

Contents

<i>List of Figures</i>	page xi
<i>List of Tables</i>	xv
<i>List of Appendices</i>	xvii
<i>List of Variables</i>	xix
<i>List of Abbreviations</i>	xxiii
<i>Acknowledgments</i>	xxv
1 Introduction	1
1.1 The Public Debate versus the Economics Profession	1
1.1.1 “Ricardo Is Still Right . . .”	1
1.1.2 Perceived and Actual Effects of Globalization	5
1.1.3 The “Kletzer Effect”	7
1.2 A Global Value Chain Approach to Offshoring	10
1.2.1 Globalization and the Economic Crisis of 2008–2009	11
1.2.2 The Governance of Value Chains	16
1.2.3 Re-Embedding the Market	24
1.2.4 An Interdisciplinary Account of Offshoring	29
2 The New Wave of Globalization	33
2.1 Measures of Offshoring	37
2.1.1 The Changing Nature of Trade in Intermediates	37
2.1.2 Trade and Broader Measures of Offshoring	42
2.1.3 U.S. Aggregate Offshoring Intensities	44
2.1.4 U.S. Sectoral Offshoring Intensities	47
2.2 Drivers of the New Wave of Globalization	48
2.3 Trade Crisis and Recovery	54

3	What Role for Comparative Advantage?	59
3.1	Introduction	59
3.2	The Fall and Revival of Comparative Advantage	62
3.2.1	The Fall of Comparative Advantage	63
3.2.2	The New International Economics Backlash	64
3.2.3	The Revival of Comparative Advantage	68
3.2.4	Models of Offshoring in a Comparative Advantage Framework	71
3.3	Limits of Comparative Advantage	79
3.3.1	Conceptual Limits	80
3.3.2	Historical Limits	94
3.3.3	Ethical Limits	98
3.4	Conclusion	100
4	Lead Firm Strategy and Global Value Chain Structure	103
4.1	Trade, Profits, and Investment	104
4.1.1	Cost Markups, the Profit Share, and Offshoring	105
4.1.2	The Persistence of Oligopoly	111
4.1.3	Global Value Chains and Heightened Competition among Suppliers	116
4.2	Endogenous Asymmetry of Market Structure in Global Value Chains	123
4.2.1	Power and the Distribution of Valued Added	123
4.2.2	Sustainability of the Asymmetry	128
4.2.3	What Drives Foreign Direct Investment?	130
4.3	Determinants of Global Value Chain Structure	135
4.3.1	Transactions Cost–Based Theories	135
4.3.2	Resource–Based Theories and the Shift to Core Competence	139
4.3.3	Beyond Transactions Cost Minimization: Global Value Chain Governance Strategies	142
4.4	A Classical Approach to Offshoring	148
4.4.1	Relevance of Ricardo’s Dynamic Gains from Trade	148
4.4.2	Static and Dynamic Gains from Offshoring	152
4.4.3	Conclusion	155
5	Economic Insecurity in the New Wave of Globalization	157
5.1	Economic Insecurity	158
5.2	Varieties of Capitalism and the Burden of Economic Risk	163
5.2.1	Strictness of Employment Legislation versus Labor Support	163

5.2.2	The Burden of Economic Risk	166
5.3	Connections between Globalization and Economic Insecurity	168
5.3.1	Skill-Biased Shifts of Labor Demand	170
5.3.2	Overall Labor Demand	174
5.3.3	Labor Share of Income	176
5.3.4	Displacement from Trade	177
5.3.5	Elasticity of Labor Demand and the Threat Effect	177
5.4	Offshoring and the Labor Market: Econometric Evidence	180
5.4.1	Offshoring and Labor Demand in the United States	180
5.4.2	Offshoring and the Labor Share in the United States	186
5.4.3	Offshoring and the Labor Share: The Role of Labor Market Support	190
5.4.4	Actual and Perceived Effects of Offshoring	204
6	Financialization and the Dynamics of Offshoring	210
6.1	The Shift to Core Competence, Offshoring, and Financialization	212
6.1.1	Decline in Investment	213
6.1.2	Increase in Financialization	214
6.2	Offshoring, Capital Accumulation, and Financialization: Econometric Evidence	223
6.2.1	Offshoring and Capital Accumulation in the United States	223
6.2.2	Offshoring and Financialization in the United States	228
6.3	Sustainability and Replicability of the Globalization-Financialization Link	231
6.3.1	Sustainability	231
6.3.2	Replicability	233
6.4	Conclusion: Interdependence of Globalization and Finance in the Global Crisis	234
7	Economic Development as Industrial Upgrading in Global Value Chains	238
7.1	Vertically-Specialized Industrialization	239
7.1.1	From Import Substitution to Export Orientation to Vertical Specialization	239
7.1.2	Entering Global Value Chains through Export Processing Zones	242
7.2	Economic Upgrading versus Social Upgrading	248
7.2.1	Upgrading Defined and Measured	248

7.2.2	Economic and Social Upgrading at the National Level	253
7.2.3	Economic and Social Upgrading in Global Value Chains	260
7.3	Gender Bias in Industrial Upgrading	273
7.4	Obstacles to Upgrading: Prebisch-Singer Trap for the Twenty-First Century?	278
8	Outsourcing Economics	284
8.1	Global Business and the Polanyian Moment	284
8.2	Trade and Exchange Rate Politics	287
8.3	Profits and the Macroeconomic Imbalances	291
8.4	Capturing the Gains from Globalization	295
8.4.1	Maximizing Dynamic Gains and Reducing Financialization	296
8.4.2	Reducing the Cost of Job Loss and Promoting Innovation	300
8.4.3	Reducing Asymmetries and Increasing Accountability for Social Standards in Global Value Chains	303
8.4.4	Industrial Policy in the Era of Vertically-Specialized Industrialization	306
8.4.5	Alternative Sources of Demand	310
8.5	Capitalism's Explanation System	313
	<i>References</i>	317
	<i>Index</i>	345