Definitions of globalization

Economics, Globalization

Globalizationis a concept with many differing definitions. Globalization is a process which entails the free movement of capital, goods, services and labor around the world. Globalization is the massive control of the world" s economy by big business, this control transcends the boundaries of state and country. This transcendence across countries makes the subunits of the economy decompose and depend on the larger companies with a controlling interest in most of the capital within a given economy. These companies then form global constituents, they then have a control of a large volume of capital within many countries.

This global control of capital comes through the deindustrialization of larger economic superpowers to third world countries for economic gains of these companies. Seeking lower wages and a large unskilled labor force, companies find it in third world countries. These are concrete examples of global companies seeking wage reductions on an international scale. This migration causes a deindustrialization for the larger countries and a industrialization in these developing countries. In a curious fashion they tend to confirm the Marxist view, long thought out of fashion, that the working classes would be kept at subsistence level.

Reebok Shoes, and other footwear giants, are forever shifting their manufacturing base to lands of lower wage scales. (This is more easily done in that industry than would be possible in steel or automobile manufacturing.) From New England to the American South and on to the American colony of Puerto Rico, thence the Philippines, Taiwan, Korea and Thailand -- until the annual wages of the factory are less than the remuneration paid to the basketball star paid to advertise the final product. No, globalization does not mean " workers of the world unite".

Joan E. Spero, Under Secretary of State for Economic, Business and Agricultural Affairs stated the issue at hand was one of a formidable size, " Capital now moves with startling speed around the world. Each day over $1 trillion is traded in a global foreign exchange market that never closes. Technological advances in computers and telecommunications are paving the way for a new information-based economy. " The capital within this globalized economy is not situated as one might have first assumed. The capital is concentrated within the upper management and within the boundaries of the company itself.

The growth of the American economy in particular is in no way a direct reflection on the wages and standard of living for most American workers. Large companies set up manufacture of products in developing countries, exploiting the economic need that is present there. Then these companies take this product from this country and bring it back to places like the United States to be marketed. The economic benefits are then reaped by the company. The product was manufactured in this third world country where they were paid small wages and in horrible working conditions.

Then the product is taken to the United States where is sold to the American public who played no role in the manufacture of the product thus their purchase in no way supports the circulation of capital within the United States economy and is given specifically to the company. The company then takes the capital and reinvests themoneyinto the company and in foreign industry and the money is not recirculated within the economy that created it. This theory of capital flight is what produces the economic growth of the economy as a whole but the workers and middle class of that economy do not see that growth.

The middle class is becoming less and less necessary within the globalized economy. The skilled worker is not necessary due to technological advancements and the movement of industry from the United States to developing countries. The developing countries are used for their large and willing unskilled worker population. The need for specific talent and training is becoming more and more necessary within countries such as the United States. This creates an international division of labor within the global economic market system. The labor market has changed dramatically in the past three or four decades.

The unskilled labor work force has shrunk over the last few decades, this change has come due to the expansion oftechnologywithin many industries. The worth of those at the highest levels of companies have only gained from this change. The middle management has been almost eradicated from the present economy by technology and " reengineering". This " reengineering" " combines the skills of specialist clerks and middle managers into software packages that are attached to desktop computers" (Head). The disparities in this competition have become truly obscene. In 1960 the annual compensation of the average CEO of a major US. ompany was 40 times that of the average worker. In 1992 it was 157 times as much. The average CEO of a large corporation now receives an annual compensation package of more than $3. 5 million-their reward for growing company profits by destroying millions of jobs. Over the past 3 years the profits of the Standard and Poors 500 largest corporations have grown an average of 20% a year. Stock prices are at record highs. For the most part, these gains went to people who have nothing better to do with their money than gamble on price movements in the giant global casino we call a stock market.

During 1995, wages, salaries and benefits-compensation for doing real work-increased only 2. 7%-the smallest rise on record. Thus the role of the middle class has been diminished largely in the new growing globalization of economy. The 1990s have been a prime example of the growth of economy and technology and the massive downfall of the middle class. The advent of technology has left many in the white collar, middle class sector with no jobs or at constant risk of loss of their present one.

Over 80 percent of Americans work in the service industry and they practice their own form of the white collar layoffs, they utilize the new tax software that is available, leaving the accountant in the proverbial dust. In strictly economic terms the gap between rich and poor widens and capital accumulates to the point where it no longer quite knows what to do with itself. Rich people valiantly spend what they can on luxuries, but the rich are too few to solve this crisis of overproduction and luxuries are useless to most of the world's people.

The remainder of this excess capital swills around in 'financehouses' and banks getting bored, casting about for something more lucrative to do. That usually means gambling, 'speculation' on whatever comes to hand:

commodities, foreign exchange, bonds, stocks, shares, all kinds of 'instruments' created for just this purpose. These days, the temptingly volatile 'emerging markets' of the South and former Soviet bloc have become speculative playgrounds. Foreign-exchange transactions, for example, now amount to more than a thousand billion dollars a day, with only a small proportion relating to any 'real' economic activity at all.