**Week 7: Global Political Economy & the Dialectics of Globalization**

*Political economy* can be understood in two ways

- **Standard “political economy”**
  - Operation of the market
  - Production, supply, demand, profit, etc.
  - Strategy within the market to profit

- **Structural political economy**
  - Power over & in the market
  - Rules, regulations, laws, charters, influence
  - Strategy for structuring the market to your advantage
Int'l political economy (IPE) vs. Global political economy (GPE)

**International Political Economy**

- National economies are bounded and state regulated
- Market is structured & managed through states and int'l regulation
- Comparative advantage is national
- Trade takes place among national economies and is measured at the border

**Global Political Economy**

- Trans-national economies are blended and regulated in complex ways
- Market is structured & managed by public and private mechanisms
- Comparative advantage is regional
- Trade takes place within and among corporate entities and is difficult to measure
A triggering factor in changes in the organization of political economy is an *industrial revolution*, for example:

- **Shift from foot-powered to water-powered machines for weaving cloth and clothing**
- **Changes in the means of production, or ways in which goods are manufactured**
  - Co-location of machines in factories to take advantage of hydraulic power from streams and rivers
  - **Changes in social relations of production from rural cottage to urban factory floor**
- **Enclosure of commons fields and mass migrations to cities in search of work and income**
  - **Changes in social relations as families, households, and kin networks are reorganized**
There have been three industrial revolutions since 1700s

~1800: Development of water and steam power → Rise of industrial cities and semi-skilled working class

~1900: Development of electrical power → Rise of mass production, mass consumption, “Fordism,” and skilled labor class

~2000: Development of bio-info-nano technologies → Rise of knowledge-based commodification, production, consumption and educated “working class”
Globalization is facilitated by and linked to Industrial Revolutions

Under capitalism, those with funds can privately invest in and control the means of production (technology)

Goods are manufactured by labor in certain ways and locations under the eye of capital, leading to specific social relations of production

Households, families, social relations are organized so as to offer labor for sale and facilitate the survival of the household

But capital is always seeking ways to make and sell new goods, organize production more efficiently, lower costs of materials and labor, increase profit margins
Old and new international/global divisions of labor show this

**Comparative advantage**

**Skilled vs. unskilled labor**

**Raw materials vs. technology**

**Flows of capital & goods**

**Minimize costs, maximize returns on investment**

**Division of “labor”**

**Old int’l div. of labor was production based**

**Find optimal combination of factors of production and country site for maximizing return on investment**

**New int’l div of labor is consumption based**

**Find optimal combination of design skills, assembly sites, tax and social costs, capital investment, shipping and consumption for maximizing return on investment**

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The New Int’l Division of Labor is a concomitant of globalization

- **Compression of space and time**
  - Easier to move long distances and to learn about far away events

- **Increase and acceleration of flows**
  - Growing & more rapid movement of people, goods, bads, capital, pollution across borders & through societies

- **Destruction of old practices and customs**
  - “Churn” eliminates some forms of production and ways of life and forces adaptation to new ones

- **Changes in social orders and their regulation**
  - Management of political economy by separate states no longer feasible; replaced by global corporatism
Today's design-manufacture-shipping-consumption commodity chains are transnational and globalized.

New computer design is shipped to corporate subsidiaries and subcontractors who begin manufacturing process.

Raw materials are carbon- and silicon-based, turned into components in automated plants.

Components are shipped to many different sites for low-skill subassembly.

Subassemblies are shipped to a final assembly plant with higher-skilled workers.

Assembled computer is shipped by air to a distribution center and on to the purchaser.

New computer appears on the desk of a skilled knowledge worker who uses it to design a new computer.
Knowledge can be cheap to “make” and dear to sell

Writing of software requires particular learned programming skills (remember L. Bob Rife!)

Good programmers get paid high salaries (but are much cheaper in India)

Assume that a new version takes 10,000 programmers and costs $100 million

A program like Windows requires thousands of skilled programmers

New software versions are built on the foundation of earlier versions (so you never start from scratch)

At $250 each, 400,000 copies must be sold, but it costs only pennies to make another copy

License to make money!