

Index

- Advanced Micro Devices, 102–103
Adverse selection, 123. *See also* Moral hazard
Aetna, 105
Agriculture, 5–7. *See also* Food
Angell, Norman, *The Great Illusion*, 2
Assets, 96
Automation:
 competition and, 86
 employment and, 9, 18–19, 60,
 64–65, 67, 71, 73–74, 162
 of services, 11–12, 16, 18–19
Automobile industry, 79–80, 81, 91, 100–101
Banks, 111–115, 127–129, 131–132, 157,
 177. *See also* International Monetary
 Fund (IMF); World Bank
Barriers to entry, 93–102, 149. *See also*
 Regulations; Tariffs; Trade barriers
Bell Operating Companies, 36–37
Benefits, employee, 75
Blinder, Alan S., 174
Bonds, 95, 122, 150
Branded products, 90–93
Brand loyalty, 96–97, 102–103
Brazil, 116–117
Britain. *See* Great Britain
Businesses, 17–19, 84–86, 90–93, 119–129
Capital accumulation, 33–35
Capital investments:
 access to, 95
 in competitive markets, 89
 by foreign investors, 113–118
 by institutional investors, 120–126
 local information and, 126–129, 162–163
 by local investors, 130–133
 portfolio investments and, 118–119
 profits and, 84–86
 savings and, 129–130, 159–160
Capitalism, 29–31, 47–48
Central banks, 157, 177
China:
 competition with, 56–60, 81–82, 89
 foreign investments and, 113,
 116–117, 149–150
 productivity in, 38–40
 savings rates in, 119, 130, 143
 surpluses in, 143–144, 153–154
 trade barriers in, 24–25
 trade with, 174

- Chlorofluorocarbons (CFCS), 168
- Clean Air Act, 168
- Citicorp, 128–129
- Coca-Cola, 90, 98, 101–102, 103–104
- Commodities, 5–7, 86–92, 145
- Compensation, 75–76, 174–175. *See also*
Wages
- Competition:
automation and, 87–89
barriers to entry and, 93–102
branded products and, 90–93
globalization and, 56–60
market fluctuations and, 84–86
profits and, 80–90
- Competitive advantage:
assets as, 96
brand loyalty as, 96–97, 102–103
cost as, 94–96
demand as, 96–98
economies of scale as, 98–108
information as, 175
technology as, 94, 96, 102–103
- Consumption, 69–71, 143–144, 151, 155–156
- Cooperation, 165–167
- Costs:
brand loyalty and, 97–98
as competitive advantage, 94–96
economies of scale and, 103–104
fixed, 98, 100–101, 103–104
of production, 57–58, 89
profits *versus*, 92
- Countries. *See also* Government(s); specific
countries by name
economic systems of, 29–31, 47–48
exchange rates and, 137–141
foreign investments in, 116
free trade policies of, 51–52
local conditions in, 24–28 (*see also* Local
conditions)
local investments in, 130–133
productivity in, 45–51
regulations in, 49–50 (*see also*
Regulations)
- Crony capitalism, 47–48
- Culture, 48–50
- Currencies. *See also* Exchange rates
competition and, 57–58
devaluation of, 111–116, 141,
143–148, 152–154
foreign investments and, 113–116
IMF and, 157–160
reserve, 135–141, 148–151, 156–160
- Current account deficits and surpluses,
142–151, 153–154, 157–159
- Debt, 113–116, 120–126, 139–140, 149, 176
- Deficits. *See also* Twin deficits
economic balance and, 147–151
interest on, 176
reserve currencies and, 157–158
reversal of, 145–146
SDR reserve allocations and, 159
of United States, 148–156, 176
- Deflation, 137, 157, 158–159
- Demand, 96–98, 138–160. *See also* Markets
- Differentiated manufactures, 5–11, 87–88,
91–92
- Direct investments, foreign, 116–118
- Distance learning, 13–16
- Dividend payments, 114
- Drug trade, 164
- eBay, 99
- Economic growth:
competition and, 80–81
in Europe, 27–28, 45–46
financial market controls and, 131–132
foreign investments and, 113–114
gold standard and, 137
in Japan, 27–28, 46
local conditions and, 25–28, 162
natural resources and, 173–174
- Economic stability, 147–151
- Economic systems, 29–31, 47–48
- Economies of scale, 98–110
- Education, 13–16, 38–39, 71–72
- Efficiency, 35–38, 41–45, 83–84, 86–87
- Employment:
automation and, 9, 18–19, 60, 64–65, 67,
71, 73–74, 162
deficits and, 155
future trends in, 71–74
globalization effects on, 56–60
imports/exports and, 69–71, 140

- international, 68
- in management positions, 62–64, 71–72
- in manufacturing, 56, 66–67, 70–71
- occupational categories of, 62–69
- productivity and, 69–71, 73–74
- in professional services, 62–64, 71–72
- in service industries, 67–68, 72–73
- United States' patterns of, 60–62
- wage trends and, 74–77, 174–175
- Entertainment, 16
- Environmental issues, 167–169
- Environmental Protection Agency, 168, 169
- Epidemics, 165–166
- Equity investments, 122–124, 176
- Europe. *See also* Germany; Great Britain; Russia
 - economic growth in, 27–28, 45–46
 - foreign investments and, 117–118, 150
 - local conditions in, 50
 - profits in, 82
 - surpluses in, 143–144
- Exchange rates, 57, 136–141, 153, 154–155.
 - See also* Currencies
- Expansion, 83–84, 106–107, 128
- Exports, 57–58, 69–71, 139–140, 142–146, 148–150
- Financial institutions, 128, 131–132.
 - See also* Banks
- Financial markets:
 - controls on, 131–132
 - currency devaluation and, 111–113
 - equity investments and, 122–124, 176
 - foreign investments and, 113–118
 - institutional investors and, 120–126
 - local activity in, 133
 - local information and, 163
 - portfolio investments and, 118–119
- Financial services, 17–19
- Financial system, global, 147–151. *See also* Global monetary system
- Fixed costs, 98, 100–101, 103–104
- Fixed exchange rates, 136–138
- Flexible exchange rates, 141, 153, 154–155
- Food, 9–10, 16. *See also* Agriculture; Supermarkets
- Foreign direct investments, 116–118
- Foreign investors:
 - capital investment by, 113–116
 - foreign direct investments and, 116–118
 - local information and, 126–129
 - local investors versus, 130–133
 - portfolio investments by, 118–119
 - reserve currencies and, 137–141
 - United States and, 116–117, 149–151
- Free trade policies, 51–52
- Friedman, Thomas, xvi, 2–3, 11, 14, 56
- Fringe benefits, 75
- General Motors, 91
- Germany, 29, 46, 143–145
- Global cooperation, 165–166
- Global demand, 153–160
- Global economic stability, 147–151
- Global expansion, 83–84, 106–107, 128
- Global financial system, 147–151. *See also* Global monetary system
- Globalization:
 - appearance of, 169–170
 - history of, 1–22
 - impact of, 161–163
 - local conditions *versus*, 24–28
- Global monetary system. *See also* Currencies
 - International Monetary Fund and, 157–160
 - reserve currencies and, 135–141
 - surpluses and, 142–146
 - United States' role in, 151–156
- Global warming, 168
- Gold standard, 136–137
- Goods, 3–11. *See also* Commodities; Differentiated manufactures
- Government(s). *See also* Countries; Regulations; Tariffs; Taxes; Trade barriers; *specific countries by name*
 - currency valuation and, 143–146
 - economic systems of, 29–31, 47–48
 - government services, 17, 48–49
 - inefficiency of, 130
 - productivity and, 43–45
 - regulations, 43–45, 49–50, 93, 168, 173
 - United States', 151–156
- Great Britain, 27, 32, 37–38, 46, 135–141
- Great Illusion, The* (Angell), 2

- Health care, 11–13, 165–166, 172
- Honda, 124, 126
- Housing, 11–19, 127
- HSBC, 128
- Illegal drug trade, 164
- Illegal immigration, 164–165
- Illnesses, 165–166. *See also* Health care
- IMF (International Monetary Fund), 112–113, 141, 157–160
- Imports, 69–71, 113–114, 139–140, 142–146, 148–150
- Income. *See* Wages
- India:
 - competition with, 56–60, 82, 89
 - foreign investments in, 116–117
 - medical tourism in, 172
 - trade barriers in, 25
 - trade with, 174
- Indonesia, 112
- Inflation, 137. *See also* Currencies: devaluation of; Deflation
- Information, 126–129, 162–163, 175
- Infrastructure, 5–6, 16–17
- Institutional investors, 120–126
- Intel, 102–103, 106–107, 124–125
- Interest, 114–115, 139, 140, 176
- International employment, 68
- International Monetary Fund. *See* IMF
- International trade. *See* Trade
- Internet, 20–21, 169–170
- Investors/investments. *See* Capital investments; Foreign investors
- Japan:
 - competition with, 58–59
 - economic growth of, 27–28, 46
 - profits in, 82
 - surpluses in, 142–143, 153–154
- Jobs. *See* Employment
- JP Morgan Chase, 128–129
- Keynes, John Maynard, 135–136, 141–142, 146, 155–158, 163
- Korea, 111–113, 145–146
- Kyoto Accord, 167–168
- Labor force:
 - competition and, 56–60
 - future of, 71–74
 - growth of, 74–75
 - occupational categories of, 62–69
 - productivity and, 33–38
 - in United States, 61–62
- Labor hoarding, 43
- Life expectancies, 29–30
- Loans, 113–116. *See also* Debt
- Local conditions:
 - economic growth and, 25–28, 162
 - environmental issues and, 169
 - globalization and, 24–28
 - illegal cross-border movements and, 164–165
 - manufacturing and, 31–33, 109–110
 - productivity and, 31–35, 42–51
 - trade policies and, 52
- Local information, 126–129, 162–163
- Local investors, 130–133
- Local markets, 104–110
- Local supply:
 - of commodities, 88
 - of services, 11–19, 109, 127, 161–162
 - of terrorists, 166
- Loyalty, brand, 96–97, 102–103
- Malaysia, 112
- Management:
 - employment in, 62–64, 71–72
 - investors *versus*, 121–122
 - productivity and, 36–38, 40–45
 - profitability and, 106
- Manufacturing. *See also* Differentiated manufactures; Goods
 - changes in, 8–11
 - competitive markets and, 87, 88–89
 - currency valuation and, 143–144, 150
 - economies of scale in, 109–110
 - employment in, 56, 66–67, 70–71
 - local conditions and, 31–33, 109–110
 - outsourcing of, 19
 - profitability of, 109–110
- Markets:
 - competitive, 86–90 (*see also* Competition)

- financial (*see* Financial markets)
- fluctuations in, 84–86
- local, 104–110
- product, 106–107
- protected, 90–93
- sizes of, 99–100
- Marshall Plan, 45–47
- McDonald's, 108
- Media, 20–21, 170
- Medical care, 11–13, 165–166, 172
- Medical tourism, 12–13, 172
- Mercantilism, 146
- Mexico, 69–70
- Microsoft, 106–107, 124–125
- Mining, 5–7
- Monetary system. *See also* Currencies
 - International Monetary Fund and, 157–160
 - reserve currencies and, 135–141
 - surpluses and, 142–146
 - United States' role in, 151–156
- Montreal Protocol on Substances That Deplete the Ozone Layer, 168–169
- Moral hazard, 121–122. *See also* Adverse selection
- Multilocal organizations, 21, 107
- Multinational corporations, 7
- Mutual funds, 133
- Natural resources, 173–174. *See also* Commodities
 - Network externalities, 99
 - Nighthawk Radiology, 12
 - Nuclear proliferation, 167
- Occupations, 62–69. *See also* Employment
- Offshoring. *See* Outsourcing
- Open University, The, 14–15
- Operational improvements, 35–38, 41–45
- Output, 4–8, 155
- Outsourcing, 11–19, 56–60, 71–74
- Oxford Health Plans, 104–105
- Pepsi, 101–102
- Perot, Ross, 69
- Portfolio investments, 116, 118–119
- Prestowitz, Clyde, 11
- Prices, 5, 9. *See also* Costs
- Privatization, 48–49
- Product differentiation, 91–92. *See also* Differentiated manufactures
- Production costs, 57–58, 89
- Productivity:
 - in China, 38–40
 - employment and, 69–71, 73–74
 - growth in, 9, 33–40
 - local conditions and, 31–35, 42–51
 - operational efficiency and, 35–38, 41–45
 - regulations and, 43–45, 49–50, 173
 - telecommunications and, 36–37, 48–49
 - trade and, 5–6
- Product markets, 106–107
- Professional services, 17–19, 62–64, 71–72, 127–129
- Profits/profitability:
 - capital investments and, 84–86
 - future of, 108–110
 - global competition and, 80–90
 - in local markets, 104–110
 - in protected markets, 90–93
- Prosperity, 26–28.
- Protected markets, 90–93
- Public services, 17, 48–49
- Quality of jobs, 62–69
- Recessions, 42–43, 115, 140
- Recreation, 16
- Regional cooperation, 167
- Regulations, 43–45, 49–50, 93, 168, 173
- Religion, 13
- Research and development, 34, 103
- Reserve currencies, 135–141, 148–151, 156–160
- Restaurant services, 16
- Retail industries, 105–107. *See also* Wal-Mart
- Retained earnings, 123, 126
- Risk, 121–122
- Roche Group, 124, 126
- Russia, 115, 116–117

- Savings/savings rates, 119–120,
129–130, 143, 155–156, 159–160
- SDRs (special drawing rights), 157–160
- Search costs, 97–98
- Securities, 118–121. *See also* Bonds
- Services:
- automation of, 11–12, 16, 18–19
 - employment in, 67–68, 72–73
 - financial, 17–19
 - goods and, 8–11
 - government, 17, 48–49
 - local supply of, 11–19, 109, 127, 161–162
 - professional, 17–19, 62–64, 71–72,
127–129
 - profitability of, 109
 - public, 17, 48–49
 - social, 13, 50
- Shapiro, Robert, 11
- Share issues, 122–124, 176
- Smith, Adam, 7
- Socialism, 29–31
- Socialization, 13–14
- Social networking, 13–14
- Social services, 13, 50
- South Korea, 111–113, 145–146
- S&P 500 index, 80–81
- Special drawing rights (SDRs), 157–160
- Stability, economic, 147–151
- Standard of living, 29–30
- Sterling, 138–141
- Stiglitz, Joseph, xvi
- Study abroad, 15–16
- Supermarkets, 105–106
- Switching costs, 97
- Tariffs, 7, 51–52, 93, 141, 143
- Taxes, 130, 151, 159
- Technology:
- as competitive advantage, 94, 96,
102–103
 - free trade policies and, 51–52
 - globalization and, 2, 169–170
 - media impact of, 20–21
 - outsourcing and, 13–14
 - productivity and, 33–38
 - trade and, 4
- Telecommunications:
- globalization and, 2
 - local supply of, 16–17
 - media impact of, 20–21
 - productivity of, 36–37, 48–49
 - trade and, 4
- Terrorism, 166–167
- Thailand, 111–112
- Trade, 3–8, 51–52, 58, 142–146, 174
- See also* Current account deficits and
surpluses
- Trade barriers. *See also* Barriers to entry
- in China, 24–25
 - competition and, 93
 - free trade and, 51–52
 - reserve currencies and, 141
 - surpluses and, 143
 - trade growth and, 7
- Transportation, 2, 4, 16–17
- Travel, 151, 165
- Twin deficits, 151–156
- Unemployment. *See* Employment
- United Kingdom, 27, 32, 37–38, 46,
135–141
- United States:
- deficit of, 148–156, 176
 - employment patterns in, 60–62
 - on environmental issues, 168
 - foreign investments in, 116–117,
149–151
 - local financial institutions in,
131–132
 - manufacturing in, 31–33
 - medical tourism in, 172
 - productivity in, 34
 - reserve currencies and, 135–137, 141,
148–151
 - role in global monetary system, 151–156
- Utilities, 16–17
- Wages, 74–77, 174–175
- Wal-Mart, 83–84, 106, 124–125, 170
- Wars, 2, 45–47
- World Bank, 157, 158
- World Health Organization, 165–166