DOES GLOBALISATION MAKE SENSE?

Miroslav N. Jovanović
University of Geneva
United Nations, Economic Commission for Europe

Liberalisation in the national and international economy is a policy choice of governments, primarily in the developed world. It is linked with the privatisation and downsizing of public sector activities and the expansion of private sector activities. Globalisation of the economy and production is a fact. It is the outcome of the behaviour of firms, particularly transnational corporations (TNCs); their organisation; takeovers; changing technology that allowed fragmentation in production and distribution; control and finance; as well as economies of scale. In part, it is also the consequence of a change in the behaviour of consumers (fickleness and declining loyalty to national producers and certain national products) and liberalisation of national and international economies for trade, production and finance.

As a process primarily driven by technology and actions of TNCs (power is shifted from states to firms), globalisation lacks two important components: transparency and accountability. Many are suspicious about corporations and their increasing power over everybody's life. An obvious example is the influence of large pharmaceutical TNCs on governments and on the World Trade Organisation (WTO). One case in question relates to trade-related intellectual property rights.

The process of globalisation deals with the change in the geography of (integrated international) production and consumption as it reduces the importance of spatial proximity to inputs or markets. It widens boundaries and deepens space for the geographical location of production and consumption because of the declining costs of getting goods and services to the market. A rapid expansion of foreign direct investment is the key component of this process. Capital market liberalisation and increased capital mobility have radically reduced the influence of governments in the monetary sphere. However, governments have gained increased control in other areas. For example, computers and information technology have greatly increased potential for data collection and processing, and consequently control over firms and citizens, which is relevant for tax and other purposes.

In spite of their high profile, many global institutions are losing influence and relevance. Some of them may be losing even their purpose. Asian countries are dissatisfied with the IMF’s voting structure that favours Europe and the US without taking into account huge and growing reserves in Asia. Latin American countries of Argentina and Brazil have been among the biggest clients of the Fund. They repay IMF loans as soon as possible to get rid of disastrous policies introduced by IMF’s conditionality. In addition, Horst Köhler and Rodrigo Rato, the last two heads of the IMF, gave up their positions prematurely. That has never been a good sign.

The idea is not to be against globalisation across the board. Globalisation may contribute to the maximum viable economic activity that may create resources necessary to achieve other social goals. The idea is to put limits on it. The question is what kind of globalisation is desirable and how to achieve it?

The anti-globalisation campaigners have shown that governments are not powerless. The authorities can just as easily dismantle old trade and investment barriers as they can introduce new ones. New technology, in particular the Internet, telecommunications, computing, data processing and fragmentation of the production process can offer some of the greatest economic opportunities ever for increasing living standards in all countries. Governments and the national elite in all countries (due to incompetence or indifference) have failed to explain this. However, the process needs to be coupled with balanced policies both in the rich and in the poor world. Even though global economic integration may be the best theoretical end point for the future of the world economy for the proponents of globalisation, it is more likely that other (regional) outcomes may evolve or be chosen in the future. The impasse in the WTO Doha Round of negotiations points in this direction.

The vogue term “globalisation” has not yet been well or clearly defined. Many people have an opinion about globalisation, they argue about it, but without a clear idea of what it actually means. It is being used to describe almost all aspects of the present capitalist era of world economy. As such it may mean different things to different people. Hence, this fuzzy, contested and controversial, but powerful metaphor is overused, misinterpreted, often abused and very often misleading.

For some economists globalisation basically refers to the choices and strategies, as well as the shape, direction and significance of activities of TNCs. Globalisation has been defined in business schools as the production and distribution of products and services of a homogeneous type and quality on a worldwide basis. Simply put – providing the same output to countries everywhere. Uniformity and homogeneity in the modern world may be a heavy price to pay for the new or “better” standardised things that we consume. This introduces an ever present potential for the neo-communist risk that everyone eats and drinks the same, is dressed the same, shops in the same way, uses homogeneous (perfectly substitutable) goods and services and finally may even, or is forced to, perhaps, think the same.

Does globalisation make sense? The answer depends on what one means by “globalisation”. As there is no generally accepted definition of globalisation, the term has many different meanings. Hence, this may introduce confusion. If globalisation is principally the process driven by the behaviour of TNCs that also influence the policies of governments, then globalisation is still rather limited to the developed countries and the newly emerging economies. Even if large areas of the world and sizeable parts of the population are still not touched by this process, globalisation tries to expand and impose its standards onto new areas. Where globalisation was newly expanded, it often encountered an obvious and continuous resistance. This was because of the perception that it may not bring obvious benefits to the locals and because it may harm the local culture and damage the environment.

The new actors in the globalisation process (China, India and Russia) profit from the unleashed spirit of globalisation. They change the perception of the substance of this process in the countries that initially allowed globalisation to run free. Once the newcomers start to profit from globalisation, then comes a wave of domestic patriotism (read protectionism) in the developed market economies.

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