateral institutions and agreements.



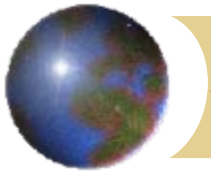
Why is this happening?

- Technological improvements
- Proclivity of governments to reduce policy-related barriers to trade and travel.
- Inability of governments to monitor new communication technologies.



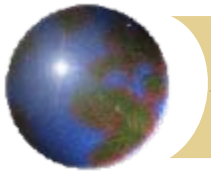
Implications

- More rapid transmission of shocks (viruses) from one country to another.
- More intense competition for local firms (or ideas, or services) with foreign counterparts.
- Gains from winning, or losses from losing, are more extreme.
- For losers, increased need of a safety net.

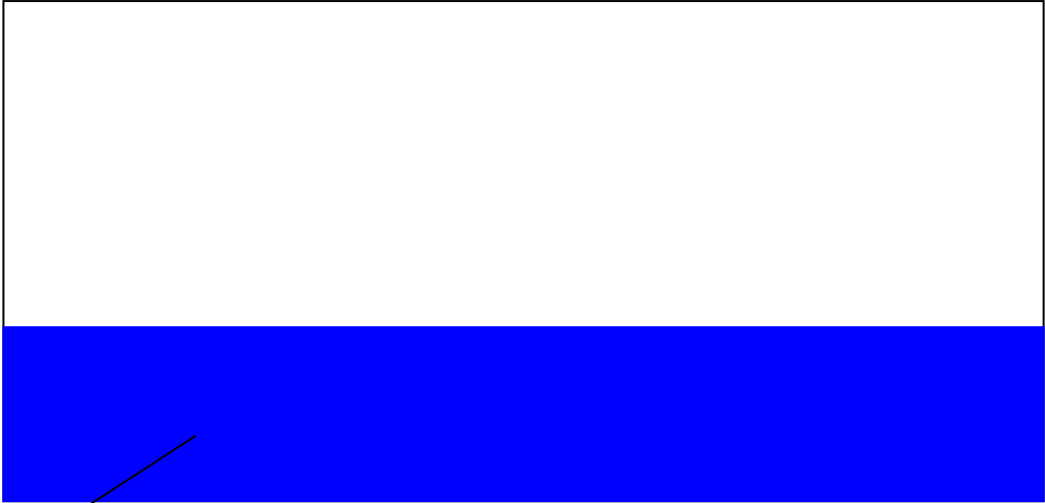


2. *Globalization is ... opportunity*

- Globalization: **an increased opportunity for and reduced cost of transactions and interactions with individuals and firms in (and from) foreign countries.**
- An economic bonanza for consumers – and that's what we all share.
- Where are the 10 fastest growing markets in the world for goods and services?
- Where is a US trademark considered a badge of quality?

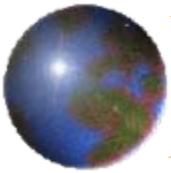


With no globalization, we'd produce everything we consume



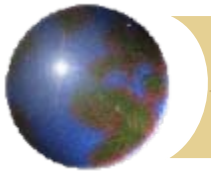
All the goods and services we consume

What we produce (in blue)



As globalization deepens, we consume more but specialize in production





3. *Opportunity means uncertainty*

- Economic security in the US has been eroded in recent years for some.

Economic security: the confidence that the family will receive a stable, living wage not only now but into the future.

- Those losing security are those least able to weather the storm – no wealth.

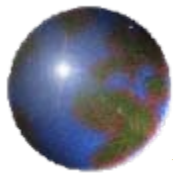
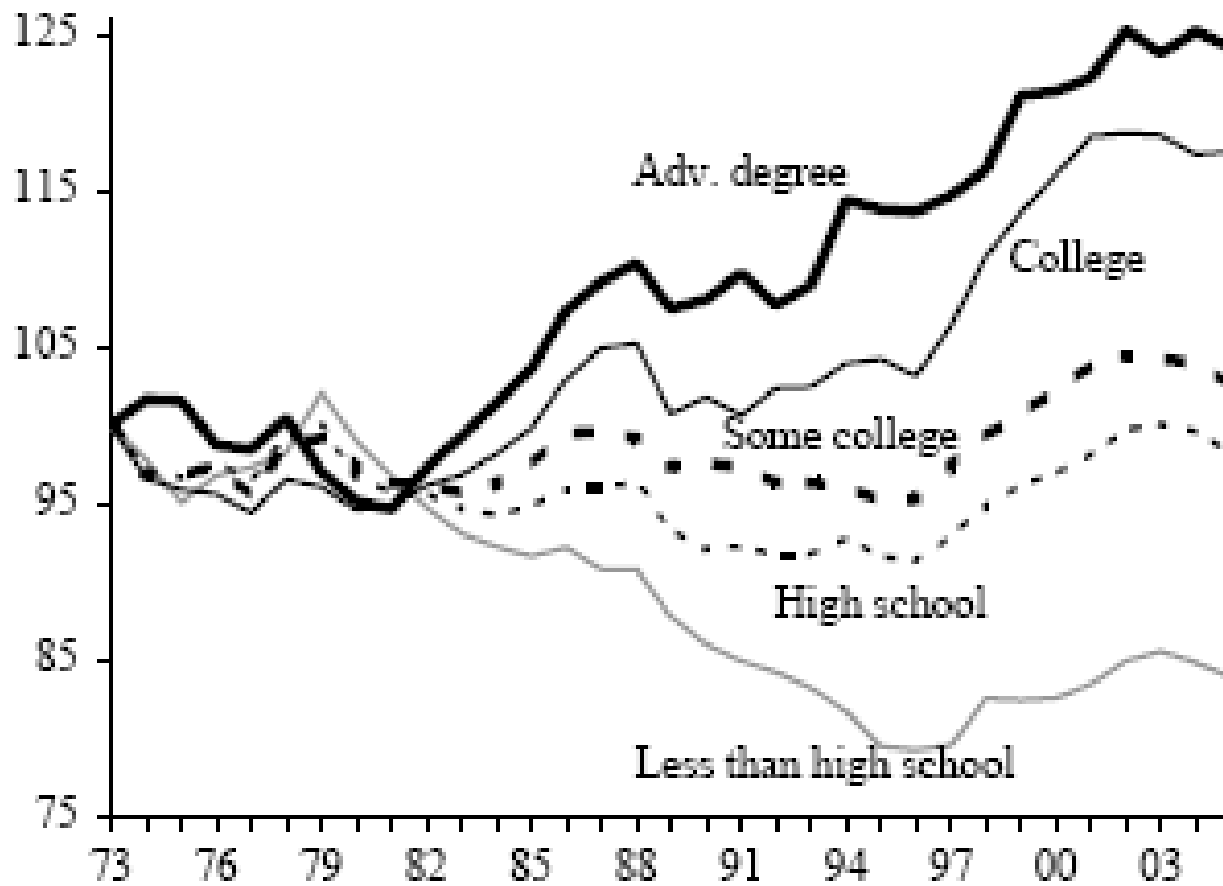
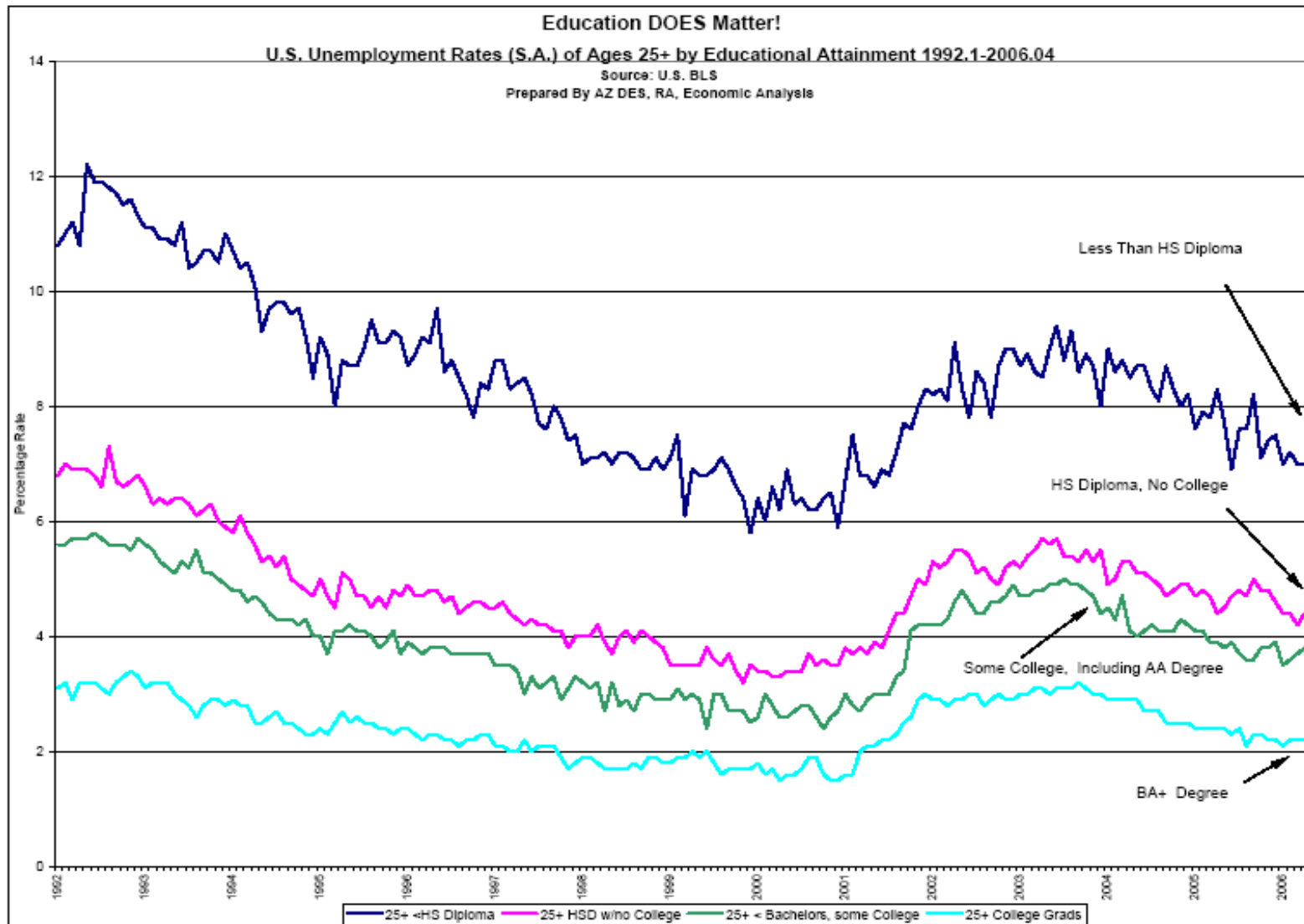
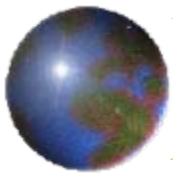


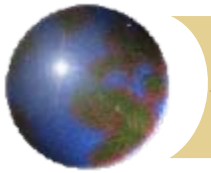
Figure 2: Real hourly wages by education

1973=100



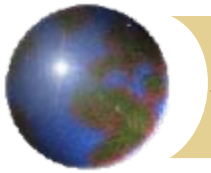
Source: Economic Policy Institute.





Opportunity knocks ...

- Is the education-based difference in wage growth and unemployment due to globalization?
- The other cited explanation: the growth in technology in production.
- Either way – when opportunity knocks, you have to be able to respond.

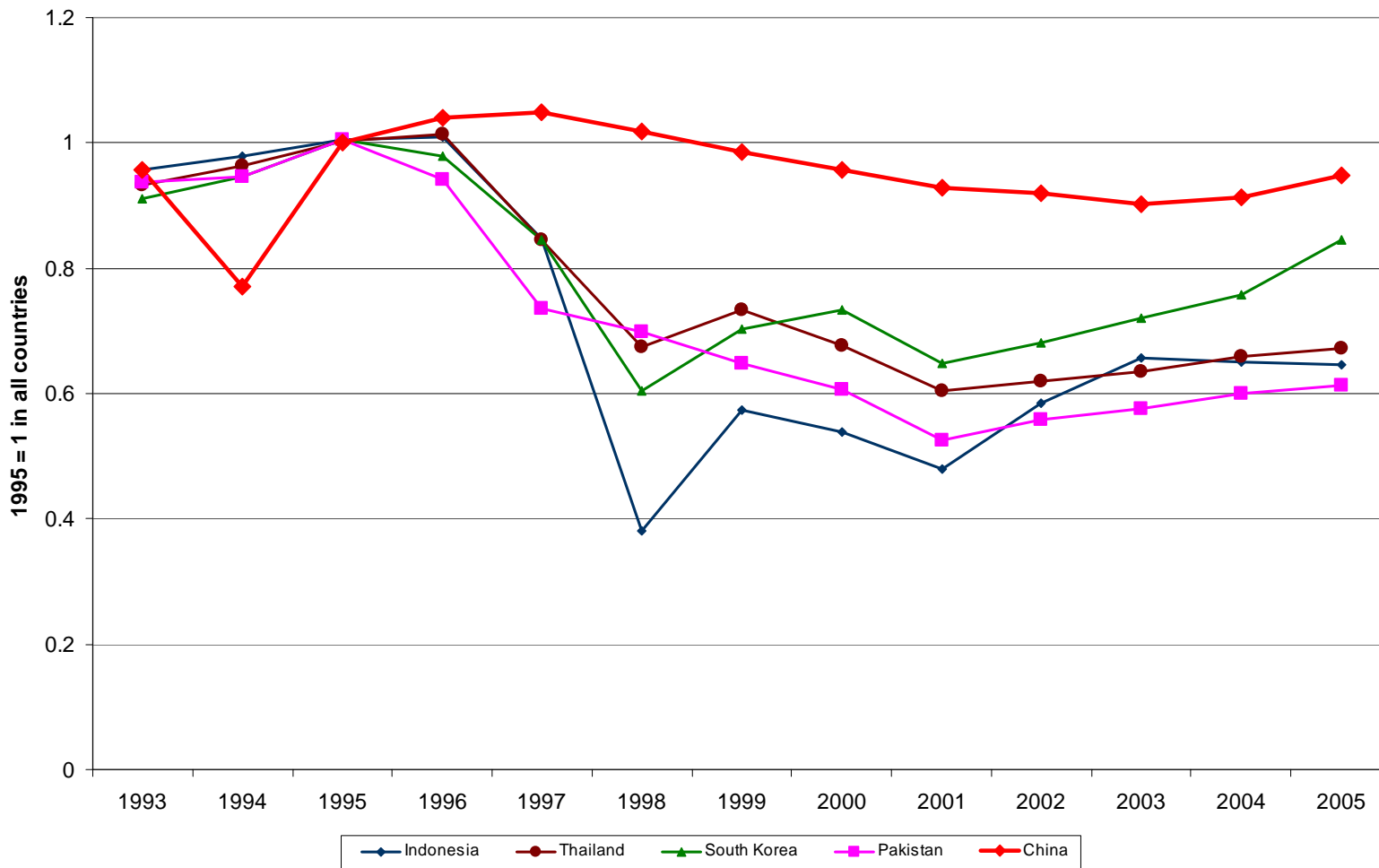


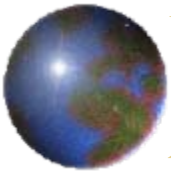
4. Globalization and NC textiles

- Could an Asian financial crisis cause unemployment in North Carolina?
- Could your wages be set in Beijing?

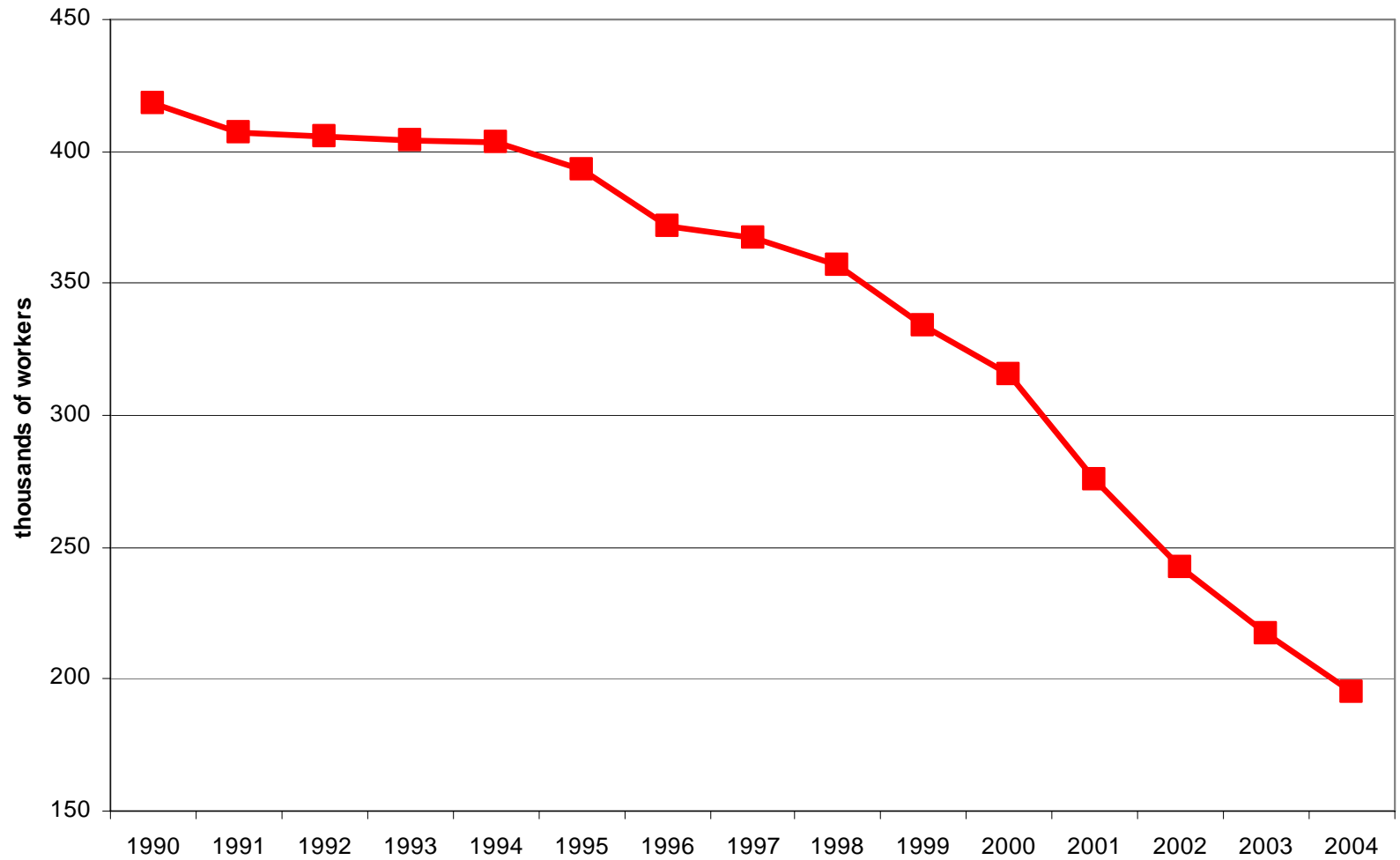


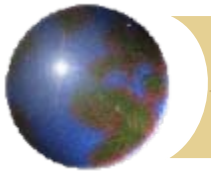
Real Cost of US Imports From Five Asian Textile Exporters





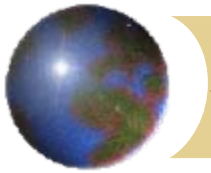
Textiles Employment in North Carolina





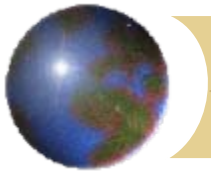
Double Whammy

1. Textiles product from Asian countries enters the country 40 percent cheaper.
2. Apparel producers find it is 40 percent cheaper to produce in Asia. As apparel producers move offshore, textile producers have to pay to ship their product to their customers – while Asian producers do not.



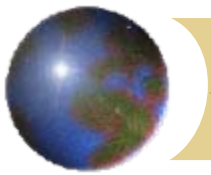
Is this a Bad Thing?

- If you buy clothes, no.
- If you are a textile worker, yes. Either you are
 - Laid off, or
 - Pressured to accept lower wages.
- Should we fight this? No.
- Should we deal with this? Yes.



Pillowtex: remember them?

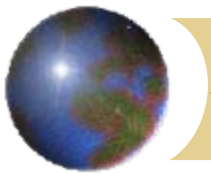
- A textiles firm that had absorbed the remnants of two giants of the field: Cannon and Fieldcrest.
- 30 July 2003: filed for Chapter 11 (for the second time).
 - A total of 7650 workers laid off
 - Of which, 4800 in North Carolina
- Only one problem – it doesn't seem to be due to globalization!



Demographics of Pillowtex

(from surveys)

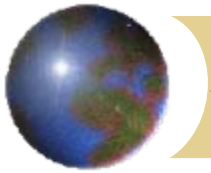
- Completed high school: 40 percent
- Average age: 46
- Average weekly wage: \$458
- Average weekly income support: \$225
- Willing to consider relocation: 30 percent
- Average indebtedness: \$9070
- Behind in rent and mortgage payments by the first week in August: 43 percent
 - Of which: eviction notices 10 percent
- Without health insurance: 93 percent



Evidence from Pillowtex after 6 months

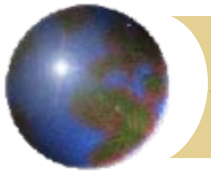
- Total dislocated workers: 4767
 - Of which, covered by TAA 4497
 - Of which, receiving income support 3566
 - Of which, enrolled in training 1368
 - Of which, returned to work 500
 - Of which, definitively retired 431
 - Of which, insured under HCTC 953

- More recently (after 18 months), estimates that 50 percent of dislocated workers went through training.



Lessons from Pillowtex

- Don't blame globalization for Pillowtex's demise.
- The real culprit: the lack of preparation of the workers. They were unready to move on to other jobs.
- How many of the workers from Pillowtex are now working in the Dole health-sciences laboratories?

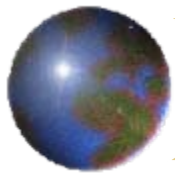


4. *False Sightings of Globalization*

- The major dislocations/job losses associated with recent imports.
 - Trade deficits: a sign of the desirability of foreign borrowing rather than a sign of lost competitiveness.

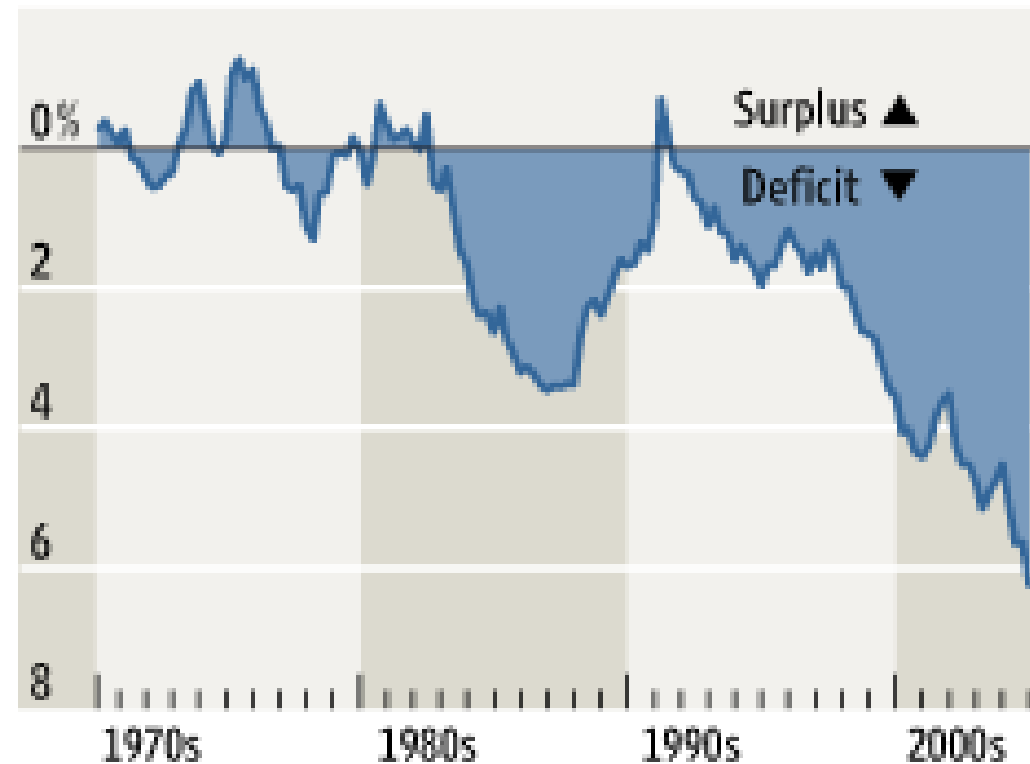
- The WTO telling the US what to do.
 - The US tells itself what to do – the WTO is a structure set up to remind us (and other countries) of our trade commitments.

- Globalization's opportunity is one-sided: foreigners win, but we can't benefit.



Trade Gap Widens

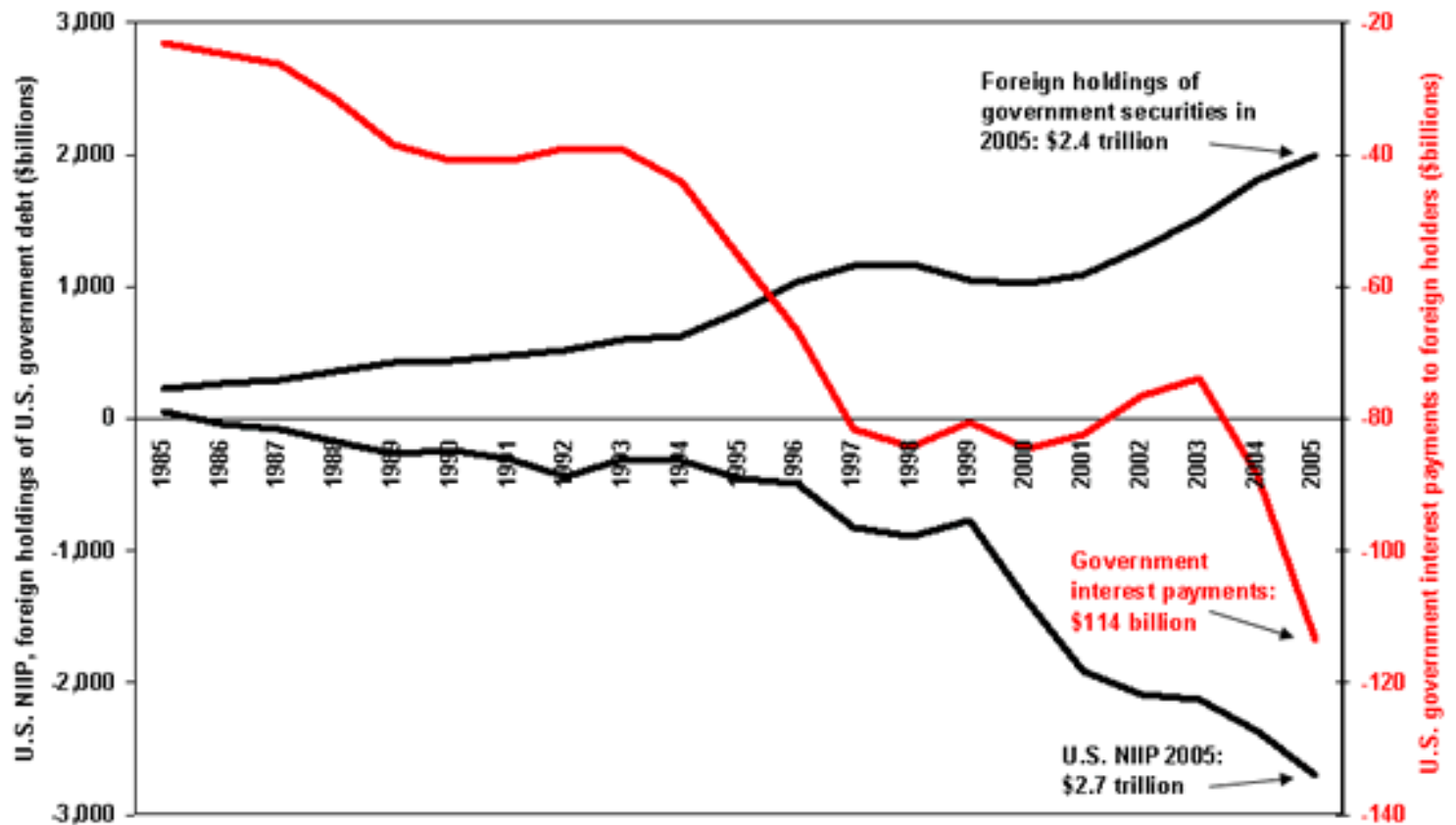
Balance on current account as a percentage of GDP, seasonally adjusted



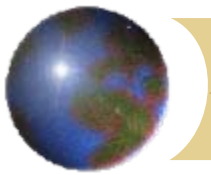
Source: Bureau of Economic Analysis via Haver Analytics



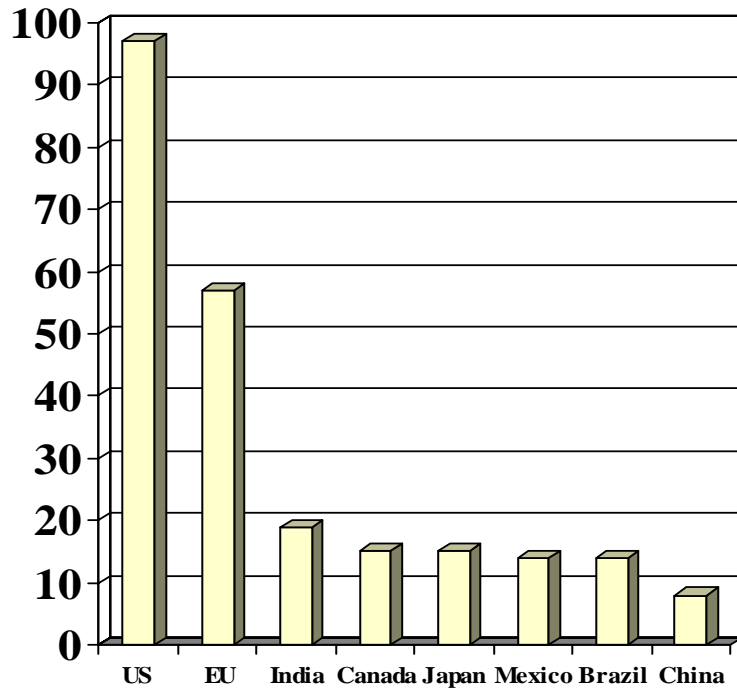
U.S. net international investment position, foreign holdings of U.S. government securities, and government interest payments, 1985 - 2005



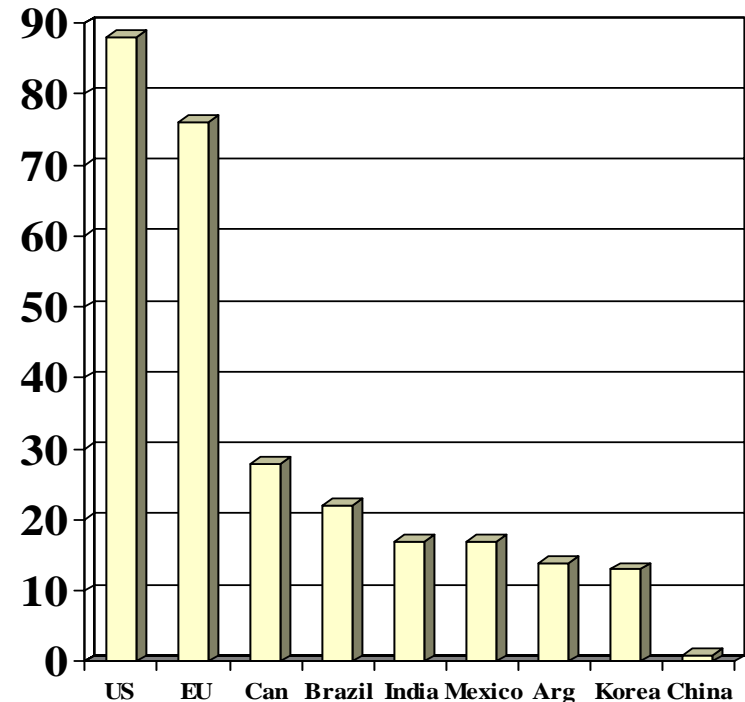
Source: EPI calculations based on data from the Bureau of Economic Analysis, <http://www.bea.gov/>.



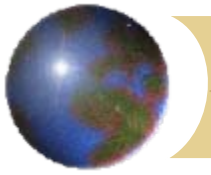
Is the WTO telling the US what to do?



Other country complaints about this country's trade practices



This country's complaints about other countries' trade practices



4. “Naming” globalization for our students

- Globalization = opportunity.
- Opportunities are a fact of life; it’s our job to prepare ourselves (and our students) for them.
- The losses we attribute to globalization mirror the gains we receive. It’s not a one-sided game, but there are winners and losers on both sides.
- Implication of globalization: a need for stronger safety nets.