

Globalisation: an economic phenomenon



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Globalisation is in itself an abstract term without a fixed objective definition. The extent to which the world has become interconnected in even greater ways in recent contemporary history has blurred this definition further. To categorise Globalisation as an essentially economic phenomenon, sheds no light on the true circumstance the world finds itself in today. Economic integration may be a large contributing factor driving Globalisation forward, but it is far too simplistic to label globalisation as ‘ essentially an economic phenomenon’, for the world we find ourselves inhabiting today has a much deeper level of interconnectedness than solely economics can profess accountancy for. Globalisation today has come to describe “ an ongoing and pervasive phenomenon which is redefining the economic, social and cultural dynamics of contemporary societies,”[1]acting in all spheres of twenty first century life, not just those related to economic linkage.

The world itself is interconnected in an ever growing number of ways not just through the global nature of trade, finance and production but in other more diverse aspects of daily life. Socially people around the globe are becoming closer, supranational political institutions based not solely on economic aims but on political goals and social grounds, strengthen the argument that although economics plays an undeniable role within the concept of globalisation, this economic aspect can no longer be viewed in isolation from Globalisation’s other attributes.

This argument is also evident in many of the problems the world faces today; terrorism, environmental disasters and epidemics, no longer affect nations in isolation rather affect the world as a whole, such is the varied and diverse nature of the phenomenon of globalisation. The nation state can no longer

effectively tackle problems within its own borders, gone is the age of isolation. The informal ebbing away at state autonomy is, and will continue to be a major characteristic of globalisation, with “ politics-understood as the pursuit of world order and justice – are played out in a global context,”[2]thus globalisation is prevalent in all spheres of contemporary existence and this is what this essay will argue.

“ Economic globalisation refers to the intensification and stretching of economic interrelations across the globe,”[3]this is displayed through the instantly connected and dependant nature of global production; trade and finance, that has resulted from the deregulation of global markets allowing greater product and capital fluidity around the globe. This in part has been ever grater intensified through the development of communications and information’s technologies, allowing business to operate instantly on a global scale, through the click of a computer mouse.

Economic globalisation has relied upon the concepts of neoliberal economics as an ideological base. This has been exemplified through the ‘ Washington consensus.’ Although this consensus directly relates to the policies of the World Trade Organisation, the International Monetary fund and the World Bank, it can be seen broadly as describing the agreed terms on which the economic aspect of globalisation has come to flourish. This consensus can be defined as the acceptance of “ trade and capital market liberalization, fiscal austerity, rapid privatisation, widespread deregulation and the downsizing of government,”[4]Economic liberalisation has handed market forces free reign to decide global prices and levels of production allowing the Adam Smith notion of the ‘ invisible hand’, to drive the market to its most profitable

equilibrium. This free market aspect of globalisation can be exemplified through the recent trends within world trade.

Global trade has become a principle factor of the economic aspect of the phenomena of globalisation. This globalised nature of trade has resulted in “consumers dispersed across many corners of the planet purchasing the same articles and the same time”[5]. Thus for manufactures the global market has allowed companies to source the best possible materials for production, at the lowest possible price, resulting in the global nature of both production and trade. For contemporary multinational companies, no longer is it important to produce a product within a particular nation when the product will be sold to consumers globally. Thus production competition and the trade of goods is no longer regionally affiliated but linked to a highly competitive global market by which companies are present across the globe with factories, offices and shops situated in many different regions, contributing to the economic aspect of globalisation.

This economic aspect of globalisation has also been exemplified through the expansion of global finance. This “change in money and capital markets since the 1970’s is perhaps the most unequivocal indicator of the globalization of economic affairs”[6]. Financial transactions are now processed instantly on a planetary basis, allowing a greater ability for companies to trade and produce regardless of geographical borders. This financial flow has been coupled with and aided by greater levels of foreign investment through international share markets. Capital in today’s globalised world can be traded instantly allowing investments into foreign companies from around the globe directly linking capital flow between countries through <https://assignbuster.com/globalisation-an-economic-phenomenon/>

direct share investment. This foreign investment into production and trade has blurred the boundaries of nation state further for example, as much United States dollar is now traded outside the US as inside[7]. This illustrates the truly global nature of finance, with clearly outlined currency boundaries becoming blurred.

Possibly the best way to exemplify the true global nature of global economics is through the global financial firestorm of the 2008. This crisis was largely caused by the collapse subprime mortgage system within United States however, due to the interconnected nature of the financial system the collapse of investment banks within the US created a domino effect highlighting failing banks around the world, resulting in implementation of fiscal stimulus packages by governments throughout the western world.

Economic globalisation has thus resulted in the ever greater interconnectedness and dependency level of national economies. No longer are nation states economic decisions enacted in isolation. The global economy is quickly replacing the nation state economy. Critics argue that the loss of sovereignty from nation states in terms of economic policy has reduced accountability for decision when policy collapses however, there can be no argument that even if accountability is lost, globalisation does have and will continue to include an economic aspect.

The economic aspect of the phenomenon of globalisation has an undeniable role in shaping a globalised world however; it is only through the linking of this economic aspect with other political, cultural and social aspects that we define globalisation as a whole. The economic aspect describes a greater

level of interconnectedness within world markets, however this is not the only way the world is interconnected and thus does not define the complete notion of contemporary globalisation.

Political globalisation has become a key constituent part and also a driving force behind contemporary globalisation. These political forces however often go unrecognised, “ Rarely, indeed are the political aspects of globalisation recognised by either its friends or its foes”[8]. This does not mean however that this aspect of globalisation is less important or influential to the phenomena as a whole. We shall see that it is in fact political globalisation that often drives interconnectedness in much greater ways than those presented through global markets.

The political aspect of globalisation can be easily represented by the plethora of international organisations, supranational bodies and international non governmental organisations, that profess an active role in delegating decision above individual nation state circumstance, providing a forum for global issues to be targeted. “ Society in today’s more global world is regulated in what can be described as a polycentric manner”[9]. This is a manner by which even the most basic political decision is involved in a complex command structure based not solely within states geographical boundaries. Increasingly political decision directly affects the interconnected nature of the world and thus, International organisations have developed in accordance to meet these new demands.

An example of this new form of political globalisation is through the ever expanding role of the European Union. Although the Union was initially

founded on economic grounds as the ‘European Coal and Steel Community’, it now occupies a much deeper, active role in the daily politics of the 27 member states. This can be illustrated through an ever greater focus on the social charter and the hoped creation of common European values.

This more social aspect of globalisation through the EU however has not been void of critique most notably through the rejection of the European Constitution. States in this instance seemed unwilling for a greater level of deepened integration and pooled sovereignty. Despite this rejection however, there is no doubt that the role of the European Union has become undeniable in the daily lives of citizens, acting as a political institution within the phenomena of globalisation.

The most notable institution within this political realm of globalisation is the United Nations, “the United Nations has an interest – indeed an obligation – to help secure the equitable and lasting success of globalisation”[10]. The UN with 192 members represents the very embodiment of legitimate political globalisation. This aspect of political globalisation can be displayed through recent UN interventions into sovereign states, “an increasing readiness by the UN to intervene within states would indicate a move towards global governance”[11]. This intra state intervention notably professes global legitimacy through the support of member states. The UN is authorised in acting to maintain global order, thus the values of Globalisation are expressed through UN intervention. For example the NATO intervention into Kosovo was backed by the UN in order to avert ethnic cleansing. We are here seeing how global agreement through the UN allows the expression of a global consensus on political values, providing legitimacy to intervene within

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sovereign states professing a global political mandate. Thus through UN intervention we are seeing a political institution upholding common planetary values thus, acting as a driving force behind the phenomenon of globalisation.

This Political aspect of globalisation is also expressed through the growing focus on Human rights and social targets within nations. This once again represents a global consensus on issue and the formation of global policy, again through the UN. The ‘ Millennium Development Goals’ represent the formation of a global consensus to reduce poverty throughout the developing world. Here it is demonstrated that through an International political institution, global policy is formed that is then applicable on a global level. Critics argue that the failings of the millennium development goals highlight that globalisation is not an evenly spread phenomenon however, objective results for this question are regardless. The global agreement of nations to target these areas, exemplifies the way in which politics and policy through international organisations, contributes to the phenomena of globalisation.

Another example of the way in which the phenomenon of globalisation is formed is through world issue politics. Within the globalising world, issues have developed that cannot be combated by the nation state alone, rather require global co-operation to resolve them effectively. These challenges to world security and peace have been varied in their origins, acting as agents of globalisation beyond the economic front. There has been a rising consensus between states that “ global problems may need global

solutions”[12]. Examples of decisions taken transcending national borders, due to global nature of the issue, are those regarding the environment.

The problems surrounding global warming have led to, although in places reluctant in the case of the United States and China, a general consensus that this threat cannot be tackled effectively by any single nation no matter how large. Successful Global planetary agreements have been reached, notably with the almost universal adoption of the Montreal Protocol. This protocol tackled the depleting ozone layer through the banning of CFC'S. Despite this ban having obvious economic impacts on the pharmaceutical companies of the richest nations in the world, “ Each country would have been better off had it rejected the Montreal Protocol”[13], agreement was reached. This signals an instance where Globalisation of issue rather than economics proved a driving force within the political branch of Globalisation. There became a political consensus that for the greater good of each individual country, the economic aspect must be overlooked and collective decision reached. Thus in this case it is not economics that drove globalisation, rather contemporary threats to world security that enabled collective agreement and the formation of global policy, thus contributing to the concept of globalisation.

Despite this example however the more recent Kyoto protocol has stuttered greatly in comparison largely due to the most developed states of the world namely the USA and China refusing to ratify more radical cuts in emissions of greenhouse gases, principally on economic grounds. However, it is arguable here that it is not the agreement or consensus of nations on a piece of legislation that represents globalisation, although this is useful it is not

necessarily needed. The very fact that every nation of the world entered into dialogue because of the global issue of climate change is enough to strengthen the argument for a globalising world not driven by economic interests necessarily but also to tackle global issues.

Cultural interconnectedness is also becoming an ever greater feature of globalisation. It may here be arguable that economics and free trade ultimately dictating the way in which culture is becoming a less diverse concept through the influence and domination of multinational companies on everyday life. However we shall see that cultural globalisation has and will continue to become a distinct phenomenon within globalisation itself.

The homogenisation of culture whether damaging or enhancing is taking place. Global brands such as Coca-cola, McDonalds represent an inescapable global culture that it is impossible to evade or counteract. The extent to which global brands are decaying national culture is arguable, however “there can be little doubt that one of the most directly perceived and experienced forms of globalisation is the cultural form”[14]. This cultural globalisation is seen critically by some and positively by others as a largely American phenomenon. Increasingly American brands are penetrating everyday lives in the most distant parts of the world. This “ McWorld culture” is not only synonymous to the fast food industry it represents, but to virtually all aspects of modern life.[15]

This cultural linkage through global branding has been greater intensified through the communications revolution. This has allowed the time space aspect of the world communication to shrink considerably. Global satellite

television channels have allowed the same events to be portrayed simultaneously across the globe leading to a global identity being formed by which peoples around the world become synonymous, relaying the same information through various means of technology promoting links between individuals, communities and societies around the globe.

Possibly the most notable example of this cultural aspect of globalisation is the development of language. Through the above mentioned “Americanization” of world culture native languages have suffered to compete on the world business stage. This has resulted in the extinction of many languages that have no longer proved beneficial in an ever Americanised world. “Languages in the world have dropped from 14, 500 in 1500 to less than 7, 000 in 2000”[16], this represents the market like competition of cultures as an added dimension to contemporary globalisation allowing the strong to flourish and the weak to perish, in the continued path to an ever more global homogenised culture.

The interlinking and merging of cultures from around the world can be seen as a driving force behind and a constituent part of the phenomenon of globalisation. “Cultural practices lay at the very heart of globalization”[17], although it may be argued that it is the economic activities of multinational companies drives the global culture we are experiencing today, there is no doubt that this economic aspect is inherently linked to the greater interconnectedness within ideals and values. Multinational companies may drive culture forward through the global dimension of business however, as citizens of the world become familiar with global brands, a much deeper element of cultural globalisation is taking place thus, although linked to <https://assignbuster.com/globalisation-an-economic-phenomenon/>

economics cultural synonymity is an undeniable part of the complex phenomenon of globalisation.

Globalisation thus cannot be described as a ‘purely economic phenomenon’. We have seen that contained within globalisation are many different aspects that overlap to form what is understood as globalisation. The economic aspect of globalisation relies upon the political dimension of globalisation through the management of international monetary markets by global institutions such as the World Bank, but also relies upon the global consumerist demand created by a globalised culture. Globalisation is best seen as a spherical three dimensional fluid concept which contains; cultural political and economic aspects, which are dependant rather than independent from one another. A globalised world would not describe the mere interlining of world markets without the same influence of cultural and political interconnectedness that individuals experienced today.