

Analysing critiques of globalisation



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“ Critiques of globalisation argue that as a result of failures to deal with risks to international stability, the basis of global order has been at risk and political and economic disorder like that that followed the collapse of 19th century globalisation may not look impossible. “ Do you agree?

Globalization is the background of the present world. Our economic, political and the social status in the second decade of the twenty first century would not have been possible without considering the global context of free markets and the information technology. Many scholars have defined globalization viewed through lens of different perspectives towards the world. Blackmore (2000) defines globalization as, “ increased economic, cultural, environmental, and social interdependencies and new transnational financial and political formations arising out of the mobility of capital, labour, and information, with both homogenizing and differentiating tendencies”, (Blackmore, 2000, p. 133); while Hill (2009), puts more emphasis on the economic, asserts, “ globalization refers to the shift toward a more integrated and interdependent world economy”, (Hill, 2009, p. 6).

This paper will briefly describe the history of glabalization followed with a review of the two phases of globalization in the nineteenth and the twentieth century where in one phase was seen prosperous while the other was the end of globalization. Subsequently, laying out the current situation whether or not it is parallel to the failures of globalization. Drawing upon an opinion thereby, on the same, alongwith rational elucidations.

Critiques have argued that globalization is not something that happened 200 years ago, it can be traced back to the 16th century during the emergence of

the pinnacle of capitalism (Robertson, 1997). According to Friedman (2005), globalization can be viewed in three phases: globalization phase one (1492-1800) was the globalization of countries, globalization 2 (1800-2000) was the globalization of companies and globalization 3 (2000 till now) is the globalization of people. However, Broadberry and O'Rourke (2010) state that the period between 1870 to 1914 reflected as the high water mark of the nineteenth century globalization. Globalization in the nineteenth century encompasses interregional transfers of goods, people and capital. The preeminent way to measure the levels of integration is the rising amounts of international flows of economic activity for e. g. the ratio of commodity trade to Gross Domestic Product (GDP), number of people migrated to total population and the cost of moving goods across continents. European international trade was growing at a 4. 1% a year between this period (Bordo et al., 1999) while the global output rising from 10% in 1870 to about 20% in 1914. This was the first phase of globalization which was accompanied with extraordinary prosperity.

Countries who were involved in the global markets during this phase had narrowed the gap between wealthy and poor nations. Japan, for e. g., in the seventeenth century had completely cut off itself from the world permitting only one Dutch ship a year to land and involved in small amount of trade. In 1870, Japan was a a backward country where the average income of a person was less than a quarter of that in the United Kingdom (U. K.). However, as a result of fully involving in the global market in 1868, Japan's income was able to increase at 1. 5% compared to 1% of growth rate for U. K. (Mishkin, 2006). Countries like China and India were deprived of the

industrial capability as they were not able to enter the global economic system.

Desolately, between 1914 and 1918, a atrocious war stopped all this and globalization descended and international trade, investment and migration all collapsed. Furthermore, all the attempts to resuscitate the world's economy was unsuccessful due to series of collapses. Global markets were disturbed and disengaged. The technological developments of the 1900s and innovations were at a standstill while the declining consumption dejected the developments of even the existing technologies such as the automobiles (Ferguson, 2005). The great depression in 1929 in the United States (US) had rapidly spread throughout the world. This was the worst recession that the nation suffered after the world war one causing immense economic devastation and with unemployment at a peat of 25% in the US. The economic collapse in Germany and Italy introduced the fascists and Nazis into power (Mishkin, 2006). China capitulated to civil war and foreign invasion and similarly Russia also underwent dictatorship as well as foreign invasion. The scenario even deteriorated further with the world entering the worst nightmare imaginable, a second world war. From 1939 to 1945 more than fifty million people died of which half of them were innocent civillians (Mishkin, 2006). Towards the 1940s most of the states in the world including the ones who retained political freedoms, had forced borders on trade, migration and investment. Some states assumed autocracy, a perfect scenario of a deglobalized world.

Schloars till date argue about the causes of world war one and have explored various factors for the outbreak yet there seems to be no uniformity between <https://assignbuster.com/analysing-critiques-of-globalisation/>

these suppositions. International instability was one of the prime reasons for the occurrence and as Ferguson (2005) states that there are five factors which triggered the global explosion between 1914 and 1918. The first cause was the 'imperial outstretch'. The British Empire lacked the will of building an army which would be capable of discouraging Germany from posing as a threat to the European hegemony. 'Great-power rivalry' was the second cause of the disaster. The distress of the Russian army buildup influenced Germany to fight in 1914 rather than risk waiting any longer. 'Unstable alliance system' was the third dreadful factor. Although there were alliances in profusion however, these were precarious. The Germans did not trust the Austrians to help them in a crisis situation and the Russians were apprehensive about getting agitated by French. The U. K. was unpredictable as there were no provisions for the possibility of war in Europe. Such insecurities fortified the risk taking diplomacy. The fourth factor was the 'presence of the rogue regime sponsoring terror' which further influenced the instability. The assassination of the Austrian Archduke Franz Ferdinand in 1914 was the most apparent cause for the break out. His assassination triggered in Austria-Hungary's declaration of war against Serbia which further caused Germany and other allies with Serbia to declare war with each other. The last factor is the rise of a 'revolutionary terrorist organization' antagonistic to capitalism resulted in a counterattack against the free global market. The Bolsheviks were committed to use violence to bring about world revolution. The war gave Lenin and his allies the opportunity and they used the most brutal terrorist strategies to win the subsequent civil war (Ferguson, 2005). As a result to deal with risks of failures of international stability, globalization failed after the first world war.

Globalization is a multifaceted process that involves different people to perceive it differently, depending on whether we belong to a poor country or we belong to a rich country. Parallely, in the nineteenth century, globalization was a contradictory force with benign and malignant features. Bordo et al (1999) states that, globalization has acceralated post crises recovery faster and the trade tensions and financial instability has not been worse comparitively. Frankel (1999) highlights that there are three key reasons for the growth and development in trade in the twentieth century: lower government trade barriers, growth of emerging markets and lower transportation costs. Also, there are no figures to compare the trade in services for the period before the first world war as trade then was significantly smaller than now. While Krugman (1995) asserts that,

“ The general picture of world integration that did not exceed early-twentieth century levels until sometime well into the 1970s is thus broadly confirmed. In the last decade or so, the share of trade in world output has finally reached a level that is noticeably above its former peak. Nonetheless, it would be hard to argue that the sheer volume of trade is now at a level that marks a qualitative difference from previous experience”, (Krugman, 1995, p. 133).

The rise in the multinational organizations have also contributed to the global economy, well, there were multinational organizations in the nineteenth century also however, the development has been only in the last few decades. Multinational organizations mitigate the informational obstacles to exchange hence serve to expand international trade. As pointed

earlier, the second phase of globalization was the globalization of companies (Friedman, 2005).

Krugman (1995) also asserts the development of small states with distinctively high GDP ratios, for e. g., Hongkong, the World Trade Organization listed it as the world's largest exporter in 1997. Another significant factor for integrating world markets is the continual cut down on the transportation costs. Technological innovations like bulk shipping, containerization and delivery mechanisms have reduced the loading time thereby proving efficient driving the cost reductions (Lundgren, 1996). Air transport has also contributed to the shipping of goods and commodities in international trade. Hummels (1999) articulates that the transport costs on air cargo have dipped by about 15 percent around the 1975-93 period. Multilateral trade negotiations concluded with the foundation of General Agreement on Tariffs and Trade (GATT) which helped to reduce the average tariffs to about 5 percent (Bordo et al., 1999).

There are noticeable similarities between the first phase of globalization that is before the first world war began and now. The economic and the social history of international relationships seems to be a optimal approach of comparing the then and now phase of globalization to be able to conclude. The following section deals with some of the economic and the social resemblences of the past and the present.

Today the free trade orthodoxy is the same as in the period before 1914. The major economies are extremely protectionist about agriculture. Then, U. K. had enforced no tariffs on imported agricultural commodities whereas now,

the US, the European Union and Japan practice tariffs to protect their farmers from international competition. Previously the monetary system was based on gold while currently there is a fiat currency system. The technological innovations of today are accelerating given the sufficient research and development however, these innovations are also helping enemies of globalization. Earlier, terrorists would borrow revolvers and primitive bombs but now an entire city can be demolished with a single nuclear device (Ferguson, 2005).

Currently U. S. has the world's biggest economy which is an important factor for the rest of the world. While that fact remains, the personal savings rate at 0. 2% of their disposable personal income in 2004 which is 7. 7% less than what it was fifteen years ago. The U. S. depends heavily on foreign lending as the net overseas debt has risen steeply to 25% of GDP. On the contrary, previously U. K. was the net exporter of capital, controlling high proportions of its savings internationally to finance the construction of infrastructure where as today, U. K. is the world's debtor gripping three quarters of the world's surplus savings (Bordo et al., 1999). As per the HSBC group state that the current U. S. deficit is 3. 2% of the GDP (Palmer, 2010) which could push the external liabilities to as high as 94. 3% of GDP (Toscano, 2011). During the second world war U. K. accumulated external liabilities which was half of this percentage, which was one of the reasons the pound declined and lost its reserve currency status. Economists suggest that lowering the U. S. deficit to 2% GDP would require a 20% decline in the dollar. Obviously, there would be huge repercussions of such a dollar crash and this briefly

states how the international flat-money system is dangerously disposed to a catastrophe.

On the political front, Ferguson (2005) states that the same five factors, mentioned earlier, are present in today's international order:

'Imperial overstretch' – The U. S. is strikingly overstretched. Apart from the economic front, the U. S. empire also has a personnel deficit, only about 500,000 troops can be deployed overseas which is not even adequate to triumph over the small wars that U. S. currently has or will have. 43 percent of the troops currently in Iraq are from the reserves.

'Great-power rivalry' – China doesn't have any obvious reason to start a war with U. S. however, China's objective with regards to Taiwan will not fade away only for a reason that Beijing owns a stack in U. S. Treasury bonds. Nevertheless, China might want to take over its errant province in the event of an economic crisis. Going back to the past, Taiwan and Belgium somewhat are in the same position as a country where empires ended up fighting as well as North Korea which resembles to Serbia during the nineteenth century with nuclear weapons.

'Unstable alliance system' – Based on the economic condition in Europe, it is bound to deteriorate. Europe has been altered based on the migration of Muslims and the prospect of Turkey's agreement to the European Union which also has consequences on the gap between Americans and Europeans getting wider.

‘ Presence of the rogue reigm sponsoring terror’ – A rogue reigm constitutes of large conservative milirty power and the one that supports international terrorism and / or seeks weapons of mass destruction (Tanter, 1999). Iran, Iraq, Syria are considered as the rogue states also involving in revolutionary terrorist organizations.

‘ Revolutionary terrorist organization’ – Al Qaeda’s members perhaps can be refered to as ‘ Islamo – Bolshevists’ instead of ‘ Islamo – facist’ based on their commitment of reordering the world and who oppose capitalism. Hypothetically, if the these Islamic extremists get control of a wealthy country like Saudi Arabia, it would result in the same scenario that Lenin was in, in 1917. On the contrary, Osama Bin Laden declared that his prime focus is to see the U. S. go bankrupt, consequently making him the present day Lenin.

While considering the above suppositions, we can propose that an armageddon is likely. The crisis over Taiwan would result in huge shockwaves throughout the international system which could also lead to a great power war or the revolutionary regime change in Saudi Arabia would disturb the world order even more than during the first world war or even the stated mission of Osama Bin Laden to destroy America would disrupt the economic activities entirely. During the phase of the first world war, investors knew that there could be a world war however, did not when exactly would it happen. We are currently at the same junction where we all know that a catastrophe is possible however do not know when would it happen, similar to the recent disaster in Japan.

Based on the above stated factors, I agree that as a result of failures to deal with risks to international stability, the basis of global order has been at risk and political and economic disorder like that that followed the collapse of 19th century globalisation may not look impossible.