

Important Aspects of Globalization

A Summary



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The following essay is based on my point of view about the most important topics discussed in class. The source of this elaboration are the papers handed by the docent.

1. INTRODUCTION

Before I visited the course “Challenges of Globalization” I never thought about Globalization as a highly complex topic or process. For me it was more or less an ongoing change in humankind’s way of living, which meant that our sphere of influence grows and becomes more international. The contents of the course taught me better, as Globalization is much more than what I thought of before. Therefore, this essay aims to give an overview on what Globalization really embraces and to provide a basic idea about Globalization to those who have not yet dealt concretely with this issue. However, it can be already mentioned at the beginning that this overview will not be able to fully cover all aspects.

Thus, the question answered within this essay is: *What are the basic and, firstly, most important aspects when talking about Globalization?*

Moreover, the important aspects of Globalization will be allocated into the Big Triad, a trilemma showing the challenges of Globalization. Therefore, the second question that will be answered is: *How can the three important aspects of Globalization be seen within the Big Triad?*

2. A THEORETICAL VIEW ON GLOBALIZATION

The first and very elementary topic structuring the subject Globalization should deal with theories and process explanations around Globalization itself. Therefore, at first, it is reasonable to define Globalization and its meanings. Subsequently, discussions about when Globalization began arise, followed by approaches structuring the Globalization process. Finally, ideas of how Globalization might end can be debated.

2.1 DEFINITION AND MEANING

As there are certainly as many definitions of Globalization as there are people having discussed the topic, one short and general definition is adopted: “Globalization can be viewed as a set of processes under which interdependence at the global level is increased.”

2.2 BEGINNING OF GLOBALIZATION

Concerning the beginning of Globalization two positions can be presented. According to O’Rourke & Williams Globalization began when the commodity price convergence started, which was in the 19th century. Compared to this very economic view, Flynn & Giraldez create a more general approach. They say it started in the 16th century when the interaction of all sufficiently populated land masses began.

2.3 THE PROCESS OF GLOBALIZATION

There are many theories explaining and conceptualizing the process of Globalization. While Spier identifies three waves of Globalization, Friedman presents three different episodes of Globalization according to the key agents of Globalization. A longer approach of the process contains six periods. The process starts with the territorial conquest of the planet and ends with the question about future Globalization.

2.4 THE END OR SLOWDOWN OF THE GLOBALIZATION

One possible end, or at least a slowdown, of Globalization has been discussed by Antimo Verde. According to his point of view the middle classes in the advanced countries have been the biggest losers of Globalization. Therefore it might be in their interest to stop Globalization. Verde assumes that this will start with political conflicts, provoked by middle classes, on a national level which lead to anti-global policies and ultimately to a slowdown of Globalization.

Moreover, there are – of course – other and maybe at first sight more obvious events and processes that might stop globalization. Many of these are happening at the moment or happened recently. One example is that trade wars could become an obstacle of international trade. The current president of the US, Donald Trump, advocates trade doctrines which are very probable to cause that kind of war if other nations don't stand down and play by the rules they agreed to. Another issue, especially European countries are struggling with these days, is immigration and the protectionism emerging from this. As a first European country, Great Britain, decided to exit the European Union and to reclose its borders. If the Brexit will be successful and the UK will benefit from it, other countries might want to follow. This would lead from an open European union back to "closed" countries and probably would not only affect travelers but also the general European and worldwide exchange.

3. THE BIG TRIAD – THE CHALLENGES OF GLOBALIZATION

After highlighting the Globalization process and its theories, the three main aspects of Globalization will be presented, which are the economy, politics and social aspects. But before the trilemma shown by the Big Triad is explained in order to demonstrate the role of every aspect within the trilemma later.

The term of the Big Triad describes three main dimensions of challenges of Globalization. At the same time they also represent a trilemma situation. As Globalization is an expansionary process the first dimension is "Growth". This refers to every possible kind of growth: population, technological progress, prosperity, consumptions etc. The "Distribution Dimension" refers to how the outcomes of growth are distributed among people. The last dimension "Stability" can be divided into "social stability" and "ecological stability". Both set the conditions necessary for

the first two conditions. The great challenge of Globalization is to find out if the three dimensions can coexist or if they build a trilemma and which two should be chosen in this case.

4. THE ESSENTIAL ASPECTS OF GLOBALIZATION

Following the aspects of Globalization are presented. As all other topics which are subordinated to these aspects rely on each other, most of them cannot be assigned clearly to one of them. Therefore, I decided to unify politics and social issues within one topic and assigned the subtopics to issue they fit in the best.

4.1 ECONOMY

4.1.1 Capitalism

One huge sector when it comes to economic Globalization is capitalism. Having a closer look at capitalism, it occurs that it might primarily generate negative outcomes and situations if not considered from the pro-capitalistic point of view, of course. According to Yates, capitalism only creates a few winners but many losers and the poles of wealth and poverty. Moreover, it not just exploits human labour but also the natural resources which leads to environmental destruction. The resulting question is, *if* it might be better to end capitalism and *when* the crises will come.

Nasser, at least, describes *how* capitalism will end. He believes that capitalist societies reach a development stage where real-economic growth which brings secure employment and living standards slows down and is sustained by bubbles. That is why he claims that social democracy is needed in the near future.

4.1.2 Finance

Another big topic of economic Globalization is finance. At least after 2007, when the property bubble in the US burst and caused the global financial crisis, we know how closely linked our financial systems all over the world are and that finance also is a huge driver of Globalization.

One interesting approach to protect local economies in the global market has been provided by Michael Pacione. He claims that local currencies, which should be used for local trade, could offer a protection against currents of the international financial systems for local economies. Moreover, Pacione is of the opinion that alternative financial institutions in combination with such a local currency can reinforce local economies.

Besides, it is certain that there is a need for a global regulation of finance and economy. This will be discussed in the next subchapter.

4.1.3 Who controls the global economy?

Mahbubani expressed it as followed: “The problem is that currently the world economy is like a boat without a captain: the institutions of global governance are too weak.” The problem of the globalized economy is that there is nobody who controls or rules it while individual rationality arises and weakens the drive for cooperation. This consequently led to the financial crises in 2007. Obviously, there is an urgent need to endow the global economy with credible global rules. One approach has been developed by Rodrik (2018) and contains the “new rules for the global economy”.

4.1.4 Technology

Technology is another broad field of globalization which is often determined as one big driver of Globalization. One highly discussed technological issue is **Artificial Intelligence (AI)**. Some approaches suggest that AI will endanger the job market whilst others create solutions for a coexistence of AI and human labour (Kai-Fu Lee, 2018).

Another discussion is triggered by data. On one hand data makes it easier for companies to fulfill the customers’ needs properly but on the other hand having data more and more means to have power. This generated a large debate about privacy concerns.

4.2 SOCIO-POLITICAL ASPECTS

4.2.1 The Political Trilemma

This trilemma describes the problem that the demands by the people, the demands by the elites and the international financial demands cannot be satisfied at the same time. This occurs mainly in the Eurozone where the financial demands of the Brussel’s norms should be fulfilled.

Rodrik describes another fundamental political trilemma. According to him it is not possible to have Hyperglobalization, democracy and national self-determination at the same time. There only can be chosen two of it.

4.2.2 Globalization and Inequality

Does Globalization lead to inequality?

Kuznets curve describes how economic inequality depends on the level of income. Graphically the curve is formed like an inverted ‘U’ which means, that for low income levels inequality is low and as the income increases, inequality increases as well. Moreover, from sufficiently high income level on, inequality is supposed to decrease again. In reality, however, this is not always the case.

Normally high inequality can be solved by tax systems. Nevertheless, Globalization makes it more difficult to raise taxation on capital income as it is harder to tax mobile capital. The resulting question therefore is if Globalization leads to inequality.

Globalization as an asymmetric process

The question above is supported by the view that Globalization is an asymmetric process. Rich countries have a supposed ability to generate higher benefits from Globalization than poorer countries. This is because the preconditions needed to succeed in Globalization can be more easily satisfied by the richer countries. To gain these preconditions poorer countries would need to make high investments, which can also be seen as entry costs. Since poorer countries cannot pay these costs they are unable to benefit from Globalization.

The impact on the Globalization on the world income

There are two views about how Globalization might impact the world income. The orthodox view claims that finally the wages in poor countries will converge to wages in rich countries. The Heterodox view on the other hand assumes that the international trade even reinforces income differences between poor and rich countries.

4.3 HOW CAN THE ASPECTS BE SEEN WITHIN THE BIG TRIAD?

After presenting a small sample of important issues regarding Globalization, these will be located within the Big Triad.

The first dimension of the Big Triad, *growth*, can be adapted easily to economy as Globalization and the international connections have intensified economic growth a lot. A challenge resulting from this has been demonstrated as the financial crisis occurred: How can the economic growth be maintained *stable*? As shown, a possible solution might be a global regulation.

Moreover, it occurs to be extremely difficult to equally distribute the benefits of the globally growing economy. So this sociological problem of *distribution* will be one of the big challenges of Globalization.

5. CONCLUSION

The aim of this essay was to give a basic overview of the important aspects of Globalization. As already mentioned in the introduction, the topics presented above are only a small part of what Globalization covers. However, a person who does not have an elaborated idea of Globalization can get a good overview through this summary. The aspects have also been shown in the Big Triad. Again, this description above can be seen as only a small insight of what the Big Triad really encompasses.

All in all, I personally can say that my view on Globalization greatly changed within the last few month. The topics above are the ones that impressed me the most and are a short summary of Globalization. In the future, I will definitely have another view on any topic appearing in my life regarding Globalization.