

Summary: Challenges of Globalization Classes

Globalization challenges have different aspects. Most important aspects that were shown in class are the: Economical, environmental, financial, historical, technological, political and social ones as well as special trilemmas.

In the following text the concepts that in my opinion are most important and are related to these aspects will be summarized shortly.

Economical:

In this context some economists speak about an asymmetric process of globalization: Rich countries are in a better position to benefit from globalization in comparison to poorer countries. Trade benefits are consequently distributed asymmetrical. Also the concept of the rise of the west or the great divergence says that western countries are in a better position because they achieved sustainable economic growth and the "rest" of the countries could not. The west and the rest diverged. The great convergence states exactly the opposite, that globalization can lead to a convergence of all countries and therefore to equality.

Another important aspect of the economical side of globalization is Rodrick's trilemma. It states that hyperglobalization, democratic politics and a sovereign nation state cannot coexist all together. One component always has to be sacrificed.

Furthermore in economics, a Goldilocks economy refers to the fact, that an economy needs just the right conditions to flourish. Traditionally a moderate economic growth and low inflation are conditions for a healthy economy.

Environmental:

The environmental dimension of current globalization and the actual capital system takes into account the impact on the ecosystem of the earth. The main outcome states, that the intense globalization affected the environment drastically in a negative way and that all economies are constrained by the carrying capacity of planet Earth (Modern Malthusian view).

The term "Anthropocene" for instance defines an epoch in which humans significantly impact the Earth's ecosystem. It is connected to the flow of energy and started therefore with the invention of the steam engine. In this context also Towler argues that every extraction of energy from the environment also impacts the environment.

Furthermore Bartlett's law of sustainability states that sustainable growth is an oxymoron as well as Herman Daly's and Magdoff and Foster state that unlimited economic growth in a limited environment is impossible. Jared Diamond even describes the damage to the environment the greatest threat to humanity and may endanger the human's existence. It is also related to the term "the imperial mode of living".

The environmental challenges of globalization also have a psychological side. Though the data regarding the negative impact on the environment is clear humans do not believe or do not act upon that fact, also called "the psychological climate paradox".

Financial:

The Laws of capitalist economies is one important concept and states, that usually debt grows beyond the ability to get paid and that neoliberals want a government that priority is to push gains for the bank. Nowadays economic activities especially in the US consist in the production

and exchange of “I owe U”s (IOUs). Crashes will be a logical consequence of this way of doing business. (Greer) In continuation the financial instability hypothesis (FIH) states that the financial sector is unstable because of cycles of credit expansion (asset inflation) and credit contraction (asset deflation). On the other side the efficient market hypothesis (EMH) holds that the market price of an asset reflects the asset’s true value. (Cooper)

Historical:

There exist different views of when globalization started depending on the definition of globalization. For example: Fred Spier categorizes globalization into 3 waves: Transatlantic voyages, outcome of industrialization and the current information technology revolution. On the other hand e.g. O’Rourke defines the start of globalization with market integration that is measured in terms of commodity price convergence in the early 19th century. Flynn Giráldez states that globalization is a historical process with origins in the 16th century that begun with the sustained interaction of all populated land masses. Other authors like Steger or Friedmann have even different definitions and categorizations.

Political:

Most important problem humanity is facing regarding globalization politics, is the fact that no global government exists. The paradox of our time is that the world is globalized and creates challenges, but nobody is in charge to solve them.

Furthermore Bloom states, that capitalism does not imply democratization and that globalization in a way strengthen dictatorial regimes.

Social (mainly inequality issues):

The Elephant curve shows how relative gains from globalization are distributed. As the graph shows an “elephant with a trunk” the gains are not evenly distributed. Main winners are the richest 1% and the Asian poor and middle class.

Kuznets curve and Kuznets wave are relating the level of economic inequality with the level of income/capita, showing that for low income levels inequality is low, but with higher levels inequality rises again. On high income levels inequality decreases again. The Kuznet curve is analyzing additionally changes in inequality and income of different epochs.

And Piketty’s theory of inequality states, that if the rate of return on holdings of wealth (r) grows faster than GDP growth (g) inequality grows.

To reduce this inequality an efficient Tax system is necessary!

Technological:

The technological aspect of globalization incorporates several main topics: Labour, a responsible and smart use of new technology and artificial intelligence (AI).

Kurzweil’s singularity states, that technological progress brings dramatic changes. One potential progress that for instance is predicted to bring a dramatic change to human lives is Artificial intelligence.

Regarding labour it exist the fear, that automation and artificial intelligence will replace certain workers and in consequence unemployment is a result. And that even if machines get very efficient nobody can afford buying products, because of no wages. (Ford) On the other hand it is argued that machine automation is not able to create unemployment in the long run. As

soon as work skills are adapted to the new demands unemployment will decrease again.
(Luddite fallacy)

Furthermore critics regarding technology argue that due to the fact that technology is uncertain and impacts often are underestimated in the long run technologies retrieve danger.
(Doug Hill, Samuel Arbesman)

Finally some authors such as Diamandis and Kotler claim that with the uprising power of new technologies abundance for all is possible and can solve especially environmental problems.

...and one trilemma: The big triad...

states that challenges of globalization have three dimensions "Growth", "Distribution" and "Stability" that cannot coexist. One of these globalization dimensions has to get sacrificed for the other two.