

GLOBALIZATION

Șerban Olah¹

University of Oradea

Lioara Coturbaș²

University of Oradea

Abstract. The paper aims to analyze globalization, a process that changed the social and economic life in the last decades. There are many theories of globalization, but we focus on sociologic and economic theories of Giddens, Stiglitz, Pagano and Beck. Globalization is considered a process with economic roots, but with social and even ecological consequences. The economists consider that global Taylorism and the actions done by main economic institutions - as the World Bank, International Monetary Fund and World Trade Organization - are few of the most important elements of globalization. Sociologists, on the other hand, are focused on social world transformation in a global village.

Keywords: globalization, International Monetary Fund, World Bank, globalism, modernism.

Globalization – main theories

Probably the first thing that impresses us while entering a supermarket is the diversity of goods that we find. This is because of the economic connections which are incredibly complex and are spread all around the world. The exposed products were either fabricated, or use ingredients from a hundred different countries. All the products have to be shipped regularly from one side of the Earth to the other, needing an ongoing flux of information for the coordination of millions of transactions which take place daily. Anthony Gibbens (2000), referring to Peter Wersley's statement (Wersley, 1984, p.1, cited by Giddens, 2000, p.75), said that human society had only existed until not a long time ago, by that Peter Wersley was referring to the fact that only nowadays we can talk about forms of social association which embrace the whole world. The world became a unique social system, a result of tight interdependence which is practically affecting everybody. The global system does not only refer to the environment in which societies develop and evolve. The social, politic and economic connections are conditioning in a decisive way the fate of the population who lives in every country. The general

¹**Author address:** University of Oradea, Faculty of Social and Human Sciences, Universității Street, no.1, 410087, Oradea, Romania. **E-mail:** serbanolah2002@yahoo.com

²**Author address:** University of Oradea, Faculty of Social and Human Sciences, Universității Street, no.1, 410087, Oradea, Romania. **E-mail:** liorac@yahoo.com

term of the increase of interdependence is globalization. Thus, globalization can be defined as being the enhancement of worldwide social relationships which bond far lands in a way in which local events are being shaped by events that take place at a bigger distance or the other way around (Roth, 2002, p. 67). Of course, the connections among countries and areas were always part of social life: trade transfer has been practiced for a long time, states have been influencing each other by violent impacts, alliances or associations and the universal culture is a form of contribution from all around the world. Not being open minded or self-sufficiency had never been considered as being favorable, on the contrary those terms only led to hold-ups or throwing backs. The few populations that have remained until the 20th century in the New Stone Age stage of evolution, which had a tribe form of organization, explained their condition by being geographically isolated, which forbade their integration in the universal history tide. Pre-modern civilized societies were practicing a partially or fully closed economy; market economy and democratic structures were the ones which opened them up in every aspect (Roth, 2002, p. 68). We can declare that the first step of globalization was made by the Industrial Revolution, by social modernization, by the consolidation of modern society, by building the world market. Contemporary globalization brings correlations at a whole new level: they are becoming incomparably more complex and are being realized at a higher speed than in the past. At the same time, the autarkic development of any country can practically be abolished. Any attempt of isolation is equivalent with choosing a way that will only ensure failure. From a sociologic point of view, at a deeper approach, the actual process of globalization means the expansion of the occidental social model, its breakthrough in different geographic areas, finally leading to all the areas and countries of Terra. Globalization is an ongoing process, which cannot be ignored or reversed. At the same time, it is problematic because it generates contradictions and new tensions on a worldwide scale. It involves the dissemination at a worldwide scale of all the post-modernity elements, of post-industrialism, of market economy, of social macrostructure, of the democratic accomplishments which are based on human rights, of postmodern spirituality, but also of the amplified risks of post-modernity (Roth, 2002).

There is a vast literature about globalization that cannot be covered in a few pages. We will only focus on some great economists' and sociologists' points of view, which are being recognized worldwide.

From an economical point of view globalization is the term that denotes the main source of capitalism spreading all over the world. The length of spreading of the process has been contested. If production, distribution and consumption used to take place in the same country (but in a less extent the import and export), globalization means that the national borders mean less from the transactions point of view which are taking place in contemporary capitalism. For example, production implies more countries, but consumption can take place in a totally different country. The reinvestment of the production profit often ignores national boundaries. In one sentence: the production, the distribution, the consumption

and the reinventing of profit are in a way managed at a global level, often with the full support of political authorities (Swedberg, 2003, p. 70).

Joseph Stiglitz (2003), an American economist, who won the Nobel Prize in 2001, wrote one of the most interesting papers about globalization, emphasizing some very important economic institutes for this process such as The International Monetary Fund, The World Bank or the World Trade Organization. From his point of view globalization represents a stronger integration of countries and their population as a consequence of a significant reduction in the cost of shipping transports, of communications and of eliminating the artificial barriers in the circulation of goods, services, capital, knowledge (but in a lower scale), of people between states (Stiglitz, 2003, p. 38).

Globalization was accompanied by the creations of some institutions that joined the existing ones. In the civil international society, new groups like the Jubilee movement, which determined pressures in the reduction of debts of the poorest countries, joined older organizations, like The International Red Cross. Globalization is also determined by international corporations, which do not only provide capital and goods to the states, but also technology. Also, globalization raised awareness regarding the international intergovernmental institutions with an ongoing existence: O.N.U., which tries to maintain peace in the world, The International Labor Organization, created in 1919, which promotes 'decent work' as its slogan and The World Health Organization whose major concern is the wellbeing of the citizens of developing countries. The author's main concern is related to the analyses of the key international institutes of worldwide economy. Out of the three major institutions mentioned above, the accent is rather put on I.M.F. and the World Bank and also on the relations between the two. I.M.F. and the World Bank have their origins in the Second World War, being the result of the Monetary and Financial U.N. Conference, held in July 1944, in the state New Hampshire –being part of the concerted effort of financing and reconstruction of Europe after having been damaged by the war and of preventing a future economic crisis. The official name of the World Bank: The International Bank for Reconstruction and Development reflects its initial mission and the word "development" was added later. Then, most developing countries were colonies, the precarious efforts of economic growth which could have been or should have been done being considered to belong to the competence of European masters. The hardest task of assuring economic stabilization at a global scale was entrusted to I.M.F. Those who gathered in Bretton Woods clearly remembered what had happened in 1930. Almost 75 years before, capitalism was facing the biggest crisis until then. The Great Crisis took over the whole world and led to an unprecedented increase in unemployment, with over a quarter of American able-bodied citizens remaining jobless. John Maynard Keynes, a British economist, who would be one of the most important participants of the conference that took place at Bretton Woods in 1944, had a very simple explication that came with a set of simple measures: the insufficient aggregate demands were the cause of economic decline; the government policies could contribute to the stimulation of demands. If the Monetary Policy proved ineffective, the states could resort to fiscal policy,

either by increasing costs or by reducing taxes. Although the models based on Keynes's analysis were subsequently criticized and improved, they were also given a more detailed explication of why the market wouldn't allow full employment, but the basic ideas remained valid (see Stiglitz, 2003, p. 40). The International Monetary Fund was given the task to prevent a future World Crisis. This was to be realized by putting international pressure on the countries which stopped paying their entire debts for maintaining the aggregated demand at a global scale. Although in its initial conception, the I.M.F. was based on acknowledging the fact that markets do not often work properly; that because of them, unemployment rates reached very high percents and that countries may not receive sufficient funds to rebuild their own economies. I.M.F. was founded on the belief that collective action was needed in order to ensure global economical stability. In the years since its creation, I.M.F. has changed a lot along the way. Founded on the belief that markets often did not worked properly, it now stands for their supremacy with ideological fervor. Founded on the belief that we must exert international pressure upon the countries so that they adopt expansionary economic policies, such as increased spending, tax reduction or lower interest rates in order to stimulate the economy, nowadays I.M.F. typically provides funds only if states adopt policies meant to reduce deficits, by raising taxes or increasing interest rates, which lead to a weaker economic activity. Stiglitz believes that Keynes would turn in his grave if he saw what happened to his child (Stiglitz, 2003, p. 42). In the 1980s, when Ronald Reagan and Margaret Thatcher boldly proclaimed free market ideology, the most significant change has produced within the I.M.F. and the World Bank. These two institutions have received a missionary character; the ideas of the two great political leaders of that time were inoculated to reluctant poor countries that often desperately needed their loans and grants. The finance ministers of these countries were willing to learn, if they had to obtain money, although the vast majority of government officials and citizens of those states often remained skeptical. Although the missions of the two institutions remained distinct, in this period their activities began to intertwine more and more. In the 1980s, the World Bank has not been limited to loans for various projects, but also extended its support in the form of so-called structural adjustment loans; but it did so only after the I.M.F. gave its consent - and the requirements of I.M.F. towards the concerned country came together with this agreement. Although it was assumed that I.M.F. had to focus on the crisis situations, developing countries always needed help, so that the I.M.F. became a permanent component of the existence of most of these countries.

The Fall of Berlin Wall opened a new field of action for the I.M.F.: the coordination of the transition process to market economies of the former socialist countries of Eastern Europe space. In recent years, as the crisis increased and the money in the treasury of the I.M.F. seemed not to be enough, the World Bank was resorted to, which provided tens of billions of dollars in emergency aid, but only as a secondary partner, the programs guidelines being dictated by the I.M.F. In principle there was a division of labor. It was assumed that in the relations with a country, the I.M.F. should be limited to issues of macroeconomics, to the state

budget deficit, its monetary policy, inflation, its trade deficit, its policy of borrowing from external sources. The World Bank had to deal with structural problems – the expenditures of the government of that country, its financial institutions, the labor market and its trade policies. I.M.F. adopted a more imperialist optics on this issue, because almost any structural problem affected the overall functioning of an economy, and that included the budget or trade deficit. It often expressed impatience towards the World Bank. Even in the years when the free market ideology was sovereign, there was often controversy about the best suited policies concerning the situation in a particular country. I.M.F. had the solutions (essentially they were the same for all countries), did not consider necessary these discussions and, although the World Bank had analyzed what should be done, it realized that, while it wanted to provide those solutions, it stepped into void (Stiglitz, 2003, p. 44). Half a century after the founding of the I.M.F., Joseph Stiglitz believed that this institution had not fulfilled its mission. It did not do what it had to do, namely to provide funds to countries facing economic decline, so that they could return closer to a full employment level. Although in the past 50 years economists have managed to better understand the economic processes, and despite the efforts of the I.M.F., in the last quarter of the century the crises that erupted in the world were deeper and more frequent, with the exception of the Great Depression. According to estimation, nearly one hundred countries have faced crisis situations. More serious is the fact that many of I.M.F. policies which mainly forced the premature liberalization of the capital market contributed to global instability. And when a country confronted with a crisis the I.M.F. funds and programs not only failed to stabilize the situation, but often worsened it, especially at the expense of the poor. Not only hadn't the I.M.F. managed to fulfill its original mission of promoting global stability, but it had no success in the new assignments it had undertaken, such as that of coordinating the transition of the former socialist countries towards market economy. Thus, the American economist reveals his disappointment towards the key global economic institutions and particularly towards I.M.F., which places the interests of Wall Street companies and of the financial community before those of poor countries. Stiglitz directly witnessed the most important economic events of the last decade, including the Asian economic crisis and the transition of the former Soviet republics, as well as the application of development programs in various countries. He saw repeatedly how those who dealt with the development of economic policy turned stubbornly to outdated models, using the principles of the "Washington Consensus" formulated on their basis in order to elaborate policies with disastrous effects. Within the main institutions responsible for globalization, he also found a harmful desire of hiding reality, a desire that exacerbates errors in the same way in which it prevents change for the better.

Ugo Pagano is a reputed neo-institutionalist Italian economist, professor at the University of Siena and former Dean of the Faculty of Economics at the Central European University in Budapest. In a workshop held at the Central European University, in November 2003, Ugo Pagano presented some interesting ideas about globalization in an unpublished paper entitled "*Cultural Globalism, Institutional*

Diversity and the Accumulation of Intellectual Capital" (see Pagano, 2007). Does globalism push the world towards a unique model of capitalism characterized by an uneven distribution of assets, especially of intellectual property embodied in individuals and goods, such as patents, copyrights and trademarks? Is there something like national government or international organizations that can promote more egalitarian outcomes or a wider access to the purchase of intellectual property? Globalism, believes the Italian economist, can be considered the pressure of exceeding national cultures in the name of a global culture.

Pagano considers interesting the paradoxical continuity between nationalism and globalism (Pagano, 2007). Both are forms of cultural standardization associated with the development of markets. In the era of nationalism some forms of intellectual property have been removed, others have survived. Globalism provides a selection of these goods. Globalism can be considered as a strong pressure towards economic integration. In this regard, globalism may favor some aspects of cultural and institutional diversity that can act in the opposite direction. Thus, not only can different forms of capitalism coexist, but in some ways the biodiversity of capitalism can increase in an integrated economy. Finally globalism can be intended as a pressure to create a new world order allowing the standardized definition of the world, the strengthening and reinforcement of intellectual property rights that require global application. All these aspects of globalization have important and often contradictory implications in the distribution of both intellectual property embodied by individuals, but also of those embodied in commodities such as patents, copyrights, trademarks. If global cultural standardization involves a more equal distribution of intellectual goods among countries, it can divide the citizens of the same nation into cosmopolitan and provincial ones. The differential access to world culture can become a traumatic division into a culturally convergent world. Furthermore, unlike nationalism, globalism cannot be founded on any form of social insurance based on national solidarity. Thus, globalism completes the process of economic integration started by nationalism, without relying on any form of social protection against the risks related to operations in markets that characterize the national state. The increase of economic integration leads to the survival of the most suitable forms of economic organization consistent with the rules of global economy. Maybe this is why convergence fosters towards a unique model of capitalism. The economic integration may cause an increase in the institutional divergence among national economies. Let's suppose that each national economy is characterized by a specific type of organizational balance between intellectual property and the system of property rights. Economic integration therefore can imply that each nation should specialize in those sectors in which it has a comparative institutional advantage. Thus, in an integrated economy, the different distribution of intellectual goods can characterize the globalism of different countries, designed to increase economic integration that can even be compatible with an increasing variety of national distribution arrangements. Finally, globalism is intended as a worldwide system of property rights that can decrease the biodiversity of capitalism and may have some global implications in the distribution of intellectual property. Intellectual property rights

that are more powerful may imply the fact that non-proprietors can suffer more because of the exclusion from access to the intellectual capital than to the physical one. This is the main aspect of the recent globalization process and it could explain the relative decline of the countries based on upward-directed innovation processes (Germany and Japan in comparison with USA which has a model based on downward-directed innovation and on coordination of the system) and the increasing difficulty of the emergent countries to keep up with the industrialized nations. It thus leads to a global economic system compared with taylorism, with the distinction that dividing the decision and the execution doesn't take place anymore at a corporate level, but this distribution rather takes on an international connotation. Therefore, economic decisions and intellectual property rights belong especially to the companies in rich and industrialized countries, while the emergent countries have nothing left to do but to attend the execution processes in the multinational concerns brought in these countries because of low taxes. This idea belonging to the Italian economist seems to take shape in the contemporary world if we take into consideration that the American multinationals are moving to Asia, whilst the West-European corporations are moving to Eastern Europe. In his publication "What is globalization", the German sociologist Ulrich Beck (2003) analyses globalization as a multi-dimensional process: economic, social, political, cultural, technological, ecologic. He starts from the idea that globalization, "a terrifying word permanently used in every contemporary public speech indicates, at the opposite pole of political decline, the politics' escape from the categorical sphere of the national state, even more so from the scheme that differentiates the political action from the non-political one" (Beck, 2003, p. 13). Therefore, the premises of the social state and of the pension system, of the welfare and the local policy, of the infrastructure policy, organized union power, the general negotiation system in the event of rate autonomy, but also the budgetary costs, the taxing and fiscal equity; everything melts under the globalization heat in the direction of the possible political development process. All social players are obliged to react, to respond in one way or another to this phenomenon, though typically these answers will not pursue the old left or right oriented schemata of political actions. What captivated us was the author's statement about the fact that globalization features what in latent condition was always valid for the capitalist society, but has remained camouflaged in the social-political-democratic obedience phase: the reality that for the enterprises, especially those with global activity, there is no exclusive key role in the economy set-up, but also for the society altogether, as they can deny society the material resources (capital, taxes, jobs)(Beck, 2003, p. 14). An economy with global function, the German sociologist continues, disrupts the foundation of the national economy and of the national state. It thus initiates an under-politization of completely unknown proportions and with unpredictable consequences. The essence is elegantly placing in a new round, in the dead-end of history, the old adversary "work", but is also, especially, simultaneously firing the ideal capitalism, the term for "state" used by Marx. Concisely: freeing from labour and the state's warp, as they were constituted in the nineteenth and twentieth centuries. Globalization threatens the unions, the politics and the state. Politicians from different parties, Ulrich Beck believes, are surprised and fascinated by the

institutes' discouragement through globalization and are just starting to vaguely assume that they are on the verge of being transformed, as Marx would put it, into their own grave diggers. That is why, the author continues, it is ironic how some politicians cry out for the market over and over again, without even noticing that in this way they are murdering their own vital nerve, that they are closing the money and power faucet. The consequences of globalization are increase in joblessness, decline in the state's income resultant from taxes and a huge increase in profit of the large corporations. It therefore leads, the German sociologist claims (Beck, 2003), to a non-working capitalism plus capitalism without taxes. Thus the incomes resultant from corporative and current income taxes have decreased from 1989 to 1993 by 18.6 percent, and their rate to the total number of taxes cashed in by the state has depreciated by half. On the other hand, even if the European Union states have got richer in the last years by 50-70 percent, EU counted in 1997 twenty million unemployed people, fifty million poor people and fifty million homeless people. In the United States the economic growth has enriched the rate of timocracy by only ten percent. These ten percent have benefited from the ninety-six percent of the additional fortune (Beck, 2003, p. 18). Giving reference to Germany's case, Beck remarks that profits have increased from 1979 by ninety percent and salaries by six percent. As a result, the income collected from taxes has doubled throughout the 1987-1997 decade. Receipts from taxes on corporation's profit have been cut down to half and cover only thirteen percent from the total received taxes, while in 1980 there were twenty-five percent left, and in 1960 even thirty-five percent. The author's explanation is that transnational companies like Siemens or BMW are no longer paying taxes in Germany. While large transnational firms are competing for record profits and are purloining from fiscal interventions of national states, small and medium enterprises, the ones that offer a great number of jobs, are bleeding in the adjusted grip of fiscal bureaucracy. It thus occurs "as a history joke the fact that in the future, the very losers of globalization will suffer all the costs of the social state or of a functioning democracy, while the winners of the globalization will do well out of heavenly earnings, freeing themselves from responsibility for the democracy of the future. The German sociologist believes that globalization is impossible to be re-examined. The motives would be the following: geographic expansion and rising density of international commerce interaction, globally connecting the financial markets and widening the power of the transnational concerns, the constant revolution in the field of information and communication technology, the universally acknowledged demands of human rights, the declarative democracy principle, the flows of the images of global cultural industry, post-international worldwide polycentric politics – alongside governments there are countless transnational matters (concerns, non-governmental organizations, The United Nations), whose number and force spread, issues regarding worldwide poverty, environmental destruction, transcultural conflicts on the scene (Beck, 2003, p. 26). In these conditions, Ulrich Beck believes, sociology gains a new quality, of studying the meaning of human life in a world turned into a trap. Globalization reveals the fact that from now on nothing that is happening on our planet is a limited local process, that all discoveries, victories, catastrophes preoccupy the whole world, that all of us are

forced to readjust and to reorganize our life and activity, our organizations and institutes along the local-global axe. Hence we are witnessing the existence of the Second Modernism, which makes the standard terms of the First Modernism become ill-considered and contradictory. From the ecological dimension point of view a pollution globalization must be mentioned. At this point Ulrich Beck comes with an interesting example. Thus, in the 1960s, biologists discovered high concentrations of industrial toxins in the flesh of the penguins from the South Pole. These had come on unknown means from the products and the furnaces of the chemical aggregate works to the last corner of apparently untouched nature. The German sociologist remarks the few effects caused by the ecologic issue summits like the ones from Rio de Janeiro in 1992 or New York in 1997, but he believes that “there still is a reference point which allows measuring and criticizing the activity or lack of activity of social players, wherever they might be in the world and in almost all thematic fields of society (from consumption and manufacture to architecture, transport and communal policy etc.): ecologic globalization” (Beck, 2003, p. 36). Ulrich Beck analyses the cultural dimension of globalization by citing a British author, Kevin Robins. He claims that the evolution of the global market involves great consequences regarding cultures, identities and lifestyles. The word McDonaldization increasingly inflicts a universalization in the direction of leveling lifestyles, cultural symbols and transnational behavior forms. Dallas, the TV show is being consumed, blue-jeans are being worn and Marlboro is being smoked, as a sign of unmarred, free condition, in Bavaria, as well as in Calcutta, Singapore or Rio de Janeiro. Succinctly, cultural industry means more than ever convergence of cultural symbols and lifestyles. A merchandise world, Beck concludes, takes shape, where local cultures and identities are being uprooted and replaced by symbols of the merchandising world resultant from advertising and iconic design of national concerns. To be becomes a design – all over the world. Globalization also means the end of free, rebel information. “An informational global structure covers the world just like a spider web” (Beck, 2003, p. 68), the German sociologist writes, citing the author Ignatio Ramonet. This informational structure values the advantages of digitalization, promotes inter-relating of communication services and supports the inoculation of the three technologic branches – computer, telephone and television, which merge into one unit in multimedia and internet. These branches are at the same time the ones of the future, where huge profits are made and will be made and that is why large corporations tend to assure for themselves a slice as big as possible from the multimedia cake. This is also the reason for which The United States of America (among the first manufacturers of new technologies and home for the most important companies), pursuing economic globalization have thrown their whole potential in the tray of derangement, so that even more states can allow access beyond the borders to the free informational flux, in fact to the American giants of media and entertainment industry. Globalization is thus a new stage of capitalism. Francis Fukuyama was wrong when he published his work *The End of History* (1992), because history carries on with this disorganized capitalism and with the global society which is not a mega-society that contains and assimilates all the national societies, but a worldwide horizon characterized by

diversity and reintegration, which opens when it is build and is preserved in the spirit of communication and operation.

References

- Beck, U. (2003). *Ce este globalizarea? [What Is Globalization?]*, Bucharest: Trei Press.
- Giddens, A. (2000). *Sociologie [Sociology]*, Bucharest: All Press.
- Roth, A. (2002). *Modernizare și modernitate [Modernization and modernity]*, Iași: Polirom.
- Stiglitz, J. (2003). *Globalizarea și criticii săi [Globalization and its Discontents]*, Bucharest: Economic Press.
- Swedberg, R. (2003). *Principles of Economic Sociology*, USA: Princeton University Press.
- Pagano, U. (2007). Cultural Globalism, Institutional Diversity and the Accumulation of Intellectual Capital. *Cambridge Journal of Economics*, 31, pp. 649–667.
- Fukuyama, F. (1992). *The End of History and the Last Man*. New York: Free Press.
- .