Effects of Market Integration

No/weak effect

Iverson and Cusack : State spending increases due to unemployment and social dislocation (agree with Garrett on this point), but these are caused by internal structural changes, not globalization

Could be bad:
- unemployment (Kaufman and S-U, implicit in Garrett)
- race to the bottom (Garrett; Kaufman and S-U)
- loss of state autonomy (Garrett)
- societal destruction (Garrett; Katzenstein)

But developed countries can adapt

Katzenstein : small Euro countries centralize negotiation between labor and business; economic cooperation within countries to ensure survival against international economic forces; compensation for those hurt by economic change

Garrett : floating exchange rates allow developed countries to have free capital flows and state autonomy in monetary policy; this last part means that governments can smooth economic ups and downs; also, firms do not necessarily reject all state spending : spending that results in higher human and physical capital stocks can be good for business

Undeveloped countries are hurt, cannot easily adapt

Katzenstein : democratic corporatism works for small Euros because they are not on the periphery and therefore more secure in the face of international economic shocks

Garrett : economic instability in developing countries means that they cannot float their exchange rate; with fixed exchange rates, they do not enjoy monetary policy autonomy, and therefore are not in a position to smooth economic ebbs and flows; nor are they able to run up deficits (from social spending) to the degree that OECD countries can

Kaufman and Segura-Ubiergo : transfers in Latin America are supported by a relatively small group (organized labor and public sector workers); thus, insufficient social force to make governments expand social spending transfers when unemployment climbs due to market integration. governments do, however, seem to spend more on health and education, thus boosting human capital