Facets of Globalization

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Abstract

Most definitions of globalization focus on its impact on world trade and the flow of capital and other factors of production across national lines. The stated goal is frequently to increase economic prosperity through greater international economic integration. Rarely are other consequences of globalization given the attention they deserve by scholars and commentators in order to better understand it from its multiple facets and dimensions. This article tries to bridge this gap between the economics of globalization on the one hand, and the politics, sociology, and psychology of globalization on the other. Therefore, it offers an integrated approach to such an important phenomenon that is not only impacting incomes, consumption, the international division of labor, and economic interdependence, but also is changing cultures, ways of life, social stratifications, value systems, norms, and the young people's sense of cultural identity.

Key words: Globalization, trade liberalization, economic integration, bicultural identities, cultural confusion, multinational corporations, capital flows.

Introduction

A great deal of attention is given by scholars and pundits to the economics of globalization at the expense of its political, sociological and psychological dimensions. This narrow focus leaves us with a distorted view of the full implications of this important phenomenon, which has impacted life styles, cultural identities, value systems, labor migration, gender roles, cultural affiliation, consumption patterns and saving habits at least for the last six decades. As Banerjee and Linstead (2001) point out, globalization has produced "a tension between sameness and difference, between the universal and the particular, and between cultural homogenization and cultural heteroginization…; (hence), focusing solely on the economic aspects of globalization is to take too narrow a perspective of the subject" (p. 680, 696). This paper will, therefore, try to provide a balanced view of globalization as it examines its economic, political, sociological, and psychological causes and effects. It also offers an integrative model that helps in understanding the inputs and outputs of a system that has moved the world away from economic nationalism, protectionism, autarky, and the kind of trade wars, that have historically proven to be too costly and counter-productive, to a world in which there is a greater level of cooperation and integration.

What Globalization Is, and What It Is Not

Despite the diverse meanings and definitions usually attributed to globalization, one can identify a number of its distinguishing characteristics:

1. It is a transformational process.
2. It creates an awareness of cultural similarities and differences.
3. It leads to greater efficiency in the use of capital and other factors of production.
4. It is a long term process that aims at accelerating world economic growth by lowering, and ultimately eliminating, foreign trade and investment barriers.
5. It does not aim at the elimination of the nation-state system, or the creation of a global or a supra-national government.

6. It does not promise an equal or even distribution of its costs and benefits among trading partners. Thus, some of them may benefit more than others and some may bear more of the negative consequences of globalization than others as they may lose jobs, export markets, and/or some of the less competitive sectors of the economy.

The Politics of Globalization

Opinions differ as to whether globalization was an inevitable evolutionary process that has required no specific international agreements for its creation, or the outcome of explicit decisions taken by national governments. Banerjee and Linstead (2001) subscribe to the theory that it is the inevitable creation of market forces that are "rooted in the capitalist logic of expanding markets" (p. 685). Martin, Metzger, and Pierre (2006) also describe it as an unavoidable evolution, "not the result of action by any particular actor, but rather operates as a stand-alone process, almost automatic and remote-controlled" (p. 500). A report by the World Trade Organization, on the other hand, describes globalization as a process that has been driven by economic policies that brought about the deregulation of financial transactions and the reduction of restrictions on trade and capital movement (World Trade Report, 2008, p. 21).

Wallerstein (2009) provides one more perspective on the current wave of globalization. He indicates that as a concept, globalization has been around in one form or another since 1450 A.D., i.e. more than 500 years. More importantly, he asserts that the current wave of globalization was started because the United States that "emerged from the Second World War as the only major industrial power whose industries were intact" (p. 251), and needed to benefit from its economic superiority by crafting a stable world order and creating demand for its products in the global marketplace. The establishment of new global institutions like the United Nations helped in achieving the first objective, and globalization has helped in attaining the second objective although with the quick recovery of the European and Japanese industries the American dominance in the world market has been challenged, and the productivity gap that the U.S. enjoyed has been "more or less eliminated" (Wallerstein, 2009, p. 252).

Suter (2006) sees globalization as a threat to national sovereignty and the authority of national governments. He describes it as process that is leading to the erosion of national boundaries and the reduction of national government powers. National governments, thus, have no choice but to work cooperatively with one another in order to counter-balance the rising powers of multinational corporations and globally-active non-governmental organizations (Suter, 2006, p. 2-8). Bartelson (2000), on the other hand, writes that globalization has merely "relativized the old notion of sovereignty" (p. 188). Stiglitz (2013) also maintains that in this age of globalization governments are still "setting the rules of the game" (p. 72). What such conflicting views imply is that governments have allowed globalization to be what it is today, knowing that this would lessen their control over some of the economic and business activities that take place within national boundaries and around the world. As globalization continues to change the world economy, so will the relative powers and authority of national governments continue to adjust to the new realities in the world economy. Regardless of what happens to the powers of national governments, however, Bartelson (2000) stresses that "globalization does not aim at the elimination of nation-states,…(and) it does not change any of the defining properties of statehood" (p. 185-186).

The Economics of Globalization

Most of the studies conducted on globalization revolve around its impact on foreign trade and investment, the movement of manufacturing to the emerging economies, outsourcing, the efficiencies achieved as a result of the movement of capital and the adoption of modern production technologies in different parts of the world, and other economic and business issues that remain as barriers to the integration of the world economy. A great deal of emphasis is also given to the international agreements and structures that have impacted the emergence and sustainability of the current wave of globalization, which began with the 1944 Bretton Woods Agreements for international financial stability, and the 1947 General Agreement on Tariffs and Trade (GATT) that has helped to bring down long standing trade barriers and discriminatory practices. A number of regional trade agreements like the North American Free Trade Agreement (NAFTA) and the European Common Market (now the European Union) have also been reached to help in expanding the flow of trade and investment among neighboring countries. The World Bank (WB), the International Monetary Fund (IMF), and the World Trade Organization (WTO) are also given prominence in the studies conducted and media coverage of the world economy as they symbolize the age of globalization and economic interdependence.

Economic analysts constantly weigh the advantages and disadvantages of globalization, and speculate about the possibility of de-globalization whenever the world economy encounters some short- or medium-term stresses like an increase in the European countries' sovereign debt or some reduction in China's exports. However, their analysis continues to point to the major gains from a six decades long period of globalization, including:

1. Reduction in the prices of consumer and capital goods due to increased competition and improvement in production efficiencies.
2. The free movement of capital to the markets in which it can be used most efficiently and bring in the highest returns.
3. Rationalization of production to raise productivity and lower costs.
4. The emergence of global brands, thanks to the expansion of the operations of multinational corporations.
5. An increase in the world gross domestic product (GDP).
6. Reduction in income inequality between high and low income countries.
7. Bringing down the barriers to the transfer of technology; thus, accelerating economic development in low income countries.

On the other hand, critics of globalization often bring attention to negative consequences, particularly bringing attention to:

1. The fact that the benefits from globalization are not shared equally between all trading partners as some countries lose their competitive advantage, and, as a result, their traditional markets.
2. Workers in the old industrialized countries, who lose their jobs due to the elimination of barriers to capital movement and the resulting movement of manufacturing operations to emerging economies and low-wage countries.
3. The increase in the power of multinational firms that have expanded and moved substantial parts of their operations and labor force from their parent countries to the emerging and less developed economies.
4. The struggle of infant industries in developing countries for survival due to their inability to compete with multinational corporations that have moved into their local markets with their abundant resources, advanced technological know-how, and appealing global brands.
5. Some countries' currency manipulation tactics to increase their products' competitive advantages in the global market.
6. Continuation of some of the advanced countries' barriers to the import of agricultural and other products, which limit the developing countries' access to their rich markets.

Introducing a different perspective on the impact of globalization on an economy such as that of the United States, Thomas Palley of the AFL-CIO (1999) associates globalization with outflows or leaks from the advanced to the emerging or developing countries. The first is what he calls "macroeconomics leakiness", which is the tendency for demand to leak out of the advanced countries' national economy due to the high propensity to import whatever goods that are needed or are simply desirable. The second is "microeconomic leakiness", which reflects the tendency of jobs to leak out as manufacturing and other operations are moved out or started in other markets. The third form of leakiness is the "financial leakiness" that results from capital flows between countries, particularly from the developed to the emerging and developing economies. He further explains that the "macroeconomic and microeconomic leakiness strengthen the relative power of business at the expense of both labor and government, and serve as a reminder that the cost of labor and taxes in the rich countries may be too high relative to other countries (p. 78-79).

Stiglitz (2013), who is also a critic of the way globalization is managed, believes that it has contributed to income inequality in the United States and similar economies. He explains the relation between globalization and inequality in the United States stating that "if the United States imports goods that require unskilled workers, it reduces the demand for unskilled workers (within its economy)…The way globalization has been managed …has itself led to still lower wages because workers' bargaining power has been eviscerated" (p. 77). Lee and Vivarelli (2006, January) separate the views of the optimists and pessimists about globalization. They indicate that "the optimists underline the link between increasing trade and economic growth…In contrast, the pessimists show that globalization is quite uneven in its impact and gives rise to negative counter-effects on the previously protected sectors, the marginalization of entire regions of the world economy and possible increases in within-country income inequality" (p. 2).

The Sociology of Globalization

Sociologists study the impact of globalization on local and traditional cultures; social stratifications; conflicts within and across cultures (like the conflict of civilizations); the sense of identity and affiliation; and the forces that can lead to, or obstruct, the formation of a universal culture. Some scholars write about the paradox of social evolution that relates to "the dissemination of an identical society model that runs parallel with the increase in distinctive identities" (Martin, Metzger, and Pierre, 2006, p. 501). As sociologists investigate the consequences of globalization, they also examine the competition between cultural sameness and cultural differences, and the extent to which globalization aims at the elimination of such differences. According to Martin, Metzger and Pierre (2006), globalization is not after the elimination of differences. On the contrary, it enhances awareness of existing and evolving differences as well as similarities. (p. 696)

Banerjee and Linstead (2001) point out that "while opinion about the emergence of a uniform global culture is divided, there is general agreement that consumption is a fundamental tenet underlying globalization of culture" (p. 697). As some observers equate globalization with Americanization, Banerjee and Linstead (2001) also believe that globalization is spreading a U.S.-style consumption culture throughout the world. This has been re-enforced by the mass media, the continued growth and expansion of the operations of multinational corporations, and the appeal of global brands. Does that mean that cultural change moves only in one direction, i.e. from the West, or the United States in particular, to the rest of the world? Suter ((2006) challenges the notion that globalization is a form of Americanization of markets, values, etc. He indicates that "globalization is not simply the imposition of American values… Indeed, the United States is itself undergoing stresses due to globalization; for example, the loss of manufacturing jobs to cheaper workplaces" (p. 4) Also, according to Classem and Howes (1996), and Benerjee and Linstead (2001), there is a two-way flow of cultures in this globalized economy. The spread of the western culture through global brands and the influence of media is accompanied by the absorption in western societies of foreign products and lifestyles as evidenced by the "Latinization of parts of the United States) and the Japanization (of European and Mexican industries). Cultural production and reproduction in a global economy transcend national boundaries, as does the ownership of the means of production" (Banerjee and Linstead, 2001, p. 699).

The Psychology of Globalization

Psychologists are concerned about the impact of globalization on individual and group behavior; attitudes toward self and others; identity identification; and the possibility of creating identity confusion, particularly among young people. Arnett (2002), for example, notes that urban adolescents and other young people around the world are increasingly exhibiting similar preferences for global brands, music, clothing, and so on. Young people across the world are also similarly vulnerable to the western societies' social problems like drug abuse, which "are sometimes blamed …on the intrusion of western values through globalization" (p. 774). Arnett (2002) also notes the struggle in some societies to maintain their traditions as their young adopt the ways and values of a global culture that "often collide with traditional cultural values" (p. 770).

At the core of the psychology of globalization as well is the transformation of individual identity, particularly among the young people who more easily acquire bicultural or multicultural identities than other age groups, and sometimes end up victims of an identity confusion and social alienation. Some find themselves on the fringe of both the traditional and the global cultures and not belonging fully to either (Arnett, 2002, p. 778). This segment of the world population, therefore, is vulnerable to the problems that are often associated with immigrants who develop identities that combine their native (traditional) cultures and the local cultures of their adopted countries, and may end up in a state of cultural confusion (p. 778).

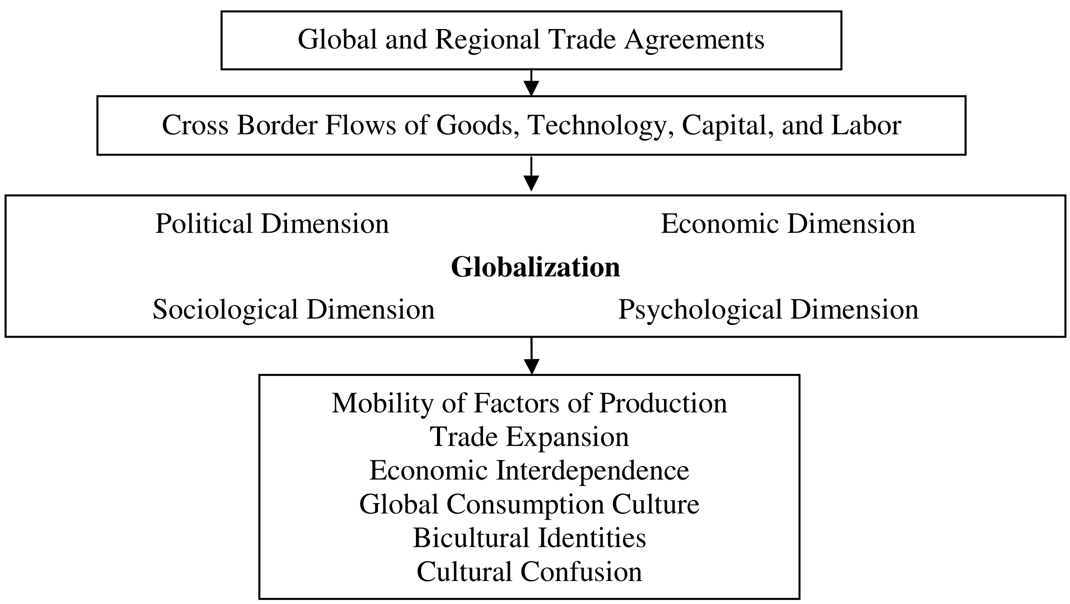
An Integrated Approach to Understanding Globalization

The current wave of globalization has been made possible by the decisions and agreements reached by the leading trading nations after World War II. Since the Bretton Woods agreement of 1944 that aimed at taking measures to stabilize currency values and the entire international monetary system, and the GATT trade liberalization agreement of 1947, the world economy has moved gradually, despite some bumps along the way, away from protectionism and economic nationalism, toward an increasing level of economic integration.

Except for the countries that adopted the Communist and socialist ideologies in the first half of the twentieth century, and some of the newly independent countries who for a period of time adopted varying forms of socialism, the leading economic powers led the way toward the universal liberalization of trade and foreign investment (except when national security considerations required taking different measures).

WTO's World Trade Report (2008) shows that globalization has had a positive impact on the growth of world trade and foreign direct investment (FDI). For example, the annual rate of growth in foreign trade in real terms has averaged about 6.2 percent between 1950 and 2007. This is higher than the rate of growth in the world GDP during the same period. Meanwhile, FDI as a percentage of the World GDP increased from 5.2 percent in 1982 to 25.3 percent in 2006. (p. 15).Although these impressive achievements may not have continued at the same level in the aftermath of the Great Recession of 2008, once the world economy resumes its normal rate of growth, world trade and investment would return to their previously high records. As argued in this paper, however, the economic and financial outcomes of globalization do not tell the whole story since it has also had major political, sociological and psychological implications. Figure I shows the multidimensional nature and impact of globalization when perceived as a system of inputs and outputs. The inputs are the international agreements reached to bring down the barriers to international trade and ensure the free movement of the factors of production across national lines. The outputs of the globalization transformation process include factor mobility, economic integration and interdependence, the spread of the consumption culture, bicultural identities, and, at times, cultural confusion.

Figure I: Globalization as an Integrated System



Summary and Conclusion

The current wave of globalization, which began after World War II, has moved the world economy to an unprecedented state of interdependence by making possible a sharp expansion of trade and investment across national borders. Multinational corporations, which are often referred to as borderless corporations, have played a major role in accelerating the pace of world economic integration and interdependence. They have also been major beneficiaries of globalization. Their production, investment, and marketing strategies have been instrumental in re-structuring the world economy as they spread their production activities to every corner of the world, taking advantage of a favorable political environment and the removal of many of the traditional barriers to the movement of capital and other factors of production.

Globalization has not just been economic in nature as most scholars and pundits seem to indicate. It has had political, sociological, and psychological dimensions that have to be taken into account in order to understand its overall impact on the world community of nations.

It has impacted the quality of life, value systems, cultural identities, and many other sociological and psychological conditions throughout the world in a multiple ways, both positively and negatively. Although it has helped in raising standards of living, increasing consumer choices in the global marketplaces, and in boosting economic growth, it has been a subject of criticism by some who have been negatively impacted by the liberalization of trade and investment policies, and those who have reservations and concerns about the continued growth in the power and influence of multinational corporations, or simply see the glass as half empty rather than half full. There is no doubt that globalization has also created some psychological and sociological tensions between traditional and modern cultural values.

Although some observers nowadays also express some doubts about the future of globalization (Please see What's Roiling the Waters of Global Trade, in Bloomberg BusinessWeek, November 10, 2013, p. 21-22), this process has gone too far to be reversed. As Suter (2006) points out, the world is not ready to turn the clock back on globalization (p. 209). History tells us that the alternatives to globalization have not led to better outcomes.

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