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## Economic Globalization and Local Transformations in California

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### THEME 3: *Networks of Economy & Trade*

“California is not just another state” according to Lord James Bryce who, in the late 1880s, argued that California, as a state was “the most striking in the whole Union, and has more than any other, the character of a great country, capable of standing alone in the world”. He went on to suggest that California was unique on various measures, but mainly its “location, half a continent removed from the rest of American civilization...an outpost of the Pacific...a staging ground for the resettlement of the final third of the continent, the mountain and Pacific West. Using Bryce, Gregory goes on to argue that the state’s mission has now changed as it “is no longer peripheral” due to the “Global economic shifts and the massive internal redistribution of peoples industries, and public policy priorities since World War II [that] have turned the United States into a bi-polar nation. California is the capital of the newer America that faces west and south towards Asia and Latin America” (Gregory, 1). Thus, it would seem that, from the beginning, California was a global state – though by accident as much as by design.

The idea of ‘globalization’ is now a mainstay of academic debate. While economists insist they were the first to identify and even to quantify this process or force, it quickly became clear that no area of private or public life – or academic pursuit or political policy - was immune to the growing extensity, intensity and velocity of global interactions and the deepening impact of such interactions around the world. Thus, the question of its nature as historical phenomenon, a specific type of change relevant to a time and place, or an overarching world view has generated countless articles in both the academic and popular press as the boundaries between domestic matters and global affairs so obviously became blurred.

Whatever its contested elements, at its most basic, the term captures the perception that there is a broadening, deepening and speeding up of world-wide interconnectedness in all aspects of life, from the cultural to the criminal, the political to the environmental – with California possible uniquely positioned at the nexus of these systems and structures. As Gerald Nash points out, historians have consistently and continue to tell California’s story as one “conceived in the context of worldwide exploration” and, that by “pointing to the multicultural foundations of the state”, multiple historians of the state “were responding not only to the psychological needs of their own generation, but reflecting a broad view that placed the subject in a national and international framework”. (Nash, 1981)

*Theme 3: Networks of Economy and Trade* seeks to address that complex array of factors and features of California’s role and approach to the world as both an actor in, and an acted upon site of all the networks at work in the state. Jaishankar Raman (Chancellor’s Office) lays out the foundations of the state’s role as a powerhouse and offers copious evidence that California has been, and continues to be, worthy of its high rank among the world’s economies. Meanwhile Xiaoye She (San Marcos) illustrates the specific California ‘turn’ towards Asia by examining the links between the Pacific West and the economies of the East. Economists clearly have a significant role in the understanding of globalization and California’s position in those processes. However, *csuglobal* begins from the widest interpretation of globalization and opens the conversation not only to the economists who have made huge contributions to our understanding of this phenomenon, but to anyone who seeks to explore the impact not only of the economic questions but the stretching and deepening impact of all our increasingly global interactions.

*csuglobal* is an online journal focused on California’s engagement in the world. The online academic journal invites submissions from faculty, staff, and students on the theme ‘Networks of Economy and Trade’ through interdisciplinary lens. Submission topics include, but are not limited to:

- The impact of a technology driven state economy and the role of lower cost global technology competitors. What role does education play in enhancing California’s global competitiveness? Is there access to equitable and affordable education for all in

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California to compete with a mobile global workforce?

- The environmental impact of economic growth as it pertains to coastal economies, energy production and consumption.
- The use of natural resources in the development of the state, such as land and water, creates significant opportunities but also presents challenges. How does California maintain its global competitive edge in agriculture while facing increasing pressure on the use of land and water internally? The high cost of housing impacts the decisions of companies to stay or locate in California. What impact does the cost of real estate have on high growth regions internationally?
- California is exposed to the threat of natural disasters such as earthquakes, forest fires, droughts and landslides. The economic impact of such disasters is quite significant and has long term effects on the health of the economy. How does disaster preparedness compare across nations and what is the economic cost incurred by nations to achieve this?
- Income inequality in California is very high, what challenges does this present to the state to maintain a global competitive edge? How do public policy and state support systems mitigate the income gap? What are the challenges in using fiscal policy solutions?
- Migration has transformed not only the state's economy but also its culture and identities. For instance, what economic and cultural impacts have been brought by migrants from Asia and Latin America? How to analyze, compare, and identify similarities and differences in patterns of migration and their local impacts?
- Other potential areas could include but are not limited to, global political economy and its role in international business in sectors vital to California's interests.

We also encourage interdisciplinary research submissions to incorporate the other broad themes of the journal: Society Culture and Identity; Institutions, Structures, and Power; Scientific Essentials and Sustainable Environments.

*Dr. Alison R. Holmes, Managing Editor*

### **Economic Globalization and Local Transformations in California**

California “has been globalized from the moment the European empires cast covetous eyes on the west coast of North America, and the state's economy has been deeply engaged with global trade, production, and finance since before the Gold Rush” (Walker, 2013, p. 1). Historically, the golden state has championed globalization thanks to its unique location and resource advantages, strong entrepreneurialism, and commitment to technological innovations. Global economic linkages in California gradually evolved, from the Gold Rush and the agricultural developments in the 19<sup>th</sup> century, to the rise of the military-industrial complex and labor-and capital-incentive manufacturing in the 20<sup>th</sup> century, followed by booming technology sectors such as aerospace, nuclear technology, computers, electronics, and biotechnology in the 21<sup>st</sup>. Over time, California firms and workers have become integral parts of the global commodity chains and production networks, “suspended from a global web made up of Asian food markets and computer assembly, British and Japanese investment, Asian and Latin immigration, Indonesian and Venezuelan oil, and technologies of nuclear power, microchips, and concrete dams” (Walker, 2013, p. 1). The state also hosts more than 50 of the Fortune 500 companies, spreading across major industrial and service sectors.

As a scholar of political economy of development with a regional focus on the Asia Pacific, I have researched and taught global and local connections in the region through interdisciplinary perspectives including, but not limited to economics, political science, sociology, geography, history, and anthropology. Economic globalization has built and rebuilt connections between California and the region of Asia Pacific. In the economic domain, this is illustrated by economic linkages and at times competition through Foreign Direct Investments (FDI), production networks, and commodity chains. Culturally, waves of Asian immigration since the Gold Rush have led to the creation of new identities and cultural transformations, yet they have also been countered by stereotypes, anti-Asian sentiments, and racist attacks. Increasingly, there are shared concerns over issues of climate change and environmental disasters, including issues of frequent wildfires, coastal erosions, and earthquakes. More broadly, the intertwined nature of these connections between California and the rest of the world requires us to move beyond

disciplinary boundaries and examine the proliferation of actors, interests, and their interactions in economic and other domains.

The time-space compression in capitalist political economy can contribute to “major shifts in systems of representation, cultural forms, and philosophical sentiment occur” (Harvey et al., 1989, p. 239). In California, such contested transformations are taking place across domains of economy, politics, culture, and ecosystems. Economically, globalization processes in California have generated winners and losers, which in turn result in struggles for power and demands for redistribution. Regionally, the coastal metropolitan areas quickly emerged as clear winners, while the inland, more remote parts of California somewhat stagnated. San Francisco and the Bay Area in the North, as well as Los Angeles and San Diego in the South, became major population centers and hubs of global connections. The inland regions still serve as important base for California’s agricultural export system, yet the importance of agriculture in California’s economy has declined significantly. The state has also experienced major downturns and painful economic restructuring facing increasing global competition, and at times has fallen victim to global and domestic recessions. Global competition from Japan and Germany, and later Newly Industrialized Economies (NIEs) in East Asia, contributed to de-industrialization in late 1970s and 80s with the drastic decline in blue-collar manufacturing jobs, and localized “rusted belts” across the state (Bardhan & Howe, 2001). The boom-and-bust cycles of the global economy also impact technology hubs such as Silicon Valley, therefore project economic and fiscal implications for the state. With the largest but most unaffordable housing sector, California was not only “at the epicenter of the housing bubble” but also “at the epicenter of the fallout” during the recent global recession (Steinhauer, 2009). Expectedly, shifting economic structures, deindustrialization, and cyclical patterns of global capitalist economy have generated large income disparities as well as high levels of relative poverty across the state.

In the political domain, economic globalization has created both opportunities and challenges for the state and local governments. As the economy moved away from localized resource-based economy and manufacturing, the regulation of Multinational Corporations (MNCs),

transnational production networks, as well as their externalities have become increasingly complex. Certainly, the booming economy has helped strengthen the state's fiscal capacity, and the sheer size of the economy and population has allowed the state to become a champion in global, national and local regulations. Although there has been limited evidence for a "race-to-the-bottom", the state and local governments can struggle to balance between competing policy regulatory priorities such as economic growth, equity, labor and social protection, and the environment. The creation of the North America Free Trade Agreement (NAFTA) in late 1980s brought new opportunities for further economic integration between California and Mexico, especially between Southern California and Baja California. Nonetheless, it also further complicates the regulatory picture. National and state-level regulatory efforts against sweatshops, for instance, has become a motivation for apparel manufacturers based in Los Angeles to relocate their production facilities to Mexico. Similarly, Bae (2005) described how wage differentials have driven the cross-border labor flows in the Tijuana-San Diego metropolitan region, and how the border has become "porous" especially for work and shopping despite immigration controls. In the environmental domain, the absence of global and national regulations at times have enabled state and local agencies, as illustrated by the active role of state level environmental regulations and local climate action plans. Yet the state still faces challenges from strong vested interests that favor deregulation, such as agricultural businesses and MNCs (Gareau, 2008; McCarthy, 2005).

Culturally, economic globalization is a driving force behind transnational migration, which in turn has redefined identities and transformed cultural landscapes in California. In particular, the state enjoys strong cultural linkages with various parts of Asia and Latin America. The emergence of Latino barrios in California was "due to the influences of nearby Mexico and the increasing exchanges of workers, cultural practices, goods, services, capital, and technology" (Herzog, 2004, p. 103). As case studies of barrios in Southern San Diego, Southeast LA, and the Mission District in the San Francisco Bay have illustrated, common language, culture, and community arts have served as unifying forces among barrio residents despite their diverse national origins, buffer zones to exogenous shocks such as deindustrialization and

housing crisis, as well as nurturing ground for increasing community-based and political activism (Godfrey, 2021; Herzog, 2004; James R. Curtis, 2009). Beyond the myth of “model minority”, Asian immigrants have long been targets of racism and exclusion at times of internal or external crises, as illustrated by waves of anti-Asian popular sentiments, the Chinese Exclusion Act, the Japanese Internment Act, and various local exclusionary legislations. The conditions seem to have improved as NIEs in Asia begin to take off, waves of FDI from Asia flood California, and as a new transnational elite class of Asian immigrants begins to emerge. This was illustrated by Piggot (2012)’s case study of Irvine, in which waves of East Asian, Southeast Asian, and South Asian immigrants brought new forms of multiculturalism to the city while spatially inscribing “new racial and class divisions” (Piggot, 2012, p. 63).

Environmentally, economic globalization has strained California’s vulnerable ecosystems and created challenges that require innovative, scientific, politically feasible, and economically and socially equitable actions and strategies. Vogel (2018) discussed how California’s natural resources have historically been “an important economic asset”, yet the state has also suffered from negative consequences of resource-driven development, such as hydraulic mining, redwood extraction, oil production, air pollution, coastal oil spills, coastal degradation, as well as energy and climate change issues. The complexity of such issues has mobilized broad support for strengthened environmental regulations and science-based restoration and conservation efforts in California. From protection of Yosemite to strengthened state climate action following U.S. withdrawal from the Paris Agreement, California has proven to be a consistent champion in the environmental domain (Vogel, 2018). Nevertheless, environmental issues have proven to be politically contentious due to their distributive consequences, and their solutions often are the result of intertwined processes of science, governance and ecosystems (Gareau, 2008; Norgaard et al., 2009). Beyond the connections between economy and environment, there has been growing attention to how environmental issues connect to human rights, public health, and social equity as integral parts of larger socio-ecological systems (Gareau, 2008; Norgaard et al., 2009).

**Xiaoye She**

## Notes

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