

Market integration, market performance and welfare (MAIMAP)

an ESF Scientific Network

Globalisation in its various forms has become one of the most controversial and hotly debated subjects both within political circles and among the wider public. Yet globalisation of labour, capital and commodity markets is not a new phenomenon, neither is it irreversible, as historical analysis shows. The objective of this Network is to learn the lessons of history in assessing the current evolution towards a global economy, with particular focus on the adjustment of local markets to global market forces, the welfare consequences of market integration, the distribution of gains and losses within and among nations as a result of the process, and the politics involved. The Network differs from many past studies in concentrating on the role of information transmission in these processes, rather than transport of raw materials and goods. This is because although falling transport costs were instrumental in creating international trade during the 19th century, ever since the invention of the telegraph, it is information flows that have determined the developments and consequences of market globalisation. The arrival of the Internet coupled with new electronic financial and commodity exchanges will change global markets and the consequences merit further study.

This Network was inspired by work done under an exploratory ESF grant in 1998 for a programme on Commercial networks, transport and transaction costs. The Network extends that programme by focusing on three main topics identified then at its closing conference in 1999. The study of these topics, 'The Political Economy of Globalisation', 'Public Action and the Economics of Famine', and 'Information Technology, Market Performance, and Social Gains from Market Efficiency' will culminate in conferences on each of the three during 2002 and 2003.

The first conference entitled, 'The Political Economy of Globalisation: can the past inform the present?' will be held in Dublin in August 2002. The theme will be that globalisation has advanced and retreated in the past, with a notable backlash against it during the inter-war years of the 1920s and 1930s, showing that the tide of free trade can ebb and flow with changing economic, political and social conditions. This conference will assess the benefits of past globalisation and consider how unevenly these were distributed. The principle benefits spring from economies of scale and falling trading costs, so an attempt will be made to determine which savings really are the result of globalisation and which are unconnected with it.

Among important questions highly relevant to the current situation, and that are likely to be discussed at the conference, are:

- Whether late 19th century globalisation, by increasing instability within local markets, led to government intervention to insure workers against the associated risks.
- What determines whether customs and monetary unions, such as now exist between various member countries of the European Commission, are successful?
- Did past globalisation increase inequality in rich countries (through downward pressure on wages for some unskilled jobs), and lower inequality in poor countries (by increasing the same low wages there through access to richer markets)?

The second conference, 'Public Action and the Economics of Famine', to be held in spring 2003, will bring together economists, demographers and economic historians with an interest in famines to discuss four main themes. The first involves an assessment of the claim that the damage caused by harvest failures can be minimized by free and unrestricted markets. Interregional trade, it has been argued, reduces the vulnerability of the local economy to local shocks. By using historical data this controversial issue will be explored. The second issue relates to how entitlements are affected during famines. Can famines occur despite the fact that there is sufficient food available but when the poor lack means to purchase food? The third theme will consider the politics of famines and alternative means of solving a food and entitlement crisis. Finally the fourth theme will consider long and short term demographic responses to famines.

The third Conference, 'Information Technology, Market Performance and the Social Gains of Market Integration' to be held in Florence in the spring of 2004, will consider the role of information technology on market performance. Improved market integration has normally been ascribed to reduced transport costs but this conference will focus on the changes in information technology. Before the introduction of the telegraph, commodities travelled at about the same speed as information, but modern means of information transmission mean that information now travels by the hour or minute. That has meant a more rapid, almost instantaneous, adjustment of markets. We are interested in getting to grips with the welfare consequences of the technological revolutions in information transmission from the telegraph to Internet. Questions which will be asked: Are there measurable improvements in market efficiency and what are the magnitudes in efficiency gains?

This Network was approved by the ESF Network Group in May 2001 for a three-year period



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The ESF Network scheme is coordinated from the Foundation's Strasbourg headquarters. For further information and application procedures contact:

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